

State of Florida



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

DATE: August 20, 2002
TO: Division of Competitive Markets and Enforcement (Brown)
FROM: Division of Auditing and Safety (Vandiver) W
RE: **Docket No.** 020004-GU; **Company Name:** City Gas Company of Florida; **Audit Purpose:** Conservation Cost Recovery Clause Historical Year End December 31, 2001; **Audit Control No.** 02-057-4-2

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 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

Rosie Abreu
955 East 25th Street
Hialeah, FL 33013

Ms. Gloria L. Lopez, Director
Regulatory & Business Affairs
City Gas Company of Florida
955 East 25th Street
Hialeah, FL 33013

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF AUDITING & SAFETY
BUREAU OF AUDITING***

Miami District Office

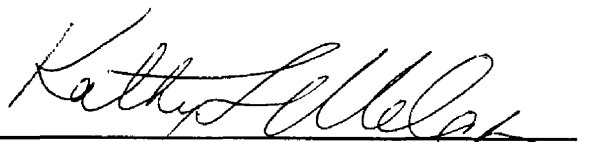
CITY GAS COMPANY OF FLORIDA
CONSERVATION COST RECOVERY CLAUSE
HISTORICAL YEAR END DECEMBER 31, 2001

DOCKET NO. 020004-GU

AUDIT CONTROL NO. 02-057-4-2



Yen Ngo, Audit Manager



Kathy Welch, District Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	AUDIT PURPOSE	1
	SCOPE LIMITATION	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT PROCEDURES	2
II.	EXCEPTIONS	
	1. PAYROLL	3
	2. REVENUE	7
III.	EXHIBITS	
	SCHEDULE CT-3	11

**DIVISION OF AUDITING & SAFETY
AUDITOR'S REPORT
JULY 15, 2002**

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, 2001 for City Gas Company. These schedules were prepared by the utility as part of its petition for Conservation Cost Recovery in Docket 0210004-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.

Verified - 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. EXCEPTIONS

Exception No. 1

Subject: Payroll

CONFIDENTIAL

EXCEPTIONS

Exception No. 2

Subject: Revenues

Statement of Fact: The company did not net out the Regulatory Assessment Fee and the gross receipt tax, which is 1.00503, for the conservation revenue recorded in Schedule CT-3 for year ended 2001. As the result, the revenue in the filing was overstated. The company revised the filing schedules, which showed a reduction to revenues by \$9,700.00 (\$733,519-\$743,219). Attached are the copies of pages 8&9 of Schedule CT-3.

	<u>Revenues</u>	<u>Difference in Interest</u>
Filed	1,937,381	29,501
Revised	<u>1,927,856</u>	<u>29,327</u>
	<u>9,525</u>	<u>174</u>

Total Net True up $9,525 + 174 = 9,699$

Due to the time constraints, the revised schedules have not been audited..

Recommendation: The company's overrecovery should be reduced by \$9,699. The analyst should determine if adjustments are necessary for other periods.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2001 THROUGH DECEMBER 2001

== Revised 07/12/02 ==

	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV ADJ REVS	(243,884)	(250,957)	(193,663)	(148,966)	(144,696)	(127,644)	(132,644)	(120,713)	(124,597)	(132,591)	(152,322)	(155,178)	(1,927,856)
4 TOTAL REVENUES	(243,884)	(250,957)	(193,663)	(148,966)	(144,696)	(127,644)	(132,644)	(120,713)	(124,597)	(132,591)	(152,322)	(155,178)	(1,927,856)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD CONSERVATION REVENUES	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(631,579)
6 APPLICABLE TO THE PERIOD	(296,516)	(303,589)	(246,295)	(201,598)	(197,328)	(180,276)	(185,276)	(173,345)	(177,229)	(185,223)	(204,954)	(207,805)	(2,559,434)
7 CONSERVATION EXPENSES (FROM SCHEDULE 1)	217,516	116,838	167,975	103,759	206,694	170,367	164,131	112,824	136,304	107,497	141,834	203,991	1,856,242
8 TRUE UP THIS PERIOD	(78,998)	(186,951)	(78,320)	(91,839)	9,276	(6,909)	(21,145)	(60,521)	(40,925)	(77,726)	(63,320)	(3,814)	(704,182)
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	(3,237)	(3,247)	(3,432)	(3,303)	(2,907)	(2,546)	(2,377)	(2,244)	(1,909)	(1,533)	(1,275)	(1,204)	(29,327)
10 TRUE-UP & INTER. PROV BEGINNING OF MONTH	(631,579)	(661,182)	(798,748)	(827,868)	(870,384)	(811,333)	(771,208)	(742,097)	(752,731)	(742,433)	(769,065)	(781,128)	
11 PRIOR PERIOD TRUE UP COLLECTED/(REFUNDED)	52,632	52,632	52,632	52,632	52,632	52,632	52,632	52,632	52,632	52,632	52,632	52,627	
12 TOTAL NET TRUE UP (SUM LINES 8-11)	(661,182)	(798,748)	(827,868)	(870,384)	(811,383)	(771,208)	(742,097)	(752,231)	(742,433)	(769,065)	(781,128)	(733,519)	(733,519)

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== Revised 07/12/02 ==

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2001 THROUGH DECEMBER 2001

	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total
1 INTEREST PROVISION													
1 BEGINNING TRUE-UP	(631,579)	(661,182)	(798,748)	(827,869)	(870,384)	(811,383)	(771,208)	(742,097)	(752,231)	(742,433)	(769,065)	(781,128)	
2 ENDING TRUE-UP BEFORE INTEREST	(657,945)	(795,501)	(824,435)	(867,076)	(808,475)	(768,650)	(739,721)	(749,886)	(740,524)	(767,527)	(778,753)	(732,315)	
3 TOTAL BEGINNING & ENDING TRUE-UP	(1,289,524)	(1,456,683)	(1,623,185)	(1,694,945)	(1,678,861)	(1,580,043)	(1,510,929)	(1,492,084)	(1,492,754)	(1,509,960)	(1,548,819)	(1,513,443)	
4 AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(644,762)	(728,342)	(811,592)	(847,472)	(839,430)	(790,021)	(755,464)	(746,042)	(746,377)	(754,980)	(774,409)	(756,722)	
5 INTER RATE - 1ST DAY OF REPORTING MONTH	6.500%	5.550%	5.150%	5.000%	4.370%	3.940%	3.800%	3.750%	3.470%	2.670%	2.220%	2.040%	
6 INTER RATE - 1ST DAY OF SUBSEQUENT MONTH	5.550%	5.150%	5.000%	4.370%	3.940%	3.800%	3.750%	3.470%	2.670%	2.220%	2.040%	1.780%	
7 TOTAL (SUM LINES 5 & 6)	12.050%	10.700%	10.150%	9.370%	8.310%	7.740%	7.550%	7.220%	6.140%	4.890%	4.260%	3.820%	
8 AVG INTEREST RATE (LINE 7 TIMES 50%)	6.025%	5.350%	5.075%	4.685%	4.155%	3.870%	3.775%	3.610%	3.070%	2.445%	2.130%	1.910%	
9 MONTHLY AVG INTEREST RATE	0.507%	0.446%	0.423%	0.390%	0.346%	0.323%	0.315%	0.301%	0.250%	0.204%	0.178%	0.158%	
10 INTEREST PROVISION (LINE 4 TIMES LINE 9)	(3,237)	(3,247)	(3,432)	(3,309)	(2,907)	(2,548)	(2,377)	(2,244)	(1,909)	(1,538)	(1,375)	(1,204)	(29,327)
10 a INT. ADJ													

III. EXHIBITS

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY MONTH
JANUARY 2001 THROUGH DECEMBER 2001

EXPENSES:	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total
PROGRAM 1:	151,516	58,356	104,923	47,482	133,124	106,270	101,780	58,229	93,641	64,672	86,678	105,757	1,112,428
PROGRAM 2:	2,219	2,074	1,986	1,898	2,154	1,457	1,105	798	218	80	229	6,933	21,151
PROGRAM 3:	19,501	20,654	18,408	16,625	31,717	16,883	22,349	20,198	16,738	13,160	14,203	24,400	234,836
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	-	-	399	(5)	118	119	81	190	129	7	2,075	377	3,490
PROGRAM 7:	7,205	5,336	6,562	5,990	7,369	9,079	6,134	5,811	5,583	4,521	5,527	4,480	73,597
PROGRAM 8:	1,240	1,312	1,037	1,015	2,603	920	1,634	801	1,343	1,268	1,033	2,190	16,396
PROGRAM 9:	28,063	23,287	29,126	30,406	22,096	29,754	25,798	21,265	13,090	15,531	23,059	26,449	287,924
PROGRAM 10:	6,024	3,271	3,841	3,929	3,587	3,640	3,317	636	1,307	1,300	1,233	1,554	33,639
COMMON COSTS:	1,750	2,348	1,693	2,419	3,836	2,245	1,933	4,896	4,255	6,958	7,597	31,851	71,781
TOTAL	217,518	116,638	167,975	109,759	206,604	170,367	164,131	112,824	136,304	107,497	141,634	203,991	1,855,242
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE CONSERVATION EXPENSES	217,518	116,638	167,975	109,759	206,604	170,367	164,131	112,824	136,304	107,497	141,634	203,991	1,855,242

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM
JANUARY 2001 THROUGH DECEMBER 2001

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: SINGLE FAMILY HOME BUILDER	-	107,892	-	6,257	986,962	-	11,317	-	1,112,428
PROGRAM 2: MULTI FAMILY HOME BUILDER	-	13,595	-	-	6,300	-	1,256	-	21,151
PROGRAM 3: ELECTRIC REPLACEMENT	-	55,166	-	75,098	90,086	-	14,486	-	234,836
PROGRAM 4: DEALER PROGRAM	-	-	-	-	-	-	-	-	-
PROGRAM 5: SCHOOLS PROGRAM	-	-	-	-	-	-	-	-	-
PROGRAM 6: PROPANE CONVERSION	-	2,570	-	-	-	-	920	-	3,490
PROGRAM 7: WATER HEATER RETENTION	-	40,309	-	-	30,183	-	3,105	-	73,597
PROGRAM 8: RESIDENTIAL CUT AND CAP	-	11,148	-	-	3,929	-	1,319	-	16,396
PROGRAM 9: COMM/IND CONVERSION	-	220,991	-	1,747	39,491	-	25,695	-	287,924
PROGRAM 10: ALTERNATIVE TECHNOLOGY	-	26,909	-	2,797	-	-	3,933	-	33,639
COMMON COSTS	-	23,351	22	24,088	-	23,214	1,106	-	71,781
TOTAL TOTAL OF ALL PROGRAMS	-	501,931	22	109,987	1,156,951	23,214	63,137	-	1,855,242

12

SCHEDULE CT-2
SUMMARY OF EXPENSES BY PROGRAM
VARIANCE ACTUAL VERSUS PROJECTED
JANUARY 2001 THROUGH DECEMBER 2001

EXPENSES:	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total
PROGRAM 1:	-	-	-	-	-	-	15,035	(28,592)	7,044	(22,495)	(26)	19,515	(9,519)
PROGRAM 2:	-	-	-	-	-	-	(714)	(1,021)	(1,601)	(1,816)	(1,590)	5,192	(1,550)
PROGRAM 3:	-	-	759	1,518	3,137	809	(15,922)	(18,234)	(21,212)	(5,922)	(4,534)	6,008	(53,593)
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	-	-	-	(11)	-	-	(568)	(466)	(507)	(256)	1,819	128	139
PROGRAM 7:	-	-	-	-	-	-	(3,188)	(3,576)	(3,608)	(145)	949	(9)	(9,577)
PROGRAM 8:	-	-	-	-	-	-	(488)	(1,352)	(716)	(503)	(691)	515	(3,235)
PROGRAM 9:	-	-	-	-	-	-	(879)	(5,476)	(13,460)	(7,102)	1,130	5,226	(20,561)
PROGRAM 10:	-	-	-	-	-	-	(11,120)	(13,801)	(13,130)	(10,426)	(10,382)	(9,950)	(68,809)
COMMON COSTS:	-	-	132	151	118	-	(2,603)	333	(225)	(39,786)	(38,937)	(14,472)	(95,289)
TOTAL	-	-	891	1,658	3,255	809	(20,447)	(72,185)	(47,415)	(88,451)	(52,262)	12,153	(261,994)
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE CONSERVATION EXPENSES	-	-	891	1,658	3,255	809	(20,447)	(72,185)	(47,415)	(88,451)	(52,262)	12,153	(261,994)

13

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2001 THROUGH DECEMBER 2001

14

	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV ADJ REVS	(245,096)	(252,204)	(194,621)	(149,697)	(145,409)	(128,274)	(133,297)	(121,308)	(125,212)	(133,245)	(153,073)	(155,945)	(1,937,381)
4 TOTAL REVENUES	(245,096)	(252,204)	(194,621)	(149,697)	(145,409)	(128,274)	(133,297)	(121,308)	(125,212)	(133,245)	(153,073)	(155,945)	(1,937,381)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD CONSERVATION REVENUES	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,632)	(52,627)	(631,579)
6 APPLICABLE TO THE PERIOD	(297,728)	(304,836)	(247,253)	(202,329)	(198,041)	(180,906)	(185,929)	(173,940)	(177,844)	(185,877)	(205,705)	(208,572)	(2,568,960)
7 CONSERVATION EXPENSES (FROM CT-3, PAGE 1)	217,518	116,638	167,975	109,759	206,604	170,367	164,131	112,824	136,304	107,497	141,634	203,991	1,855,242
8 TRUE-UP THIS PERIOD	(80,210)	(188,198)	(79,278)	(92,570)	8,563	(10,539)	(21,798)	(61,116)	(41,540)	(78,380)	(64,071)	(4,581)	(713,718)
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	(3,240)	(3,255)	(3,445)	(3,324)	(2,922)	(2,565)	(2,395)	(2,264)	(1,928)	(1,554)	(1,390)	(1,219)	(29,501)
10 TRUE-UP & INTER PROV. BEGINNING OF MONTH	(631,579)	(662,397)	(801,219)	(831,310)	(874,571)	(816,298)	(776,770)	(748,331)	(759,079)	(749,915)	(777,217)	(790,046)	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	52,632	52,632	52,632	52,632	52,632	52,632	52,632	52,632	52,632	52,632	52,632	52,627	
12 TOTAL NET TRUE UP (SUM LINES 07-11)	(662,397)	(801,219)	(831,310)	(874,571)	(816,298)	(776,770)	(748,331)	(759,079)	(749,915)	(777,217)	(790,046)	(743,219)	(743,219)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2001 THROUGH DECEMBER 2001

	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Total
1. INTEREST PROVISION BEGINNING TRUE-UP	(631,579)	(662,397)	(801,219)	(831,310)	(874,571)	(816,298)	(776,770)	(748,331)	(759,079)	(749,915)	(777,217)	(760,046)	
2. ENDING TRUE-UP BEFORE INTEREST	(659,157)	(797,983)	(827,885)	(871,248)	(813,378)	(774,205)	(745,936)	(756,815)	(747,987)	(775,663)	(788,658)	(742,000)	
3. TOTAL BEGINNING & ENDING TRUE-UP	(1,290,736)	(1,460,361)	(1,829,083)	(1,702,557)	(1,687,947)	(1,590,504)	(1,522,706)	(1,505,146)	(1,507,066)	(1,525,578)	(1,565,876)	(1,532,045)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(645,368)	(730,180)	(814,542)	(851,279)	(843,974)	(795,252)	(781,353)	(752,573)	(753,533)	(762,789)	(782,937)	(766,023)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	8.500%	5.550%	5.150%	5.000%	4.370%	3.940%	3.800%	3.750%	3.470%	2.670%	2.220%	2.040%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	6.550%	5.150%	5.000%	4.370%	3.940%	3.800%	3.750%	3.470%	2.670%	2.220%	2.040%	1.780%	
7. TOTAL (SUM LINES 5 & 6)	12.050%	10.700%	10.150%	9.370%	8.310%	7.740%	7.550%	7.220%	6.140%	4.890%	4.260%	3.820%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	6.025%	5.350%	5.075%	4.685%	4.155%	3.870%	3.775%	3.610%	3.070%	2.445%	2.130%	1.910%	
9. MONTHLY AVG INTEREST RATE	0.502%	0.446%	0.423%	0.390%	0.346%	0.323%	0.315%	0.301%	0.256%	0.204%	0.178%	0.158%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(3,240)	(3,255)	(3,445)	(3,324)	(2,922)	(2,585)	(2,395)	(2,284)	(1,928)	(1,554)	(1,390)	(1,219)	(28,501)
10. a. INT. ADJ													