

AGL Resources
Atlanta Gas Light
Chattanooga Gas
Elizabethtown Gas
Elkton Gas
Florida City Gas
Virginia Natural Gas
AGL Networks
Sequent Energy Management

955 East 25th Street
Hialeah, FL 33013
www.floridacitygas.com

December 18, 2007

Blanca Bayó
Director Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RECEIVED-FPSC
07 DEC 24 PM 12: 17
COMMISSION
CLERK

RE: Docket No. 070004-GU


Dear Ms. Bayó:

By memorandum dated August 1, 2007, the Commission Staff filed an audit report (Audit Control No. 07-074-4-1) for Florida City Gas in the above referenced docket.

Enclosed for filing, please find the Company's response to the Staff's audit report.

If you need additional information, please contact me at (305) 835-3607.

Very truly yours,



Rosie Abreu
Regulatory Analyst

Encl.

 Florida City Gas

DOCUMENT NUMBER-DATE
11198 DEC 24 07
FPSC-COMMISSION CLERK

**FLORIDA CITY GAS
CONSERVATION COST RECOVERY CLAUSE
HISTORICAL YEAR ENDED DECEMBER 31, 2006
DOCKET NO. 070004-GU
AUDIT CONTROL NO. 07-074-4-1**

**Company Response to
AUDITOR'S REPORT
July 20, 2007**

AUDIT FINDING NO. 1

SUBJECT: VOUCHERS NOT MEETING PROGRAM GUIDELINES

AUDIT ANALYSIS: An invoice for incentives was paid to B & R Plumbing on October 2, 2006 for \$14,970. This amount was charged to account 611013-Program 1 Costs. Only \$5,600 of these costs related to conservation programs. The invoice itself showed that \$9,370 was to be charged to deferred piping account 166056. The invoice agreed with the coding shown on the invoice. However, the utility booked the entire \$14,970 to program one. The \$9,370 should be removed from program one costs and transferred to deferred piping. The schedule calculating interest of \$1 07 follows on the next page.

EFFECT ON GENERAL LEDGER: Since the 2006 books are already closed, the \$9,370 should be removed from the true-up balance and debited to deferred piping account 166056.

EFFECT ON FILING: The ending period true-up over-recovery should be increased by \$9,370 plus interest of \$107. The total increase is \$9,477.

Company Response: Company agrees with Audit Finding No. 1

AUDIT FINDING NO. 2

SUBJECT: PAYROLL ERRORS

AUDIT ANALYSIS: Account 611002 -Payroll for Program 3 for July for department 357 in the general ledger was \$6,815.65. The supporting documentation by employee shows the payroll for that department was \$3,536.29. Based on the supporting documentation, payroll in program 3 was overstated by \$3,279.36. Benefits were computed at 44.23% of payroll or \$145. The total overstatement before interest is 3,424.36. Interest of \$88 is computed on the following page. The effect on the true-up with interest is \$3,512.36. The utility is trying to determine why there is a difference.

EFFECT ON GENERAL LEDGER: Since the 2006 books are already closed, the \$3,512.36 should be removed from the true-up balance.

EFFECT ON FILING: The over-recovery should be increased by \$3,312.36.

Company Response: The \$3,279.36 difference in July 2006 was a result of ECP 3 payroll being charged to the incorrect General Ledger Accounts in the months of January, May, and June 2006 when entered in the Payroll System and later corrected in July 2006 via a Journal Entry [See Attachment 1 (2 pages)]. Since this payroll correction was recorded in the ECP 3 payroll account via a Journal Entry, this amount was not included in the Payroll System documentation provided to the auditor. There should be no effect on the General Ledger or the Filing.

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AUDIT FINDING NO. 3

SUBJECT: ORTIZ CONSULTING

AUDIT ANALYSIS: The utility paid Ortiz Consulting \$116,175 in 2006 and charged it to Program 3-Account 611020. Ortiz is paid \$125 for every customer it solicits if they sign up and hookup appliances. The program description for Program 3 does not provide for these commissions and the customers connected get the rebates specified in the program description for program 3. The utility considers the commissions contract labor and believe they should be included the same way payroll is included. As reported in previous audits, Ortiz has been paid in prior years but the costs were charged to common costs and were not for material amounts. In 2005, \$13,125 was paid to Ortiz. This year the company charged the charges to Energy Conservation Program 3 and the amount is significantly higher than other years. Although this door to door solicitation increases gas customers, these costs do not meet the program guidelines. If the costs are allowed, they should be recorded as common costs.

EFFECT ON GENERAL LEDGER: This finding is for informational purposes only.

EFFECT ON FILING: This finding is for informational purposes only.

Company Response: Ortiz Consulting is a contractor used to assist the in-house Sales staff with obtaining new gas customers. After the active 2005 hurricane season, Florida City Gas experienced a significant increase in customers requesting gas service which could not be managed by our existing staff. Ortiz Consulting was contracted to reduce the back log and Commission complaints from customers waiting to obtain gas service.

AUDIT FINDING NO. 4

SUBJECT: BILLING RATES

AUDIT ANALYSIS: Several bills were tested to determine if the utility used the rates specified in their monthly rate schedules. Some of the bills were found to be billed at the prior month's rate and BTU conversion factor, mainly in July. The prior month was billed at the correct rate as was the month after. An example follows for a bill in rate code 814-830 -Commercial and Industrial 1.2:

The rates are under the cap specified in the last purchased gas adjustment order. The revenues in the clause are correct because they reflect what was billed to the customers. However, all customers should be billed the same rates each month. If some billing cycles are not billed each monthly code, then customers are not billed consistently with the other customers. Several bills tested in July used the June rates. The utility changed its customer billing system in February 2007. As a result of this change, the detailed information such as account notes, itemized transactions and adjustments are not available to determine if bills rendered included prior months adjusted consumption or if the bill rendered is a re-bill from the prior month. The utility representatives believe these differences are caused by adjustments. However, all twelve months were reviewed for each customer and the June bills did not appear to be for prior month's usage. The utility needs to change rates for each billing cycle monthly to make sure that each customer is billed the same rates each month as all of the other customers.

EFFECT ON THE LEDGER: There is no effect on the ledger. The utility needs to bill consistent rates in the future.

EFFECT ON THE FILING: The filing is not affected because the actual billed revenues were included using the billing registers.

Company Response: It is the Company's policy to change rates monthly with new rates effective on the 1st of each month. In February 2007, Florida City Gas changed its billing system. As a result of this change, the detail information of the various components of the customer bills was not available during the audit.



Report ID: AGLC7501

PeopleSoft Financials
JOURNAL ENTRY DETAIL REPORT

Page No. 1
Run Date 26 Jul 2006
Run Time 11:15:56 AM

Unit: GL53	OpriD: MBUSTOS	Ledger Group: ACTUAL	Foreign Currency: USD
Journal ID: 0000164654		Source: ONL	Rate Type: CRRNT
Date: 25 Jul 2006		Reversal: N	Effective Date: 25 Jul 2006
Description: To Reclass overtime payments to ECP		Reversal Date:	Exchange Rate: 1.00

Line #	Account	Operating Un	Department	Product	Project	Affilia	Scenario	Stat	Statistics Amt	Rate Type	Rate	Foreign Amount	Base Amount
1	600120		0357		025247					CRRNT	1.00000000	3,279.36 USD	3,279.36 USD
					Description: Pay-A&G Salaries					Reference:			
2	600120		0357		020718					CRRNT	1.00000000	-3,279.36 USD	-3,279.36 USD
					Description: Pay-A&G Salaries					Reference:			
GL 53					Total Lines:	2	Total Base Debits:	3,279.36	Total Base Credits:	3,279.36			

(ATTACHMENT 1)
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End of Report

JE# 0000164654

(ATTACHMENT 1)
Page 2 of 2

Miguel Bustos

From: Ana Del Pino
Sent: Monday, July 10, 2006 10:40 AM
To: Miguel Bustos
Subject: Payroll

I noticed that I have overlooked my payroll accounts and have charged the wrong account number for the overtime. I should be charging my overtime to 25247 which is ECP # 3 and instead I have charged to the Sales Dept. account 20718. here are the weeks I found. I don't know if you are able to correct.

01/03/06 (12) hours should be charged to 025247 ϕ 24.85 hr. = 1,640.10
01/10/06 (16) hours should be charged to 025247
01/24/06 (18) hours should be charged to 025247
01/30/06 (20) hours should be charged to 025247

05/22/06 (23) hours should be charged to 025247
05/29/06 (18) hours should be charged to 025247 ϕ 26.02 hr = 1,066.82

06/05/06 (6) hours should be charged to 025247 ϕ 26.02 hr = 572.40
06/12/06 (16) hours should be charged to 025247
3,279.36

Thanks you Miguel. I

Ana DelPino
Sales Coordinator | Marketing

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7/12/2006