

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:** May 19, 2016  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 160004-GU  
Company Name: Florida City Gas  
Company Code: GU602  
Audit Purpose: Natural Gas Conservation Cost Recovery Clause  
Audit Control No: 16-019-1-2

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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 are no confidential work papers associated with this audit.

LMD/cm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



## Public Service Commission

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

### Auditor's Report

Florida City Gas  
Gas Conservation Cost Recovery

**Twelve Months Ended December 31, 2015**

Docket No. 160004-GU  
Audit Control No. 16-019-1-2  
**May 17, 2016**

Handwritten signature of V. Hymavathi in brown ink.

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Hymavathi Vedula  
Audit Manager

Handwritten signature of Joan G. Hudson in blue ink.

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Joan G. Hudson  
Audit Staff

Handwritten signature of Marisa N. Glover in blue ink.

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Marisa N. Glover  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report set forth by the Division of Economics in its audit service request dated January 19, 2016. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida City Gas in support of its 2015 filing for the Gas Conservation Cost Recovery Clause in Docket No. 160004-GU.

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

## Objectives and Procedures

### **General**

#### Definition

Utility refers to the Florida City Gas.

GCCR refers to the Gas Conservation Cost Recovery Clause.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual terms sold for the period January 1, 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR.

**Procedures:** We computed revenues using the factors in Order No. PSC-14-0655-FOF-GU, issued November 6, 2014, and actual therm sales from the Gross Margin Report, and reconciled them to the general ledger and the GCCR filing. We selected a random sample of residential and commercial customers' bills and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

### **Expense**

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on Schedule CT-3 of the Utility's GCCR filing were supported by adequate documentation and that the expenses are appropriately recoverable through the GCCR.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, charged to the correct accounts, and appropriately related to the GCCR. We traced cash incentive payments to allowances approved in Order No. PSC-10-0551-PAA-EG, issued September 2, 2010 and in Order No. PSC-14-0039-PAA-EG, issued January 14, 2014. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

### **True-up**

**Objective:** The objective was to determine whether the True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

**Procedures:** We traced the December 31, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the Commission approved beginning balance as of December 31, 2014, the Non-Financial Commercial Paper rates, and the 2015 GCCR revenues and costs. No exceptions were noted.

## **Analytical Review**

**Objective:** The objective was to perform an analytical review of the Utility's GCCR Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

**Procedures:** We compared 2015 to 2014 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

**None**

## Exhibit

### Exhibit 1: True Up

SCHEDULE CT-3  
PAGE 4 OF 5

Florida City Gas  
DOCKET NO. 160004-GU  
MB-1

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
JANUARY 2015 THROUGH DECEMBER 2015

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV. ADJ REVS	(484,058)	(515,922)	(502,367)	(412,388)	(390,343)	(364,499)	(344,391)	(342,892)	(353,358)	(367,980)	(378,595)	(415,358)	(4,871,859)
4 TOTAL REVENUES	(484,058)	(515,622)	(502,367)	(412,388)	(390,343)	(364,499)	(344,391)	(342,992)	(353,358)	(367,980)	(378,595)	(415,358)	(4,871,859)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD	(82,186)	(62,186)	(62,186)	(62,186)	(62,186)	(82,186)	(82,186)	(82,186)	(82,186)	(62,186)	(62,186)	(62,186)	(748,232)
6 CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(546,242)	(577,708)	(564,553)	(474,584)	(452,529)	(426,685)	(406,577)	(405,178)	(415,544)	(430,106)	(440,761)	(477,544)	(5,618,091)
CONSERVATION EXPENSES													
7 (FROM CT-3, PAGE 1)	618,599	335,780	559,634	415,677	367,250	323,692	446,630	433,535	475,790	402,774	348,392	513,630	5,240,383
8 TRUE-UP THIS PERIOD	72,357	(241,928)	(4,919)	(58,907)	(85,279)	(102,993)	39,053	28,357	60,246	(27,392)	(92,389)	36,086	(377,708)
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	(48)	(49)	(46)	(44)	(52)	(62)	(52)	(52)	(49)	(42)	(46)	(85)	(626)
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(746,231)	(611,736)	(791,527)	(734,306)	(731,071)	(754,215)	(795,084)	(693,896)	(603,405)	(481,023)	(446,270)	(476,519)	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	62,186	62,186	62,186	62,186	62,186	62,186	62,186	62,186	62,186	62,186	62,186	62,186	
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	(611,736)	(791,527)	(734,306)	(731,071)	(754,215)	(795,084)	(693,896)	(603,405)	(481,023)	(446,270)	(476,519)	(378,333)	(378,334)



CALCULATION OF TRUE-UP AND INTEREST PROVISION  
JANUARY 2015 THROUGH DECEMBER 2015

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
1. INTEREST PROVISION BEGINNING TRUE-UP	(748,231)	(611,738)	(761,527)	(734,306)	(731,071)	(754,215)	(795,084)	(693,896)	(603,405)	(481,023)	(446,270)	(476,519)	
2. ENDING TRUE-UP BEFORE INTEREST	(611,688)	(781,478)	(734,260)	(731,027)	(754,163)	(795,022)	(693,844)	(603,353)	(480,874)	(446,228)	(476,473)	(378,248)	
3. TOTAL BEGINNING & ENDING TRUE-UP	(1,357,919)	(1,403,214)	(1,525,787)	(1,465,332)	(1,485,234)	(1,549,237)	(1,488,928)	(1,297,250)	(1,084,379)	(927,251)	(922,743)	(854,767)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(678,960)	(701,607)	(762,893)	(732,666)	(742,617)	(774,618)	(744,464)	(648,625)	(542,190)	(463,625)	(461,372)	(427,383)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	0.080%	0.090%	0.080%	0.060%	0.080%	0.090%	0.090%	0.080%	0.100%	0.120%	0.090%	0.150%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	0.090%	0.080%	0.060%	0.080%	0.090%	0.090%	0.080%	0.100%	0.120%	0.090%	0.150%	0.340%	
7. TOTAL (SUM LINES 5 & 6)	0.170%	0.170%	0.140%	0.140%	0.170%	0.180%	0.170%	0.180%	0.220%	0.210%	0.240%	0.490%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.085%	0.085%	0.070%	0.070%	0.085%	0.050%	0.085%	0.090%	0.110%	0.105%	0.120%	0.245%	
9. MONTHLY AVG INTEREST RATE	0.007%	0.007%	0.006%	0.006%	0.007%	0.008%	0.007%	0.008%	0.009%	0.009%	0.010%	0.020%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(48)	(49)	(46)	(44)	(52)	(62)	(52)	(52)	(49)	(42)	(46)	(65)	(626)
10. a. INT. ADJ													