

State of Florida



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

DATE: July 7, 2003
TO: Division of Competitive Markets and Enforcement (Makin, Marshall)
FROM: Division of Auditing and Safety (Vandiver) W
RE: **Docket No.** 030003-GU; **Company Name:** City Gas Company of Florida; **Audit Purpose:** Purchased Gas Cost Recovery True-up for the period January 2002 through December 2002; **Audit Control No.** 03-063-4-3

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 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

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING

Miami District Office

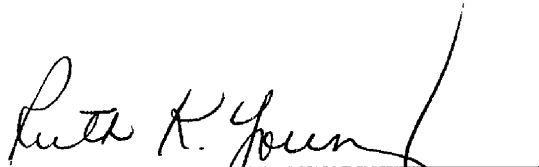
CITY GAS COMPANY

PURCHASED GAS ADJUSTMENT

TWELVE MONTHS ENDED DECEMBER 31, 2002

AUDIT CONTROL NO. 03-063-4-3

DOCKET NUMBER 030003-GU



Ruth K. Young, Audit Manager



Kathy L. Welch
Miami District Office Audit Supervisor

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

June 25, 2003

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, 2002. These schedules were prepared by the utility as part of its Purchased Gas Adjustment true-up filings in Docket No. 030003-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 company reconciliation schedules. Traced revenues and terms to billing system summaries. Determined if the rates charged were over the cap. Recalculated customer bills for each rate class.

Expenses: Compiled cost of gas expenses for the 12-months ending December 31, 2002. Compared the cost of gas according to the A-2 schedules to the documentation supporting the A-2 schedules and the general ledger for all months. Examined on a judgmental basis invoices for the purchase of gas. Where the parent company allocated a portion of the gas invoice to City Gas, the allocation percents were traced to appropriate documentation. Off-system sales were examined on a judgmental basis to determine if the correct amounts were deducted from the cost of gas. Margin sharing for off-system sales was recalculated on a random basis.

True-up and Interest: Recalculated the true-up and interest amount for the 12-months ending December 31, 2002. Traced interest rates to the Wall Street Journal.

AUDIT DISCLOSURE 1

SUBJECT: INTERCOMPANY TRANSACTIONS

STATEMENT OF FACTS: In the months of January, September and December 2002, City Gas purchased gas from two of its affiliates, NUI Energy Brokers (NUIEB) and Elizabethtown Gas Company (ETG).

A detail of the transactions follow:

	<u>NUIEB Purchase Price</u>	<u>NUIEB Sales Price to City</u>	<u>Profit (Loss)</u>
December	\$ 684,915	\$ 690,690	\$ 5,775

	<u>ETG Purchase Price</u>	<u>ETG Sales Price to City</u>	<u>Profit (Loss)</u>
January	\$ 36,217	\$ 36,217	0
September	\$ 24,904	\$ 24,676	(228)
			(228)

EXHIBIT

COMPANY:		CALCULATION OF TRUE-UP AND INTEREST PROVISION						SCHEDULE A-2	
CITY GAS COMPANY OF FLORIDA		FOR THE PERIOD OF: JANUARY 02 Through DECEMBER 02						(REVISED 6/08/94)	
								PAGE 4 OF 11	
		CURRENT MONTH: 12/02		DIFFERENCE		PERIOD TO DATE		DIFFERENCE	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		ACTUAL	ESTIMATE	AMOUNT	%	ACTUAL	ESTIMATE	AMOUNT	%
TRUE-UP CALCULATION									
1	PURCHASED GAS COST (Sch A-1 Fix down line 4+6)	1,917,684	1,214,742	(702,942)	-57.87%	13,211,937	15,230,484	2,018,547	13.25%
2	TRANSP GAS COST (Sch A-1 Fix down line 1+2+3+5)	870,984	898,975	27,991	3.11%	8,245,863	8,052,511	(193,352)	-2.40%
3	TOTAL	2,788,668	2,113,717	(674,951)	-31.93%	21,457,800	23,282,995	1,825,195	7.84%
4	FUEL REVENUES (Sch A-1 Fix down line 14) (NET OF REVENUE TAX)	1,968,214	2,104,939	136,725	6.50%	21,477,590	23,189,938	1,722,348	7.43%
5	TRUE-UP (COLLECTED) OR REFUNDED	(153,207)	(153,207)	-	0.00%	(1,838,484)	(1,838,484)	-	0.00%
6	FUEL REVENUE APPLICABLE TO PERIOD • (LINE 4 (+ or -) LINE 5)	1,815,007	1,951,732	136,725	7.01%	19,629,106	21,351,454	1,722,348	8.07%
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(973,661)	(161,985)	811,676	-501.08%	(1,878,694)	(1,931,541)	(102,847)	5.32%
8	INTEREST PROVISION-THIS PERIOD (21)	1,441	(135)	(1,576)	1167.41%	21,182	(1,360)	(22,542)	1657.50%
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	1,366,687	(120,270)	(1,486,957)	1236.35%	(4,8430)	(34,766)	433,664	-1247.38%
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	153,207	153,207	-	0.00%	1,838,484	1,838,484	-	0.00%
10a	ADJUSTMENTS - To correct balance	353,620	-	(353,620)	---	353,620	-	(353,620)	---
10b	OSS 50% Margin Sharing (Line 39, Page 11)	48,666	-	(48,666)	---	1,033,798	-	(1,033,798)	---
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a+10b)	949,959	(129,183)	(1,079,142)	835.36%	949,959	(129,183)	(1,079,142)	835.36%
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9+10a)	1,720,307	(120,270)	(1,840,577)	1530.37%				
13	ENDING TRUE-UP BEFORE INTEREST (12 + 10b + 7 - 5)	948,518	(129,048)	(1,077,566)	835.01%				
14	TOTAL (12+13)	2,668,825	(249,318)	(2,918,143)	1170.45%				
15	AVERAGE (50% OF 14)	1,334,413	(124,659)	(1,459,072)	1170.45%				
16	INTEREST RATE - FIRST DAY OF MONTH	0.01300	0.01300	-	0.00%				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.01290	0.01290	-	0.00%				
18	TOTAL (16+17)	0.02590	0.02590	-	0.00%				
19	AVERAGE (50% OF 18)	0.01295	0.01295	-	0.00%				
20	MONTHLY AVERAGE (19/12 Months)	0.00108	0.00108	-	0.00%				
21	INTEREST PROVISION (15x20)	1,441	(135)	(1,576)	1167.41%				

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