

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: July 19, 2000
TO: Division of Competitive Services (CMP) - S. Brown
FROM: Division of Regulatory Oversight (Vandiver) W
RE: Docket No. 000002-GU; City Gas Company
 Audit Report; Conservation - Nine-month Period Ended December 31, 1999
 Audit Control No. 00-082-4-1

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, they should send it to the Division of Records and Reporting. There are confidential work papers associated with this audit.

DNV/sp

Attachment

cc: Division of Regulatory Oversight (Hoppe/Harvey/File Folder)
 Miami District Office (Welch)
 ✓ Division of Records and Reporting
 Division of Legal Services

Michael A. Palecki
 City Gas Company of Florida
 3539 Apalachee Parkway
 Tallahassee, FL 32311-5331

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Miami District Office

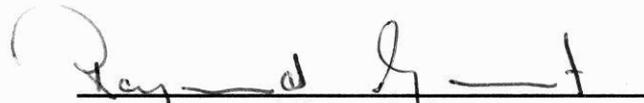
CITY GAS COMPANY OF FLORIDA

CONSERVATION CLAUSE

NINE MONTH PERIOD ENDED DECEMBER 31, 1999

DOCKET NO. 000002-GU

AUDIT CONTROL NO. 00-082-4-1



Raymond Grant, Audit Manager



Kathy Welch, Audit Supervisor

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT
JUNE 29, 2000**

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedules of Conservation True-Up for the historical 9-month period ended December 31, 1999 for City Gas Company. These schedules were prepared as part of the its petition for rate relief through the conservation recovery in Docket 000002-EG.

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.

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.

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

II. EXHIBITS

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY MONTH
APRIL 1999 THROUGH DECEMBER 1999

EXPENSES:	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Total
PROGRAM 1:	-	-	-	63,498	53,812	39,922	153,143	86,879	41,658	177,537	41,026	91,905	749,380
PROGRAM 2:	-	-	-	(196)	521	-	-	-	5	-	-	612	
PROGRAM 3:	-	-	-	28,945	45,204	28,797	29,604	30,064	28,841	24,776	19,963	49,726	285,920
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	47	134	179	1,954	2,400	(82)	-	-	-	4,632
PROGRAM 6:	-	-	-	487	317	-	-	253	7	75	-	-	1,139
PROGRAM 7:	-	-	-	3,099	3,647	3,524	3,923	3,623	1,869	3,305	6,151	5,896	35,037
PROGRAM 8:	-	-	-	1,395	4,180	1,966	2,338	1,540	1,167	1,393	2,062	617	16,658
PROGRAM 9:	-	-	-	11,659	21,380	11,737	15,123	17,494	42,100	9,069	7,094	13,363	149,019
PROGRAM 10:	-	-	-	5,534	6,889	7,571	7,359	7,647	55,044	3,084	994	944	95,066
COMMON COSTS	-	-	-	5,504	6,498	3,229	20,528	2,218	5,427	4,205	4,643	4,895	57,147
TOTAL	-	-	-	119,972	142,582	96,925	233,972	152,118	176,036	223,444	81,933	167,958	1,394,940
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE CONSERVATION EXPENSES	-	-	-	119,972	142,582	96,925	233,972	152,118	176,036	223,444	81,933	167,958	1,394,940

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
APRIL 1999 THROUGH DECEMBER 1999

	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Total
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV. ADJ REVS				(148,848)	(118,987)	(114,698)	(112,681)	(106,530)	(107,212)	(108,922)	(119,761)	(141,383)	(1,079,022)
4 TOTAL REVENUES	-	-	-	(148,848)	(118,987)	(114,698)	(112,681)	(106,530)	(107,212)	(108,922)	(119,761)	(141,383)	(1,079,022)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD CONSERVATION REVENUES				(21,764)	(21,764)	(21,764)	(21,764)	(21,764)	(21,764)	(21,764)	(21,764)	(21,765)	(195,878)
6 APPLICABLE TO THE PERIOD	-	-	-	(170,612)	(140,751)	(136,462)	(134,445)	(128,294)	(128,976)	(130,686)	(141,525)	(163,148)	(1,274,900)
7 CONSERVATION EXPENSES (FROM CT-3, PAGE 1)	-	-	-	119,972	142,582	96,925	233,972	152,118	176,036	223,444	81,933	167,958	1,394,940
8 TRUE-UP THIS PERIOD	-	-	-	(50,640)	1,831	(39,537)	99,527	23,824	47,060	92,758	(59,592)	4,810	120,040
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	-	-	-	(848)	(860)	(873)	(680)	(339)	(94)	311	490	480	(2,413)
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH				(195,878)	(225,602)	(202,867)	(221,513)	(100,903)	(55,654)	13,076	127,909	90,571	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	-	-	-	21,764	21,764	21,764	21,764	21,764	21,764	21,764	21,764	21,765	
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	-	-	-	(225,602)	(202,867)	(221,513)	(100,903)	(55,654)	13,076	127,909	90,571	117,627	117,627

CALCULATION OF TRUE-UP AND INTEREST PROVISION
APRIL 1999 THROUGH DECEMBER 1999

	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Total
1. INTEREST PROVISION BEGINNING TRUE-UP	-	-	-	(195,878)	(225,602)	(202,867)	(221,513)	(100,903)	(55,654)	13,076	127,909	90,571	
2. ENDING TRUE-UP BEFORE INTEREST	-	-	-	(224,754)	(202,007)	(220,640)	(100,222)	(55,315)	13,170	127,598	90,081	117,146	
3. TOTAL BEGINNING & ENDING TRUE-UP	-	-	-	(420,632)	(427,610)	(423,507)	(321,736)	(156,218)	(42,484)	140,674	217,990	207,717	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	-	-	-	(210,316)	(213,805)	(211,753)	(160,868)	(78,109)	(21,242)	70,337	108,995	103,859	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH				4.880%	4.800%	4.850%	5.050%	5.100%	5.320%	5.300%	5.300%	5.500%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH				4.800%	4.850%	5.050%	5.100%	5.320%	5.300%	5.300%	5.500%	5.600%	
7. TOTAL (SUM LINES 5 & 6)	0.000%	0.000%	0.000%	9.680%	9.650%	9.900%	10.150%	10.420%	10.620%	10.600%	10.800%	11.100%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.000%	0.000%	0.000%	4.840%	4.825%	4.950%	5.075%	5.210%	5.310%	5.300%	5.400%	5.550%	
9. MONTHLY AVG INTEREST RATE	0.000%	0.000%	0.000%	0.403%	0.402%	0.413%	0.423%	0.434%	0.443%	0.442%	0.450%	0.463%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	-	-	-	(848)	(860)	(873)	(680)	(339)	(94)	311	490	480	(2,413)
10. a. INT. ADJ													