

STATE OF FLORIDA

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TIMOTHY DEVLIN, DIRECTOR
AUDITING & FINANCIAL ANALYSIS
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Public Service Commission

July 19, 1999

Mr. Michael A. Palecki
City Gas Company of Florida
PMB 110-M
3111-20 Mahan Drive
Tallahassee, FL 32308-5511

**Re: Docket No. 990002-EG; City Gas Company of Florida
Audit Report; Conservation - Historical Year Ended March 31, 1999
Audit Control No. 99-079-4-1**

Mr. Palecki:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

Denise N. Vandiver
Bureau Chief - Auditing Services

- FA _____
- FP _____
- JAF _____
- JMU _____
- JTR _____
- EAG _____
- LEG _____
- MAS _____
- OPC _____
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- OTH _____

DNV: sp

- cc: Division of Records and Reporting
 Division of Auditing and Financial Analysis (Devlin/Causeaux/Harvey/File Folder)
 Division of Electric and Gas (Lowery)
 Miami District Office (Welch)
 Division of Legal Services
 Office of Public Counsel

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES*

Miami District Office

CITY GAS COMPANY OF FLORIDA

CONSERVATION CLAUSE

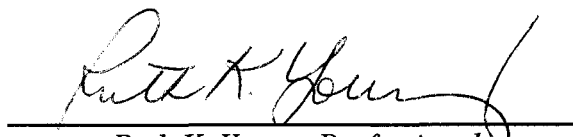
HISTORICAL YEAR END MARCH 31, 1999

DOCKET NO. 990002-EG

AUDIT CONTROL NO. 99-079-4-1



Kathy L. Welch, Audit Manager



*Ruth K. Young, Professional
Accountant Specialist*

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT
JULY 9, 1998**

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described in this report to audit the Conservation True-Up schedules for the historical 12-month period ended March 31, 1999 for City Gas Company. These schedules were prepared by the utility as part of its petition for conservation recovery in Docket 990002-EG. There is confidential information associated with this audit that has been filed with the Division of Records and Reporting. There are no audit staff minority opinions.

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.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility'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 other matters which were noted during our examination.

SUMMARY OF SIGNIFICANT FINDINGS

The company made duplicate entries for common payroll which overstated the true-up by \$47,415.

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 financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned-The documents or accounts were read quickly looking for obvious errors.

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

Reviewed-The exhibit amounts were reconciled with the general ledger, The general account balances were traced to the subsidiary ledgers, and selective analytical review procedures were applied.

Examined-The exhibit amounts were reconciled with the general ledger. The general account balances were traced to the subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

Confirmed-Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

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

REVENUES: Examined the revenues from the general ledger and reconciled them to the Company schedules CT-3. Compiled the terms sold from the Company's revenue worksheets and applied the applicable rate factors approved in Commission orders. Reconciled the revenue calculation to the Company's CT-3 schedules. Recomputed bills for various rate classes to determine that the applicable factor was actually charged.

EXPENSES: Examined expense amounts in the general ledger and reconciled them to the Company's CT-3 schedules. Staff tested 100% of all advertising expenses by tracing to the invoices and advertisements. From the Company's prepaid printout of incentives, staff pulled a judgmental sample. The incentive expenses were traced to vouchers, invoices, and sales contracts. Recalculated the year end allocation of

transportation expenses and agreed them to the general ledger.

TRUE-UP: Recalculated the true-up and verified the beginning true-up to the orders and the interest rates to the Wall Street Journal.

III. EXCEPTIONS

Exception No. 1

Subject: Duplication of Common Payroll

Statement of fact: The company made several adjustment to its books to prepare the filing. One of these adjustments was labeled "LL" and added common payroll for two employees that had not been directly charged. The entry added \$16,424.81 of payroll to the filing (\$14,422.56 in August and \$2,002.25 in September). However, the company had made another adjusting entry to payroll that had already included this adjustment.

The company also made an adjustment labeled "S" for the benefits related to this adjustment. It increased filing expenses by \$7,046.84 (\$5,047.90 in August and \$1,998.94 in September). With the payroll adjustment this totals \$23,471.65.

When the company posted these two adjustments, it totaled the months in December's adjustment column. Therefore, it posted these two adjustments twice, totaling \$46,943.30.

Opinion: The adjustments should never have been posted and need to be removed twice because of the error in the way the company totaled the columns. Interest amounts to \$472 according to the attached true-up revision. With interest, this amounts to \$47,415.

	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1999	1999	1999	TOTAL
	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH		
Beginning	5.550%	5.530%	5.500%	5.600%	5.560%	5.520%	5.220%	5.100%	5.500%	4.900%	4.810%	4.850%	4.850%	
Ending	5.530%	5.500%	5.600%	5.560%	5.520%	5.220%	5.100%	5.500%	4.900%	4.810%	4.850%	4.880%		
Total	11.080%	11.030%	11.100%	11.160%	11.080%	10.740%	10.320%	10.600%	10.400%	9.710%	9.660%	9.730%		
Average	5.540%	5.515%	5.550%	5.580%	5.540%	5.370%	5.160%	5.300%	5.200%	4.855%	4.830%	4.865%		
Monthly Average	0.462%	0.460%	0.463%	0.465%	0.462%	0.448%	0.430%	0.442%	0.433%	0.405%	0.403%	0.405%		

CALCULATION OF TRUE-UP

Total Revenues-net of tax, (Line 4)	(217,349)	(149,379)	(153,972)	(147,231)	(132,757)	(136,089)	(140,040)	(166,553)	(159,298)	(199,902)	(218,405)	(200,219)	(2,021,194)
Prior True-up (Line 5)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(239,738)
Total revenue to current period	(237,327)	(169,357)	(173,950)	(167,209)	(152,735)	(156,067)	(160,018)	(186,531)	(179,276)	(219,880)	(238,383)	(220,197)	(2,260,932)
Conservation Expenses (Line 7)	256,118	138,014	295,010	162,491	139,927	155,465	187,112	111,110	184,465	140,383	155,964	143,906	2,069,965
True-up this period (Line 8)	18,791	(31,343)	121,060	(4,718)	(12,808)	(602)	27,094	(75,422)	5,189	(79,497)	(82,419)	(76,291)	(190,967)
Interest provision (Line 9)	(1,017)	(954)	(665)	(308)	(256)	(190)	(40)	(60)	(125)	(186)	(432)	(677)	(4,910)
True-up & interest beginning (Line 10)	(239,738)	(201,986)	(214,306)	(73,933)	(58,981)	(52,067)	(32,880)	14,151	(41,352)	(16,310)	(76,015)	(138,888)	(239,738)
Prior true-up coll. refunded	19,978	19,978	19,978	19,978	19,978	19,978	19,978	19,978	19,978	19,978	19,978	19,978	239,738
Total net true-up	(201,986)	(214,306)	(73,933)	(58,981)	(52,067)	(32,880)	14,151	(41,352)	(16,310)	(76,015)	(138,888)	(195,878)	(195,878)
True-up for the month CO. FILING	(201,986)	(214,306)	(73,933)	(58,981)	(52,067)	(32,880)	14,151	(21,839)	7,298	(52,312)	(115,089)	(148,463)	(148,463)
Difference	0	0	0	0	0	0	0	(19,513)	(23,608)	(23,703)	(23,799)	(47,415)	(47,415)

CALCULATION OF INTEREST

Beginning true up and int.	(239,738)	(201,986)	(214,306)	(73,933)	(58,981)	(52,067)	(32,880)	14,151	(41,352)	(16,310)	(76,015)	(138,888)	(1,132,305)
Ending true-up before int	(200,969)	(213,351)	(73,268)	(58,673)	(51,811)	(32,691)	14,192	(41,292)	(16,185)	(75,829)	(138,456)	(195,201)	(1,083,534)
Total	(440,707)	(415,338)	(287,573)	(132,605)	(110,792)	(84,758)	(18,689)	(27,141)	(57,537)	(92,139)	(214,471)	(334,088)	(2,215,838)
													0
Average true up	(220,354)	(207,669)	(143,787)	(66,303)	(55,396)	(42,379)	(9,344)	(13,570)	(28,769)	(46,069)	(107,236)	(167,044)	(1,107,919)
Interest rate per above	0.46%	0.46%	0.46%	0.47%	0.46%	0.45%	0.43%	0.44%	0.43%	0.40%	0.40%	0.41%	
Interest per staff	(1,017)	(954)	(665)	(308)	(256)	(190)	(40)	(60)	(125)	(186)	(432)	(677)	(4,910)
True-up for the month Company's Filing	(1,017)	(954)	(665)	(308)	(256)	(190)	(40)	(17)	(31)	(91)	(336)	(533)	(4,438)
Difference	0	0	0	0	0	0	0	(43)	(94)	(95)	(96)	(144)	(472)

III. EXHIBITS

ADJUSTED NET TRUE UP
 FOR MONTHS: APRIL 1998 THROUGH MARCH 1999

END OF PERIOD NET TRUE-UP

PRINCIPLE	(144,024)	
INTEREST	(4,439)	(148,463)

LESS PROJECTED TRUE-UP

PRINCIPLE	(29,285)	
INTEREST	(2,751)	(32,036)

ADJUSTED NET TRUE-UP (116,427)

() REFLECTS OVER-RECOVERY

ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL VERSUS ESTIMATED
FOR MONTHS: APRIL 1998 THROUGH MARCH 1999

	<u>ACTUAL</u>	<u>PROJECTED</u>	<u>DIFFERENCE</u>
CAPITAL INVESTMENT	-		-
PAYROLL & BENEFITS	643,646	570,206	73,440
MATERIALS & SUPPLIES	2,049	3,400	(1,351)
ADVERTISING	169,857	285,694	(115,837)
INCENTIVES	1,232,677	1,353,503	(120,826)
OUTSIDE SERVICES	10,618	-	10,618
VEHICLES	58,061	41,763	16,298
OTHER	<u>-</u>	<u>600</u>	<u>(600)</u>
SUB-TOTAL	2,116,908	2,255,166	(138,258)
PROGRAM REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL PROGRAM COSTS	2,116,908	2,255,166	(138,258)
LESS:			
PAYROLL ADJUSTMENTS	-	-	-
AMOUNTS INCLUDED IN RATE BASE	-	-	-
CONSERVATION ADJUSTMENT REVENUES	(2,260,932)	(2,284,451)	23,519
ROUNDING ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>
TRUE-UP BEFORE INTEREST	(144,024)	(29,285)	(114,739)
INTEREST PROVISION	(4,439)	(2,751)	(1,688)
END OF PERIOD TRUE-UP	<u>(148,463)</u>	<u>(32,036)</u>	<u>(116,427)</u>

() REFLECTS OVER-RECOVERY

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM
FOR MONTHS: APRIL 1998 THROUGH MARCH 1999

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: SINGLE FAMILY HOME BUILDER	-	108,022	-	9,586	863,705	-	12,010	-	993,323
PROGRAM 2: MULTI FAMILY HOME BUILDER	-	17,467	-	-	32,400	-	959	-	50,826
PROGRAM 3: ELECTRIC REPLACEMENT	-	183,738	397	147,499	285,152	-	19,207	-	635,993
PROGRAM 4: DEALER PROGRAM	-	-	-	-	-	-	-	-	-
PROGRAM 5: SCHOOLS PROGRAM	-	3,313	1,500	-	-	-	621	-	5,434
PROGRAM 6: PROPANE CONVERSION	-	13,836	-	-	75	-	1,126	-	15,037
PROGRAM 7: WATER HEATER RETENTION	-	38,639	-	-	9,063	-	3,458	-	51,160
PROGRAM 8: RESIDENTIAL CUT AND CAP	-	29,694	-	405	13,386	-	3,074	-	46,559
PROGRAM 9: COMM/IND CONVERSION	-	154,747	-	2,500	28,896	-	15,139	-	201,282
PROGRAM 10: ALTERNATIVE TECHNOLOGY	-	46,623	-	7,867	-	-	2,467	-	56,957
COMMON COSTS	-	47,567	152	2,000	-	10,618	-	-	60,337
TOTAL TOTAL OF ALL PROGRAMS	-	643,646	2,049	169,857	1,232,677	10,618	58,061	-	2,116,908

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CONSERVATION COSTS PER PROGRAM - VARIANCE ACTUAL VERSUS PROJECTED
FOR MONTHS: APRIL 1998 THROUGH MARCH 1999

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: SINGLE FAMILY HOME BUILDER	-	(31,704)	-	(14,412)	(29,761)	-	2,433	-	(73,444)
PROGRAM 2: MULTI FAMILY HOME BUILDER	-	4,188	-	(5,000)	29,400	-	959	-	29,547
PROGRAM 3: ELECTRIC REPLACEMENT	-	54,378	397	(12,792)	(6,588)	-	(836)	-	34,559
PROGRAM 4: DEALER PROGRAM	-	-	-	-	(255)	-	-	-	(255)
PROGRAM 5: SCHOOLS PROGRAM	-	(10,874)	(700)	(1,300)	-	-	402	-	(12,472)
PROGRAM 6: PROPANE CONVERSION	-	4,112	-	(5,779)	(4,617)	-	626	-	(5,658)
PROGRAM 7: WATER HEATER RETENTION	-	1,015	-	(12,728)	(16,964)	-	2,585	-	(26,092)
PROGRAM 8: RESIDENTIAL CUT AND CAP	-	15,888	(600)	(3,354)	(6,339)	-	128	-	5,723
PROGRAM 9: COMM/IND CONVERSION	-	(18,018)	-	(36,639)	(19,702)	-	8,351	-	(66,008)
PROGRAM 10: ALTERNATIVE TECHNOLOGY	-	6,888	(600)	(13,833)	(66,000)	-	1,650	-	(71,895)
COMMON COSTS	-	47,567	152	(10,000)	-	10,618	-	(600)	47,737
TOTAL TOTAL OF ALL PROGRAMS	-	73,440	(1,351)	(115,837)	(120,826)	10,618	16,298	(600)	(138,258)

() REFLECTS PROJECTED OVER ACTUAL EXPENSE ESTIMATES

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY MONTH
FOR MONTHS: APRIL 1998 THROUGH MARCH 1999

EXPENSES:	Actual Apr-98	Actual May-98	Actual Jun-98	Actual Jul-98	Actual Aug-98	Actual Sep-98	Actual Oct-98	Actual Nov-98	Actual Dec-98	Actual Jan-99	Actual Feb-99	Actual Mar-99	Total
PROGRAM 1:	117,147	49,966	164,589	76,722	62,965	71,394	68,312	49,913	104,124	67,738	94,041	66,412	993,323
PROGRAM 2:	1,692	1,253	2,306	2,996	2,088	961	34,235	1,911	1,853	616	462	453	50,826
PROGRAM 3:	110,726	54,974	90,163	51,281	40,870	48,325	56,042	27,990	40,271	44,088	28,400	42,863	635,993
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	728	705	1,982	42	57	168	186	780	188	195	198	205	5,434
PROGRAM 6:	-	-	2,003	2,534	2,690	2,292	886	923	971	909	923	906	15,037
PROGRAM 7:	2,788	3,309	5,330	7,001	8,665	2,473	6,355	1,927	2,948	3,127	3,503	3,734	51,160
PROGRAM 8:	2,906	8,732	6,322	3,766	3,329	5,161	1,784	3,184	4,484	2,326	1,904	2,661	46,559
PROGRAM 9:	17,292	12,872	20,224	16,209	13,208	16,145	13,442	18,174	17,270	17,915	15,261	23,270	201,282
PROGRAM 10:	2,839	6,203	2,091	1,940	6,055	7,123	2,238	5,890	12,354	2,989	3,704	3,531	56,957
COMMON COSTS	-	-	-	-	-	1,423	3,632	19,888	4,003	480	7,568	23,343	60,337
TOTAL	256,118	138,014	295,010	162,491	139,927	155,465	187,112	130,580	188,466	140,383	155,964	167,378	2,116,908
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE CONSERVATION EXPENSES	<u>256,118</u>	<u>138,014</u>	<u>295,010</u>	<u>162,491</u>	<u>139,927</u>	<u>155,465</u>	<u>187,112</u>	<u>130,580</u>	<u>188,466</u>	<u>140,383</u>	<u>155,964</u>	<u>167,378</u>	<u>2,116,908</u>

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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: APRIL 1998 THROUGH MARCH 1999

	Actual Apr-98	Actual May-98	Actual Jun-98	Actual Jul-98	Actual Aug-98	Actual Sep-98	Actual Oct-98	Actual Nov-98	Actual Dec-98	Actual Jan-99	Actual Feb-99	Actual Mar-99	Total
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV. ADJ REVS	(217,349)	(149,379)	(153,972)	(147,231)	(132,757)	(136,089)	(140,040)	(166,553)	(159,298)	(199,902)	(218,405)	(200,219)	(2,021,194)
4 TOTAL REVENUES	(217,349)	(149,379)	(153,972)	(147,231)	(132,757)	(136,089)	(140,040)	(166,553)	(159,298)	(199,902)	(218,405)	(200,219)	(2,021,194)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,978)	(19,980)	(239,738)
CONSERVATION REVENUES													
6 APPLICABLE TO THE PERIOD	(237,327)	(169,357)	(173,950)	(167,209)	(152,735)	(156,067)	(160,018)	(186,531)	(179,276)	(219,880)	(238,383)	(220,199)	(2,260,932)
CONSERVATION EXPENSES													
7 (FROM CT-3, PAGE 1)	256,118	138,014	295,010	162,491	139,927	155,465	187,112	130,580	188,466	140,383	155,964	167,378	2,116,908
8 TRUE-UP THIS PERIOD	18,791	(31,343)	121,060	(4,718)	(12,808)	(602)	27,094	(55,951)	9,190	(79,497)	(82,419)	(52,821)	(144,024)
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	(1,017)	(954)	(665)	(308)	(256)	(190)	(40)	(17)	(31)	(91)	(336)	(533)	(4,439)
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(239,738)	(201,986)	(214,306)	(73,933)	(58,981)	(52,067)	(32,880)	14,151	(21,839)	7,298	(52,312)	(115,089)	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	19,978	19,978	19,978	19,978	19,978	19,978	19,978	19,978	19,978	19,978	19,978	19,980	
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	(201,986)	(214,306)	(73,933)	(58,981)	(52,067)	(32,880)	14,151	(21,839)	7,298	(52,312)	(115,089)	(148,463)	(148,463)

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