

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-**

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**DATE:** July 27, 2010  
**TO:** Daniel Lee, Engineering Specialist IV, Division of Economic Regulation  
**FROM:** Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis CP  
**RE:** Docket No.: 100003-GU  
Company Name: Florida City Gas  
Company Code: GU602  
Audit Purpose: Purchased Gas Cost Recovery Clause  
Audit Control No: 10-007-4-1

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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 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)

DOCUMENT NUMBER-DATE

6133 JUL 28 2010

FPSC-COMMISSION CLERK

State of Florida



**FLORIDA PUBLIC SERVICE COMMISSION**

**OFFICE OF AUDITING AND  
PERFORMANCE ANALYSIS**

***Miami District Office***

**FLORIDA CITY GAS**

**PURCHASE GAS ADJUSTMENT CLAUSE**

**YEAR ENDED DECEMBER 31, 2009**

**DOCKET NO. 100003-GU  
AUDIT CONTROL NO. 10-007-4-1**

*Bety Maitre*

**Bety Maitre,  
Audit Manager**

*Kathy L. Welch*

**Kathy L. Welch,  
District Audit Supervisor**

DOCUMENT NUMBER-DATE

06133 JUL 28 2009

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

**July 8, 2010**

**TO: FLORIDA PUBLIC SERVICE COMMISSION**

We have performed the procedures described 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 2009 Purchase Gas Adjustment Clause for its cost expenditures in Docket No. 100003-GU.

This audit was 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 and the report is intended only for internal Commission use.

## **OBJECTIVES AND PROCEDURES**

### **General**

**Objective:** The objective was to reconcile the company's general ledger with its filing, including costs and revenues, following the current audit guidelines.

**Procedures:** We sorted and totaled the Purchase Gas Adjustment Clause general ledger detail by account. Total cost and revenues on the general ledger were then reconciled to the trial balance and filing.

### **Revenue**

**Objective:** The objective was to verify that revenue items recoverable through the Purchase Gas Adjustment Clause are included for recovery in the filing.

**Procedure:** We reconciled the revenues reported in the filing to the company's general ledger. We traced the revenue reflected in the filing 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 order. A sample of bills were selected, recalculated, and traced to the rate schedules. No errors were found.

### **Expenses**

**Objective:** The objective was to verify that cost items not recoverable through the Purchase Gas Adjustment Clause, are not included for recovery.

**Procedures:** We reconciled the expenses contained in the company's general ledger to the filing. We traced the expenses in the filing to supporting documentation. No errors were found.

We obtained and tested the May 2009 affiliate transactions. All the affiliate transactions were traced to invoices and the published market rates. A comparison of Sequent cost of gas to the market rates for the year was conducted for both the base-load and swing supply needs of the company. No errors were found.

### **True-Up**

**Objective:** The objective was to verify that the true-up amount, including the interest calculation is correctly reflected on the filed schedule.

**Procedures:** We recomputed the true-up for the period. We verified that the beginning true-up amount and interest rates on the filing agreed to the Commission order. We reconciled the monthly true-up amounts, as recorded on the filing, to the general ledger.

**COMPANY EXHIBITS**

COMPANY: FLORIDA CITY GAS		FINAL FUEL OVER/UNDER RECOVERY		SCHEDULE A-7
FOR THE PERIOD:		JANUARY 09	Through	DECEMBER 09
1	TOTAL ACTUAL FUEL COST FOR THE PERIOD		A-2 Line 3	\$25,340,897
2	TOTAL ACTUAL FUEL REVENUES FOR THE PERIOD		A-2 Line 6	\$26,737,546
3	ACTUAL OVER/(UNDER) RECOVERY FOR THE PERIOD (Line 2- Line 1)		A-2 Line 7	\$1,396,649
3a	ADJUSTMENTS		A-2 Line 10a	\$0
3b	OSS 50% MARGIN SHARING		A-2 Line 10b	\$911,477
4	INTEREST PROVISION		A-2 Line 8	\$395
5	ACTUAL OVER/(UNDER) RECOVERY FOR THE PERIOD (Lines 3 + 3a + 3b + 4)			\$2,308,521
6	LESS: ESTIMATED/ACTUAL OVER/(UNDER) RECOVERY FOR THE PERIOD JANUARY 08 Through DECEMBER 08 (From Schedule E-2) WHICH WAS INCLUDED IN THE CURRENT PERIOD RECOVERY FACTOR (JAN 09 through DEC 09)			<u>\$1,472,219</u>
7	FINAL FUEL OVER/(UNDER) RECOVERY TO BE INCLUDED IN THE PROJECTED PERIOD (JAN 10 Through DEC 10) (Line 5- Line 6)			<u>\$836,302</u>

COMPANY:  
FLORIDA CITY GAS

CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A-2  
(REVISED 6/08/94)

FOR THE PERIOD OF:

JANUARY 09 Through DECEMBER 09

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	CURRENT MONTH: 12/09		DIFFERENCE		PERIOD TO DATE		DIFFERENCE	
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	ACTUAL	ESTIMATE	AMOUNT	%	ACTUAL	ESTIMATE	AMOUNT	%
<b>TRUE-UP CALCULATION</b>								
1 PURCHASED GAS COST (Sch A-1 Fix down line 4+6)	1,878,785	1,462,547	(416,238)	-28.46%	17,333,081	16,210,413	(1,122,668)	-6.93%
2 TRANSP GAS COST (Sch A-1 Fix down line 1+2+3+5)	885,980	905,107	19,127	2.11%	8,007,816	9,068,468	1,060,652	11.70%
3 TOTAL	2,764,765	2,367,654	(397,111)	-16.77%	25,340,897	25,278,881	(62,016)	-0.25%
4 FUEL REVENUES (Sch A-1 Fix down line 14) (NET OF REVENUE TAX)	2,143,135	2,366,292	223,157	9.43%	25,668,170	25,262,764	(405,406)	-1.60%
5 TRUE-UP (COLLECTED) OR REFUNDED	89,115	89,115	-	0.00%	1,069,376	1,069,376	-	0.00%
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	2,232,250	2,455,407	223,157	9.09%	26,737,546	26,332,140	(405,406)	-1.54%
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(532,515)	87,753	620,268	706.83%	1,396,649	1,053,259	(343,390)	-32.60%
8 INTEREST PROVISION-THIS PERIOD (21)	207	(77)	(284)	368.83%	395	(1,757)	(2,152)	122.48%
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	1,525,527	(453,918)	(1,979,445)	436.08%	(335,041)	(437,483)	(102,442)	23.42%
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(89,115)	(89,115)	-	0.00%	(1,069,376)	(1,069,376)	-	0.00%
10a ADJUSTMENTS	-	-	-	---	-	-	-	---
10b OSS 50% Margin Sharing	-	-	-	---	911,477	-	(911,477)	---
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a+10b)	904,104	(455,357)	(1,359,461)	298.55%	904,104	(455,357)	(1,359,461)	298.55%
<b>INTEREST PROVISION</b>								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9+10a)	1,525,527	(453,918)	(1,979,445)	436.08%				
13 ENDING TRUE-UP BEFORE INTEREST (12 + 10b + 7 - 5)	903,897	(455,280)	(1,359,177)	298.54%				
14 TOTAL (12+13)	2,429,424	(909,198)	(3,338,622)	367.21%				
15 AVERAGE (50% OF 14)	1,214,712	(454,599)	(1,669,311)	367.21%				
16 INTEREST RATE - FIRST DAY OF MONTH	0.00200	0.00200	-	0.00%				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.00200	0.00200	-	0.00%				
18 TOTAL (16+17)	0.00400	0.00400	-	0.00%				
19 AVERAGE (50% OF 18)	0.00200	0.00200	-	0.00%				
20 MONTHLY AVERAGE (19/12 Months)	0.00017	0.00017	-	0.00%				
21 INTEREST PROVISION (15x20)	207	(77)	(284)	368.83%				

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