



P O Box 3395  
West Palm Beach, FL 33402-3395

July 29, 2002

Ms. Blanca S. Bayó, Director  
Commission Clerk & Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Blvd  
Tallahassee, FL 32399-0950

RE: DOCKET NO. 020003-GU, AUDIT CONTROL NO. 02-032-3-4, FINAL AUDIT  
REPORT - Purchase Gas Cost Recovery True-Up for the Period January 2001 through  
December 2001

Dear Ms Bayó:

The attached is our response to the above referenced audit report. We are enclosing ten (10) copies.

Sincerely,

A handwritten signature in cursive script that reads "Cheryl Martin".

Cheryl Martin  
Controller

Enclosure

CC: PSC, Division of Auditing and Safety  
Welch, Kathy - FPSC, Miami  
Norman H. Horton, Jr., Esq.; Messer, etc.  
Wayne Makin (e-mail)  
George Bachman (e-mail)  
Chris Snyder (e-mail)  
Marc Schneidermann (e-mail)  
Jim Mesite (cover only)  
SJ-445, 2001 True-Up & Audit

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Florida Public Utilities Company Response to SFNG 2001 PGA Audit Report

EXCEPTION NO. 1

Company Response:

The acquisition of South Florida Natural Gas by Florida Public Utilities Company was not from a merger. Order No. PSC-02-310A-PPA-GU, issued April 4, 2002, amended the reference to a merger in Order No. PSC-02-310-PPA-GU, issued March 11, 2002, to an acquisition.

The acquisition of South Florida Natural Gas was a purchase of assets from Atlantic Utilities, a division of Southern Union/Atlantic Utilities Company.

Florida Public Utilities Company feels that the PGA associated with the customers of South Florida Natural Gas should be treated as two distinct issues: the period January 1, 2001, through December 14, 2001; and the period December 15, 2001, through December 31, 2001. Southern Union/Atlantic Utilities has the responsibility for the 1/1/01 through 12/14/01 PGA activity; and Florida Public Utilities Company has the responsibility for the 12/15/01 through 12/31/01 PGA activity.

- 1) Our acquisition of SFNG is a purchase of assets not a merger, and accordingly, it is not correct to combine the accounting for PGA as shown in the PSC recommendation. Florida Public Utilities Company has properly accounted for the PGA revenue as shown in our filing.
- 2) The combining of invoices for natural gas purchases was not appropriate. The gas supplies used for the customers of SFNG after the acquisition were completely separate from those used by Atlantic Utilities prior to the acquisition.
- 3) All adjustments for PGA activities prior to December 15, 2001, should be assessed against Southern Union/Atlantic Utilities Company.

Florida Public Utilities Company feels that the \$2,312 adjustment should be assessed to Southern Union Company since the activity creating the adjustment occurred prior to December 15, 2001, and is a liability of Southern Union/Atlantic Utilities Co. If it is determined that Southern Union/Atlantic Utilities Co. owes customers additional PGA revenue dollars from over-recoveries, they could be ordered to pay Florida Public Utilities Company to allow for a refund through our PGA.

Also, we were not able to review the adjustments for accuracy since the data was not provided.

DISCLOSURE NO. 1

Company Response:

The disclosure should specifically state that this issue is the sole responsibility of Southern Union/Atlantic Company, and if an error is found, they should be required to reimburse Florida Public Utilities for additional refunds to our current customers through the PGA.