

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: July 19, 2002
TO: Division of Competitive Markets and Enforcement (Makin)
FROM: Division of Auditing and Safety (Vandiver) *Q*
RE: **Docket No.** 020003-GU; **Company Name:** Indiantown Gas Company; **Audit Purpose:** Purchased Gas Cost Recovery True-up for the period January 2001 through December 2001; **Audit Control No.** 02-032-4-4

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 the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Bryan J. Powers
Indiantown Gas Company
P. O. Box 8
Indiantown, FL 34956

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

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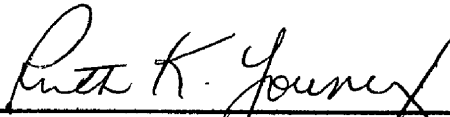
INDIANTOWN GAS COMPANY

PURCHASED GAS ADJUSTMENT AUDIT

PERIOD ENDED DECEMBER 31, 2001

AUDIT CONTROL NO. 02-032-4-4

DOCKET NO. 020003-GU



Ruth K. Young, Audit Manager



Iliana Piedra, Professional Accountant Specialist

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

July 9 , 2002

**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, 2001. These schedules were prepared by the utility as part of its Purchased Gas Adjustment true-up filings in Docket No. 020003-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.

Verified - The item was tested for accuracy and compared to substantiating documentation.

Revenues: The revenue amounts on the A-2 schedules were compared with the general ledger. Residential and commercial amounts were then traced to the billing register summaries. The terms used times the PGA factor were recalculated. The totals on the summaries were compared to the detailed billing register, and individual bills were recalculated to determine the rate used and if the rate was below the Commission authorized cap. Invoices to industrial customers were compiled and totals compared to the general ledger. Invoices were recalculated to determine if the company was billing below the cap.

Expenses: Compiled cost of gas expenses for the 12- months ending December 31, 2001. Examined all invoices.

True-up and Interest: Recalculated the true-up and interest amounts for the 12 months. Traced interest rates to the Wall Street Journal.

AUDIT EXCEPTION 1

**SUBJECT: ADJUSTMENTS FROM PRIOR AUDIT FOR THE YEAR
 ENDED DECEMBER 31, 2000**

STATEMENT OF FACTS: The prior audit report for the year ended December 31, 2000 included three audit exceptions which had the effect of reducing the over recovery from \$20,298 to \$19,079; a difference of \$1,219. The company included this adjustment in its July 2001 filing.

However, the company also included an adjustment decreasing its revenues on the A-2 in January by \$311.61. The company stated that this was for the year end 1999 audit report. The prior year end 1999 adjustment was included by staff in the year end 2001 exception of \$1,219.

OPINION: Revenue included on the A-2 schedule for the month of January 2001 is understated by \$311.61. This amount should be added back and the true up recalculated. The recalculation is included as an exhibit at the end of this report.

AUDIT EXCEPTION 2

SUBJECT: ACCOUNTING PROCEDURES FOR REVENUE

STATEMENT OF FACTS: The company's output from its billing registers is two reports.

The first is a detailed list of all customer bills by route. Each route for each month is totaled and the detail includes the service charge, quantity, quantity times rate (rate is inclusive of base and PGA), tax and total amount.

The second is a summary of the month's billing by route. The summaries for each route include the therms, service charge, PGA charges, base charges, tax and total. This is the only schedule where the PGA charges are detailed separately.

1. Summary Reports

A. When applying the PGA rates to the amount of therms on the monthly schedule by route, the recalculation does not always agree with the total on the summary reports. The differences show that the PGA revenue reported and booked is higher than our recalculation and the base revenue is lower than our recalculation.

	PGA	Base	Total
	-----	-----	-----
Company Summary	\$168,084.69	\$18,771.82	\$186,856.61
Recalculation	167,023.92	19,524.49	186,548.41
	-----	-----	-----
Difference	\$ 1,060.77	(\$ 752,67)	\$ 308.10

The monthly detail schedule follows this exception. The person who programs the company's billing information could not explain why this occurred.

B. Also, when adding the columns on the summary reports, the columns do not add down to the totals. That is because there is another route included in the total that is not listed in the summary. That is route 99 which are the close outs.

2. Detailed List of Customers

The totals in the detailed list of customers do not always agree with the summary reports. The reason is because the summary totals include customers that are closed out during the month whereas the detail list does not.

OPINION:

1. Summary Reports

A. The A-2 schedules should be revised to reflect the revenue adjustments above. A revised A-2 schedule for the year end December 31, 2001 which reflects this exception and all other exceptions in this report is included in the exhibit section of this report.

It is also recommended that the company make every effort along with its programmer to determine why there is a difference in the fuel revenue when recalculating the monthly summaries by route. When the company has determined this, staff should review the system to make sure fuel and base revenue are being reported correctly.

B. The company should include all routes in its summary reports to provide a clearer audit trail.

2. Detailed Customer List

The company should make an effort to revise its system to include the closeouts in the detailed billing register to provide a complete audit trail.

COMPANY: INDIANTOWN GAS CO.
 TITLE: REVENUE RECALCULATION
 PERIOD: YEAR END 12/31/2001

EXHIBIT TO AUDIT EXCEPTION

The results of the calculation below show that the fuel revenue reported is higher than it should be and the base revenue is lower than it should be. The fuel revenue should be reduced by \$1060.77 and the base revenue increased by \$752.67.

MONTH				NON	RECALCULATE	RECALCULATE	RECALCULATE	DIFFERENCE	DIFFERENCE	TOTAL
	FUEL	FUEL	TOTAL	FUEL	NON FUEL	TOTAL	IN FUEL	IN NON FUEL	DIFFERENCE	
January	30,070.07	2,250.00	32,320.07	29,978.96	2,356.61	32,335.57	(91.11)	106.61	15.50	
February	27,487.32	1,708.03	29,195.35	27,419.38	1,779.68	29,199.06	(67.94)	71.65	3.71	
March	24,712.92	1,519.64	26,232.56	24,664.98	1,576.58	26,241.56	(47.94)	56.94	9.00	
April	2,521.97	1,472.50	3,994.47	2,388.22	1,529.21	3,917.43	(133.75)	56.71	(77.04)	
May	10,261.03	1,589.59	11,850.62	10,185.30	1,648.83	11,834.13	(75.73)	59.24	(16.49)	
June	9,576.26	1,302.35	10,878.61	9,603.72	1,352.78	10,956.50	27.46	50.43	77.89	
July	6,525.99	1,109.33	7,635.32	6,310.89	1,153.47	7,464.36	(215.10)	44.14	(170.96)	
August	5,334.65	1,386.95	6,721.60	5,144.66	1,437.57	6,582.23	(189.99)	50.62	(139.37)	
September	19,514.22	1,425.58	20,939.80	19,478.96	1,472.47	20,951.43	(35.26)	46.89	11.63	
October	2341.67	1,402.66	3,744.33	2,274.69	1,453.58	3,728.27	(66.98)	50.92	(16.06)	
November	13,462.15	1,389.15	14,851.30	13,402.72	1,454.22	14,856.94	(59.43)	65.07	5.64	
December	16,276.44	2,216.04	18,492.48	16,171.44	2,309.49	18,480.93	(105.00)	93.45	(11.55)	
	168,084.69	18,771.82	186,856.51	167,023.92	19,524.49	186,548.41	(1,060.77)	752.67	(308.10)	

The monthly detail schedule is on the next schedule.

Recommendation: The A-2 Schedules should be revised to reflect the revenue adjustments above. It is also recommended that the company make every effort along with its programmer to determine why there is a difference in the fuel revenue when calculating the monthly summaries by route. When the company has determined this, staff should review the system to make sure fuel and base revenue are being reported correctly.

COMPANY: INDIANTOWN GAS CO.
 TITLE: REVENUE RECALCULATION
 PERIOD: YEAR END 12/31/2001

EXHIBIT TO AUDIT EXCEPTION

JANUARY Route	Co. Summ Therms	Co. Summ PGA Rate	Recalc PGA Amount	Tariff Base Rate	Recalc Base Rate Amt	Total
1	3,289.01	0.821590	2,702.22	0.066320	218.13	2,920.34
3	12,274.12	0.821590	10,084.29	0.061160	750.69	10,834.98
4	3,509.99	0.821590	2,883.77	0.066320	232.78	3,116.56
5	4,031.69	0.821590	3,312.40	0.066320	267.38	3,579.78
6	3,950.88	0.821590	3,246.00	0.066320	262.02	3,508.03
7	1,463.93	0.821590	1,202.75	0.066320	97.09	1,299.84
8	3,116.50	0.821590	2,560.49	0.066320	206.69	2,767.17
9	3,313.78	0.821590	2,722.57	0.066320	219.77	2,942.34
10	1,367.99	0.821590	1,123.93	0.066320	90.73	1,214.65
	-----		-----		-----	-----
	36,317.89		29,838.42		2,345.27	32,183.68
NOTE C	171.06	0.821590	140.54	0.066320	11.34	151.89
	-----		-----		-----	-----
	36,488.95		29,978.96		2,356.61	32,335.57
Summary	36,488.98		30,070.07		2,250.00	32,320.07
	-----		-----		-----	-----
	(0.03)		(91.11)		106.61	15.50

NOTE C

The company does not include close outs for the month on its billing register detail. However, the computer automatically includes the close outs on the billing summaries. Therefore, there is sometimes a difference in the detail register totals and the total on the summaries that are subsequently booked to the general ledger. In order to compare staff's calculation with the company summaries, we had to add in the close outs for the month. Source of close-outs is company prepared total by month for the year.

COMPANY: INDIANTOWN GAS CO.
 TITLE: REVENUE RECALCULATION
 PERIOD: YEAR END 12/31/2001

EXHIBIT TO AUDIT EXCEPTION

FEBRUARY		Co. Summ	Co. Summ	Recalc	Tariff	Recalc	
Route	Therms	PGA Rate	PGA	Amount	Base Rate	Base	Total
						Rate Amt	
1	2,276.68	0.990000		2,253.91	0.066320	150.99	2,404.90
3	11,073.77	0.990000		10,963.03	0.061160	677.27	11,640.30
4	2,430.11	0.990000		2,405.81	0.066320	161.16	2,566.97
5	2,500.38	0.990000		2,475.38	0.066320	165.83	2,641.20
6	3,039.79	0.990000		3,009.39	0.066320	201.60	3,210.99
7	1,028.06	0.990000		1,017.78	0.066320	68.18	1,085.96
8	2,301.44	0.990000		2,278.43	0.066320	152.63	2,431.06
9	2,022.56	0.990000		2,002.33	0.066320	134.14	2,136.47
10	993.44	0.990000		983.51	0.066320	65.88	1,049.39
	-----			-----		-----	-----
	27,666.23			27,389.57		1,777.68	29,167.25
NOTE C	30.11	0.990000		29.81	0.066320	2.00	31.81
	-----			-----		-----	-----
	27,696.34			27,419.38		1,779.68	29,199.06
Summary	27,696.42			27,487.32		1,708.03	29,195.35
	-----			-----		-----	-----
	(0.08)			(67.94)		71.65	3.71

MARCH		Co. Summ	Co. Summ	Recalc	Tariff	Recalc	
Route	Therms	PGA Rate	PGA	Amount	Base Rate	Base	Total
						Rate Amt	
1	1,635.67	1.000000		1,635.67	0.066320	108.48	1,744.15
3	11,215.77	1.000000		11,215.77	0.061160	685.96	11,901.73
4	1,971.37	1.000000		1,971.37	0.066320	130.74	2,102.11
5	2,093.15	1.000000		2,093.15	0.066320	138.82	2,231.97
6	2,538.52	1.000000		2,538.52	0.066320	168.35	2,706.87
7	953.30	1.000000		953.30	0.066320	63.22	1,016.52
8	2,033.88	1.000000		2,033.88	0.066320	134.89	2,168.77
9	1,502.92	1.000000		1,502.92	0.066320	99.67	1,602.59
10	657.16	1.000000		657.16	0.066320	43.58	700.74
	-----			-----		-----	-----
	24,601.74			24,601.74		1,573.71	26,175.45
NOTE C	43.24	1.000000		43.24	0.066320	2.87	46.11
	-----			-----		-----	-----
	24,644.98			24,644.98		1,576.58	26,221.56
Summary	24,650.39			24,712.92		1,519.64	26,232.56
	-----			-----		-----	-----
	(5.41)			(67.94)		56.94	(11.00)

COMPANY: INDIANTOWN GAS CO.
 TITLE: REVENUE RECALCULATION
 PERIOD: YEAR END 12/31/2001

EXHIBIT TO AUDIT EXCEPTION

APRIL Route	Co. Summ Therms	Co. Summ PGA Rate	Recalc PGA Amount	Tariff Base Rate	Recalc Base Rate Amt	Total
1	1,614.35	0.100000	161.44	0.066320	107.06	268.50
3	10,592.42	0.100000	1,059.24	0.061160	647.83	1,707.07
4	1,877.83	0.100000	187.78	0.066320	124.54	312.32
5	2,167.58	0.100000	216.76	0.066320	143.75	360.51
6	2,576.33	0.100000	257.63	0.066320	170.86	428.50
7	945.55	0.100000	94.56	0.066320	62.71	157.26
8	1,876.71	0.100000	187.67	0.066320	124.46	312.13
9	1,450.23	0.100000	145.02	0.066320	96.18	241.20
10	752.67	0.100000	75.27	0.066320	49.92	125.18
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	23,853.67		2,385.37		1,527.32	3,912.69
NOTE C	28.52	0.100000	2.85	0.066320	1.89	4.74
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	23,882.19		2,388.22		1,529.21	3,917.43
Summary	23,883.29		2,521.97		1,472.50	3,994.47
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	(1.10)		(133.75)		56.71	(77.04)

MAY Route	Co. Summ Therms	Co. Summ PGA Rate	Recalc PGA Amount	Tariff Base Rate	Recalc Base Rate Amt	Total
1	1,693.07	0.668170	1,131.26	0.066320	112.28	1,243.54
3	11,697.96	0.66810	781.54	0.061160	715.45	1,496.99
4	2,096.11	0.668170	1,400.56	0.066320	139.01	1,539.57
5	2,237.32	0.668170	1,494.91	0.066320	148.38	1,643.29
6	2,647.99	0.668170	1,769.31	0.066320	175.61	1,944.92
7	1,018.45	0.668170	680.50	0.066320	67.54	748.04
8	2,011.82	0.668170	1,344.24	0.066320	133.42	1,477.66
9	1,543.04	0.668170	1,031.01	0.066320	102.33	1,133.35
10	778.71	0.668170	520.31	0.066320	51.64	571.95
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	25,724.47		10,153.63		1,645.69	11,799.32
NOTE C	47.39	0.668170	31.66	0.066320	3.14	34.81
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	25,771.86		10,185.30		1,648.83	11,834.13
Summary	25,771.86		10,261.03		1,589.59	11,850.62
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	0.00		(75.73)		59.24	(16.49)

COMPANY: INDIANTOWN GAS CO.
 TITLE: REVENUE RECALCULATION
 PERIOD: YEAR END 12/31/2001

EXHIBIT TO AUDIT EXCEPTION

JUNE		Co. Summ	Co. Summ	Recalc	Tariff	Recalc	
Route	Therms	PGA Rate	PGA	Amount	Base Rate	Base	Total
						Rate Amt	
1	1,482.83	0.194570		288.51	0.066320	98.34	386.86
3	9,195.86	0.792200		7,284.96	0.061160	562.42	7,847.38
4	1,722.70	0.194570		335.19	0.066320	114.25	449.44
5	1,951.54	0.194570		379.71	0.066320	129.43	509.14
6	2,327.14	0.194570		452.79	0.066320	154.34	607.13
7	798.37	0.194570		155.34	0.066320	52.95	208.29
8	1,716.06	0.194570		333.89	0.066320	113.81	447.70
9	1,269.23	0.194570		246.95	0.066320	84.18	331.13
10	649.49	0.194570		126.37	0.066320	43.07	169.45
	21,113.22			9,603.72		1,352.78	10,956.50
NOTE C	0.00	0.194570		0.00	0.066320	0.00	0.00
				9,603.72		1,352.78	10,956.50
Summary	21,113.22			9,576.26		1,302.35	10,878.61
	0.00			27.46		50.43	77.89
JULY							
Route	Therms	PGA Rate	PGA	Amount	Base Rate	Base	Total
						Rate Amt	
1	1,299.22	0.350770		455.73	0.066320	86.16	541.89
3	7,699.25	0.350770		2,700.67	0.061160	470.89	3,171.55
4	1,492.00	0.350770		523.35	0.066320	98.95	622.30
5	1,627.01	0.350770		570.71	0.066320	107.90	678.61
6	1,973.35	0.350770		692.19	0.066320	130.87	823.06
7	674.13	0.350770		236.46	0.066320	44.71	281.17
8	1,451.67	0.350770		509.20	0.066320	96.27	605.48
9	1,095.56	0.350770		384.29	0.066320	72.66	456.95
10	529.31	0.350770		185.67	0.066320	35.10	220.77
	17,841.50			6,258.26		1,143.52	7,401.78
NOTE C	150.03	0.350770		52.63	0.066320	9.95	62.58
	17,991.53			6,310.89		1,153.47	7,464.36
Summary	17,991.53			6,525.99		1,109.33	7,635.32
	0.00			(215.10)		44.14	(170.96)

COMPANY: INDIANTOWN GAS CO.
 TITLE: REVENUE RECALCULATION
 PERIOD: YEAR END 12/31/2001

EXHIBIT TO AUDIT EXCEPTION

AUGUST			PGA		Base	
Route	Therms	PGA Rate	Amount	Base Rate	Rate Amt	Total
1	1,506.30	0.228850	344.72	0.066320	99.90	444.61
3	10,336.54	0.228850	2,365.52	0.061160	632.18	2,997.70
4	1,812.55	0.228850	414.80	0.066320	120.21	535.01
5	1,833.15	0.228850	419.52	0.066320	121.57	541.09
6	2,723.70	0.228850	623.32	0.066320	180.64	803.95
7	732.13	0.228850	167.55	0.066320	48.55	216.10
8	1,758.24	0.228850	402.37	0.066320	116.61	518.98
9	1,158.81	0.228850	265.19	0.066320	76.85	342.05
10	601.63	0.228850	137.68	0.066320	39.90	177.58
		22,463.05	5,140.67		1,436.41	6,577.08
NOTE C	17.42	0.228850	3.99	0.066320	1.16	5.14
		22,480.47	5,144.66		1,437.57	6,582.22
Summary	22,492.45		5,334.65		1,386.95	6,721.60
		(11.98)	(189.99)		50.62	(139.38)

SEPTEMBER			PGA		Base	
Route	Therms	PGA Rate	Amount	Base Rate	Rate Amt	Total
1	1,275.59	0.843000	1,075.32	0.066320	84.60	1,159.92
3	11,620.72	0.843000	9,796.27	0.061160	710.72	10,506.99
4	1,669.12	0.843000	1,407.07	0.066320	110.70	1,517.76
5	1,737.21	0.843000	1,464.47	0.066320	115.21	1,579.68
6	2,758.80	0.843000	2,325.67	0.066320	182.96	2,508.63
7	716.71	0.843000	604.19	0.066320	47.53	651.72
8	1,823.66	0.843000	1,537.35	0.066320	120.95	1,658.29
9	957.75	0.843000	807.38	0.066320	63.52	870.90
10	512.40	0.843000	431.95	0.066320	33.98	465.94
		23,071.96	19,449.66		1,470.17	20,919.83
NOTE C	34.75	0.843000	29.29	0.066320	2.30	31.60
		23,106.71	19,478.96		1,472.47	20,951.43
Summary	23,116.48		19,514.22		1,425.58	20,939.80
		(9.77)	(35.26)		46.89	11.63

COMPANY: INDIANTOWN GAS CO.
 TITLE: REVENUE RECALCULATION
 PERIOD: YEAR END 12/31/2001

EXHIBIT TO AUDIT EXCEPTION

OCTOBER			PGA		Base	
Route	Therms	PGA Rate	Amount	Base Rate	Rate Amt	Total
1	1,555.59	0.100000	155.56	0.066320	103.17	258.73
3	10,658.70	0.100000	1,065.87	0.061160	651.89	1,717.76
4	2,154.48	0.100000	215.45	0.066320	142.89	358.33
5	1,937.20	0.100000	193.72	0.066320	128.48	322.20
6	2,069.08	0.100000	206.91	0.066320	137.22	344.13
7	768.58	0.100000	76.86	0.066320	50.97	127.83
8	1,731.82	0.100000	173.18	0.066320	114.85	288.04
9	1,219.58	0.100000	121.96	0.066320	80.88	202.84
10	646.48	0.100000	64.65	0.066320	42.87	107.52
	22,741.51		2,274.15		1,453.22	3,727.37
NOTE C	5.40	0.100000	0.54	0.066320	0.36	0.90
	22,746.91		2,274.69		1,453.58	3,728.27
Summary	22,746.71		2,341.67		1,402.66	3,744.33
	0.20		(66.98)		50.92	(16.06)

NOVEMBER			PGA		Base	
Route	Therms	PGA Rate	Amount	Base Rate	Rate Amt	Total
1	1,875.96	0.595000	1,116.20	0.066320	124.41	1,240.61
3	7,688.52	0.595000	4,574.67	0.061160	470.23	5,044.90
4	2,394.36	0.595000	1,424.64	0.066320	158.79	1,583.44
5	2,197.80	0.595000	1,307.69	0.066320	145.76	1,453.45
6	3,365.28	0.595000	2,002.34	0.066320	223.19	2,225.53
7	959.05	0.595000	570.63	0.066320	63.60	634.24
8	1,868.40	0.595000	1,111.70	0.066320	123.91	1,235.61
9	1,337.04	0.595000	795.54	0.066320	88.67	884.21
10	828.36	0.595000	492.87	0.066320	54.94	547.81
	22,514.77		13,396.29		1,453.51	14,849.79
NOTE C	10.81	0.595000	6.43	0.066320	0.72	7.15
	22,525.58		13,402.72		1,454.22	14,856.94
Summary	22,525.58		13,462.15		1,389.15	14,851.30
	0.00		(59.43)		65.07	5.64

COMPANY: INDIANTOWN GAS CO.
 TITLE: REVENUE RECALCULATION
 PERIOD: YEAR END 12/31/2001

EXHIBIT TO AUDIT EXCEPTION

DECEMBER			PGA		Base	
Route	Therms	PGA Rate	Amount	Base Rate	Rate Amt	Total
1	2,966.52	0.450000	1,334.93	0.066320	196.74	1,531.67
3	14,305.50	0.450000	6,437.48	0.061160	874.92	7,312.40
4	2,631.99	0.450000	1,184.40	0.066320	174.55	1,358.95
5	3,892.23	0.450000	1,751.50	0.066320	258.13	2,009.64
6	4,502.98	0.450000	2,026.34	0.066320	298.64	2,324.98
7	1,610.70	0.450000	724.82	0.066320	106.82	831.64
8	2,897.49	0.450000	1,303.87	0.066320	192.16	1,496.03
9	1,890.36	0.450000	850.66	0.066320	125.37	976.03
10	1,208.91	0.450000	544.01	0.066320	80.17	624.18
	-----		-----		-----	-----
	35,906.68		16,158.01		2,307.51	18,465.52
NOTE C	29.85	0.450000	13.43	0.066320	1.98	15.41
	-----		-----		-----	-----
	35,936.53		16,171.44		2,309.49	18,480.93
Summary	35,946.43		16,276.44		2,216.01	18,492.45
	-----		-----		-----	-----
	(9.90)		(105.00)		93.48	(11.52)

AUDIT EXCEPTION 3

SUBJECT: REVENUE EXPANSION FACTOR APPLIED TO PGA REVENUES BILLED

STATEMENT OF FACTS: For the months of January through June, the company determined its flex down factor using a tax factor of 1.01911 and bills its customers a tax factor of 1.0309. The formula used to determine the flex down factor of 1.01911 is: $1/(1-(GRT +RAF))$, where GRT = Gross Receipts tax of .015 and RAF = Regulatory Assessment fee of .00375 ($1/(1-(.015+.00375))$). For the months of July through December, the company used a tax factor of 1.0309 to determine its flex down factor.

According to Wayne Makin, Regulatory Analyst in Tallahassee, the company's tariff rates include the gross receipts tax of .015 and the regulatory assessment fee of .00375.

The formula used by the company to bill the customer the tax rate of 1.0309 is $1/(1-(.025+.005))$. The gross receipts tax used is .025 and the regulatory assessment fee rate is .005. The company has not applied to the Commission to increase the regulatory assessment fee amount. When the gross receipts tax was changed to .025, all companies were approved to start using it without a rate case or specific approval.

The company uses the following formula to calculate its bills to residential and commercial customers:

1. Add together
 - a. Monthly Service Charge (which already includes .015 and .00375),
 - b. Therms times non-fuel base rate (which already includes .015 and .00375), and
 - c. Fuel therms times fuel therm rate (does not include any taxes).
2. Applied to this sum is the tax rate of .0309 to determine the customers bills.

The formula used to calculate its bills to industrial customers is:

1. Add together
 - a. Therms times current purchase price for Transportation and Commodity (this current purchase price does not include any taxes), and
 - b. Therms times non fuel base rate for industrial customers (which already includes .015 and .00375)
2. Applied to this sum is the tax rate of .0309 to determine the customers bills.

OPINIONS:

1. PGA REVENUE

The company used a different revenue expansion rate when submitting filings to the Commission for January through June to determine the cap to be used in future periods and the flex down factors monthly than it is when billing its customers. According to Wayne Makin, Regulatory Analyst in Tallahassee, the company should be using the gross receipts tax of 2.5% and the regulatory

assessment fee of .5% for the PGA revenues. That is a revenue expansion factor of 1.0309 as stated above. This is the factor the company used when submitting filings to the Commission to determine the cap for July through December.

2. CUSTOMER MONTHLY CHARGE AND NON-FUEL REVENUE

The company appears to be billing a portion of taxes in the base rate and then taxing the final amount again for residential, commercial and industrial customers..

The schedules that follow this exception show examples of customer bills (residential and industrial) using the company formula, and a formula staff believes would be more representative of the rates to be billed.

COMPANY PLANS: The company has filed for a complete rate restructuring in 2002, which the company indicates takes the above problems into consideration.

INDIANTOWN GAS COMPANY - EXHIBIT TO EXCEPTION

The company uses the following formula to calculate its bills to residential and commercial customers:

1. Add together
 - a. Monthly Service Charge (which already includes .015 and .00375),
 - b. Therms times non-fuel base rate (which already includes .015 and .00375), and
 - c. Fuel therms times fuel therm rate (does not include any taxes).
2. Applied to this sum is the tax rate of .0309 to determine the customers bills.

The formula used to calculate its bills to industrial customers is:

1. Add together
 - a. Therms times current purchase price for Transportation and Commodity (this current purchase price does not include any taxes), and
 - b. Therms times non fuel base rate for industrial customers (which already includes .015 and .00375)
2. Applied to this sum is the tax rate of .0309 to determine the customers bills.

COMPANY: INDIANTOWN GAS CO.
TITLE: ANALYSIS OF REVENUE EXPANSION FACTOR
PERIOD: YEAR END 12/31/00
DATE: JUNE 26, 2001

This exhibit includes the following schedules:

- A. Example of how Indiantown Gas Company is calculating its residential bills to customers.
- B. Example of Method that should be used to bill its residential and commercial customers.
- C. Example of how Indiantown Gas Company is calculating its bills to the industrial customers.
- D. Example of Method that should be used to bill its industrial customers.

COMPANY: INDIANTOWN GAS CO.
 TITLE: ANALYSIS OF REVENUE EXPANSION FACTOR
 PERIOD: YEAR END 12/31/00
 DATE: JUNE 26, 2001

EXHIBIT TO AUDIT EXCEPTION

A. Example of how Indiantown Gas Company is calculating its residential bills to customers.

1. Monthly Service Charge		\$5.00	
<hr/>			
2. Quantity Per Register	5.48		
X Base Rates for Residential per tariff)	0.06632		(A) According to Wayne Makin, the GRT of 1-1/2% and RAF of .00375 are embedded in the tariff.
Total charge for Base Non Fuel Rates		0.3634336	
<hr/>			
3. PGA Rate without taxes (B)	0.47042		(B) Cap approved Jan through Sept 2000
Times Quantity	5.48		
Total PGA charge without Taxes		2.57790	
<hr/>			
4. Total Items 1 + 2 +3		7.9413352	
<hr/>			
5. Apply tax rate of .0309 to whole bill which consists of 1/(1-(GRT + RAF) 1/(1-(0.025+0.005))		0.0309	
Tax Charged the customer on Bill		0.2454	
<hr/>			
6. Total Actual Bill to Customer (Item 4+5)		8.19	
		=====	

COMPANY: INDIANTOWN GAS CO.
 TITLE: ANALYSIS OF REVENUE EXPANSION FACTOR
 PERIOD: YEAR END 12/31/00
 DATE: JUNE 26, 2001

EXHIBIT TO AUDIT EXCEPTION

B. Example of Method that should be used to bill its residential and commercial customers.

1. Monthly Service Charge	5.00	5.00	
Add 1% GRT which is now 2-1/2 rather than the 1-1/2 included in base rates**	0.01	0.05	
			5.05
2. Quantity of Therms	5.48		
Base Rates for Residential Per tariff	0.06632		
Total Charge for Base Rates inclusive of embedded taxes		0.36343	
3. Add: 1% for GRT which is now 2-1/2 rather than the 1-1/2 Included in base rates**	0.01		
		0.00363	
4. Total base rates inclusive of taxes (items 2+3)			0.37
5. PGA Rate Without Taxes	0.47042		
Times Quantity	5.48		
PGA Charge without Taxes		2.5779016	2.58
6. Tax on PGA Only .025 + .005	0.0309		
1/(1-(GRT + RAF)			
1/(1-(0.025+0.005))	Tax on PGA revenue	0.08	0.08
7. Total to be billed customer(items 1+4+5+6)			8.07
Total actually billed customer above			8.19
Difference			(0.12)

**Only add in the GRT extra. Because the company has not applied for a tariff change we believe that the RAF factor cannot be changed unless the company comes in for a change.

COMPANY: INDIANTOWN GAS CO.
 TITLE: ANALYSIS OF REVENUE EXPANSION FACTOR
 PERIOD: YEAR END 12/31/00
 DATE: JUNE 26, 2001

EXHIBIT TO AUDIT EXCEPTION

C. Example of how Indiantown Gas Company is calculating its bills to the industrial customers.

	Therms	Combined Transp and Commodity Current Rate	Therms X Current Rate	
CURRENT PURCHASES				
Transportation and Commodity (PGA)	716,012	0.25033	179,239.28	
PLUS Customer Charge - Tariff			4,500.00	E (E) According to Wayne Makin, the GRT of 1-1/2% and RAF of .00375 are embedded in the tariff.
PLUS Tariff Energy Charge	716012	0.0452	32,363.74	E
Total			216,103.03	
GRT and RAF			0.0309	
GRT AND RAF TAX			6,677.58	
Bill Without Tax			216,103.03	
TOTAL BILLED			222,780.61	

D. Example of Method that should be used to bill its Industrial customers.

	Therms	Combined Transp and Commodity Current Rate	Therms X Current Rate	Extension
CURRENT PURCHASES				
Transportation and Commodity (PGA)	716,012	0.25033	179,239.28	179,239.28
Times Tax Factor			0.0309	
			5,538.49	5,538.49
PLUS Customer Charge - Tariff			4,500.00	E
PLUS Tariff Energy Charge	716012	0.0452	32,363.74	E
Total			36,863.74	36,863.74
Additional 1% RAF			0.01	
			368.64	368.64
Total to be Billed under this Method				222,010.16
Total Billed under the Company Method				222,780.61
Difference				(770.45)

AUDIT EXCEPTION 4

SUBJECT: BILLING OVER THE CAP SET BY THE COMMISSION

STATEMENT OF FACTS: When filing the flex down factor form with the Commission for January through June 2001, the company used a tax factor of 1.01911. A different factor was used when billing the customers. The company uses 1.0309. This is comprised of the gross receipts rate of .025 and the regulatory assessment fee of .005. The formula used is $1/(1-(.025+.005))$. Because the tax factor the company is billing its customers is more than the factor filed with the Commission, when the company is billing at the cap set by the Commission or its flex down schedule, it is actually billing over the cap.

The customers were billed over the cap in the month of January. In February through June, although the company had different tax factors on its flex down schedules and the amount billed, there was no billing over the cap. This is because the amount billed the customers is below the cap or flex down factor.

OPINION: The residential, commercial and industrial customers were billed over the cap in January in the amounts of \$234.56, \$118.89 and \$4,907.81 respectively. It should be determined by the Commission whether a refund is due the customer. The schedule following this exception calculates the amounts.

Since the amounts actually billed were reported on the A-2, the PGA true-up is not affected.

COMPANY:
TITLE:
PERIOD:

INDIANTOWN GAS CO.
PGA REVENUES
YEAR END 12/31/01

		JANUARY Residential From Billing Register	JANUARY Commercial From Billing Register	JANUARY Industrial From Bill toCustomer	Total
1. Total Therms Billed		24,214.83	12,274.12	506,663.00	
2. Rate Billed Customer		0.82159	0.82159	0.82159	
Tax Factor actually used	1.0309	0.84698	0.84698	0.84698	
		-----	-----	-----	
Therms times .84698		20,509.41	10,395.90	429,131.97	
3. Rate billed Customer					
Times tax factor calculated					
on flex down	1.01911	0.83729	0.83729	0.83729	**
		-----	-----	-----	
4. Therms billed times Cap		20,274.85	10,277.01	424,224.16	
		-----	-----	-----	
5. Difference between cap and amount actually billed		(234.56)	(118.89)	(4,907.81)	
		=====	=====	=====	

** Equals cap set by the Commission

EXHIBITS

MAR-01-2002 (FR) 18:20 INDIANTOWN GAS

COMPANY: INDIANTOWN GAS COMPANY		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2 (REVISED 2/28/02)			
FOR THE PERIOD OF:		JAN 2001 Through DEC 2001							
	CURRENT MONTH:				PERIOD TO DATE				
	ACTUAL	FLEXDOWN ESTIMATE	DIFFERENCE		ACTUAL	FLEXDOWN ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION									
1	PURCHASED GAS COST	0	0	0	0.00	0	0	0	0.00
2	TRANSPORTATION COST	94,001	153,312	59,311	36.69	3,334,988	2,176,982	(1,158,026)	(4.97)
3	TOTAL	94,001	153,312	59,311	36.69	3,334,988	2,176,982	(1,158,026)	(4.97)
4	FUEL REVENUES (NET OF REVENUE TAX)	109,738	153,312	43,574	28.42	3,342,534	3,176,982	(165,572)	(5.21)
5	TRUE-UP COLLECTED OR REFUNDED	(12)	(12)	0	0.00	(144)	(144)	0	0.00
6	FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ OR -) LINE 5)	109,726	153,300	43,574	28.42	3,342,390	3,176,818	(165,572)	(5.21)
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 5)	15,728	(12)	(15,737)	131,141.67	1,402	(144)	(7,848)	5,240.69
8	INTEREST PROVISION - THIS PERIOD (LINE 21)	32	(1)	(33)	3,300.00	(129)	(19)	110	(578.95)
9	BEGINNING OF PERIOD TRUE-UP AMT INTEREST (1)	11,945	(501)	(12,446)	2,484.23	20,297	(493)	(20,790)	4,302.28
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 6)	12	12	0	0.00	144	144	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)	27,714	(602)	(28,218)	5,820.72	27,714	(602)	(28,218)	5,820.81
INTEREST PROVISION									
12	BEGINNING TRUE-UP AMT INTEREST PROVISION (1)	11,945	(501)	12,446	(2,484.23)				
13	ENDING TRUE-UP BEFORE INTEREST (12+7-9)	27,682	(501)	28,183	(5,825.35)				
14	TOTAL (12+13)	39,627	(1,002)	40,629	(4,054.70)				
15	AVERAGE (SUM OF 12)	10,841	(501)	11,315	(4,054.80)				
16	INTEREST RATE - FIRST DAY OF MONTH	2.04000%	2.04000%	0.00000%	0.00				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.78000%	1.78000%	0.00000%	0.00				
18	TOTAL (16+17)	3.82000%	3.82000%	0.00000%	0.00				
19	AVERAGE (SUM OF 16)	1.91000%	1.91000%	0.00000%	0.00				
20	MONTHLY AVERAGE (18/12 Months)	0.15917%	0.15917%	0.00000%	0.00				
21	INTEREST PROVISION (19*20)	32	(1)	33	(3,300.00)				

REVISED
3-4-02 mm

NOTES:

Note 1 - July 2001 includes a \$1,212.48 decrease in revenues pursuant to Audit Control No. 01-064-4-2 - Exception #s 1, 2, & 3

Company: Indiantown
 Title: True-up & Interest Calculations
 Period: Year ended 12/31/01
 Auditor: RKY

REVISED FOR AUDIT EXCEPTIONS

Workpaper #40

Interest Rates per Wall Street Journal Commercial Paper

Interest- first day reporting	January 01	6.5000%
	February	5.5000%
	March	5.1500%
	April	5.0000%
	May	4.3700%
	June	3.9400%

Interest Rates per Wall Street Journal Commercial Paper

Interest- first day reporting	July	3.8000%
	August	3.7500%
	September	3.4700%
	October	2.6700%
	November	2.2000%
	December 01	2.0400%

Interest- first day reporting

of subsequent month	July	3.8000%
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Interest- first day reporting

of subsequent	Janua	1.7800%
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	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
Beginning	6.500%	5.500%	5.150%	5.000%	4.370%	3.940%	3.800%	3.750%	3.470%	2.670%	2.200%	2.040%	
Ending	5.500%	5.150%	5.000%	4.370%	3.940%	3.800%	3.750%	3.470%	2.670%	2.200%	2.040%	1.780%	
Total	12.000%	10.650%	10.150%	9.370%	8.310%	7.740%	7.550%	7.220%	6.140%	4.870%	4.240%	3.820%	
Average	6.000%	5.325%	5.075%	4.685%	4.155%	3.870%	3.775%	3.610%	3.070%	2.435%	2.120%	1.910%	Total 12 Months
Monthly Average	0.500%	0.444%	0.423%	0.390%	0.346%	0.323%	0.315%	0.301%	0.256%	0.203%	0.177%	0.159%	

CALCULATION OF TRUE-UP

TOTAL GAS REVENUES	446,022	391,417	561,309	809,821	331,954	280,256	47,778	83,725	80,378	128,659	71,477	109,738	3,342,534
Prior True-up - Note a	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(144)
AUDIT EXCEPTION 1	312												312
AUDIT EXCEPTION 2												(1,061)	(1,061)
Total gas revenue to current period	446,322	391,405	561,297	809,809	331,942	280,244	47,766	83,713	80,366	128,647	71,465	108,665	3,341,641
Gas Cost	544,781	313,650	536,733	828,409	331,744	282,008	49,175	90,995	66,367	139,357	57,768	94,001	3,334,988
True-up this period	(98,459)	77,755	24,564	(18,500)	198	(1,784)	(1,409)	(7,282)	13,999	(10,710)	13,697	14,564	6,653
Interest provision	(145)	(175)	49	57	19	15	10	(3)	6	8	10	31	(118)
True-up & Interest beg. Note (b)	20,297	(78,295)	(703)	23,922	5,391	5,620	3,884	2,497	(4,777)	9,240	(1,450)	12,268	20,297
Prior true-up coll. refunded	12	12	12	12	12	12	12	12	12	12	12	12	144
FGT PGA TRUE UP ADJ													
Rate Case Refund Balance													
Total net true-up	(78,295)	(703)	23,922	5,391	5,620	3,884	2,497	(4,777)	9,240	(1,450)	12,268	26,976	26,976
True-up for the month CO FILING	(78,608)	(1,018)	23,606	5,074	5,302	3,564	2,176	(5,098)	8,918	(1,773)	11,945	27,714	27,714
Difference	313	315	316	317	318	320	321	321	322	323	323	(738)	(738)

CALCULATION OF INTEREST

Beginning true up and Int	20,297	(78,295)	(703)	23,922	5,391	5,620	3,884	2,497	(4,777)	9,240	(1,450)	12,268	
Ending true-up before int	(78,150)	(528)	23,873	5,334	5,601	3,868	2,467	(4,773)	8,234	(1,458)	12,259	26,944	
Total	(57,853)	(78,823)	23,170	29,256	10,992	9,488	6,370	(2,277)	4,457	7,782	10,808	39,213	
Average true up	(28,927)	(39,412)	11,585	14,628	5,496	4,744	3,185	(1,138)	2,229	3,891	5,404	19,606	
Interest rate per above	0.50%	0.44%	0.42%	0.39%	0.35%	0.32%	0.31%	0.30%	0.26%	0.20%	0.18%	0.16%	
Interest per staff	(145)	(175)	49	57	19	15	10	(3)	6	8	10	31	
True-up for the month per a-2	(146)	(177)	48	56	18	14	9	(4)	5	7	9	32	
	1	2	1	1	1	1	1	1	1	1	1	(1)	11

Source: Company prepared schedule A-2

NOTE A: THE PRIOR TRUE UP AMOUNT SHOWN ABOVE WAS TRACED TO ORDER PSC- 00-2383-FOF-GU UNDERRECOVERY OF 147/12= 12 rounded

NOTE B: THE TRUE UP AND INTEREST BEGINNING TOTAL AMOUNT OF WAS TRACED TO LAST 12 MONTH PERIOD FILING - ENDING TRUE UP DOCKET 010003-GU AFAD NO 01-064-4-2 WP 40, without staff adjustments from audit report. Staff adjustment reduced the overrecovery from \$20,297 to \$19,079; a difference of \$1,219.

COMPANY: INDIANTOWN GAS COMPANY
 TITLE: ADJUSTMENTS TO SCHEDULE A-2
 PERIOD: YEAR ENDED DECEMBER 31,2001

Detail of Revised A-2 True Up Schedule
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Month	Audit Exception 1 Increase Revenue	Audit Exception 2 Decrease Revenue	Total Decrease Revenue
January	(311.61)		(311.61)
December		1,060.77	1,060.77
	<u>(311.61)</u>	<u>1,060.77</u>	<u>749.16</u>
		Interest	(11.00)
			<u>738.16</u>