

State of Florida



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

DATE: May 13, 2009
TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DM*
RE: Docket No: 090003-GU; Company Name: Florida City Gas;
Audit Purpose: Purchased Gas Adjustment; Company Code: GU602;
Audit Control No: 09-028-4-1;

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 a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

DNM/tbm

Attachment: Audit Report

CC: Division of Regulatory Compliance (Salak, Mailhot, Harvey,
District Offices, File Folder)
Office of Commission Clerk (2)
General Counsel

Mr. Jay Sutton
Florida City Gas
4180 South U.S. Highway 1
Rockledge, FL 32955-5309

Ms. Beth Keating
Akerman Law Firm
106 East College Avenue, Suite 1200
Tallahassee, FL 32301

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FLORIDA PUBLIC SERVICE COMMISSION

**DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING**

Miami District Office

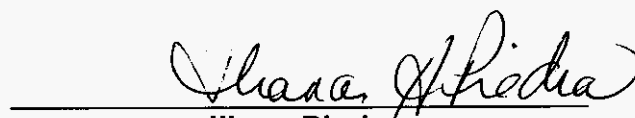
**Florida City Gas
Purchased Gas Adjustment Clause Audit**

Twelve Months Ended December 31, 2008

**DOCKET #090003-GU
AUDIT CONTROL NO. 09-041-4-1**



**Kathy L. Welch
Audit Manager**



**Iliana Piedra
Professional Accountant Specialist
Audit Reviewer**

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**DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT**

May 8, 2009

**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 Company, in support of its purchased gas adjustment filing, Docket 090003-GU.

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

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OBJECTIVES AND PROCEDURES:

Objective: To determine if the revenue recorded in the filing agrees with the ledger reported revenue and to determine if the customers were billed according to the utility billing schedule. And, to determine that the billing schedules were under the cap authorized by the Commission.

Procedure: We verified the revenues contained in the Company's General Ledger agreed to the filings. We traced the revenue reflected on Schedule A-2 to the margin reports. The margin reports were reconciled to the billing report revenues. The rate schedules were compared to the cap authorized by the Commission. And, we reviewed a sample of bills and traced to the rate schedules.

Objective: To determine that the cost of gas in the filing agreed with the ledger and could be traced to source documentation.

Procedures: We verified that the expenses contained in the company's General Ledger agreed with Schedule A-2. We traced the filing to invoices.

Objective: To determine that the calculation of the true-up was correct and calculated using the appropriate interest rates and was properly recorded in the ledger.

Procedures: We recomputed the true-up for the period. We verified that the beginning true-up amount and interest rates as stated by the Company on the original and revised January A-2 filing were approved by the Florida Public Service Commission. We reconciled the monthly true-up amounts, as recorded on Schedule A-2, to the General Ledger. We recomputed the revised final true-up filing, Schedule A-7. We reconciled the amounts on A-7 to the December cumulative A-2 and to appropriate Commission orders.

Objective: To determine if the company has corrected its procedures to avoid late fees, as reported in last year's audit.

Procedures: We reviewed the invoices for late fees. Audit finding one discusses late fees.

AUDIT FINDING NO. 1

SUBJECT: LATE FEES

AUDIT ANALYSIS: In recording its expenses, the utility has included late fees charged to invoices in the cost of gas. Late fees should be below the line and not included in the cost of gas. The total late fees found were \$2,170.22. The late fee problem was reported in the last audit. The utility claimed mail problems were the reason for late fees and were going to try to correct it. The late fees ended in June which was shortly after our audit report was issued.

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

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

EXHIBITS

Company Schedule A-2

COMPANY:
FLORIDA CITY GAS

CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A-2
(REVISED 6/08/94)
PAGE 4 OF 11

FOR THE PERIOD OF: JANUARY 08 Through DECEMBER 08

	CURRENT MONTH: 12/08		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)	3,679,713	2,381,474	(1,298,239)	-54.51%	37,010,820	33,051,540	(3,959,280)	-11.98%
2 TRANSP GAS COST (Sch A-1 Fix down line 1+2+3+5)	920,097	907,531	(12,566)	-1.38%	7,922,712	7,861,876	(60,836)	-0.77%
3 TOTAL	4,599,810	3,289,005	(1,310,805)	-39.85%	44,933,532	40,913,416	(4,020,116)	-9.83%
4 FUEL REVENUES (Sch A-1 Fix down line 14) (NET OF REVENUE TAX)	3,402,266	3,287,191	(115,075)	-3.50%	42,508,278	40,887,705	(1,620,573)	-3.96%
5 TRUE-UP (COLLECTED) OR REFUNDED	41,585	41,585	-	0.00%	499,004	499,004	-	0.00%
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	3,443,851	3,328,776	(115,075)	-3.46%	43,007,282	41,386,709	(1,620,573)	-3.92%
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(1,155,959)	39,771	1,195,730	3006.54%	(1,926,250)	473,293	2,399,543	506.99%
8 INTEREST PROVISION-THIS PERIOD (21)	224	(371)	(595)	160.38%	29,881	(11,608)	(41,489)	357.42%
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	862,279	(435,298)	(1,297,577)	298.09%	1,219,460	(400,164)	(1,619,624)	404.74%
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(41,585)	(41,585)	-	0.00%	(499,004)	(499,004)	-	0.00%
10a ADJUSTMENTS - 2007 Audit Adj.	-	-	-	---	(681)	-	681	---
10b OSS 50% Margin Sharing	-	-	-	---	841,553	-	(841,553)	---
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a+10b)	(335,041)	(437,483)	(102,442)	23.42%	(335,041)	(437,483)	(102,442)	23.42%
INTEREST PROVISION								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9+10a)	862,279	(435,298)	(1,297,577)	298.09%				
13 ENDING TRUE-UP BEFORE INTEREST (12 + 10b + 7 - 5)	(335,265)	(437,112)	(101,847)	23.30%				
14 TOTAL (12+13)	527,014	(872,410)	(1,399,424)	160.41%				
15 AVERAGE (50% OF 14)	263,507	(436,205)	(699,712)	160.41%				
16 INTEREST RATE - FIRST DAY OF MONTH	0.01490	0.01490	-	0.00%				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.00540	0.00540	-	0.00%				
18 TOTAL (16+17)	0.02030	0.02030	-	0.00%				
19 AVERAGE (50% OF 18)	0.01015	0.01015	-	0.00%				
20 MONTHLY AVERAGE (19/12 Months)	0.00085	0.00085	-	0.00%				
21 INTEREST PROVISION (15x20)	224	(371)	(595)	160.38%				

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