

MEMORANDUM

September 16, 1998

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*
RE: Audit Report - South Florida Natural Gas
PGA Audit Report - Period Ended March 31, 1998
Audit Control No. 98-160-3-2 - Docket No. 980003-GU

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 one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

South Florida Natural Gas
Al Kara
P. O. Box 248
New Smyrna Beach, FL 32170-0248

DNV/sp

Attachment

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Jacobs
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)
Tampa District Office (McPherson)
Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

40269 SEP 18 98

FPSC-RECORDS/REPORTING

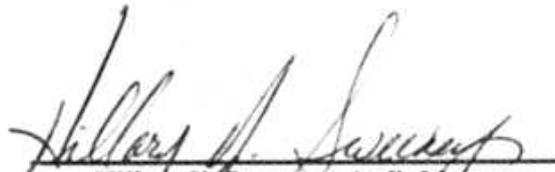


FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING

Orlando District Office

SOUTH FLORIDA NATURAL GAS COMPANY
PURCHASED GAS ADJUSTMENT AUDIT
SIX-MONTH PERIOD ENDED MARCH 31, 1998

DOCKET NO. 980003-GU
AUDIT CONTROL NO. 98-160-3-2



Hillary Y. Sweeney, Audit Manager



Ian J. Forbes, Audit Supervisor

DOCUMENT NUMBER-DATE

10269 SEP 18 88

FPSC-RECORDS/REPORTING

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

AUGUST 12, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Purchased Gas Adjustment schedule for the six-month period ended March 31, 1998, for South Florida Natural Gas Company. This schedule was prepared by the company as part of its petition for purchased gas adjustment true-up in Docket No. 980003-GU. There is no confidential information associated with this audit, and there are no audit staff minority opinions.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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.

In our opinion, the schedule referred to above presents fairly, in all material respects, the company's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and any other matters which were noted in our examination.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all the financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Verify - The item was tested for accuracy, and substantiating documentation was examined.

Schedules A-1 through A-6 - Recomputed the company's Schedules A-1 through A-6 for the period October 1997 through March 1998.

PGA Revenues - Traced and recomputed therm sales for the above-mentioned period to the company's monthly billing registers and recomputed.

Cost of Gas - Verified therms and cost of gas purchased to the company-provided invoices.

True-up - Verified true-ups to Commission Orders Numbers PSC-96-0323-FOF-GU and PSC-97-0182-PHO-GU. Verified that the correct interest rates were applied to under or overrecovered amounts for the six months ended March 31, 1998.

COMPANY: SOUTH FLORIDA NAT GAS

COMPARISON OF ACTUAL VERSUS ORIGINAL ESTIMATE
OF THE PURCHASED GAS ADJUSTMENT COST RECOVERY FACTORSCHEDULE A-1
EXHIBIT NO. _____
DOCKET NO. 190003-GU
SOUTH FLA NATURAL GAS
LD-1
PAGE _____ OF _____

ESTIMATED FOR THE PERIOD OF:

APRIL 87 Through MARCH 88

COST OF GAS PURCHASED	CURRENT MONTH: MARCH				PERIOD TO DATE				
	ACTUAL	REVISED ESTIMATE	DIFFERENCE		ACTUAL	REVISED ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
1 COMMODITY (Pipeline)	1,400	1,188	211	20.24	10,277	8,854	423	4.30	
2 NO NOTICE SERVICE	823	823	0	0.01	8,878	8,877	1	0.01	
3 OTHER	905	0	905	0.00	(9,182)	(1,198)	(4,987)	417.79	
4 COMMODITY (Cover)	80,856	89,325	11,531	18.83	839,414	822,828	16,788	2.70	
5 DEMAND	20,882	11,127	9,585	85.97	163,104	138,035	25,069	18.16	
6 MGMT FEE	1,000	1,000	0	0.00	12,000	12,000	0	0.00	
LESS END-USE CONTRACT									
7 COMMODITY (Pipeline)	0	0	0	0.00	0	0	0	0.00	
8 DEMAND	0	0	0	0.00	0	0	0	0.00	
9	0	0	0	0.00	0	0	0	0.00	
10 Second Prior Month Purchase Adj. (OPTIONAL)	0	0	0	0.00	0	0	0	0.00	
11 TOTAL COST (1+2+3+4+5+6+7+8+9)	105,738	83,464	22,272	26.88	825,280	787,985	37,295	4.73	
12 NET UNBILLED	3,252	0	3,252	0.00	(10,988)	(9,919)	(1,069)	10.58	
13 COMPANY USE	0	0	0	0.00	0	0	0	0.00	
14 TOTAL THERM SALES	86,581	87,588	78,865	42.80	808,238	888,155	18,084	2.04	
THERMS PURCHASED									
15 COMMODITY (Pipeline) BILLING DETERMINANTS ONLY	354,750	295,000	59,750	20.25	2,833,830	2,527,880	105,970	4.19	
16 NO NOTICE SERVICE BILLING DETERMINANTS ONLY	139,500	139,500	0	0.00	1,021,400	1,021,400	0	0.00	
17 SWING SERVICE COMMODITY	0	0	0	0.00	0	0	0	0.00	
18 COMMODITY (Cover) COMMODITY	354,750	295,000	59,750	20.25	2,833,830	2,527,880	105,970	4.19	
19 DEMAND BILLING DETERMINANTS ONLY	883,550	295,000	388,550	131.71	2,982,830	2,527,880	454,770	17.20	
20 OTHER COMMODITY	0	0	0	0.00	0	0	0	0.00	
LESS END-USE CONTRACT									
21 COMMODITY (Pipeline)	0	0	0	0.00	0	0	0	0.00	
22 DEMAND	0	0	0	0.00	0	0	0	0.00	
23	0	0	0	0.00	0	0	0	0.00	
24 TOTAL PURCHASES (1+17+18+20)-(21+23)	354,750	295,000	59,750	20.25	2,833,830	2,527,880	105,970	4.19	
25 NET UNBILLED	(21,896)	0	(21,896)	0.00	55,940	(1,557)	57,500	-3683.00	
26 COMPANY USE	0	0	0	0.00	513	513	0	0.00	
27 TOTAL THERM SALES (24-26 ESTIMATED ONLY)	368,639	295,000	73,639	24.88	2,871,523	2,958,279	113,244	4.43	
CENTS PER THERM									
28 COMMODITY (Pipeline) (1/15)	0.403	0.403	-0.000	-0.01	0.380	0.380	0.000	0.100	
29 NO NOTICE SERVICE (2/16)	0.580	0.580	0.000	0.01	0.854	0.854	0.000	0.012	
30 SWING SERVICE (3/17)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000	
31 COMMODITY (Cover) (4/18)	22.782	23.900	-0.708	-3.01	24.277	24.831	-0.354	-1.406	
32 DEMAND (5/19)	3.027	3.772	-0.745	-19.74	5.925	5.481	0.045	0.821	
33 OTHER (6/20)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000	
LESS END-USE CONTRACT									
34 COMMODITY Pipeline (7/21)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
35 DEMAND (8/22)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
36	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
37 TOTAL COST OF PURCHASES (11/24)	29.808	28.293	1.513	5.35	31.334	31.172	0.161	0.52	
38 NET UNBILLED (12/25)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
39 COMPANY USE (13/26)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.00	
40 TOTAL COST OF THERMS SOLD (11/27)	29.808	28.293	0.360	1.38	30.882	30.802	0.080	0.29	
41 TRUE-UP (5-2)	3.398	3.398	0.000	0.00	3.398	3.398	0.000	0.00	
42 TOTAL COST OF GAS (40+41)	32.081	31.691	0.360	1.23	34.280	34.200	0.080	0.26	
43 REVENUE TAX FACTOR	1.003784	1.003784	0.000	0.00	1.003784	1.003784	0.000	0.00	
44 RGA FACTOR ADJUSTED FOR TAXES (42x43)	32.202	31.810	0.391	1.23	34.419	34.328	0.090	0.26	
45 RGA FACTOR ROUNDED TO NEAREST .001	32.202	31.810	0.392	1.23	34.419	34.328	0.091	0.27	

PBC

9/25/86

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.



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

Public Service Commission

September 18, 1998

Al Kara
South Florida Natural Gas
Post Office Box 248
New Smyrna Beach, Florida 32170-0248

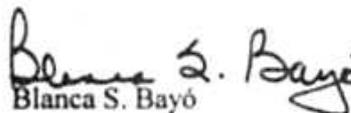
Re: Docket No. 980003 - GU - South Florida Natural Gas
Audit Report - PGA - Period Ended March 31, 1998
Audit Control # 98-160-3-2

Dear Mr. Kara:

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

Thank you for your cooperation.

Sincerely,


Blanca S. Bayó

BSB/abf
Enclosure
cc: Public Counsel
Division of Audit and Financial Analysis