

State of Florida



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

DATE: July 22, 2008
TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 080004-GU; Company Name: Florida City Gas;
Audit Purpose: Conservation Gas Cost Recovery; Company Code: GU602;
Audit Control No: 08-037-4-3; Record # 5786;

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. 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 (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Charles A. Rawson, III
Florida City Gas
955 East Street
Hialeah, FL 33013

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

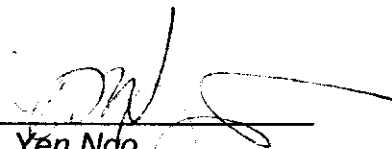
Miami District Office

FLORIDA CITY GAS

CONSERVATION COST RECOVERY CLAUSE

HISTORICAL YEAR ENDED DECEMBER 31, 2007

DOCKET NO. 080004-GU
AUDIT CONTROL NO. 08-037-4-3



Yen Ngo
Audit Manager



Kathy Welch
Public Utilities Supervisor

DOCUMENT NUMBER-DATE

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

July 15, 2007

**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 Economic Regulation 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 080004-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. 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.

We reviewed the advertising copy for compliance with rule 25-17.015(5) Florida Administration Code.

We verified that the incentives paid by voucher met the program guidelines.

We reconciled all months of payroll to the program reports and tested the April 2007 entries, which were incorrectly recorded by the company. Also, the general ledger did not record some of the payroll entries from August through December 2007. The employees were traced to the prior audit, which reviewed the position descriptions and determined the job applicability to conservation. Audit finding one discusses the payroll error found in April and August through December. Benefits were recalculated.

AUDIT FINDING NO. 1

SUBJECT: PAYROLL ERRORS

AUDIT ANALYSIS: City Gas April 2007 payroll included in the conservation filing included the pensions and benefits. However, the company incorrectly added another 44.23% of pension and benefits, which caused the payroll to be overstated by \$52,106.99 (\$98,393.18 – \$46,286.19). Also, the general ledger did not include the payroll of some conservation programs in the month end calculation for the months of August through December 2007. As a result, the payroll for these months was overstated. Overall, the total payroll was overstated by \$4,975.92. See calculation below:

	Payroll & Benefits per Filing	Actual Payroll & Benefits	Difference
April	98,393.18	46,286.19	52,106.99
August	31,708.81	37,191.88	(5,483.07)
September	38,950.93	50,365.68	(11,414.75)
October	41,818.46	50,536.45	(8,717.99)
November	36,513.14	47,533.30	(11,020.16)
December	45,259.04	55,754.14	(10,495.10)
Total	292,643.56	287,667.64	4,975.92

EFFECT ON GENERAL LEDGER: The general ledger should be decreased by \$4,975.92

EFFECT ON FILING: The total expenses in the true-up schedule should be decreased by \$4,975.92

Company: City Gas Company
 Title: True-up & Interest Calculations
 Period: TYE 12/31/06
 Date: 06/05/2008

Interest Rates per Wall Street Journal Commercial Paper Interest- first day reporting 30 day commercial paper rate per Tallahassee memo

January	Month 1	5.2700%	July	Month 7	5.2800%
February	Month 2	5.2600%	August	Month 8	5.2400%
March	Month 3	5.2600%	September	Month 9	5.6200%
April	Month 4	5.2600%	October	Month 10	5.0500%
May	Month 5	5.2600%	November	Month 11	4.7200%
June	Month 6	5.2600%	December	Month 12	4.7500%
			January	Month 13	4.9800%

Interest- first day reporting of subsequent month

INTEREST RATES

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Beginning	5.270%	5.260%	5.260%	5.260%	5.260%	5.260%	5.280%	5.240%	5.620%	5.050%	4.720%	4.750%	
Ending	5.260%	5.260%	5.260%	5.260%	5.260%	5.280%	5.240%	5.620%	5.050%	4.720%	4.750%	4.980%	
Total	10.530%	10.520%	10.520%	10.520%	10.520%	10.540%	10.520%	10.860%	10.670%	9.770%	9.470%	9.730%	
Average	5.265%	5.260%	5.260%	5.260%	5.260%	5.270%	5.260%	5.430%	5.335%	4.885%	4.735%	4.865%	
Monthly Average	0.439%	0.438%	0.438%	0.438%	0.438%	0.439%	0.438%	0.453%	0.445%	0.407%	0.395%	0.405%	

CALCULATION OF TRUE-UP

Total Revenues-net of tax, (Line 4)	(104,265)	(160,801)	(164,051)	(132,544)	(114,369)	(107,092)	(99,400)	(95,993)	(104,932)	(103,709)	(115,590)	(122,986)	(1,425,732)
Prior True-up (Line 5)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(1,003,789)
Total revenue to current period	(187,914)	(244,450)	(247,700)	(216,193)	(198,018)	(190,741)	(183,049)	(179,642)	(188,581)	(187,358)	(199,239)	(206,635)	(2,429,521)
Conservation Expenses (Line 7)	144,594	65,606	188,340	228,059	81,354	305,514	209,214	215,748	246,393	208,624	199,564	247,990	2,341,000
True-up this period (Line 8)	(43,320)	(178,844)	(59,360)	11,866	(116,664)	114,773	26,165	36,106	57,812	21,266	325	41,355	(88,521)
Interest provision (Line 9)	(4,316)	(4,451)	(4,626)	(4,383)	(4,266)	(3,929)	(3,263)	(2,864)	(2,246)	(1,564)	(1,150)	(763)	(37,821)
True-up & interest beginning (Line 10) a	(1,003,789)	(967,776)	(1,067,421)	(1,047,758)	(956,626)	(993,907)	(799,414)	(692,864)	(575,973)	(436,758)	(333,408)	(250,583)	(1,003,789)
Prior true-up coll. refunded	83,649	83,649	83,649	83,649	83,649	83,649	83,649	83,649	83,649	83,649	83,649	83,649	1,003,789
Total net true-up	(967,776)	(1,067,421)	(1,047,758)	(956,626)	(993,907)	(799,414)	(692,864)	(575,973)	(436,758)	(333,408)	(250,583)	(126,342)	(1,263,342)
True-up for the month CO. FILING over-recovery	(967,776)	(1,067,421)	(1,047,758)	(904,405)	(941,457)	(746,734)	(639,952)	(528,317)	(400,331)	(305,568)	(233,676)	(119,882)	(1,198,992)
Difference	0	0	0	(52,221)	(52,450)	(52,680)	(52,912)	(47,656)	(38,427)	(27,840)	(16,907)	(6,460)	(5,450)

CALCULATION OF INTEREST

Beginning true up and int.	(1,003,789)	(967,776)	(1,067,421)	(1,047,758)	(956,626)	(993,907)	(799,414)	(692,864)	(575,973)	(436,758)	(333,408)	(250,583)	(9,126,277)
Ending true-up before int	(983,460)	(1,062,971)	(1,043,132)	(952,243)	(989,641)	(795,485)	(689,600)	(573,108)	(434,512)	(331,843)	(249,433)	(125,579)	(9,211,009)
Total	(1,967,249)	(2,030,746)	(2,110,554)	(2,000,001)	(1,946,268)	(1,789,392)	(1,489,014)	(1,265,972)	(1,010,485)	(768,601)	(582,841)	(376,163)	(17,337,286)
Average true up	(983,625)	(1,015,373)	(1,055,277)	(1,000,000)	(973,134)	(894,696)	(744,507)	(632,986)	(505,242)	(384,301)	(291,421)	(188,081)	(8,668,643)
Interest rate per above	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.45%	0.44%	0.41%	0.39%	0.41%	
Interest per staff	(4,316)	(4,451)	(4,626)	(4,383)	(4,266)	(3,929)	(3,263)	(2,864)	(2,246)	(1,564)	(1,150)	(763)	(37,821)
True-up for the month per Company's Filing	(4,316)	(4,451)	(4,626)	(4,289)	(4,037)	(3,699)	(3,033)	(2,637)	(2,060)	(1,434)	(1,062)	(715)	(36,359)
Difference	0	0	0	(114)	(229)	(230)	(230)	(227)	(186)	(130)	(88)	(48)	(1,482)

AUDIT FINDING NO. 2

SUBJECT: REVENUES

AUDIT ANALYSIS: We recalculated the conservation revenue for 2007 (the terms from the Margin Detail Report times the rate factors). The recalculated revenue was \$33,699 (\$1,459,428 - \$1,425,729) more than the revenue reported in the conservation filing. The largest difference, \$25,621, occurred in January 2007. According to the company's explanation, the difference was due to the changing of the rate factors at the beginning of each year and the cancellations, re-bills, and adjustments from the prior periods. According to the company, the remaining difference of \$8,078 (\$33,699 - \$25,621) was the result of the rounding. The terms field is carried to one decimal place and the rate factor to five decimal places. These two are multiplied together to produce a field which is rounded to two decimal places.

Due to time restraints, staff was unable to review the revenue file provided by the company, which contained more than 100,000 records. The company needs to provide a more detailed explanation of why there was a \$33,699 difference.

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

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

EXHIBITS

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2007 THROUGH DECEMBER 2007

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Total
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV. ADJ REVS	(104,265)	(160,801)	(164,051)	(132,544)	(114,369)	(107,092)	(99,400)	(95,993)	(104,932)	(103,709)	(115,590)	(122,986)	(1,425,732)
4 TOTAL REVENUES	(104,265)	(160,801)	(164,051)	(132,544)	(114,369)	(107,092)	(99,400)	(95,993)	(104,932)	(103,709)	(115,590)	(122,986)	(1,425,732)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD CONSERVATION REVENUES	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,649)	(83,650)	(1,003,789)
6 APPLICABLE TO THE PERIOD	(187,914)	(244,450)	(247,700)	(216,193)	(198,018)	(190,741)	(183,049)	(179,642)	(188,581)	(187,358)	(199,239)	(206,636)	(2,429,521)
CONSERVATION EXPENSES													
7 (FROM CT-3 PAGE 1)	144,594	65,606	188,340	280,166	81,354	305,514	209,214	210,265	234,978	199,906	188,544	237,495	2,345,976
8 TRUE-UP THIS PERIOD	(43,320)	(178,844)	(59,360)	63,973	(116,664)	114,773	26,165	30,623	46,397	12,548	(10,695)	30,859	(83,545)
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	(4,316)	(4,451)	(4,626)	(4,268)	(4,037)	(3,699)	(3,033)	(2,637)	(2,060)	(1,434)	(1,062)	(715)	(36,337)
10 TRUE-UP & INTER PROV. BEGINNING OF MONTH	(1,003,789)	(967,776)	(1,067,421)	(1,047,758)	(904,405)	(941,457)	(746,734)	(639,952)	(528,317)	(400,331)	(305,568)	(233,676)	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	83,649	83,649	83,649	83,649	83,649	83,649	83,649	83,649	83,649	83,649	83,649	83,650	
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	(967,776)	(1,067,421)	(1,047,758)	(904,405)	(941,457)	(746,734)	(639,952)	(528,317)	(400,331)	(305,568)	(233,676)	(119,882)	(119,882)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2007 THROUGH DECEMBER 2007

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Total
1. INTEREST PROVISION BEGINNING TRUE-UP	(1,003,789)	(967,776)	(1,067,421)	(1,047,758)	(904,405)	(941,457)	(748,734)	(839,952)	(528,317)	(400,331)	(305,568)	(233,676)	
2. ENDING TRUE-UP BEFORE INTEREST	(963,460)	(1,062,971)	(1,043,132)	(900,136)	(937,420)	(743,035)	(638,920)	(525,680)	(398,271)	(304,134)	(232,614)	(119,167)	
3. TOTAL BEGINNING & ENDING TRUE-UP	(1,967,249)	(2,030,746)	(2,110,554)	(1,947,894)	(1,841,825)	(1,684,492)	(1,383,653)	(1,165,632)	(926,589)	(704,465)	(538,182)	(352,843)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(983,625)	(1,015,373)	(1,055,277)	(973,947)	(920,913)	(842,246)	(691,827)	(582,816)	(463,294)	(352,233)	(269,091)	(176,421)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	5.270%	5.280%	5.280%	5.280%	5.260%	5.260%	5.280%	5.240%	5.620%	5.050%	4.720%	4.750%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	5.280%	5.260%	5.260%	5.260%	5.260%	5.280%	5.240%	5.620%	5.050%	4.720%	4.750%	4.980%	
7. TOTAL (SUM LINES 5 & 6)	10.530%	10.520%	10.520%	10.520%	10.520%	10.540%	10.520%	10.860%	10.670%	9.770%	9.470%	9.730%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	5.265%	5.260%	5.260%	5.260%	5.260%	5.270%	5.260%	5.430%	5.335%	4.885%	4.735%	4.865%	
9. MONTHLY AVG INTEREST RATE	0.439%	0.438%	0.438%	0.438%	0.438%	0.439%	0.438%	0.453%	0.445%	0.407%	0.395%	0.405%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(4,316)	(4,451)	(4,626)	(4,269)	(4,037)	(3,699)	(3,033)	(2,637)	(2,060)	(1,434)	(1,062)	(715)	(36,337)
10. a. INT. ADJ													