

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: August 2, 2005
TO: Shevie Brown; Division of Competitive Markets and Enforcement
FROM: Denise Vandiver; Bureau Chief of Auditing *DW*
RE: **Docket No. 050004-GU; Company Name:** Florida City Gas; **Audit Purpose:** Natural Gas Conservation Cost Recovery for 2004; **Audit Control No.:** 05-034-4-1

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 Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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Florida City Gas
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DOCUMENT NUMBER-DATE

07536 AUG-4 05

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA CITY GAS

ENERGY CONSERVATION COST RECOVERY CLAUSE

HISTORICAL YEAR ENDED DECEMBER 31, 2004

DOCKET NO. 050004-GU
AUDIT CONTROL NO. 05-034-4-1

A handwritten signature in cursive script, reading "Gabriela Leon /kw", written over a horizontal line.

Gabriela Leon
Audit Manager

A handwritten signature in cursive script, reading "Ruth Young /kw", written over a horizontal line.

Ruth Young
Audit Staff

A handwritten signature in cursive script, reading "Kathy L. Welch", written over a horizontal line.

Kathy L. Welch
Public Utilities Supervisor

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT
July 26, 2005**

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, 2004 for Florida City Gas Company. These schedules were prepared by the utility as part of its petition for Conservation Cost Recovery in Docket No. 050004-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. The revenue calculation was reconciled to the company's CT-3 schedules. The bills for various rate classes were recomputed 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. A judgmental sample was pulled from the company's printout of incentives. The incentive expenses were traced to vouchers, invoices, and sales contracts. Benefits, payroll, transportation 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.

EXHIBITS

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY MONTH
JANUARY 2004 THROUGH DECEMBER 2004

EXPENSES:	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total
PROGRAM 1:	134,127	182,380	273,123	155,547	148,828	223,718	153,010	319,753	136,137	128,598	147,764	144,756	2,147,739
PROGRAM 2:	22,003	12,637	969	1,037	1,032	975	1,818	487	1,461	572	1,148	1,094	46,228
PROGRAM 3:	41,000	29,167	23,512	19,580	22,402	16,251	23,319	24,136	43,421	12,667	21,211	66,581	333,245
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	225	925	-	14,500	4,150	-	-	(18,450)	(900)	2	1	106	558
PROGRAM 6:	14,485	10,782	11,248	12,293	8,758	10,809	9,930	13,438	11,091	9,914	11,355	11,036	135,142
PROGRAM 7:	1,171	1,111	1,536	1,492	1,830	1,847	1,828	1,728	2,165	1,488	1,588	1,360	19,125
PROGRAM 8:	18,152	28,597	16,880	24,579	24,803	25,147	24,134	21,495	45,492	22,056	25,758	24,762	301,636
PROGRAM 10:	204	2,486	(49)	640	552	444	672	225	1,386	2,971	577	686	10,694
COMMON COSTS:	4,962	10,687	43,843	26,013	18,749	22,055	3,500	24,872	39,503	8,156	5,553	35,979	243,775
TOTAL	236,330	269,773	370,642	255,681	231,103	301,247	218,311	387,682	279,756	186,424	214,932	285,261	3,237,142
LESS AMOUNT INCLUDED IN RATE BASE													
RECOVERABLE CONSERVATION EXPENSES	236,330	269,773	370,642	255,681	231,103	301,247	218,311	387,682	279,756	186,424	214,932	285,261	3,237,142

SCHEDULE CT-2
PROJECTED CONSERVATION COSTS PER MONTH
JANUARY 2004 THROUGH DECEMBER 2004
EIGHT MONTHS ACTUAL AND FOUR MONTHS ESTIMATED

EXPENSES:	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total
PROGRAM 1:	134,127	182,381	273,123	155,546	148,827	223,716	153,010	319,753	187,729	187,914	185,596	187,914	2,339,636
PROGRAM 2:	22,004	12,637	969	1,037	1,032	975	1,817	486	4,350	4,358	4,185	4,358	58,208
PROGRAM 3:	41,000	20,168	23,511	19,580	22,402	16,251	23,319	24,137	33,671	33,971	31,691	33,971	323,672
PROGRAM 4:													
PROGRAM 5:													
PROGRAM 6:	225	825		14,500	4,150			(18,450)	354	357	310	357	2,728
PROGRAM 7:	14,485	10,782	11,249	12,293	8,758	10,809	9,929	13,439	12,859	12,944	12,240	12,944	142,731
PROGRAM 8:	1,170	1,111	1,536	1,493	1,831	1,847	1,828	1,728	2,483	2,493	2,239	2,493	22,252
PROGRAM 9:	18,152	28,598	16,660	24,579	24,803	25,148	24,135	21,495	28,587	28,150	24,838	28,850	293,995
PROGRAM 10:	204	2,486	(49)	640	553	444	672	225	6,230	5,046	4,915	6,246	27,612
COMMON COSTS	4,962	10,688	43,642	26,013	18,748	22,059	3,600	24,871	20,045	20,056	19,761	20,056	234,501
TOTAL	236,329	269,776	370,641	255,681	231,104	301,249	218,310	387,684	296,308	295,289	285,775	297,189	3,445,335
LESS AMOUNT INCLUDED IN RATE BASE													
RECOVERABLE													
CONSERVATION EXPENSES	236,329	269,776	370,641	255,681	231,104	301,249	218,310	387,684	296,308	295,289	285,775	297,189	3,445,335

SCHEDULE CT-2
SUMMARY OF EXPENSES BY PROGRAM
VARIANCE ACTUAL VERSUS PROJECTED
JANUARY 2004 THROUGH DECEMBER 2004

EXPENSES:	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total
PROGRAM 1:	0	(1)	0	1	1	0	(0)	(0)	(51,592)	(59,316)	(37,832)	(43,156)	(191,897)
PROGRAM 2:	(1)	(0)	(0)	(0)	(0)	0	1	1	(2,889)	(3,786)	(3,039)	(3,264)	(12,980)
PROGRAM 3:	0	(1)	1	(0)	(0)	(0)	0	(1)	9,750	(21,304)	(10,480)	31,610	9,573
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	-	-	-	-	-	-	-	-	(1,254)	(355)	(309)	(251)	(2,170)
PROGRAM 7:	0	(0)	(1)	(0)	0	(0)	1	(1)	(1,768)	(3,030)	(885)	(1,906)	(7,589)
PROGRAM 8:	1	(0)	0	(1)	(1)	0	0	(0)	(318)	(1,005)	(671)	(1,133)	(3,127)
PROGRAM 9:	(0)	(1)	(0)	0	(0)	(1)	(1)	0	16,905	(6,094)	920	(4,088)	7,641
PROGRAM 10:	0	0	0	0	(1)	(0)	0	(0)	(4,844)	(2,075)	(4,338)	(5,660)	(16,918)
COMMON COSTS	0	(1)	1	0	1	(1)	0	1	19,458	(11,900)	(14,208)	15,923	9,274
TOTAL	1	(3)	1	(0)	(1)	(2)	1	(2)	(16,552)	(108,865)	(70,843)	(11,928)	(208,193)
LESS AMOUNT INCLUDED IN RATE BASE													
RECOVERABLE CONSERVATION EXPENSES	1	(3)	1	(0)	(1)	(2)	1	(2)	(16,552)	(108,865)	(70,843)	(11,928)	(208,193)

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2004 THROUGH DECEMBER 2004

	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total
1 RCS AUDIT FEES													
2 OTHER PROGRAM REVS													
3 CONSERV. ADJ REVS	(297,283)	(280,887)	(281,232)	(245,384)	(210,948)	(194,121)	(192,763)	(185,214)	(188,212)	(189,404)	(210,639)	(242,898)	(2,718,985)
4 TOTAL REVENUES	(297,283)	(280,887)	(281,232)	(245,384)	(210,948)	(194,121)	(192,763)	(185,214)	(188,212)	(189,404)	(210,639)	(242,898)	(2,718,985)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD	(46,069)	(46,069)	(46,069)	(46,069)	(46,069)	(46,069)	(46,069)	(46,069)	(46,069)	(46,069)	(46,069)	(46,067)	(552,826)
6 CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(343,352)	(326,956)	(327,301)	(291,453)	(257,017)	(240,190)	(238,832)	(231,283)	(234,281)	(235,473)	(256,708)	(288,965)	(3,271,811)
7 CONSERVATION EXPENSES (FROM CT-3, PAGE 1)	238,330	269,773	370,642	255,681	231,103	301,247	218,311	387,682	279,756	186,424	214,932	285,261	3,237,142
8 TRUE-UP THIS PERIOD	(107,022)	(57,183)	43,341	(35,772)	(25,914)	61,057	(20,521)	156,399	45,475	(49,049)	(41,776)	(3,704)	(34,669)
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	(508)	(519)	(475)	(445)	(446)	(448)	(453)	(351)	(179)	(129)	(144)	(114)	(4,212)
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(552,826)	(614,287)	(625,920)	(536,985)	(527,134)	(507,425)	(400,747)	(375,651)	(173,534)	(82,169)	(85,279)	(81,130)	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	46,069	46,069	46,069	46,069	46,069	46,069	46,069	46,069	46,069	46,069	46,069	46,067	
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	(614,287)	(625,920)	(536,985)	(527,134)	(507,425)	(400,747)	(375,651)	(173,534)	(82,169)	(85,279)	(81,130)	(38,881)	(38,881)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2004 THROUGH DECEMBER 2004

	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total
1. INTEREST PROVISION													
5. BEGINNING TRUE-UP	(552,826)	(614,287)	(625,920)	(536,985)	(527,134)	(507,425)	(400,747)	(375,651)	(173,534)	(82,169)	(85,279)	(81,130)	
2. ENDING TRUE-UP BEFORE INTEREST	(613,779)	(625,401)	(536,511)	(528,688)	(506,979)	(400,299)	(375,198)	(173,183)	(81,990)	(85,149)	(80,986)	(38,767)	
3. TOTAL BEGINNING & ENDING TRUE-UP	(1,166,605)	(1,239,688)	(1,162,431)	(1,063,674)	(1,034,113)	(907,723)	(775,945)	(548,834)	(255,524)	(167,319)	(166,264)	(119,897)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(583,303)	(619,844)	(581,215)	(531,837)	(517,056)	(453,862)	(387,973)	(274,417)	(127,762)	(83,659)	(83,132)	(59,948)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	1.060%	1.030%	0.980%	0.980%	1.030%	1.040%	1.330%	1.470%	1.600%	1.770%	1.940%	2.220%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	1.030%	0.980%	0.980%	1.030%	1.040%	1.330%	1.470%	1.600%	1.770%	1.940%	2.220%	2.340%	
7. TOTAL (SUM LINES 5 & 6)	2.090%	2.010%	1.960%	2.010%	2.070%	2.370%	2.800%	3.070%	3.370%	3.710%	4.160%	4.560%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	1.045%	1.005%	0.980%	1.005%	1.035%	1.185%	1.400%	1.535%	1.685%	1.855%	2.080%	2.280%	
9. MONTHLY AVG INTEREST RATE	0.087%	0.084%	0.082%	0.084%	0.086%	0.099%	0.117%	0.128%	0.140%	0.155%	0.173%	0.190%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(508)	(519)	(475)	(445)	(446)	(448)	(453)	(351)	(179)	(129)	(144)	(114)	(4,212)
10. a. INT. ADJ													