

State of Florida



Public Service Commission

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

DATE: July 26, 2001
TO: Division of Competitive Services (S. Brown)
FROM: Division of Regulatory Oversight (Vandiver) *OV*
RE: Docket No. 010004-GU; City Gas Company of Florida; Conservation audit;
Audit Control No. 01-068-4-1

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, it should send the response to the Division of Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of Commission Clerk and Administrative Services (2)
Division of Legal Services

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DOCUMENT NUMBER-DATE

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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

HISTORICAL YEAR END DECEMBER 31, 2000

DOCKET NO. 010004-GU

AUDIT CONTROL NO. 01-068-4-1



Yen Ngo, Audit Manager



Kathy Welch, Audit Supervisor

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT
JUNE 5, 2001**

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described in this report to audit the Conservation Cost Recovery schedules for the historical 12-month period ended December 31, 2000 for City Gas Company. These schedules were prepared by the utility as part of its petition for Conservation Cost Recovery in Docket 010004-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 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. Benefits, payroll, and common costs were also tested through sample selection.

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. EXCEPTION

Exception No.1

Statement of Fact: The company's payroll system incorrectly distributed hours to Energy Conservation Program (ECP) in the Labor Distribution when these hours were not recorded on the employees' Monthly Time Vouchers for the ending period of 12/15/00. The total hours and amount to be removed are as followed:

Employee	Account No.	Hrs. Report on Labor Distribution	Hrs. Report on Monthly Time Voucher	Earning Per Hr.	Diff.
1. John Russen	602096	8	0	\$25.00	\$200.00
2. Carmine Laurice	602096	2	0	\$21.63	\$43.27
3. John Russen	602118	40	0	\$25.00	<u>\$1,000.00</u>
				Total	<u>\$1,243.27</u>

1. John Russen did not have any hour allocated to ECP1 on the Monthly Time Voucher. He earned \$25.00/hr. and 8 hrs. on the 12/00 Labor Distribution. The adjustment of \$200.00 (25*8) should be removed from account 602096

2. Carmine Laurice's Monthly Time Voucher only recorded 6 hrs to ECP1 instead of 8 hrs as stated in the 12/00 Labor Distribution. The adjustment of \$43.27 (21.63*2) should be removed from account 602096.

3. John Russen's Monthly Time Voucher only recorded 20 hrs. to ECP3 instead of 60 hrs as stated in the 12/00 Labor Distribution. The adjustment of \$1,000.00 (25*40) should be removed from account 602118.

Recommendation: The total amount to be removed from payroll is \$1,243.27. The company used 35% of labor expense to calculate benefits; therefore, an adjustment of \$435.14 (\$1,243.27*35%) must also be removed from the benefits.

III. EXHIBITS

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY MONTH
JANUARY 2000 THROUGH DECEMBER 2000

EXPENSES:	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Total
PROGRAM 1:	58,320	110,403	92,398	52,706	79,100	88,018	30,227	103,651	74,283	31,147	106,434	26,346	853,033
PROGRAM 2:	306	-	-	1,616	2,010	1,509	1,452	1,334	1,575	1,758	1,457	2,222	15,239
PROGRAM 3:	44,375	58,611	23,707	48,618	24,963	27,383	16,834	16,239	25,409	31,615	27,235	33,195	378,184
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	-	-	-	54	50	50	48	69	49	54	49	49	472
PROGRAM 7:	4,917	6,528	6,195	7,512	7,596	7,072	6,263	4,714	7,351	5,199	6,748	7,954	78,049
PROGRAM 8:	1,128	1,678	1,307	1,941	2,834	2,129	1,443	1,197	1,651	2,634	2,053	2,662	22,657
PROGRAM 9:	26,600	14,906	18,146	11,460	15,357	14,333	19,016	14,753	16,256	8,365	18,796	18,830	196,818
PROGRAM 10:	561	2,017	670	467	18,441	441	684	188	182	54	218	18,284	42,207
COMMON COST	4,303	5,527	5,381	3,250	1,101	1,591	8,599	-	2,821	2,405	3,571	3,440	41,989
TOTAL	140,510	199,670	147,804	127,624	151,452	142,526	84,566	142,145	129,577	83,231	166,561	112,982	1,628,648
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE CONSERVATION EXPENSES	140,510	199,670	147,804	127,624	151,452	142,526	84,566	142,145	129,577	83,231	166,561	112,982	1,628,648

SCHEDULE CT-2
PROJECTED CONSERVATION COSTS PER MONTH
JANUARY 2000 THROUGH DECEMBER 2000

EXPENSES:

	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Total
PROGRAM 1:	84,649	80,293	80,436	83,900	81,552	84,000	81,500	80,400	82,400	82,400	82,400	82,400	986,330
PROGRAM 2:	1,187	823	2,323	1,023	823	2,523	823	823	2,423	2,423	2,423	2,423	20,040
PROGRAM 3:	46,482	42,620	42,974	51,372	43,954	42,872	43,872	42,872	42,872	42,872	42,872	42,872	528,506
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	1,509	1,291	1,309	1,406	1,299	1,306	1,406	1,306	1,306	1,306	1,306	1,306	16,056
PROGRAM 7:	5,324	4,769	4,972	5,011	4,843	4,911	5,011	4,911	4,911	4,911	4,911	4,911	59,396
PROGRAM 8:	2,685	2,346	2,414	2,492	2,369	2,392	2,492	2,392	2,392	2,392	2,392	2,392	29,150
PROGRAM 9:	35,126	31,755	31,483	31,401	33,090	31,401	31,401	32,001	31,401	31,401	31,401	31,401	383,262
PROGRAM 10:	21,058	15,885	18,985	20,385	15,885	16,485	20,385	15,885	16,485	16,485	16,485	16,485	210,893
COMMON COSTS	3,226	3,033	3,929	3,097	4,666	3,097	3,097	3,897	3,097	3,097	3,097	3,097	40,430
TOTAL	201,246	182,815	188,825	200,087	188,481	188,987	189,987	184,487	187,287	187,287	187,287	187,287	2,274,063
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE													
CONSERVATION EXPENSES	201,246	182,815	188,825	200,087	188,481	188,987	189,987	184,487	187,287	187,287	187,287	187,287	2,274,063

SCHEDULE CT-2
SUMMARY OF EXPENSES BY PROGRAM
VARIANCE ACTUAL VERSUS PROJECTED
JANUARY 2000 THROUGH DECEMBER 2000

EXPENSES:	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Total
PROGRAM 1:	(26,329)	30,110	11,962	(31,194)	(2,452)	4,018	(51,273)	23,251	(8,117)	(51,253)	24,034	(56,054)	(133,297)
PROGRAM 2:	(881)	(823)	(2,323)	593	1,187	(1,014)	629	511	(848)	(665)	(966)	(201)	(4,801)
PROGRAM 3:	(2,107)	15,991	(19,267)	(2,754)	(18,991)	(15,489)	(27,038)	(26,633)	(17,463)	(11,257)	(15,637)	(9,677)	(150,322)
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	(1,509)	(1,291)	(1,309)	(1,352)	(1,249)	(1,256)	(1,358)	(1,237)	(1,257)	(1,252)	(1,257)	(1,257)	(15,584)
PROGRAM 7:	(407)	1,759	1,223	2,501	2,753	2,161	1,252	(197)	2,440	288	1,837	3,043	18,653
PROGRAM 8:	(1,557)	(668)	(1,107)	(551)	465	(263)	(1,049)	(1,195)	(741)	242	(339)	270	(6,493)
PROGRAM 9:	(8,526)	(16,849)	(13,337)	(19,941)	(17,733)	(17,068)	(12,385)	(17,248)	(15,145)	(23,036)	(12,605)	(12,571)	(186,444)
PROGRAM 10:	(20,497)	(13,868)	(18,315)	(19,918)	2,556	(16,044)	(19,701)	(15,697)	(16,303)	(16,431)	(16,267)	1,799	(168,686)
COMMON COST	1,077	2,494	1,452	153	(3,565)	(1,506)	5,502	(3,897)	(276)	(692)	474	343	1,559
TOTAL	(60,736)	16,855	(41,021)	(72,463)	(37,029)	(46,461)	(105,421)	(42,342)	(57,710)	(104,056)	(20,726)	(74,305)	(645,415)
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE CONSERVATION EXPENSES	(60,736)	16,855	(41,021)	(72,463)	(37,029)	(46,461)	(105,421)	(42,342)	(57,710)	(104,056)	(20,726)	(74,305)	(645,415)

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2000 THROUGH DECEMBER 2000

	<u>Jan-00</u>	<u>Feb-00</u>	<u>Mar-00</u>	<u>Apr-00</u>	<u>May-00</u>	<u>Jun-00</u>	<u>Jul-00</u>	<u>Aug-00</u>	<u>Sep-00</u>	<u>Oct-00</u>	<u>Nov-00</u>	<u>Dec-00</u>	<u>Total</u>
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV. ADJ REVS	<u>(249,232)</u>	<u>(267,438)</u>	<u>(240,181)</u>	<u>(202,569)</u>	<u>(172,921)</u>	<u>(174,332)</u>	<u>(162,934)</u>	<u>(167,858)</u>	<u>(153,496)</u>	<u>(177,383)</u>	<u>(185,578)</u>	<u>(203,680)</u>	<u>(2,357,602)</u>
4 TOTAL REVENUES	<u>(249,232)</u>	<u>(267,438)</u>	<u>(240,181)</u>	<u>(202,569)</u>	<u>(172,921)</u>	<u>(174,332)</u>	<u>(162,934)</u>	<u>(167,858)</u>	<u>(153,496)</u>	<u>(177,383)</u>	<u>(185,578)</u>	<u>(203,680)</u>	<u>(2,357,602)</u>
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD	<u>9,802</u>	<u>9,802</u>	<u>9,802</u>	<u>9,802</u>	<u>9,802</u>	<u>9,802</u>	<u>9,802</u>	<u>9,802</u>	<u>9,802</u>	<u>9,802</u>	<u>9,802</u>	<u>9,805</u>	<u>117,627</u>
CONSERVATION REVENUES													
6 APPLICABLE TO THE PERIOD	<u>(239,430)</u>	<u>(257,636)</u>	<u>(230,379)</u>	<u>(192,767)</u>	<u>(163,119)</u>	<u>(164,530)</u>	<u>(153,132)</u>	<u>(158,056)</u>	<u>(143,694)</u>	<u>(167,581)</u>	<u>(175,776)</u>	<u>(193,875)</u>	<u>(2,239,975)</u>
8 CONSERVATION EXPENSES (FROM CT-3, PAGE 1)	<u>140,510</u>	<u>199,670</u>	<u>147,804</u>	<u>127,624</u>	<u>151,452</u>	<u>142,526</u>	<u>84,566</u>	<u>142,145</u>	<u>129,577</u>	<u>83,231</u>	<u>166,561</u>	<u>112,982</u>	<u>1,628,648</u>
8 TRUE-UP THIS PERIOD	<u>(98,920)</u>	<u>(57,966)</u>	<u>(82,575)</u>	<u>(65,143)</u>	<u>(11,667)</u>	<u>(22,004)</u>	<u>(68,566)</u>	<u>(15,911)</u>	<u>(14,117)</u>	<u>(84,350)</u>	<u>(9,215)</u>	<u>(80,893)</u>	<u>(611,327)</u>
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	<u>301</u>	<u>(119)</u>	<u>(519)</u>	<u>(965)</u>	<u>(1,266)</u>	<u>(1,458)</u>	<u>(1,759)</u>	<u>(2,036)</u>	<u>(2,181)</u>	<u>(2,514)</u>	<u>(2,867)</u>	<u>(3,185)</u>	<u>(18,569)</u>
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	<u>117,627</u>	<u>9,206</u>	<u>(58,682)</u>	<u>(151,577)</u>	<u>(227,487)</u>	<u>(250,222)</u>	<u>(283,486)</u>	<u>(363,613)</u>	<u>(391,362)</u>	<u>(417,462)</u>	<u>(514,128)</u>	<u>(536,012)</u>	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	<u>(9,802)</u>	<u>(9,802)</u>	<u>(9,802)</u>	<u>(9,802)</u>	<u>(9,802)</u>	<u>(9,802)</u>	<u>(9,802)</u>	<u>(9,802)</u>	<u>(9,802)</u>	<u>(9,802)</u>	<u>(9,802)</u>	<u>(9,805)</u>	
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	<u>9,206</u>	<u>(58,682)</u>	<u>(151,577)</u>	<u>(227,487)</u>	<u>(250,222)</u>	<u>(283,486)</u>	<u>(363,613)</u>	<u>(391,362)</u>	<u>(417,462)</u>	<u>(514,128)</u>	<u>(536,012)</u>	<u>(629,896)</u>	<u>(629,896)</u>

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2000 THROUGH DECEMBER 2000

	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Total
1. INTEREST PROVISION BEGINNING TRUE-UP	117,827	9,206	(58,682)	(151,577)	(227,487)	(250,222)	(283,486)	(363,613)	(391,362)	(417,462)	(514,128)	(536,012)	
2. ENDING TRUE-UP BEFORE INTEREST	8,905	(58,562)	(151,059)	(226,522)	(248,956)	(282,028)	(361,854)	(389,326)	(415,281)	(511,614)	(533,145)	(626,710)	
3. TOTAL BEGINNING & ENDING TRUE-UP	126,532	(49,357)	(209,741)	(378,100)	(476,444)	(532,250)	(645,340)	(752,938)	(806,642)	(929,076)	(1,047,274)	(1,162,722)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	63,266	(24,678)	(104,870)	(189,050)	(238,222)	(266,125)	(322,670)	(376,469)	(403,321)	(464,538)	(523,637)	(581,361)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	5.600%	5.800%	5.800%	6.070%	6.180%	6.570%	6.580%	6.500%	6.480%	6.500%	6.490%	6.650%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	5.800%	5.800%	6.070%	6.180%	6.570%	6.580%	6.500%	6.480%	6.500%	6.490%	6.650%	6.500%	
7. TOTAL (SUM LINES 5 & 6)	11.400%	11.600%	11.870%	12.250%	12.750%	13.150%	13.080%	12.980%	12.980%	12.990%	13.140%	13.150%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	5.700%	5.800%	5.935%	6.125%	6.375%	6.575%	6.540%	6.490%	6.490%	6.495%	6.570%	6.575%	
9. MONTHLY AVG INTEREST RATE	0.475%	0.483%	0.495%	0.510%	0.531%	0.548%	0.545%	0.541%	0.541%	0.541%	0.548%	0.548%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	301	(119)	(519)	(965)	(1,266)	(1,458)	(1,759)	(2,036)	(2,181)	(2,514)	(2,867)	(3,185)	(18,569)
10. a. INT. ADJ													

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