

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: July 20, 2012
TO: Office of Commission Clerk
FROM: Patti Daniel, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120003-GU
Company Name: Florida City Gas
Company Code: GU602
Audit Purpose: A3c Purchased Gas Cost Recovery
Audit Control No: 12-012-4-1

RECEIVED - FPSC
12 JUL 20 AM 11:34
COMMISSION
CLERK

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.

PD/lmd

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

04855 JUL 20 09

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Florida City Gas
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2011

Docket No. 120003-GU
Audit Control No. 12-012-4-1
July 18, 2012

Handwritten signature of Gabriela M. Leon in cursive script.

Gabriela M. Leon
Audit Manager

Handwritten signature of Bety Maitre in cursive script.

Bety Maitre
Audit Staff

Handwritten signature of Kathy Welch in cursive script.

Kathy Welch
Reviewer

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Purpose

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 dated January 12, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida City Gas in support of its 2011 filing for the Purchased Gas Cost Recovery Clause in Docket No. 120003-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Florida City Gas.

PGA refers to the Purchased Gas Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2011 through December 31, 2011, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the PGA.

Procedures: We reconciled the 2011 filing to the Utility's General Ledger and the monthly billing reports. We compared the rates used by the Utility to the rates in the last Commission Order No. PSC 10-0704-FOF-GU. We selected a random sample of residential and commercial customers' bills for the year and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Schedule A-2 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the PGA.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses. The source documentation for selected items was reviewed to ensure the expense was related to the PGA and that the expense was charged to the correct accounts. Audit Finding 1 discusses late payment fees included in PGA costs.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule A-2 was properly calculated.

Procedures: We traced the December 31, 2010 True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates, and the 2011 PGA revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: Late Payment Fees

Audit Analysis: Filing Schedule A-2 includes late payment fees of \$472.27 in February and \$481.96 in June 2011 for a total of \$954.23. Late payment fees are interest expense and should be recorded below the line. The effect on interest for the true-up provision is immaterial.

Effect on the General Ledger: Since the books are closed, Retained Earnings should be debited by \$954.23 and the True-Up Over-recovery should be credited by the same amount.

Effect on the Filing: Purchased Gas Cost, Schedule A-2 should be decreased by \$954.23, and the Total Net True-Up (Over-recovery) should be increased by \$954.23.

Exhibit

Exhibit 1: True Up

COMPANY:		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2			
FLORIDA CITY GAS		FOR THE PERIOD OF: JANUARY 2011 Through DECEMBER 2011				(REVISED 8/28/14)			
		CURRENT MONTH: 12/11		DIFFERENCE		PERIOD TO DATE		DIFFERENCE	
FOR THE PERIOD:		(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)	1,274,826	871,797	(402,829)	-46.21%	18,145,519	16,893,030	747,511	4.42%
2	TRANSP GAS COST (Sch A-1 Fix down line 1+2+3+5)	939,248	909,364	(29,884)	-3.29%	8,896,385	8,466,296	(400,108)	-4.73%
3	TOTAL	2,213,874	1,781,161	(432,713)	-24.29%	25,011,914	25,369,316	347,402	1.37%
4	FUEL REVENUES (Sch A-1 Fix down line 14) (NET OF REVENUE TAX)	1,475,378	1,790,323	304,945	17.15%	23,646,678	25,345,649	1,698,971	6.70%
5	TRUE-UP (COLLECTED) OR REFUNDED	47,690	47,690	-	0.00%	530,240	530,240	-	0.00%
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	1,523,068	1,828,013	304,945	16.68%	24,176,918	25,875,880	1,698,971	6.57%
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(690,806)	46,852	737,658	1574.44%	(834,966)	516,573	1,351,590	261.64%
8	INTEREST PROVISION-THIS PERIOD (21)	166	(34)	(200)	588.24%	2,739	(717)	(3,456)	482.01%
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	2,741,735	(485,541)	(3,227,276)	664.68%	312,428	(472,029)	(784,457)	168.18%
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 8)	(47,690)	(47,690)	-	0.00%	(530,240)	(530,240)	-	0.00%
10a	PRIOR PERIOD ADJUSTMENTS	-	-	-	-	(6)	-	6	-
10b	MARGIN SHARING, REFUNDS & END OF PERIOD ADJ	-	-	-	-	3,053,480	-	(3,053,480)	-
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a+10b)	2,003,405	(486,413)	(2,489,818)	511.87%	2,003,405	(486,413)	(2,489,818)	511.87%
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9+10a)	2,741,735	(485,541)	(3,227,276)	664.68%				
13	ENDING TRUE-UP BEFORE INTEREST (12 + 10b + 7 - 5)	2,003,239	(486,378)	(2,489,618)	511.87%				
14	TOTAL (12+13)	4,744,974	(971,920)	(5,716,894)	588.21%				
15	AVERAGE (50% OF 14)	2,372,487	(485,960)	(2,658,447)	588.21%				
16	INTEREST RATE - FIRST DAY OF MONTH	0.00090	0.00090	-	0.00%				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.00070	0.00078	-	0.06%				
18	TOTAL (16+17)	0.00160	0.00168	-	0.00%				
19	AVERAGE (50% OF 18)	0.00080	0.00084	-	0.00%				
20	MONTHLY AVERAGE (18/12 Months)	0.00007	0.00007	-	0.00%				
21	INTEREST PROVISION (15x20)	166	(34)	(200)	588.24%				

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