

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 11, 2010

TO: Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation

FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CP*

RE: Docket No.: 100004-GU
 Company Name: Florida City Gas
 Company Code: GU602
 Audit Purpose: Gas Conservation Cost Recovery
 Audit Control No: 09-350-4-3

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

CP/ip
Attachment: Audit Report

cc: (With Attachment)
 Office of Auditing and Performance Analysis (Mailhot, File Folder)
 Office of Commission Clerk
 Office of the General Counsel

(Without Attachment)
 Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

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State of Florida



FLORIDA PUBLIC SERVICE COMMISSION

Office of Auditing and Performance Analysis
Bureau of Auditing

Miami District Office

FLORIDA CITY GAS

CONSERVATION COST RECOVERY CLAUSE

HISTORICAL YEAR ENDED DECEMBER 31, 2009

DOCKET NO. 100004-GU
AUDIT CONTROL NO. 09-350-4-3


Kathy L. Welch
Audit Manager



Iliana Piedra
Accounting Specialist
Reviewer

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
AUDITOR'S REPORT**

June 10, 2010

TO: FLORIDA PUBLIC SERVICE COMMISSION

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 No. 100004-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:

GENERAL

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.

REVENUES

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: Therms from the statistics report were multiplied by the ordered rates and compared to the ledger and filing. Some bills were selected and recalculated to determine that the tariff rates were used.

EXPENSES

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 a sample of the vouchers recorded in the general ledger and traced them to source documentation. Audit Finding One discusses corporate sponsorships.

We verified that the incentives paid by voucher met the program guidelines. We verified that the incentives credited to the bills met the program guidelines. There were no contracts with builders this year.

We compared supporting documentation to the payroll charged in the filing. We compared the payroll by employee to the file from the last audit to determine if new employees were added. We reviewed the payroll overhead computation.

TRUE-UP

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 NO. 1

SUBJECT: CORPORATE SPONSORSHIP

AUDIT ANALYSIS: Conservation expenses included a \$10,000 sponsorship to the Florida International University Athletics and a \$2,500 sponsorship to the Junior League of Miami for a golf tournament. The utility believes that the sponsorships benefit conservation for the following reasons:

“The Junior League and FIU Sports Sponsorships benefit Florida City Gas Energy Conservation Programs because these events provide targeted advertising opportunities for customers in our service territory. In 2009 Florida City Gas held focus group meetings with active and inactive customers and discovered many of the customers participating in those meetings were not aware of the energy conservation rebates available to them. As a result of that, Florida City Gas looked at various ways to reach different segments of our customers in an effort to improve customer awareness of the ECP rebates and promote energy conservation. The Junior League and FIU Sports Sponsorship gave us an opportunity to inform a significant number of residents in the communities we serve about the ECP programs and the incentives available to promote energy efficiency. At these events, the Company had the opportunity to set up displays to distribute ECP incentive materials, display Company banners, and announce ECP programs information during games. The Company was also allowed a printed logo on the roster cards and a link on the website sponsor page. Copies of the banners, printed material and announcements have been provided for review. “

One of the employees does have a son participating in the FIU sports program.

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

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

EXHIBITS

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY MONTH
JANUARY 2009 THROUGH DECEMBER 2009

EXPENSES:	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
PROGRAM 1:	12,622	8,165	14,557	12,344	18,598	17,224	11,890	10,345	11,673	17,725	9,978	9,324	154,445
PROGRAM 2:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 3:	18,331	44,074	59,207	47,639	31,994	47,129	42,299	28,108	57,656	48,235	25,228	189,227	639,127
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	-	-	-	-	-	-	-	-	-	-	139	-	139
PROGRAM 7:	75,182	65,653	67,401	73,451	62,366	77,666	54,866	102,342	24,195	156,313	87,387	106,666	953,488
PROGRAM 8:	-	1,411	2,644	11,660	6,990	5,534	5,825	5,132	(2,563)	-	-	-	36,633
PROGRAM 9:	22,348	31,016	36,698	28,948	28,092	24,671	22,893	26,206	47,823	31,637	19,316	35,105	354,753
PROGRAM 10:	3,451	4,183	3,152	5,396	2,279	607	113	232	314	142	227	421	20,517
COMMON COSTS:	18,848	19,538	18,239	20,777	16,779	14,567	20,496	(3,147)	(117)	(9,579)	(269)	(21,113)	95,019
TOTAL	150,782	174,040	201,898	200,215	167,098	187,398	158,382	169,218	138,981	244,473	142,006	319,630	2,254,121
LESS: Audit Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE CONSERVATION EXPENSES	150,782	174,040	201,898	200,215	167,098	187,398	158,382	169,218	138,981	244,473	142,006	319,630	2,254,121

SCHEDULE CT-2
PROJECTED CONSERVATION COSTS PER MONTH
JANUARY 2009 THROUGH DECEMBER 2009
SEVEN MONTHS ACTUAL AND FOUR MONTHS ESTIMATED

EXPENSES:

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
PROGRAM 1:	12,602	8,161	14,547	12,332	18,575	17,196	11,874	27,402	27,402	27,402	27,402	27,402	232,297
PROGRAM 2:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 3:	18,288	44,057	59,158	47,593	31,975	47,098	42,280	78,050	78,050	78,050	78,050	78,050	680,699
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	-	-	-	-	-	-	-	106	106	106	106	106	530
PROGRAM 7:	74,926	65,383	67,129	73,196	62,133	77,404	54,670	62,848	62,848	62,848	62,848	62,848	789,081
PROGRAM 8:	-	1,411	2,644	11,660	6,990	5,534	5,825	-	-	-	-	-	34,064
PROGRAM 9:	22,333	31,006	36,677	28,939	28,083	24,658	22,879	35,012	35,012	35,012	35,012	35,012	369,635
PROGRAM 10:	3,451	4,183	3,152	5,396	2,279	607	113	4,819	4,819	4,819	4,819	4,819	43,276
COMMON COSTS	5,548	5,975	5,784	7,534	6,514	5,317	9,373	8,035	8,035	8,035	8,035	8,037	86,222
TOTAL	137,148	160,176	189,091	186,650	156,549	177,814	147,014	216,272	216,272	216,272	216,272	216,274	2,235,804
LESS AMOUNT INCLUDED IN RATE BASE	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE													
CONSERVATION EXPENSES	137,148	160,176	189,091	186,650	156,549	177,814	147,014	216,272	216,272	216,272	216,272	216,274	2,235,804

SCHEDULE CT-2
SUMMARY OF EXPENSES BY PROGRAM
VARIANCE ACTUAL VERSUS PROJECTED
JANUARY 2009 THROUGH DECEMBER 2009

EXPENSES:	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
PROGRAM 1:	20	4	10	12	23	28	16	(17,057)	(15,729)	(9,677)	(17,424)	(18,078)	(77,852)
PROGRAM 2:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 3:	43	17	49	46	19	31	19	(49,942)	(20,394)	(29,815)	(52,822)	111,177	(41,572)
PROGRAM 4:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 5:	-	-	-	-	-	-	-	-	-	-	-	-	-
PROGRAM 6:	-	-	-	-	-	-	-	(106)	(106)	(106)	33	(106)	(391)
PROGRAM 7:	256	270	272	255	233	262	196	39,494	(38,653)	93,465	24,539	43,818	164,407
PROGRAM 8:	-	-	-	-	-	-	-	5,132	(2,563)	-	-	-	2,569
PROGRAM 9:	15	10	21	9	9	13	14	(8,806)	12,811	(3,375)	(15,696)	93	(14,882)
PROGRAM 10:	-	-	-	-	-	-	-	(4,587)	(4,505)	(4,677)	(4,592)	(4,398)	(22,759)
COMMON COSTS:	13,300	13,563	12,455	13,243	10,265	9,250	11,123	(11,182)	(8,152)	(17,614)	(8,304)	(29,150)	8,797
TOTAL	13,634	13,864	12,807	13,565	10,549	9,584	11,368	(47,054)	(77,291)	28,201	(74,266)	103,356	18,317
LESS: 2008 Audit Adjustments:	-	-	-	-	-	-	-	-	-	-	-	-	-
RECOVERABLE CONSERVATION EXPENSES	13,634	13,864	12,807	13,565	10,549	9,584	11,368	(47,054)	(77,291)	28,201	(74,266)	103,356	18,317

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2009 THROUGH DECEMBER 2009

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV. ADJ REVS	(298,478)	(365,128)	(307,535)	(257,749)	(242,618)	(226,408)	(219,264)	(208,070)	(211,534)	(210,383)	(227,797)	(255,028)	(3,029,992)
4 TOTAL REVENUES	(298,478)	(365,128)	(307,535)	(257,749)	(242,618)	(226,408)	(219,264)	(208,070)	(211,534)	(210,383)	(227,797)	(255,028)	(3,029,992)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD CONSERVATION REVENUES	78,337	78,337	78,337	78,337	78,337	78,337	78,337	78,337	78,337	78,335	78,335	78,335	940,038
6 APPLICABLE TO THE PERIOD	(220,141)	(286,791)	(229,198)	(179,412)	(164,281)	(148,071)	(140,927)	(129,733)	(133,197)	(132,048)	(149,462)	(176,693)	(2,089,954)
CONSERVATION EXPENSES 7 (FROM CT-3, PAGE 1)	150,782	174,040	201,898	200,215	167,098	187,398	158,382	169,218	138,981	244,473	142,006	319,630	2,254,121
8 TRUE-UP THIS PERIOD	(69,359)	(112,751)	(27,300)	20,803	2,817	39,327	17,455	39,485	5,784	112,425	(7,456)	142,937	164,167
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	480	447	298	185	117	93	80	56	39	33	25	22	1,877
10 TRUE-UP & INTER. PROV BEGINNING OF MONTH	940,038	792,822	602,181	496,842	439,493	364,090	325,174	264,372	225,576	153,062	187,185	101,420	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	(78,337)	(78,337)	(78,337)	(78,337)	(78,337)	(78,337)	(78,337)	(78,337)	(78,337)	(78,335)	(78,335)	(78,335)	
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	792,822	602,181	496,842	439,493	364,090	325,174	264,372	225,576	153,062	187,185	101,420	166,044	166,044

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2009 THROUGH DECEMBER 2009

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
1. INTEREST PROVISION BEGINNING TRUE-UP	940,038	792,822	602,181	496,842	439,493	364,090	325,174	264,372	225,576	153,062	187,185	101,420	
2. ENDING TRUE-UP BEFORE INTEREST	792,342	601,734	496,544	439,308	363,973	325,080	264,292	225,520	153,023	187,152	101,394	166,022	
3. TOTAL BEGINNING & ENDING TRUE-UP	1,732,380	1,394,556	1,098,726	936,150	803,467	689,171	589,466	489,891	378,598	340,214	288,580	267,441	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	866,190	697,278	549,363	468,075	401,733	344,585	294,733	244,946	189,299	170,107	144,290	133,721	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	0.540%	0.790%	0.750%	0.550%	0.400%	0.300%	0.350%	0.300%	0.250%	0.250%	0.220%	0.200%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	0.790%	0.750%	0.550%	0.400%	0.300%	0.350%	0.300%	0.250%	0.250%	0.220%	0.200%	0.200%	
7. TOTAL (SUM LINES 5 & 6)	1.330%	1.540%	1.300%	0.950%	0.700%	0.650%	0.650%	0.550%	0.500%	0.470%	0.420%	0.400%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.665%	0.770%	0.650%	0.475%	0.350%	0.325%	0.325%	0.275%	0.250%	0.235%	0.210%	0.200%	
9. MONTHLY AVG INTEREST RATE	0.055%	0.064%	0.054%	0.040%	0.029%	0.027%	0.027%	0.023%	0.021%	0.020%	0.018%	0.017%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	480	447	298	185	117	93	80	56	39	33	25	22	1,877
10. a. INT. ADJ													