

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:** June 28, 2018

**TO:** Office of Commission Clerk

**FROM:** Lynn M. Deamer, <sup>LD</sup> Chief of Auditing, Office of Auditing and Performance Analysis

**RE:** Docket No.: 20180003-GU  
Company Name: Florida City Gas  
Company Code: GU602  
Audit Purpose: A3c: Purchased Gas Adjustment  
Audit Control No.: 2018-011-1-1

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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 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, 2017**

Docket No. 20180003-GU  
Audit Control No. 2018-011-1-1  
**June 27, 2018**

A blue ink signature of George Simmons, written in a cursive style, positioned above a horizontal line.

George Simmons  
Audit Manager

A blue ink signature of Thomas Wolff, written in a cursive style, positioned above a horizontal line.

Thomas Wolff  
Audit Staff

A blue ink signature of Marisa N. Glover, written in a cursive style, positioned above a horizontal line.

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 10, 2018. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida City Gas in support of its 2017 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20180003-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, 2017, through December 31, 2017, 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 2017 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, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Non-Financial Commercial Paper rates, and the 2017 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 2017 to 2016 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

CALCULATION OF TRUE-UP AMOUNT													SCHEDULE E-2 (REVISED FORM 02/2019)
COMPANY: FLORIDA CITY GAS													
FOR THE CURRENT PERIOD: JANUARY 2016 Through DECEMBER 2016													
	ACTUAL												TOTAL PERIOD
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
<b>TRUE-UP CALCULATION</b>													
1 PURCHASED GAS COST	\$1,194,554	\$884,035	\$817,053	\$814,952	\$355,019	\$607,109	\$535,695	\$994,106	\$966,682	\$1,069,648	\$1,299,906	\$1,523,929	\$10,682,889
2 TRANSPORTATION COST	\$1,339,052	\$1,263,441	\$1,304,628	\$962,686	\$761,478	\$541,469	\$691,044	\$701,868	\$682,648	\$991,707	\$1,348,708	\$1,381,285	\$11,968,890
3 TOTAL COST	\$2,533,606	\$2,147,476	\$2,121,679	\$1,577,638	\$1,106,496	\$1,148,578	\$1,227,039	\$1,695,972	\$1,649,329	\$2,061,355	\$2,648,614	\$2,905,214	\$22,652,679
4 FUEL REVENUES (Net of Revenue Tax)	\$1,902,913	\$2,168,143	\$1,765,333	\$1,442,279	\$1,427,080	\$1,238,256	\$1,190,412	\$1,695,436	\$1,648,792	\$2,080,748	\$2,647,936	\$2,914,552	\$22,151,661
4a Under-recovery*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$349,741)	(\$333,221)	(\$812,117)	(\$977,088)	(\$1,057,124)	(\$3,320,291)
4b ADJUSTED NET FUEL REVENUES *	\$1,902,913	\$2,168,143	\$1,765,333	\$1,442,279	\$1,427,080	\$1,238,256	\$1,190,412	\$1,354,695	\$1,315,571	\$1,468,632	\$1,670,848	\$1,857,428	\$18,831,571
5 TRUE-UP (COLLECTED) OR REFUNDED	\$48,372	\$48,372	\$48,372	\$48,372	\$48,372	\$48,372	\$48,372	\$48,182	\$48,182	\$48,182	\$48,182	\$48,182	\$555,516
6 FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ or -) LINE 5)	\$1,949,285	\$2,244,515	\$1,811,705	\$1,488,651	\$1,473,432	\$1,284,628	\$1,238,784	\$1,400,878	\$1,361,754	\$1,514,814	\$1,717,030	\$1,903,611	\$19,387,087
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 5)	(\$584,321)	\$97,039	(\$309,974)	(\$83,957)	\$366,934	\$136,050	\$9,745	(\$295,094)	(\$287,575)	(\$566,541)	(\$931,584)	(\$1,011,613)	(\$3,465,692)
8 INTEREST PROVISION-THIS PERIOD (21)	\$341	\$270	\$218	\$149	\$375	\$820	\$608	\$536	\$438	\$300	\$68	(\$229)	\$3,694
8a ADJUST PRIOR MONTHS' INTEREST	\$1,534,868	\$904,516	\$955,453	\$599,325	\$484,145	\$1,954,584	\$2,044,862	\$2,008,843	\$1,668,102	\$1,334,783	\$722,359	(\$255,339)	\$1,534,868
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST													
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(\$48,372)	(\$48,372)	(\$48,372)	(\$48,372)	(\$48,372)	(\$48,372)	(\$48,372)	(\$48,182)	(\$48,182)	(\$48,182)	(\$48,182)	(\$48,182)	(\$555,516)
10a ADJUSTMENTS (if applicable)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10b OSS 50% MARGIN SHARING	\$0	\$0	\$0	\$0	\$1,189,482	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,189,482
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a+10b)	\$904,516	\$955,453	\$599,325	\$484,145	\$1,954,584	\$2,044,862	\$2,008,843	\$1,668,102	\$1,334,783	\$722,359	(\$255,339)	(\$1,313,363)	(\$1,313,363)
<b>INTEREST PROVISION</b>													
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9+10a)	\$1,534,868	\$904,516	\$955,453	\$599,325	\$484,145	\$1,954,584	\$2,044,862	\$2,008,843	\$1,668,102	\$1,334,783	\$722,359	(\$255,339)	
13 ENDING TRUE-UP BEFORE INTEREST (12+10b+7-5)	\$904,175	\$955,183	\$599,107	\$483,996	\$1,954,189	\$2,044,242	\$2,008,235	\$1,667,566	\$1,334,345	\$722,060	(\$255,407)	(\$1,313,135)	
14 TOTAL (12+13)	\$2,439,043	\$1,859,699	\$1,554,559	\$1,068,320	\$2,418,334	\$3,998,806	\$4,053,098	\$3,676,409	\$3,002,447	\$2,058,842	\$466,952	(\$1,568,473)	
15 AVERAGE (50% OF 14)	\$1,219,522	\$929,850	\$777,280	\$534,160	\$1,209,167	\$1,999,403	\$2,026,548	\$1,838,205	\$1,501,224	\$1,029,421	\$233,476	(\$784,237)	
16 INTEREST RATE - FIRST DAY OF MONTH	0.00340	0.00340	0.00350	0.00320	0.00360	0.00380	0.00360	0.00350	0.00350	0.00350	0.00350	0.00350	
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.00340	0.00350	0.00320	0.00360	0.00380	0.00380	0.00350	0.00350	0.00350	0.00350	0.00350	0.00350	
18 TOTAL (16+17)	0.00680	0.00690	0.00670	0.00680	0.00740	0.00740	0.00710	0.00700	0.00700	0.00700	0.00700	0.00700	
19 AVERAGE (50% OF 18)	0.00340	0.00345	0.00335	0.00340	0.00370	0.00370	0.00355	0.00350	0.00350	0.00350	0.00350	0.00350	
20 MONTHLY AVERAGE (18/12 Months)	0.00028	0.00029	0.00028	0.00028	0.00031	0.00031	0.00030	0.00029	0.00029	0.00029	0.00029	0.00029	
21 INTEREST PROVISION (15*20)	341	270	218	149	375	820	608	536	438	300	68	(229)	

\* Under-recovery equals the Monthly sales volume on Sch E-1/R times the difference of the Projected Cost of Gas on Sch E-1/R less the anticipated PGA rate.