

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 7, 2019

TO: Office of Commission Clerk

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

RE: Docket No.: 20190004-GU
Company Name: Florida City Gas
Company Code: GU602
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery
Audit Control No.: 2019-029-1-3

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: Copy of Letter

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 Clause

Twelve Months Ended December 31, 2018

Docket No. 20190004-GU
Audit Control No. 2019-029-1-3
May 22, 2019

A handwritten signature in blue ink, appearing to read "M Glover", written over a horizontal line.

Marisa Glover
Audit Manager

A handwritten signature in blue ink, appearing to read "Debra Dobiac", written over a horizontal line.

Debra Dobiac
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 29, 2019. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida City Gas in support of its 2018 filing for the Gas Conservation Cost Recovery Clause in Docket No. 20190004-GU.

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

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2018, through December 31, 2018, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

Procedures: We computed revenues using the factors in Order No. PSC-2017-0435-FOF-GU, issued November 14, 2017 for the months of January 1, 2018 through May 30, 2018, and Order No. PSC-2018-0190-FOF-GU, issued April 20, 2018 for the months of June 1, 2018 through December 31, 2018. We calculated 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 was 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-2010-0551-PAA-EG, issued September 2, 2010 and in Order No. PSC-2014-0039-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 if the True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the

Commission approved beginning balance as of December 31, 2017, the Non-Financial Commercial Paper rates, and the 2018 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 2018 to 2017 revenues and expenses. There were no significant variances. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

**ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2018 THROUGH DECEMBER 2018**

	<u>Jan-18</u>	<u>Feb-18</u>	<u>Mar-18</u>	<u>Apr-18</u>	<u>May-18</u>	<u>Jun-18</u>	<u>Jul-18</u>	<u>Aug-18</u>	<u>Sep-18</u>	<u>Oct-18</u>	<u>Nov-18</u>	<u>Dec-18</u>	<u>Total</u>
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV. ADJ REVS	<u>(552,770)</u>	<u>(429,733)</u>	<u>(408,303)</u>	<u>(418,650)</u>	<u>(397,348)</u>	<u>(331,877)</u>	<u>(330,946)</u>	<u>(318,396)</u>	<u>(304,417)</u>	<u>(312,203)</u>	<u>(320,663)</u>	<u>(397,073)</u>	<u>(4,522,380)</u>
4 TOTAL REVENUES	<u>(552,770)</u>	<u>(429,733)</u>	<u>(408,303)</u>	<u>(418,650)</u>	<u>(397,348)</u>	<u>(331,877)</u>	<u>(330,946)</u>	<u>(318,396)</u>	<u>(304,417)</u>	<u>(312,203)</u>	<u>(320,663)</u>	<u>(397,073)</u>	<u>(4,522,380)</u>
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD CONSERVATION REVENUES	(63,259)	(63,259)	(63,259)	(63,259)	(63,259)	(63,259)	(63,259)	(63,259)	(63,259)	(63,259)	(63,259)	(63,259)	(759,107)
6 APPLICABLE TO THE PERIOD CONSERVATION EXPENSES	(616,029)	(492,992)	(471,562)	(481,909)	(460,607)	(395,136)	(394,205)	(381,655)	(367,676)	(375,462)	(383,922)	(460,332)	(5,281,487)
7 (FROM CT-3, PAGE 1)	459,125	416,453	389,026	412,097	466,620	504,326	526,568	289,138	367,115	454,036	494,616	288,797	5,067,917
8 TRUE-UP THIS PERIOD	(156,903)	(76,539)	(82,537)	(69,812)	6,012	109,191	132,363	(92,517)	(561)	78,574	110,694	(171,535)	(213,570)
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	(1,007)	(1,136)	(1,290)	(1,400)	(1,353)	(1,196)	(924)	(793)	(798)	(655)	(381)	(339)	(11,273)
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(759,107)	(853,759)	(868,175)	(888,743)	(896,697)	(828,779)	(657,525)	(462,827)	(492,877)	(430,978)	(289,800)	(116,228)	
11 PRIOR PERIOD TRUE UP COLLECTED/(REFUNDED)	<u>63,259</u>	<u>63,259</u>	<u>63,259</u>	<u>63,259</u>	<u>63,259</u>	<u>63,259</u>	<u>63,259</u>	<u>63,259</u>	<u>63,259</u>	<u>63,259</u>	<u>63,259</u>	<u>63,259</u>	
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	<u>(853,759)</u>	<u>(868,175)</u>	<u>(888,743)</u>	<u>(896,697)</u>	<u>(828,779)</u>	<u>(657,525)</u>	<u>(462,827)</u>	<u>(492,877)</u>	<u>(430,978)</u>	<u>(289,800)</u>	<u>(116,228)</u>	<u>(224,843)</u>	<u>(224,843)</u>