





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

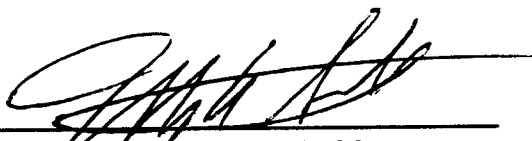
*Orlando District Office*

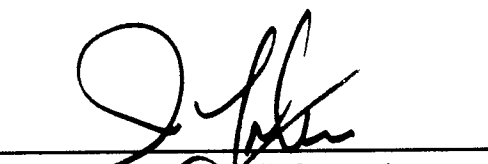
**SOUTH FLORIDA NATURAL GAS COMPANY**

**PURCHASED GAS ADJUSTMENT AUDIT**

**NINE-MONTH PERIOD ENDED DECEMBER 31, 1998**

**DOCKET NO. 990003-GU**  
**AUDIT CONTROL NO. 99-042-3-2**

  
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*Jeffery A. Small, Audit Manager*

  
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*Ian J. Forbes, Audit Supervisor*

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

**APRIL 15, 1999**

**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 nine-month period ended December 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. 990003-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 present 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.

**Compiled** - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Schedules A-1 through A-6** - Compiled and recomputed the company's Schedules A-1 through A-6 for the period April 1998 through December 1998.

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

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

**True-up** - Verified the true-up factor to Commission Order Number PSC-98-0401-FOF-GU. Verified that the correct interest rates were applied to under or overrecovered amounts for the nine months ended December 31, 1998.

EXHIBIT I

COMPANY: SOUTH FLORIDA NAT GAS		COMPARISON OF ACTUAL VERSUS ORIGINAL ESTIMATE OF THE PURCHASED GAS ADJUSTMENT COST RECOVERY FACTOR				SCHEDULE A-1 EXHIBIT NO. _____ DOCKET NO. 990003-GU SOUTH FLA NATURAL GAS AK-1 PAGE OF			
REVISED		ESTIMATED FOR THE PERIOD OF: APRIL 98 Through DECEMBER 98							
		CURRENT MONTH: DECEMBER				PERIOD TO DATE			
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
<b>COST OF GAS PURCHASED</b>									
1	COMMODITY (Pipeline)	802	863	139	20.97	8,873	6,951	(77)	-1.10
2	NO NOTICE SERVICE	823	823	0	0.01	3,185	3,185	0	0.00
3	OTHER	1,053	0	1,053	0.00	(839)	(567)	(272)	48.06
4	COMMODITY (Other)	56,311	57,411	(2,100)	-3.66	320,809	365,705	(44,896)	-12.29
5	DEMAND	25,273	25,784	(511)	-1.98	96,140	106,401	(11,261)	-10.58
6	MGMT FEE	1,000	1,000	0	0.00	9,000	9,000	0	0.00
<b>LESS END-USE CONTRACT</b>									
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+10)-(7+8+9)	84,282	85,681	(1,419)	-1.66	434,170	490,878	(56,508)	-11.52
12	NET UNBILLED	3,182	0	3,182	0.00	(34,130)	2,995	(37,125)	-8.07
13	COMPANY USE	0	0	0	0.00	0	0	0	0.00
14	TOTAL THERM SALES	85,466	80,580	4,825	7.98	420,723	450,259	(29,536)	-6.56
<b>THERMS PURCHASED</b>									
15	COMMODITY (Pipeline) BILLING DETERMINANTS ONLY	263,820	218,071	45,749	20.98	1,510,160	1,634,750	(124,590)	-7.62
16	NO NOTICE SERVICE BILLING DETERMINANTS ONLY	139,900	139,900	0	0.00	539,900	539,900	0	0.00
17	SWING SERVICE COMMODITY	0	0	0	0.00	0	0	0	0.00
18	COMMODITY (Other) COMMODITY	263,820	218,071	45,749	20.98	1,510,160	1,634,750	(124,590)	-7.62
19	DEMAND BILLING DETERMINANTS ONLY	263,820	683,560	(419,730)	-61.40	1,737,420	2,903,370	(1,065,950)	-38.02
20	OTHER COMMODITY	0	0	0	0.00	0	0	0	0.00
<b>LESS END-USE CONTRACT</b>									
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 (+17+18+20)-(21+23)	263,820	218,071	45,749	20.98	1,510,160	1,634,750	(124,590)	-7.62
25	NET UNBILLED	11,497	0	11,497	0.00	(123,319)	(134,140)	10,821	-8.07
26	COMPANY USE	0	0	0	0.00	0	0	0	0.00
27	TOTAL THERM SALES (24-26 ESTIMATED ONLY)	236,325	218,071	18,254	8.37	1,520,170	1,623,642	(103,472)	-6.37
<b>CENTS PER THERM</b>									
28	COMMODITY (Pipeline) (1/15)	0.304	0.304	0.000	-0.01	0.455	0.425	0.030	7.058
29	NO NOTICE SERVICE (2/18)	0.590	0.590	0.000	0.01	0.590	0.590	0.000	0.002
30	SWING SERVICE (3/17)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000
31	COMMODITY (Other) (4/18)	20.965	26.327	-5.361	-20.37	21.243	22.371	-1.127	-5.039
32	DEMAND (5/19)	9.580	3.772	5.808	153.98	5.478	3.795	1.680	44.275
33	OTHER (6/20)	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000
<b>LESS END-USE CONTRACT</b>									
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)	31.939	38.290	-7.351	-18.71	28.750	30.015	-1.265	-4.22
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)	35.655	38.290	-3.635	-9.25	28.581	30.221	-1.680	-5.49
41	TRUE-UP (E-2)	-5.381	-5.381	0.000	0.00	-5.381	-5.381	0.000	0.00
42	TOTAL COST OF GAS (40+41)	30.274	33.909	-3.635	-10.72	23.180	24.840	-1.660	-6.68
43	REVENUE TAX FACTOR	1.003784	1.003784	0.000	0.00	1.003784	1.003784	0.000	0.00
44	PGA FACTOR ADJUSTED FOR TAXES (42x43)	30.388	34.037	-3.649	-10.72	23.287	24.933	-1.666	-6.68
45	PGA FACTOR ROUNDED TO NEAREST .001	30.388	34.037	-3.649	-10.72	23.287	24.933	-1.666	-6.68

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COMPANY: <b>SFNG</b>		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2 EXHIBIT NO _____ DOCKET NO. 990003-GU SOUTH FLORIDA NATURAL GAS AK-1 PAGE ____ OF ____			
REVISED		FOR THE PERIOD OF: <b>APRIL 98</b> Through <b>DECEMBER 98</b>							
		CURRENT MONTH: <b>DECEMBER</b>				PERIOD TO DATE			
		ACTUAL	DIFFERENCE		ACTUAL	DIFFERENCE			
		ESTIMATE	AMOUNT	%	ESTIMATE	AMOUNT	%		
<b>TRUE-UP CALCULATION</b>									
1	PURCHASED GAS COST	56,311	58,411	2,100	3.596%	327,874	374,706	46,832	12.498%
2	TRANSPORTATION COST	27,951	27,269	(682)	-2.502%	106,297	115,968	9,671	8.340%
3	TOTAL	84,262	85,681	1,419	1.656%	434,171	490,675	56,504	11.516%
4	FUEL REVENUES (NET OF REVENUE TAX)	65,405	60,580	(4,825)	-7.965%	420,723	450,259	29,536	6.560%
5	TRUE-UP (COLLECTED) OR REFUNDED	11,464	11,464	0	0.000%	103,176	103,176	0	0.000%
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	76,869	72,044	(4,825)	-6.697%	523,899	553,435	29,536	5.337%
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(7,393)	(13,637)	(6,244)	45.788%	89,728	62,760	(26,968)	-42.970%
8	INTEREST PROVISION-THIS PERIOD (21)	512	434	(78)	-17.948%	4,628	4,628	0	0.010%
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	127,495	106,848	(20,647)	-19.324%	117,970	117,970	0	0.000%
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(11,464)	(11,464)	0	0.000%	(103,176)	(103,176)	0	0.000%
10a	FLEX RATE REFUND (if applicable)	0	0	0	0.000%	0	0	0	0.000%
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	109,150	82,181	(26,969)	-32.817%	109,150	82,183	(26,968)	-32.815%
<b>INTEREST PROVISION</b>									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	127,495	106,848	(20,647)	-19.324%	add to line 4			
13	ENDING TRUE-UP BEFORE INTEREST (12+7-5)	108,638	81,747	(26,891)	-32.896%	if line 5 is a collection () subtract from line 4			
14	TOTAL (12+13)	236,133	188,595	(47,538)	-25.206%				
15	AVERAGE (50% OF 14)	118,067	94,298	(23,769)	-25.206%				
16	INTEREST RATE - FIRST DAY OF MONTH	5.500%	5.520%	0.0002	0.362%				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.900%	5.520%	0.0062	11.232%				
18	TOTAL (16+17)	10.400%	11.040%	0.00640	5.797%				
19	AVERAGE (50% OF 18)	5.200%	5.520%	0.00320	5.797%				
20	MONTHLY AVERAGE (18/12 Months)	0.433%	0.460%	0.00027	5.797%				
21	INTEREST PROVISION (15x20)	512	434	(78)	-17.948%				