

State of Florida



Public Service Commission

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DATE: June 21, 2001
TO: Division of Division of Competitive Services (Makin)
FROM: Division of Regulatory Oversight (Vandiver)
RE: Docket No. 010003-GU; Florida Public Utilities Company; PGA-Period Ended 12/31/00 ; Audit Control No. 01-064-4-3

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, it should send the response to the Division of Records and Reporting. There are confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of Records and Reporting
Division of Legal Services

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Messer Law Firm
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Tallahassee, Florida 32302-1876

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Miami District Office

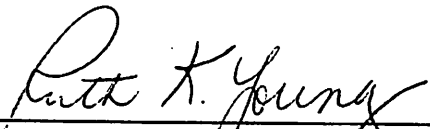
FLORIDA PUBLIC UTILITIES COMPANY

PURCHASED GAS ADJUSTMENT

YEAR ENDED DECEMBER 31, 2000

AUDIT CONTROL NO. 01-064-4-3

DOCKET NUMBER 010003-GU



Ruth K. Young, Audit Manager



Kathy L. Welch
Miami District Office Audit Supervisor

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT**

June 1, 2001

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 Schedules for the year ending December 31, 2000. These schedules were prepared by the utility as part of its Purchased Gas Adjustment true-up filings in Docket No. 010003-GU.

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.

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 error or inconsistency.

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

Examined - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to 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 compared to substantiating documentation.

Revenues: Compiled purchased gas adjustment revenues for the 12-months ending December 31, 2000. Revenues for two months were traced to the company reconciliation sheets and then to the monthly revenue reports. The monthly therm amounts were agreed to the company monthly revenue reports. The conversion factors were verified and the amount used to bill the customers was compared to the cap approved by the Commission for this time period. Off system sales amounts and therms were agreed to the monthly revenue reports and to the invoices sent to the customer.

Expenses: Compiled cost of gas expenses for the 12-months ending December 31, 2000. Examined all invoices for two months.

True-up and Interest: Recalculated the true-up and interest amount for the 12-months ending December 31, 2000. Traced interest rates to the Wall Street Journal.

AUDIT DISCLOSURE 1

SUBJECT: PGA FACTOR BILLING RATES

STATEMENT OF FACTS: When recalculating the therms sold times the rate the company stated it was billing its customers for the month of November 2000, it was determined that the amount of revenue in the general ledger was lower than the recalculation in the amount of \$24,899.65.

The company explained that the PGA rate was changed in November due to a mid-course correction approved by the Commission effective November 1, 2000. The rate in the billing system was not changed until after the first billing cycle for November was run. One cycle was run at the October rate which was lower. Also, certain customers on other cycles were billed the incorrect rate. The company explained that a new billing system was instituted in October, and problems occurred with the new system in October and November. Because of the above reasons, the therms times the November rate would not equal the actual amount billed the customer.

The company said that it did not recalculate and send out revised bills for November as it would be too costly.

The general ledger and the A-2 schedules submitted to the Commission agree and include the actual billing to the customer.

CONCLUSION: The billing of incorrect rates to the customers does not affect the true up reported on the A-2 schedules to the Commission. However, it does effect the customer. In this case the majority of the customers were billed less than the November rate.

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY		CALCULATION OF TRUE-UP AND INTEREST PROVISION						SCHEDULE A-2 REVISED 03/2001	
		FOR THE PERIOD OF: JANUARY 2000 THROUGH DECEMBER 2000							
		CURRENT MONTH:		DECEMBER		PERIOD TO DATE			
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%		(3)	AMOUNT	%
TRUE-UP CALCULATION									
1	PURCHASED GAS COST (Sch. A-1 Line 4)	3,604,349	2,376,985	(1,227,364)	(51.64)	17,947,026	18,548,409	601,383	3.24
2	TRANSPORTATION COST (Sch. A-1 Lines 1,2,3,5,6)	537,812	526,642	(11,170)	(2.12)	4,345,497	1,626,601	(2,718,896)	(167.15)
3	TOTAL	4,142,161	2,903,627	(1,238,534)	(42.65)	22,292,523	20,175,010	(2,117,513)	(10.50)
4	FUEL REVENUES (NET OF REVENUE TAX)	3,188,559	2,917,023	(271,536)	(9.31)	20,861,819	20,624,799	(237,020)	(1.15)
5	TRUE-UP (COLLECTED) OR REFUNDED	5,625	5,625	0	0.00	67,456	67,456	0	0.00
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	3,194,184	2,922,648	(271,536)	(9.29)	20,929,275	20,692,255	(237,020)	(1.15)
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(947,977)	19,021	966,998	5,083.84	(1,363,248)	517,245	1,880,493	363.56
8	INTEREST PROVISION THIS PERIOD (21) (2)	(5,185)	0	5,185	0.00	2,097	0	(2,097)	0.00
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST (1)	(469,520)	998,131	1,467,651	147.04	300	561,738	561,438	99.95
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(5,625)	(5,625)	0	0.00	(67,456)	(67,456)	0	0.00
10a	FLEX RATE REFUND (if applicable)	0	0	0	0.00	0	0	0	0.00
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(1,428,307)	1,011,527	2,439,834	241.20	(1,428,307)	1,011,527	2,439,834	241.20
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(469,520)	998,131	1,467,651	147.04				
13	ENDING TRUE-UP BEFORE INTEREST (12+7-5)	(1,423,122)	1,011,527	2,434,649	240.69				
14	TOTAL (12+13)	(1,892,642)	2,009,658	3,902,300	194.18				
15	AVERAGE (50% OF 14)	(946,321)	1,004,829	1,951,150	194.18				
16	INTEREST RATE - FIRST DAY OF MONTH	6.65%	0.0000%	...	...		
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	6.50%	0.0000%	...	...		
18	TOTAL (16+17)	13.1500%	0.0000%	...	...		
19	AVERAGE (50% OF 18)	6.5750%	0.0000%	...	...		
20	MONTHLY AVERAGE (19/12 Months)	0.548%	0.000%	...	...		
21	INTEREST PROVISION (15x20)	(5,185)	0	...	...		

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

Estimated Only:

- (1) Beginning of period True-up & Interest (Line 9) comes from the most recently filed E-4 if we do not flex down. If we flex down, the beginning of the period True-up & Interest (Line 9) comes from the prior periods end of period net true-up.

The prior period write-off will be the estimated over/under recovery estimated on Schedule E-4 regardless if we flex down.

- (2) For the current period, interest should equal the most recently filed Schedule E-2.