

MEMORANDUM

December 19, 1997

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 970003-GU -- CITY GAS COMPANY OF FLORIDA
PGA AUDIT REPORT - PERIOD ENDED SEPTEMBER 30, 1997
AUDIT CONTROL NO. 97-160-4-1

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The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on two diskettes (One is confidential.) The diskettes may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

City Gas Company of Florida
Richard F. Wall
955 East 25th Street
Hialeah, Florida 33013-3498

DNV/sp

Attachment

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Kiesling
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Makin)
Miami District Office (Welch)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

13019 DEC 19 97

FPSC-RR DRS/REPORTING

Florida Public Service Commission

Audit Report

Twelve months ended September 30, 1997

**Field work completed
December 8, 1997**


**CITY GAS COMPANY
Miami, Florida
Dade County**

Purchased Gas Adjustment Clause Audit

Docket Number 970003-GU

DAFA No. 97-160-4-1


**Raymond Grant
Audit Manager**


**Kathy Welch
Regulatory Analyst Supervisor
Miami District Office**

DOCUMENT NUMBER-DATE

13019 DEC 19 97

FPS-CPD-1000-REPORTING

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	April 1997 thru September 1997	

I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to audit the appended Purchased Gas Adjustment schedules prepared in support of Docket 970003-GU for the twelve month period ended September 30, 1997. The audit exit conference was held on December 8, 1997. This report is based on confidential data filed with the Commission Clerk.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

OPINION: The Purchased Gas Adjustment schedule A-2 for the six month period ended March 31, 1997 and Schedule A-2 for the six month period ended September 30, 1997 represent the Company's books and records maintained in substantial compliance with Commission Directives. The expressed opinions extend only to the scope of work described in section II of this report.

II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this report, the following definitions shall apply.

COMPILED -The audit staff reconciled exhibit amounts with the general ledger, visually scanned accounts for error or inconsistency, disclosed any unresolved error, irregularity, or inconsistency, and, except as noted, performed no other audit work.

COST OF GAS

Compiled a cost of gas schedule from the general ledger and reconciled amounts to Schedule A-2. Reconciled the company's Summary gas Cost Schedules to the A-2. Examined invoices for the months of January 1997 and April 1997. Judgementally tested adjusting entries to cost of gas.

REVENUES

Agreed Purchased Gas Adjustment (PGA) revenues from the monthly revenue reports to the amounts on the company's A-2 schedules for all months. Recalculated the PGA billing factor from the Monthly Revenue Reports for January 1997 and June 1997 and agreed factors to the company's rate schedules. The PGA billing factor was reviewed to determine if it was less than the CAP factor in the FPSC order.

The components of the PGA billing factor were reviewed to determine if the correct True-up Amount per the FPSC order was used and how the Cost of Gas Purchased component was calculated for the specific month.

RECALCULATION OF A-2

Recalculated the true-up and the interest calculation and traced the interest rates used to the Wall Street Journal. Traced prior True-up amount to the Commission Order, and True-up and Interest Beginning to the prior six month filing.

III. COMPANY EXHIBITS

COMPANY:		CALCULATION OF TRUE-UP AND INTEREST PROVISION						SCHEDULE A-2	
CITY GAS COMPANY OF FLORIDA								(REVISED 6/08/94)	
FOR THE PERIOD OF:		APRIL 97		Through		MARCH 98		PAGE 4 OF 11	
	CURRENT MONTH: 9/97		DIFFERENCE		PERIOD TO DATE		DIFFERENCE		
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
	ACTUAL	ESTIMATE	AMOUNT	%	ACTUAL	ESTIMATE	AMOUNT	%	
TRUE-UP CALCULATION									
1	PURCHASED GAS COST (Sch A-1 Ftx down line 4+6)	1,335,145	1,696,256	361,111	21.29%	7,670,135	9,817,207	2,147,072	21.87%
2	TRANSP GAS COST (Sch A-1 Ftx down line 1+2+3+5)	768,451	1,210,524	442,073	36.52%	5,171,151	7,435,167	2,264,016	30.45%
3	TOTAL	2,103,596	2,906,780	803,184	27.63%	12,841,286	17,252,374	4,411,088	25.57%
4	FUEL REVENUES (Sch A-1 Ftx down line 14) (NET OF REVENUE TAX)	2,926,410	2,899,505	(26,905)	-0.93%	17,716,076	17,211,198	(504,878)	-2.93%
5	TRUE-UP (COLLECTED) OR REFUNDED	(376,194)	(376,194)	-	0.00%	(2,257,164)	(2,257,164)	-	0.00%
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	2,550,216	2,523,311	(26,905)	-1.07%	15,458,912	14,954,034	(504,878)	-3.38%
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	446,620	(383,469)	(810,089)	216.47%	2,617,626	(2,298,340)	(4,915,966)	213.89%
8	INTEREST PROVISION-THIS PERIOD (21)	7,001	337	(6,664)	-197.45%	(16,167)	(19,228)	(3,061)	15.92%
8A	ADJUST PRIOR MONTHS' INTEREST PROVISION **	299	-	(299)	-100.00%	299	-	(299)	#DIV/0!
8B	TOTAL INTEREST PROVISION-THIS PERIOD (Ln 8+8A)	7,300	337	(6,963)	-206.17%	(15,868)	(19,228)	(3,360)	17.47%
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	1,103,921	(7,023)	(1,110,944)	15818.65%	(2,924,887)	353,297	3,278,184	927.88%
9A	ADJUST BEGINNING ESTIMATE	-	83,520	83,520	100.00%	-	(223,334)	(223,334)	100.00%
9B	BEGINNING OF PERIOD TRUE-UP AND INTEREST	1,103,921	76,497	(1,027,424)	-1343.09%	(2,924,887)	129,963	3,054,850	2350.55%
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	376,194	376,194	-	0.00%	2,257,164	2,257,164	-	0.00%
10a	Refund (if applicable)	-	-	-	-	-	-	-	-
10b	Refund of interim rate increase	-	-	-	-	-	-	-	-
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	1,934,035	69,559	(1,864,476)	-2680.42%	1,934,035	69,559	(1,864,476)	-2680.42%
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	1,103,921	76,497	(1,027,424)	-1343.09%				
13	ENDING TRUE-UP BEFORE INTEREST (12 + 10a + 10b + 7 - 5)	1,926,735	69,222	(1,857,513)	-2683.41%				
14	TOTAL (12+13)	3,030,656	145,719	(2,884,937)	-1979.79%				
15	AVERAGE (50% OF 14)	1,515,328	72,860	(1,442,468)	-1979.78%				
16	INTEREST RATE - FIRST DAY OF MONTH	0.05560	0.05560	-	0.00%				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.05530	0.05530	-	0.00%				
18	TOTAL (16+17)	0.11090	0.11090	-	0.00%				
19	AVERAGE (50% OF 18)	0.05545	0.05545	-	0.00%				
20	MONTHLY AVERAGE (19/12 Months)	0.00462	0.00462	-	0.00%				
21	INTEREST PROVISION (15x20)	7,001	337	(6,664)	-197.45%				

* If line 5 is a refund add to line 4
If line 5 is a collection () subtract from line 4

** Line 8A is an interest adjustment for various gas costs booked out of period.

COMPANY:

CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A-2

CITY GAS COMPANY OF FLORIDA

(REVISED 6/08/94)

FOR THE PERIOD OF:

APRIL 96 Through

MARCH 97

PAGE 4 OF 11

	CURRENT MONTH: 3/97		DIFFERENCE		PERIOD TO DATE		DIFFERENCE	
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	ACTUAL	ESTIMATE	AMOUNT	%	ACTUAL	ESTIMATE	AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (Sch A-1 Flx down line 4+6)	1,089,942	4,741,905	3,651,963	77.01%	21,615,957	26,500,669	4,884,712	18.43%
2 TRANSP GAS COST (Sch A-1 Flx down line 1+2+3+5)	1,387,071	1,378,455	(8,616)	-0.63%	12,215,571	12,291,933	76,362	0.62%
3 TOTAL	2,477,013	6,120,360	3,643,347	59.53%	33,831,528	38,792,602	4,961,074	12.79%
4 FUEL REVENUES (Sch A-1 Flx down line 14) (NET OF REVENUE TAX)	2,535,485	6,134,693	3,599,208	58.67%	32,336,550	40,530,389	8,193,839	20.22%
5 TRUE-UP (COLLECTED) OR REFUNDED	(12,772)	(12,772)	-	0.00%	(153,077)	(153,077)	-	0.00%
6 FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ or -) LINE 5)	2,522,713	6,121,921	3,599,208	58.79%	32,183,473	40,377,312	8,193,839	20.29%
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	45,700	1,561	(44,139)	-2827.61%	(1,648,055)	1,584,710	3,232,765	204.00%
8 INTEREST PROVISION - THIS PERIOD (21)	(13,673)	1,603	15,276	952.96%	(53,414)	(7,995)	45,419	-568.09%
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(2,969,686)	337,361	3,307,047	980.27%	(1,376,495)	(1,376,495)	-	0.00%
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	12,772	12,772	-	0.00%	153,077	153,077	-	0.00%
10a Refund (if applicable)	-	-	-	-	-	-	-	-
10b Refund of interim rate increase	-	-	-	-	-	-	-	-
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(2,924,887)	353,297	3,278,184	927.88%	(2,924,887)	353,297	3,278,184	927.88%
INTEREST PROVISION								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(2,969,686)	337,361	3,307,047	980.27%				
13 ENDING TRUE-UP BEFORE INTEREST (12 + 10a + 10b + 7 - 5)	(2,911,214)	351,694	3,262,908	927.77%				
14 TOTAL (12+13)	(5,880,900)	689,055	6,569,955	953.47%				
15 AVERAGE (50% OF 14)	(2,940,450)	344,528	3,284,978	953.47%				
16 INTEREST RATE - FIRST DAY OF MONTH	0.05430	0.05430	-	0.00%				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.05740	0.05740	-	0.00%				
18 TOTAL (16+17)	0.11170	0.11170	-	0.00%				
19 AVERAGE (50% OF 18)	0.05585	0.05585	-	0.00%				
20 MONTHLY AVERAGE (19/12 Months)	0.00465	0.00465	0.00000	0.09%				
21 INTEREST PROVISION (15x20)	(13,673)	1,603	15,276	952.96%				

* If line 5 is a refund add to line 4

If line 5 is a collection () subtract from line 4

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

December 22, 1997

Mr. Michael Palecki
City Gas Company of Florida
955 East 25th Street
Hialeah, Florida 33013-3498

Re: Docket No. 970003 - GU - City Gas Company of Florida
PGA Audit Report - Period Ended September 30, 1997
Audit Control # 97-160-4-1

Dear Mr. Palecki:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

The Division of Records and Reporting is holding the workpapers for which you requested confidential treatment. You have 21 days from the audit exit conference, or December 28, 1997 to file a formal request for Confidential Classification with the Division of Records and Reporting.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn, Chief
Bureau of Records

KF/clc
Enclosure
cc: Public Counsel