

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: June 3, 2009
TO: Devlin Higgins, Regulatory Analyst II, Division of Economic Regulation
FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DM*
RE: Docket No: 090004-GU - Company Name: Indiantown Gas Company;
Audit Purpose: Gas Conservation Cost Recovery; Company Code: GU606
Audit Control No: 09-028-4-5

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/js

Attachment: Audit Report

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

Mr. Brian J. Powers
Indiantown Gas Company
P.O. Box 8
Indiantown, FL 34956-0008

DOCUMENT NUMBER-DATE

05612 JUN-4 08

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

**DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING**

Miami District Office

**Indiantown Gas Company
Gas Energy Conservation Clause Audit**

Twelve Months Ended December 31, 2008

**DOCKET NO. 090004-GU
AUDIT CONTROL NO. 09-028-4-5**



Kathy L. Welch
Audit Manager



Iliana Piedra
Professional Accountant Specialist
Reviewer

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

May 28, 2008

**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 Indiantown Gas Company, in support of its filing for conservation Docket No. 090004-GU.

This audit was 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.

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. Audit finding one discusses the error in the interest calculation.

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: Indiantown Gas Company does not record conservation revenues as a separate line item on the bill. It is included in the transportation charge on the bill along with an amount for fuel that is passed through from the supplier. Therefore, we determined that the conservation rate included in the energy charge rate agreed with the last conservation order. We then verified that the terms used to calculate the conservation revenues agreed to the company billing registers.

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 selected all of the vouchers recorded in the general ledger and traced them to source documentation.

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

We reconciled all months of payroll to the time sheets.

AUDIT FINDING NO. 1

SUBJECT: INTEREST CALCULATION ERROR

AUDIT ANALYSIS: When the utility calculated interest, its schedule had fixed numbers instead of formulas. The error caused interest to be overstated by \$164. The utility prepared a revised filing but it had not been filed at the time of the audit.

EFFECT ON GENERAL LEDGER: The interest expense should be decreased by \$164.

EFFECT ON FILING: The ending period true-up over-recovery should be decreased by \$164 to \$33,917.

EXHIBITS

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2008 THROUGH DECEMBER 2008

CONSERVATION VENUES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSERV. ADJ REVS	(4,552)	(4,048)	(5,232)	(6,380)	(4,109)	(3,296)	(2,161)	(2,141)	(1,921)	(2,177)	(3,858)	(4,033)	(43,909)
TOTAL REVENUES	(4,552)	(4,048)	(5,232)	(6,380)	(4,109)	(3,296)	(2,161)	(2,141)	(1,921)	(2,177)	(3,858)	(4,033)	(43,909)
PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(116)	(116)	(116)	(116)	(116)	(116)	(116)	(116)	(116)	(116)	(116)	(116)	(1,391)
CONSERVATION REVS APPLICABLE TO THE PERIOD	(4,668)	(4,164)	(5,348)	(6,496)	(4,225)	(3,412)	(2,277)	(2,257)	(2,036)	(2,293)	(3,974)	(4,149)	(45,300)
CONSERVATION EXPS (FROM CT-3, PAGE 1)	1,045	361	325	586	270	225	325	461	548	3,370	1,278	3,175	11,970
TRUE-UP THIS PERIOD	(3,623)	(3,803)	(5,023)	(5,910)	(3,955)	(3,187)	(1,952)	(1,796)	(1,488)	1,078	(2,696)	(974)	(33,329)
INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(11)	(17)	(26)	(37)	(47)	(80)	(88)	(98)	(96)	(102)	(59)	(90)	(751)
TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(1,391)	(4,908)	(8,613)	(13,546)	(19,378)	(23,264)	(26,414)	(28,338)	(30,116)	(31,585)	(30,493)	(33,132)	
PRIOR TRUE-UP COLLECTED/(REFUNDED)	116	116	116	116	116	116	116	116	116	116	116	116	
TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	(4,908)	(8,613)	(13,546)	(19,378)	(23,264)	(26,414)	(28,338)	(30,116)	(31,585)	(30,493)	(33,132)	(34,081)	(34,081)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2008 THROUGH DECEMBER 2008

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
INTEREST PROVISION													
BEGINNING TRUE-UP	(1,391)	(4,908)	(8,613)	(13,546)	(19,378)	(23,264)	(26,414)	(28,338)	(30,116)	(31,585)	(30,493)	(33,132)	
ENDING TRUE-UP BEFORE INTEREST	(4,898)	(8,595)	(13,520)	(19,341)	(23,217)	(26,334)	(28,250)	(30,018)	(31,489)	(30,391)	(33,073)	(33,990)	
TOTAL BEGINNING & ENDING TRUE-UP	(6,289)	(13,504)	(22,132)	(32,886)	(42,595)	(49,598)	(54,664)	(58,356)	(61,605)	(61,976)	(63,567)	(67,123)	
AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(3,144)	(6,752)	(11,066)	(16,443)	(21,297)	(24,799)	(27,332)	(29,178)	(30,802)	(30,988)	(31,783)	(33,561)	
INTER. RATE - 1ST DAY OF REPORTING MONTH	4.98%	3.08%	3.09%	2.63%	2.84%	2.43%	2.45%	2.44%	2.45%	4.95%	2.95%	1.49%	
INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	3.08%	3.09%	2.63%	2.84%	2.43%	5.28%	5.24%	5.62%	5.05%	2.95%	1.49%	4.98%	
TOTAL (SUM LINES 5 & 6)	8.06%	6.17%	5.72%	5.47%	5.27%	7.71%	7.69%	8.06%	7.50%	7.90%	4.44%	6.47%	
AVG INTEREST RATE (LINE 7 TIMES 50%)	4.03%	3.09%	2.86%	2.74%	2.64%	3.86%	3.85%	4.03%	3.75%	3.95%	2.22%	3.24%	
MONTHLY AVG INTEREST RATE	0.34%	0.26%	0.24%	0.23%	0.22%	0.32%	0.32%	0.34%	0.31%	0.33%	0.19%	0.27%	
INTEREST PROVISION (LINE 4 TIMES LINE 9)	(11)	(17)	(26)	(37)	(47)	(80)	(88)	(98)	(96)	(102)	(59)	(90)	(751)

SCHEDULE CT-1

COMPANY: Indiantown Gas Company
Docket No. 090004-GU
Exhibit MMP-1
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ADJUSTED NET TRUE-UP
FOR MONTHS: JANUARY 2008 THROUGH DECEMBER 2008

END OF PERIOD NET TRUE-UP

PRINCIPLE	(33,329)	
INTEREST	<u>(751)</u>	(34,081)

LESS PROJECTED TRUE-UP

PRINCIPLE	(22,613)	
INTEREST	<u>(388)</u>	<u>(23,001)</u>

ADJUSTED NET TRUE-UP		<u>(11,080)</u>
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() REFLECTS OVER-RECOVERY