



ORIGINAL

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION CLERK

DATE: July 3, 2006

TO: Shevie B. Brown, Regulatory Analyst III, Division of Competitive Markets & Enforcement

FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *W*

RE: **Docket No:** 060004-GU; **Company Name:** Florida City Gas
Audit Purpose: Audit Gas Conservation Filings
Audit Control No: 06-076-4-3

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

DNV:sbj
Attachments

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

- CMP _____
 - COM _____
 - CTR _____
 - ECR _____
 - GCL _____
 - OPC _____
 - RCA _____
 - SCR _____
 - SGA _____
 - SEC _____
 - OTH _____
- Mr. Charles A. Rawson, III
Florida City Gas
955 East 25th Street
Hialeah, FL 33013-3498
- Akerman Law Firm
Beth Keating
106 E. College Ave., Suite 1200
Tallahassee, FL 32301

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

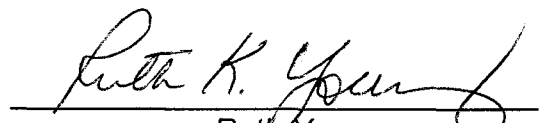
FLORIDA CITY GAS

CONSERVATION COST RECOVERY CLAUSE

HISTORICAL YEAR ENDED DECEMBER 31, 2005

DOCKET NO. 060004-GU
AUDIT CONTROL NO. 06-076-4-3


Kathy L. Welch
Audit Manager


Ruth Young
Professional Accountant Specialist

DOCUMENT NUMBER-DATE

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

June 27, 2006

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED
PARTIES**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Competitive Markets and Enforcement in its audit service request. We have applied these procedures to the attached schedules, prepared by Florida City Gas, in support of its filing for conservation docket 060004-GU.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Objective: The objective of the audit was to reconcile the schedules to each other and to the general ledger.

Procedures: We prepared a trial balance using the general ledger and reconciled all conservation accounts to the filing.

Objective: The objective was to verify that the true-up was calculated correctly.

Procedures: We agreed the beginning true-up provision to the last order and workpapers. We prepared a recalculation using the filing and Commission approved interest rates.

Objective: The objective of the audit was to determine that the company has applied the approved conservation cost recovery factors to actual therm sales and properly calculated revenues.

Procedures: Florida City Gas does not record conservation revenues as a separate line item on the bill. It is included in the energy charges on the bill. Therefore, we determined that the conservation rate included in the energy charge rate agreed with the last conservation order. We then verified that the therms used to calculate the conservation revenues agreed to the company "332 Billing Reports". Since the company has some billing cycles that do not get billed by the end of the month, the accruals were verified. A random selection of bills from various rate codes were selected and used to verify that the ordered rate was used.

Objective: The objective of the audit was to determine that the actual energy conservation program expenses filed by the company agree with source documentation and meet the requirements of the programs.

Procedures: We reconciled the filing to the general ledger detail. We randomly selected the vouchers recorded in the general ledger and traced them to source documentation. Audit finding one discusses four invoices that were found that did not agree with the program criteria. We did not review the advertising copy since the Tallahassee office is reviewing them.

We verified that the incentives paid by voucher met the program guidelines. We also verified that a sample of incentives given to customers buying appliances from affiliates and transferred through a journal entry had sales contracts and met program guidelines.

In addition, we verified that a sample of payments to an affiliate for piping that were recorded through a journal entry agreed to program guidelines based on appliances recorded in the customer data base system. Audit finding number four discusses the problems found in this system.

We reconciled all months of payroll to the program reports and sampled some entries. These were traced to the payroll of individual employees' whose duties were reviewed to verify that they work on conservation programs. Audit finding two discusses the payroll error found in March. Benefits were recalculated. Audit finding three discusses the recalculation of benefits.

AUDIT FINDING NO. 1

SUBJECT: VOUCHERS NOT MEETING PROGRAM GUIDELINES

SUMMARY: Four invoices for incentives were found that did not meet the program guidelines. The total of adjustments one to four is \$14,314. Interest on these adjustments comes to \$228. Therefore, these adjustments reduce the true-up by \$14,542.

STATEMENT OF FACTS: A review of the sample of invoices found the following problems.

1. An invoice paid 7/15/2005 for \$1,450 to Around the Clock Gas Service was for piping for a water heater, dryer and range. According to ECP1 program standards, the incentive should have been \$550 (\$350 for the water heater, \$100 for the dryer and \$100 for the range). The difference of \$900 needs to be removed.
2. An invoice paid on 9/26/2005 for \$5,906 to B & R Plumbing was for piping seven water heaters, two ranges and seven dryers. According to ECP1 program standards, the incentive should have been \$3,350 (\$2,450 for the water heaters, \$200 for the ranges and \$700 for the dryers). Therefore, \$2,556 needs to be removed.
3. An invoice paid on 10/3/2005 for \$5,934 to B & R Plumbing was for piping four water heaters, six ranges, and four dryers. According to ECP 1 program standards, the incentive should have been \$2,400 (\$1,400 for the water heaters, \$600 for the ranges and \$400 for the dryers). Therefore, \$3,534 needs to be removed.
4. An invoice paid on 6/6/2005 for \$8,400 to Sunshine Gas Service was for an ECP9 incentive. The ECP 9 program pays \$75 per 100,000 BTU's. According to the company, this customer had 1,435,000 BTU's. Therefore, the incentive should have been \$1,076.25. Therefore, \$7,323.75 needs to be removed.

The total of adjustments one to four is \$14,314. Interest on these adjustments comes to \$228. Therefore, these adjustments reduce expenses and increase the true-up over-recovery by \$14,542. A calculation of interest follows this disclosure.

EFFECT ON GENERAL LEDGER: Since the 2005 books are already closed, the \$14,542 should be removed from the true-up balance.

EFFECT ON FILING: The ending period true-up over-recovery should be increased by \$14,542.

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Beginning	2.340%	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	
Ending	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	4.300%	
Total	4.840%	5.150%	5.430%	5.760%	6.040%	6.330%	6.700%	7.070%	7.430%	7.820%	8.240%	8.510%	
Average	2.420%	2.575%	2.715%	2.880%	3.020%	3.165%	3.350%	3.535%	3.715%	3.910%	4.120%	4.255%	
Monthly Average	0.202%	0.215%	0.226%	0.240%	0.252%	0.264%	0.279%	0.295%	0.310%	0.326%	0.343%	0.355%	
CALCULATION OF TRUE-UP													
Total Revenues-net of tax, (Line 4)	-351,798	-340,153	-342,168	-323,043	-242,422	-255,382	-222,371	-224,484	-222,195	-242,616	-238,818	-280,712	-3,286,162
Prior True-up (Line 5)	-3,240	-3,240	-3,240	-3,240	-3,240	-3,240	-3,240	-3,240	-3,240	-3,240	-3,240	-3,240	-38,881
Total revenue to current period	-355,038	-343,393	-345,408	-326,283	-245,662	-258,622	-225,611	-227,724	-225,435	-245,856	-242,058	-283,952	-3,325,043
Conservation Expenses (Line 7)	216,612	125,108	205,392	187,296	201,037	184,456	235,435	93,481	229,295	230,998	98,206	160,257	2,167,573
True-up this period (Line 8)	-138,426	-218,285	-140,016	-138,987	-44,625	-74,166	9,824	-134,243	3,860	-14,858	-143,852	-123,695	-1,157,470
Interest provision (Line 9)	-215	-605	-1,037	-1,429	-1,725	-1,961	-2,162	-2,461	-2,786	-2,949	-3,379	-3,964	-24,673
True-up & interest beginning (Line 10) a	-38,881	-174,282	-389,931	-527,744	-664,921	-708,031	-780,918	-770,016	-903,480	-899,166	-913,733	-1,057,723	-38,881
Prior true-up coll. refunded	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	38,881
Total net true-up	-174,282	-389,931	-527,744	-664,921	-708,031	-780,918	-770,016	-903,480	-899,166	-913,733	-1,057,723	-1,182,143	-1,182,143
True-up for the month CO. FILING over-recovery	-174,282	-389,931	-527,744	-664,921	-708,031	-773,585	-761,761	-895,202	-888,301	-899,293	-1,043,234	-1,167,601	-1,167,601
Difference	0	0	0	0	0	-7,333	-8,255	-8,278	-10,865	-14,440	-14,489	-14,542	-14,542
CALCULATION OF INTEREST													
Beginning true up and int.	-38,881	-174,282	-389,931	-527,744	-664,921	-708,031	-780,918	-770,016	-903,480	-899,166	-913,733	-1,057,723	-7,828,827
Ending true-up before int	-174,067	-389,327	-526,707	-663,491	-706,306	-778,957	-767,854	-901,019	-896,380	-910,784	-1,054,345	-1,178,178	-8,947,416
Total	-212,948	-563,608	-916,639	-1,191,236	-1,371,227	-1,486,988	-1,548,772	-1,671,035	-1,799,860	-1,809,950	-1,968,078	-2,235,902	-16,776,243
Average true up	-106,474	-281,804	-458,319	-595,618	-685,613	-743,494	-774,386	-835,517	-899,930	-904,975	-984,039	-1,117,951	-8,388,122
Interest rate per above	0.20%	0.21%	0.23%	0.24%	0.25%	0.26%	0.28%	0.29%	0.31%	0.33%	0.34%	0.35%	
Interest per staff	-215	-605	-1,037	-1,429	-1,725	-1,961	-2,162	-2,461	-2,786	-2,949	-3,379	-3,964	-24,673
True-up for the month per Co. Filing	-215	-605	-1,037	-1,429	-1,725	-1,951	-2,140	-2,437	-2,756	-2,908	-3,329	-3,913	-24,445
Difference	0	0	0	0	0	-10	-22	-24	-30	-41	-50	-51	-228

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AUDIT FINDING NO. 2

SUBJECT: PAYROLL ERROR

SUMMARY: The company overstated payroll in March by \$24,262.48.

STATEMENT OF FACTS: March payroll was overstated because most of the entries were recorded twice. The company has prepared a correcting journal entry which reduces payroll in March by \$24,262.48. The interest effect of this correction is \$683. Therefore, expenses should be reduced and the over-recovery true-up increased by \$24,945.

EFFECT ON GENERAL LEDGER: Since the ledger is already closed, the deferred true-up account should be increased by \$24,945.

EFFECT ON FILING: Expenses in March should be reduced by \$24,262.48 and the over-recovery true-up increased by \$24,945.

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Beginning	2.340%	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	
Ending	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	4.300%	
Total	4.840%	5.150%	5.430%	5.760%	6.040%	6.330%	6.700%	7.070%	7.430%	7.820%	8.240%	8.510%	
Average	2.420%	2.575%	2.715%	2.880%	3.020%	3.165%	3.350%	3.535%	3.715%	3.910%	4.120%	4.255%	
Monthly Average	0.202%	0.215%	0.226%	0.240%	0.252%	0.264%	0.279%	0.295%	0.310%	0.326%	0.343%	0.355%	

CALCULATION OF TRUE-UP

Total Revenues-net of tax, (Line 4)	(351,798)	(340,153)	(342,168)	(323,043)	(242,422)	(255,382)	(222,371)	(224,484)	(222,195)	(242,616)	(238,818)	(280,712)	(3,286,162)
Prior True-up (Line 5)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(38,881)
Total revenue to current period	(355,038)	(343,393)	(345,408)	(326,283)	(245,662)	(258,622)	(225,611)	(227,724)	(225,435)	(245,856)	(242,058)	(283,952)	(3,325,043)
Conservation Expenses (Line 7)	216,612	125,108	181,130	187,296	201,037	191,780	236,335	93,481	231,851	234,532	98,206	160,257	2,157,625
True-up this period (Line 8)	(138,426)	(218,285)	(164,279)	(138,987)	(44,625)	(66,842)	10,724	(134,243)	6,416	(11,324)	(143,852)	(123,695)	(1,167,418)
Interest provision (Line 9)	(215)	(605)	(1,064)	(1,488)	(1,787)	(2,016)	(2,208)	(2,509)	(2,833)	(2,988)	(3,414)	(4,001)	(25,127)
True-up & interest beginning (Line 10) a	(38,881)	(174,282)	(389,931)	(552,034)	(689,269)	(732,441)	(798,059)	(786,303)	(919,815)	(912,992)	(924,064)	(1,068,090)	(38,881)
Prior true-up coll. refunded	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	38,881
Total net true-up	(174,282)	(389,931)	(552,034)	(689,269)	(732,441)	(798,059)	(786,303)	(919,815)	(912,992)	(924,064)	(1,068,090)	(1,192,546)	(1,192,546)
True-up for the month CO. FILING over-recovery	(174,282)	(389,931)	(527,744)	(664,921)	(708,031)	(773,585)	(761,761)	(895,202)	(888,301)	(899,293)	(1,043,234)	(1,167,601)	(1,167,601)
Difference	0	0	(24,290)	(24,348)	(24,410)	(24,474)	(24,542)	(24,613)	(24,691)	(24,771)	(24,856)	(24,945)	(24,945)

CALCULATION OF INTEREST

Beginning true up and int.	(38,881)	(174,282)	(389,931)	(552,034)	(689,269)	(732,441)	(798,059)	(786,303)	(919,815)	(912,992)	(924,064)	(1,068,090)	(7,986,161)
Ending true-up before int	(174,067)	(389,327)	(550,970)	(687,781)	(730,654)	(796,043)	(784,095)	(917,306)	(910,159)	(921,076)	(1,064,676)	(1,188,545)	(9,114,698)
Total	(212,948)	(563,608)	(940,901)	(1,239,816)	(1,419,923)	(1,528,484)	(1,582,153)	(1,703,609)	(1,829,974)	(1,834,068)	(1,988,740)	(2,256,635)	(17,100,859)
Average true up	(106,474)	(281,804)	(470,451)	(619,908)	(709,962)	(764,242)	(791,077)	(851,804)	(914,987)	(917,034)	(994,370)	(1,128,317)	(8,550,429)
Interest rate per above	0.20%	0.21%	0.23%	0.24%	0.25%	0.26%	0.28%	0.29%	0.31%	0.33%	0.34%	0.35%	
Interest per staff	(214.72)	(604.70)	(1,064.39)	(1,487.78)	(1,786.74)	(2,015.69)	(2,208.42)	(2,509.27)	(2,832.65)	(2,988.00)	(3,414.00)	(4,000.83)	(25,127.20)
True-up for the month per Co. Filing	(215.00)	(605.00)	(1,037.00)	(1,429.00)	(1,725.00)	(1,951.00)	(2,140.00)	(2,437.00)	(2,756.00)	(2,908.00)	(3,329.00)	(3,913.00)	(24,445.00)
Difference	0.00	0.00	(27.00)	(59.00)	(62.00)	(65.00)	(68.00)	(72.00)	(77.00)	(80.00)	(85.00)	(88.00)	(683.00)

AUDIT FINDING NO. 3

SUBJECT: UNDERSTATEMENT OF PAYROLL BENEFITS

SUMMARY: The benefit calculation recorded in conservation expenses did not include payroll taxes.

STATEMENT OF FACTS: In the past, City Gas charged 44.23% of its conservation payroll dollars to conservation for benefits and taxes. The benefit percents were determined in 2003. The company was asked to provide the 2005 benefits. The Atlanta Gas company is paying 52.85% of payroll for benefits. We have not audited this number. In January and February 2005, benefits were charged using the old methodology. In September, the Florida office realized that the parent hadn't charged benefits from March to September. A retroactive adjustment was made to charge 36% of payroll to conservation. The 36% were for benefits only and not payroll tax. The company continued to use the 36% monthly after that month. Using the 44.23% factor which includes taxes, the benefits were understated by \$19,816.69. Interest on this amount is \$840. This adjustment increases the expense and decreases the true-up by \$20,657. A detail schedule of the benefit calculation and the interest calculation follows this finding.

EFFECT ON GENERAL LEDGER: Since the books for 2005 are already closed, the true-up account should be adjusted for the \$20,647.

EFFECT ON FILING: The over-recovery should be reduced by \$20,647 since the filing is understated.

MONTH	PROGRAM	PAYROLL	44.23% OF PAYROLL	ACTUAL CHARGED	DIFFERENCE
JANUARY	ECP 1	7,341.05	3,246.95	3,230.00	16.95
FEBRUARY	ECP 1	9,262.57	4,096.83	4,076.00	20.83
MARCH	ECP 1	1,687.13	746.22		746.22
APRIL	ECP 1	7,096.20	3,138.65		3,138.65
MAY	ECP 1	2,315.23	1,024.03		1,024.03
JUNE	ECP 1	3,339.47	1,477.05		1,477.05
JULY	ECP 1	1,716.71	759.30		759.30
AUGUST	ECP 1	1,798.68	795.56		795.56
SEPTEMBER	ECP 1	1,998.54	883.95	7,981.36	(7,097.41)
OCTOBER	ECP 1	1,778.69	786.71	640.33	146.38
NOVEMBER	ECP 1	1,958.56	866.27	705.08	161.19
DECEMBER	ECP 1	2,258.35	998.87	813.01	185.86
		42,551.18	18,820.39	17,445.78	1,374.61

MONTH	PROGRAM	PAYROLL	44.23% OF PAYROLL	ACTUAL CHARGED	DIFFERENCE
JANUARY	ECP 2	2,396.45	1,059.95	1,054.00	5.95
FEBRUARY	ECP 2	(363.64)	(160.84)	(160.00)	(0.84)
MARCH	ECP 2	255.32	112.93		112.93
APRIL	ECP 2	(169.52)	(74.98)		(74.98)
MAY	ECP 2		0.00		0.00
JUNE	ECP 2		0.00		0.00
JULY	ECP 2		0.00		0.00
AUGUST	ECP 2		0.00		0.00
SEPTEMBER	ECP 2		0.00	67.81	(67.81)
OCTOBER	ECP 2		0.00		0.00
NOVEMBER	ECP 2		0.00		0.00
DECEMBER	ECP 2		0.00		0.00
		2,118.61	937.06	961.81	(24.75)

MONTH	PROGRAM	PAYROLL	44.23% OF PAYROLL	ACTUAL CHARGED	DIFFERENCE
JANUARY	ECP 3	2,395.14	1,059.37	1,511.00	(451.63)
FEBRUARY	ECP 3	2,029.08	897.46	893.00	4.46
MARCH	ECP 3	5,998.71	2,653.23		2,653.23
APRIL	ECP 3	4,266.14	1,886.91		1,886.91
MAY	ECP 3	4,267.69	1,887.60		1,887.60
JUNE	ECP 3	3,919.22	1,733.47		1,733.47
JULY	ECP 3	4,022.53	1,779.17		1,779.17
AUGUST	ECP 3	1,943.69	859.69		859.69
SEPTEMBER	ECP 3	2,413.54	1,067.51	9,590.76	(8,523.25)
OCTOBER	ECP 3	3,807.76	1,684.17	1,074.33	609.84
NOVEMBER	ECP 3	2,807.99	1,241.97	821.42	420.55
DECEMBER	ECP 3	3,961.67	1,752.25	1,264.61	487.64
		41,833.16	18,502.81	15,155.12	3,347.69

MONTH	PROGRAM	PAYROLL	44.23% OF PAYROLL	ACTUAL CHARGED	DIFFERENCE
JANUARY	ECP 7	717.18	317.21	376.00	(58.79)
FEBRUARY	ECP 7	985.68	435.97	434.00	1.97
MARCH	ECP 7	1,753.50	775.57		775.57
APRIL	ECP 7	821.45	363.33		363.33
MAY	ECP 7	1,024.07	452.95		452.95
JUNE	ECP 7	460.06	203.48		203.48
JULY	ECP 7	964.99	426.82		426.82
AUGUST	ECP 7	42.92	18.98		18.98
SEPTEMBER	ECP 7	198.85	87.95	1,580.08	(1,492.13)
OCTOBER	ECP 7	1,565.07	692.23	266.97	425.26
NOVEMBER	ECP 7	610.81	270.16	30.44	239.72
DECEMBER	ECP 7	806.82	356.86	128.86	228.00
		9,951.40	4,401.50	2,816.35	1,585.15

MONTH	PROGRAM	PAYROLL	44.23% OF PAYROLL	ACTUAL CHARGED	DIFFERENCE
JANUARY	ECP 8	419.35	185.48	245.00	(59.52)
FEBRUARY	ECP 8	378.25	167.30	166.00	1.30
MARCH	ECP 8	360.78	159.57		159.57
APRIL	ECP 8	3,479.49	1,538.98		1,538.98
MAY	ECP 8	8,602.13	3,804.72		3,804.72
JUNE	ECP 8	10,314.57	4,562.13		4,562.13
JULY	ECP 8	8,445.43	3,735.41		3,735.41
AUGUST	ECP 8	9,929.89	4,391.99		4,391.99
SEPTEMBER	ECP 8	8,851.91	3,915.20	18,007.60	(14,092.40)
OCTOBER	ECP 8	10,724.53	4,743.46	3,860.83	882.63
NOVEMBER	ECP 8	7,768.47	3,435.99	2,796.65	639.34
DECEMBER	ECP 8	7,559.31	3,343.48	2,721.35	622.13
		76,834.11	33,983.73	27,797.43	6,186.30

MONTH	PROGRAM	PAYROLL	44.23% OF PAYROLL	ACTUAL CHARGED	DIFFERENCE
JANUARY	ECP 9	10,530.29	4,657.55	4,848.00	(190.45)
FEBRUARY	ECP 9	13,337.38	5,899.12	5,868.00	31.12
MARCH	ECP 9	10,188.02	4,506.16		4,506.16
APRIL	ECP 9	2,516.82	1,113.19		1,113.19
MAY	ECP 9	5,653.24	2,500.43		2,500.43
JUNE	ECP 9	4,039.05	1,786.47		1,786.47
JULY	ECP 9	3,161.32	1,398.25		1,398.25
AUGUST	ECP 9	3,635.51	1,607.99		1,607.99
SEPTEMBER	ECP 9	2,212.94	978.78	11,938.55	(10,959.77)
OCTOBER	ECP 9	3,287.75	1,454.17	1,183.59	270.58
NOVEMBER	ECP 9	2,829.39	1,251.44	1,018.58	232.86
DECEMBER	ECP 9	3,603.90	1,594.00	1,297.40	296.60
		64,995.61	28,747.56	26,154.12	2,593.44

MONTH	PROGRAM	PAYROLL	44.23% OF PAYROLL	ACTUAL CHARGED	DIFFERENCE
JANUARY	ECP 10	273.95	121.17	121.00	0.17
FEBRUARY	ECP 10	489.99	216.72	216.00	0.72
MARCH	ECP 10	621.73	274.99		274.99
APRIL	ECP 10	458.40	202.75		202.75
MAY	ECP 10	1,475.26	652.51		652.51
JUNE	ECP 10	1,106.46	489.39		489.39
JULY	ECP 10	1,053.77	466.08		466.08
AUGUST	ECP 10	1,211.84	536.00		536.00
SEPTEMBER	ECP 10	737.63	326.25	2,427.89	(2,101.64)
OCTOBER	ECP 10	1,095.92	484.73	394.53	90.20
NOVEMBER	ECP 10	1,217.09	538.32	438.15	100.17
DECEMBER	ECP 10	1,032.70	456.76	371.77	84.99
		10,774.74	4,765.67	3,969.34	796.33

MONTH	PROGRAM	PAYROLL	44.23% OF PAYROLL	ACTUAL CHARGED	DIFFERENCE	TOTAL BY MONTH ALL
JANUARY	COMMON	1,193.40	527.84	525.00	2.84	(734.49)
FEBRUARY	COMMON	1,054.70	466.49	464.00	2.49	62.06
MARCH	COMMON	614.90	271.97		271.97	9,500.64
APRIL	COMMON	7,783.75	3,442.75		3,442.75	11,611.58
MAY	COMMON	6,186.43	2,736.26		2,736.26	13,058.49
JUNE	COMMON	3,612.32	1,597.73		1,597.73	11,849.73
JULY	COMMON	5,570.69	2,463.92		2,463.92	11,028.95
AUGUST	COMMON	5,401.92	2,389.27		2,389.27	10,599.48
SEPTEMBER	COMMON	6,592.94	2,916.06	12,911.05	(9,994.99)	(54,329.39)
OCTOBER	COMMON	5,009.46	2,215.68	1,803.41	412.27	2,837.17
NOVEMBER	COMMON	2,610.85	1,154.78	939.91	214.87	2,008.71
DECEMBER	COMMON	5,085.64	2,249.38	1,830.83	418.55	2,323.77
		50,717.00	22,432.13	18,474.20	3,957.93	19,816.69
TOTAL ALL PROGRAMS		299,775.81	132,590.84	112,774.15	19,816.69	

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Beginning	2.340%	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	
Ending	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	4.300%	
Total	4.840%	5.150%	5.430%	5.760%	6.040%	6.330%	6.700%	7.070%	7.430%	7.820%	8.240%	8.510%	
Average	2.420%	2.575%	2.715%	2.880%	3.020%	3.165%	3.350%	3.535%	3.715%	3.910%	4.120%	4.255%	
Monthly Average	0.202%	0.215%	0.226%	0.240%	0.252%	0.264%	0.279%	0.295%	0.310%	0.326%	0.343%	0.355%	
CALCULATION OF TRUE-UP													
Total Revenues-net of tax, (Line 4)	(351,798)	(340,153)	(342,168)	(323,043)	(242,422)	(255,382)	(222,371)	(224,484)	(222,195)	(242,616)	(238,818)	(280,712)	(3,286,162)
Prior True-up (Line 5)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(38,881)
Total revenue to current period	(355,038)	(343,393)	(345,408)	(326,283)	(245,662)	(258,622)	(225,611)	(227,724)	(225,435)	(245,856)	(242,058)	(283,952)	(3,325,043)
Conservation Expenses (Line 7)	215,878	125,170	214,893	198,908	214,095	203,630	247,364	104,080	177,522	237,369	100,215	162,581	2,201,704
True-up this period (Line 8)	(139,161)	(218,223)	(130,515)	(127,376)	(31,567)	(54,992)	21,753	(123,644)	(47,913)	(8,487)	(141,843)	(121,371)	(1,123,339)
Interest provision (Line 9)	(215)	(606)	(1,028)	(1,394)	(1,657)	(1,847)	(1,998)	(2,254)	(2,632)	(2,860)	(3,270)	(3,844)	(23,605)
True-up & interest beginning (Line 10) a	(38,881)	(175,017)	(390,606)	(518,909)	(644,439)	(674,423)	(728,022)	(705,027)	(827,685)	(874,989)	(883,096)	(1,024,969)	(38,881)
Prior true-up coll. refunded	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	38,881
Total net true-up	(175,017)	(390,606)	(518,909)	(644,439)	(674,423)	(728,022)	(705,027)	(827,685)	(874,989)	(883,096)	(1,024,969)	(1,146,944)	(1,146,944)
True-up for the month CO. FILING over-recovery	(174,282)	(389,931)	(527,744)	(664,921)	(708,031)	(773,585)	(761,761)	(895,202)	(888,301)	(899,293)	(1,043,234)	(1,167,601)	(1,167,601)
Difference	(735)	(675)	8,835	20,482	33,608	45,563	56,734	67,517	13,312	16,197	18,265	20,657	20,657
CALCULATION OF INTEREST													
Beginning true up and int.	(38,881)	(175,017)	(390,606)	(518,909)	(644,439)	(674,423)	(728,022)	(705,027)	(827,685)	(874,989)	(883,096)	(1,024,969)	(7,486,063)
Ending true-up before int	(174,801)	(390,000)	(517,881)	(643,045)	(672,765)	(726,175)	(703,029)	(825,430)	(872,358)	(880,236)	(1,021,699)	(1,143,100)	(8,570,522)
Total	(213,682)	(565,017)	(908,488)	(1,161,954)	(1,317,204)	(1,400,598)	(1,431,052)	(1,530,457)	(1,700,043)	(1,755,226)	(1,904,795)	(2,168,069)	(16,056,585)
Average true up	(106,841)	(282,508)	(454,244)	(580,977)	(658,602)	(700,299)	(715,526)	(765,229)	(850,021)	(877,613)	(952,398)	(1,084,035)	(8,028,292)
Interest rate per above	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest per staff	(215)	(606)	(1,028)	(1,394)	(1,657)	(1,847)	(1,998)	(2,254)	(2,632)	(2,860)	(3,270)	(3,844)	(23,605)
True-up for the month per Co. Filing	(215)	(605)	(1,037)	(1,429)	(1,725)	(1,951)	(2,140)	(2,437)	(2,756)	(2,908)	(3,329)	(3,913)	(24,445)
Difference	0	(1)	9	35	68	104	142	183	124	48	59	69	840

AUDIT FINDING NO. 4

SUBJECT: PIPING ALLOWANCES PAID TO AFFILIATE

SUMMARY: The invoices for piping allowances to be paid to the affiliate need to detail the actual appliances connected.

STATEMENT OF FACTS: NUI Services, an affiliate, bills Florida City gas for appliance piping allowances. The invoice from NUI Services shows which appliances were piped for each address. When the address is hooked up, a Florida City Gas employee highlights the address and puts a date next to the item with an amount. It does not indicate which appliances were actually connected. The appliances connected are the ones eligible for the incentive even if the affiliate pipes for more. Florida City Gas sometimes documents in the customers billing records which appliances have been hooked up. When the billing record did not document it, there is no documentation to support the incentive paid. The company should record the appliances connected on the invoice.

EFFECT ON GENERAL LEDGER: None.

EFFECT ON FILING: None.

EXHIBITS

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY MONTH
JANUARY 2005 THROUGH DECEMBER 2005

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EXPENSES:	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Total
PROGRAM 1:	154,210	86,016	142,852	94,236	127,601	126,875	153,949	10,709	144,319	179,150	48,773	77,456	1,346,146
PROGRAM 2:	3,504	(530)	650	(170)	-	-	-	-	68	-	-	-	3,522
PROGRAM 3:	11,356	9,601	21,868	8,316	12,843	5,669	26,829	59,299	16,779	13,742	24,898	48,625	259,825
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	14,802	26	-	-	-	133	-	-	-	-	-	-	14,961
PROGRAM 7:	8,682	9,500	11,033	4,671	7,074	8,131	4,853	1,543	4,479	8,788	3,041	4,986	76,781
PROGRAM 8:	697	543	774	3,479	8,602	10,315	8,445	9,930	26,860	14,585	10,565	10,281	105,076
PROGRAM 9:	18,767	16,548	25,214	2,517	12,748	34,439	9,761	3,636	15,051	8,964	3,848	7,214	158,707
PROGRAM 10:	438	635	1,428	458	1,475	1,106	1,054	1,212	3,166	1,490	1,655	1,404	15,521
COMMON COSTS:	4,156	2,769	1,573	73,789	30,694	5,112	31,444	7,152	21,129	7,813	5,426	10,291	201,348
TOTAL	216,612	125,108	205,392	187,296	201,037	191,780	236,335	93,481	231,851	234,532	98,206	160,257	2,181,887
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE CONSERVATION EXPENSES	216,612	125,108	205,392	187,296	201,037	191,780	236,335	93,481	231,851	234,532	98,206	160,257	2,181,887

SCHEDULE CT-2
PROJECTED CONSERVATION COSTS PER MONTH
JANUARY 2005 THROUGH DECEMBER 2005
EIGHT MONTHS ACTUAL AND FOUR MONTHS ESTIMATED

EXPENSES:

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Total
PROGRAM 1:	154,210	86,016	142,852	94,236	127,601	126,875	153,949	8,910	105,890	105,890	105,890	105,890	1,318,209
PROGRAM 2:	3,504	(530)	650	(170)	-	-	-	-	64	64	64	64	3,710
PROGRAM 3:	11,356	9,601	21,868	8,316	12,843	5,669	26,829	57,355	19,849	19,849	19,849	19,849	233,233
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	14,802	26	-	-	-	133	-	-	13	13	13	13	15,013
PROGRAM 7:	8,682	9,500	11,033	4,671	7,074	8,131	4,853	1,500	6,043	6,043	6,043	6,043	79,616
PROGRAM 8:	697	543	774	3,479	8,602	10,315	8,445	-	9,900	9,900	9,900	9,900	72,455
PROGRAM 9:	18,767	16,548	25,214	2,517	12,748	34,439	9,761	-	8,737	8,737	8,737	8,737	154,942
PROGRAM 10:	438	635	1,428	458	1,475	1,106	1,054	-	1,344	1,344	1,344	1,344	11,970
COMMON COSTS	4,156	2,769	1,573	73,789	30,694	5,112	31,444	1,750	22,032	22,032	22,032	22,032	239,415
TOTAL	216,612	125,108	205,392	187,296	201,037	191,780	236,335	69,515	173,872	173,872	173,872	173,872	2,128,563
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE													
CONSERVATION EXPENSES	216,612	125,108	205,392	187,296	201,037	191,780	236,335	69,515	173,872	173,872	173,872	173,872	2,128,563

SCHEDULE CT-2
SUMMARY OF EXPENSES BY PROGRAM
VARIANCE ACTUAL VERSUS PROJECTED
JANUARY 2005 THROUGH DECEMBER 2005

EXPENSES:	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Total
PROGRAM 1:	-	-	-	-	-	-	-	1,799	38,429	73,260	(57,117)	(28,434)	27,937
PROGRAM 2:	-	-	-	-	-	-	-	-	4	(64)	(64)	(64)	(188)
PROGRAM 3:	-	-	-	-	-	-	-	1,944	(3,070)	(6,107)	5,049	28,776	26,592
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	-	-	-	-	-	-	-	-	(13)	(13)	(13)	(13)	(52)
PROGRAM 7:	-	-	-	-	-	-	-	43	(1,564)	2,745	(3,002)	(1,057)	(2,835)
PROGRAM 8:	-	-	-	-	-	-	-	9,930	16,960	4,685	665	381	32,621
PROGRAM 9:	-	-	-	-	-	-	-	3,636	6,314	227	(4,889)	(1,523)	3,765
PROGRAM 10:	-	-	-	-	-	-	-	1,212	1,822	146	311	60	3,551
COMMON COSTS:	-	-	-	-	-	-	-	5,402	(903)	(14,219)	(16,606)	(11,741)	(38,067)
TOTAL	-	-	-	-	-	-	-	23,966	57,979	60,660	(75,666)	(13,615)	53,324
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE CONSERVATION EXPENSES	-	-	-	-	-	-	-	23,966	57,979	60,660	(75,666)	(13,615)	53,324

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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2005 THROUGH DECEMBER 2005

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	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Total
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV. ADJ REVS	(351,798)	(340,153)	(342,168)	(323,043)	(242,422)	(255,382)	(222,371)	(224,484)	(222,195)	(242,616)	(238,818)	(280,712)	(3,286,162)
4 TOTAL REVENUES	(351,798)	(340,153)	(342,168)	(323,043)	(242,422)	(255,382)	(222,371)	(224,484)	(222,195)	(242,616)	(238,818)	(280,712)	(3,286,162)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)	(3,241)	(38,881)
6 CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(355,038)	(343,393)	(345,408)	(326,283)	(245,662)	(258,622)	(225,611)	(227,724)	(225,435)	(245,856)	(242,058)	(283,953)	(3,325,043)
7 CONSERVATION EXPENSES (FROM CT-3, PAGE 1)	216,612	125,108	205,392	187,296	201,037	191,780	236,335	93,481	231,851	234,532	98,206	160,257	2,181,887
8 TRUE-UP THIS PERIOD	(138,426)	(218,285)	(140,016)	(138,987)	(44,625)	(66,842)	10,724	(134,243)	6,416	(11,324)	(143,852)	(123,696)	(1,143,156)
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	(215)	(605)	(1,037)	(1,429)	(1,725)	(1,951)	(2,140)	(2,437)	(2,756)	(2,908)	(3,329)	(3,913)	(24,445)
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(38,881)	(174,282)	(389,931)	(527,744)	(664,921)	(708,031)	(773,585)	(761,761)	(895,201)	(888,301)	(899,293)	(1,043,234)	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,240	3,241	
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	(174,282)	(389,931)	(527,744)	(664,921)	(708,031)	(773,585)	(761,761)	(895,201)	(888,301)	(899,293)	(1,043,234)	(1,167,601)	(1,167,601)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2005 THROUGH DECEMBER 2005

INTEREST PROVISION	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Total
1. BEGINNING TRUE-UP	(38,881)	(174,282)	(389,931)	(527,744)	(664,921)	(708,031)	(773,585)	(761,761)	(895,201)	(888,301)	(899,293)	(1,043,234)	
2. ENDING TRUE-UP BEFORE INTEREST	(174,067)	(389,327)	(526,707)	(663,491)	(706,306)	(771,633)	(759,621)	(892,764)	(885,545)	(896,385)	(1,039,905)	(1,163,689)	
3. TOTAL BEGINNING & ENDING TRUE-UP	(212,948)	(563,608)	(916,639)	(1,191,236)	(1,371,227)	(1,479,665)	(1,533,205)	(1,654,524)	(1,780,745)	(1,784,686)	(1,939,197)	(2,206,922)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(106,474)	(281,804)	(458,319)	(595,618)	(685,613)	(739,832)	(766,603)	(827,262)	(890,373)	(892,343)	(969,599)	(1,103,461)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	2.340%	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	4.300%	
7. TOTAL (SUM LINES 5 & 6)	4.840%	5.150%	5.430%	5.760%	6.040%	6.330%	6.700%	7.070%	7.430%	7.820%	8.240%	8.510%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	2.420%	2.575%	2.715%	2.880%	3.020%	3.165%	3.350%	3.535%	3.715%	3.910%	4.120%	4.255%	
9. MONTHLY AVG INTEREST RATE	0.202%	0.215%	0.226%	0.240%	0.252%	0.264%	0.279%	0.295%	0.310%	0.326%	0.343%	0.355%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(215)	(605)	(1,037)	(1,429)	(1,725)	(1,951)	(2,140)	(2,437)	(2,756)	(2,908)	(3,329)	(3,913)	(24,445)
10. a. INT. ADJ													

CT-3 Interest.