

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 23, 2017

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 170003-GU
Company Name: Florida City Gas
Company Code: GU602
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 17-020-1-2

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/cmm

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
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2016

Docket No. 170003-GU
Audit Control No. 17-020-1-2
June 21, 2017

A handwritten signature in blue ink that reads "V. Hymavathi".

Hymavathi Vedula
Audit Manager

A handwritten signature in blue ink that reads "MNG" followed by a stylized flourish.

Marisa N. Glover
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Economics in its audit service request dated January 18, 2017. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida City Gas in support of its 2016 filing for the Purchased Gas Cost Recovery Clause in Docket No. 170003-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.

PGA refers to the Purchased Gas Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the terms sold for the period January 1, 2016, through December 31, 2016, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the PGA.

Procedures: We traced revenues reported on the 2016 filing to the Utility's general ledger and the monthly revenue reports. We selected a random sample of residential and commercial customers' bills and recalculated each to verify the use of the correct tariff rate. We traced unbilled revenues to the revenue summary report. No exceptions were noted.

Expense

Operation and Maintenance Expense

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

Procedures: We traced expenses reported from the filing to the general ledger. We traced a random sample of O&M Expenses to source documentation to ensure the expenses were supported by sufficient documentation and that the expenses were appropriately recoverable through the PGA. No exceptions were noted.

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, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission approved beginning balance as of December 31, 2015, the Non-Financial Commercial Paper rates, and the 2016 PGA revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2016 to 2015 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

COMPANY: FLORIDA CITY GAS		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2 (REVISED 6/08/94) PAGE 5 OF 12			
FOR THE PERIOD OF:		JANUARY 2016		THROUGH		DECEMBER 2016			
		CURRENT MONTH: 12/16		DIFFERENCE		PERIOD TO DATE		DIFFERENCE	
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		ACTUAL	ESTIMATE	AMOUNT	%	ACTUAL	ESTIMATE	AMOUNT	%
TRUE-UP CALCULATION									
1	PURCHASED GAS COST (Sch A-1 Flx down line 4+6)	739,928	1,350,654	610,726	45.22%	8,851,598	10,804,528	1,952,930	18.08%
2	TRANSP GAS COST (Sch A-1 Flx down line 1+2+3+5)	1,517,180	1,009,947	(507,233)	-50.22%	12,073,368	8,843,060	(3,230,308)	-36.53%
3	TOTAL	2,257,108	2,360,601	103,493	4.38%	20,924,988	19,647,588	(1,277,378)	-6.50%
4	FUEL REVENUES (Sch A-1 Flx down line 14) (NET OF REVENUE TAX)	1,941,112	2,360,011	418,899	17.75%	18,519,158	19,641,733	1,122,575	5.72%
5	TRUE-UP (COLLECTED) OR REFUNDED	46,372	46,372	-	0.00%	556,458	556,458	-	0.00%
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	1,987,484	2,406,383	418,899	17.41%	19,075,616	20,198,191	1,122,575	5.56%
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(269,625)	45,782	315,406	688.94%	(1,849,350)	550,604	2,399,954	435.88%
8	INTEREST PROVISION-THIS PERIOD (21)	212	(247)	(459)	185.83%	4,656	(2,081)	(6,737)	323.74%
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	618,982	(536,055)	(1,155,036)	215.47%	1,534,888	(528,956)	(2,063,824)	390.17%
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(46,372)	(46,372)	-	0.00%	(556,458)	(556,458)	-	0.00%
10a	PRIOR PERIOD ADJUSTMENTS	-	-	-	-	-	-	-	-
10b	MARGIN SHARING, REFUNDS & END OF PERIOD ADJ	-	-	-	-	1,169,482	-	(1,169,482)	-
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a+10b)	303,198	(536,892)	(840,089)	156.47%	303,198	(536,892)	(840,089)	156.47%
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9+10a)	618,982	(536,055)	(1,155,036)	215.47%				
13	ENDING TRUE-UP BEFORE INTEREST (12 + 10b + 7 - 5)	302,986	(536,645)	(839,630)	156.46%				
14	TOTAL (12+13)	921,967	(1,072,700)	(1,994,667)	185.95%				
15	AVERAGE (50% OF 14)	460,984	(536,350)	(997,334)	185.95%				
16	INTEREST RATE - FIRST DAY OF MONTH	0.00470	0.00470	-	0.00%				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.00630	0.00630	-	0.00%				
18	TOTAL (16+17)	0.01100	0.01100	-	0.00%				
19	AVERAGE (50% OF 18)	0.00550	0.00550	-	0.00%				
20	MONTHLY AVERAGE (19/12 Months)	0.00046	0.00046	-	0.00%				
21	INTEREST PROVISION (15x20)	212	(247)	(459)	185.83%				

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