

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: May 19, 2017
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 170004-GU
Company Name: Florida City Gas
Company Code: GU602
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery
Audit Control No: 17-024-1-5

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
Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2016

Docket No. 170004-GU
Audit Control No. 17-024-1-5
May 16, 2017

A handwritten signature in blue ink, appearing to read "V. Hymavathi".

Hymavathi Vedula
Audit Manager

A handwritten signature in blue ink, appearing to read "Marisa N. Glover".

Marisa N. Glover
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
1: Revised filing.....	4
Exhibit	
1: True-Up Revised as of May 12, 2017.....	5

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 24, 2017. We have applied these procedures to the attached revised summary exhibit and to several related schedules prepared by Florida City Gas in support of its 2016 filing for the Gas Conservation Cost Recovery Clause in Docket No. 170004-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 therms 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 GCCR.

Procedures: We computed revenues using the factors in Order No. PSC-15-0541-FOF-GU, issued November 23, 2015, and actual therms 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 verify that Operation and Maintenance (O&M) Expense listed on the 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-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 if the True-Up and Interest Provision as filed on Schedule CT-3 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 GCCR revenues and costs. Audit Finding 1 discusses the filing the Utility revised to correct the interest rate in the month of June.

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 2016 to 2015 to revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Finding

Finding 1: Revised filing

Audit Analysis: Audit staff determined that the Utility did not use the correct interest rate in the calculations of the true-up amount in the month of June 2016 in the original filing dated April 20, 2017. The Utility used 0.090% instead of using 0.360% in its Schedule CT-3 calculations of true-up and interest provision for the month of June. The Utility filed a revised filing on May 12, 2017 that used the correct interest rate.

Effect on the General Ledger: The Utility will determine the effect on the General Ledger.

Effect on the Filing: The Utility has filed a revised filing on May 12, 2017 correcting the interest rates.

Exhibit

Exhibit 1: True-Up Revised as of May 12, 2017

**ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2016 THROUGH DECEMBER 2016**

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total
1 RCS AUDIT FEES	-	-	-	-	-	-	-	-	-	-	-	-	-
2 OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
3 CONSERV. ADJ REVS	<u>(488,314)</u>	<u>(575,421)</u>	<u>(523,715)</u>	<u>(459,364)</u>	<u>(444,538)</u>	<u>(396,276)</u>	<u>(382,892)</u>	<u>(370,553)</u>	<u>(371,046)</u>	<u>(407,757)</u>	<u>(431,391)</u>	<u>(466,758)</u>	<u>(5,330,025)</u>
4 TOTAL REVENUES	(488,314)	(575,421)	(523,715)	(459,364)	(444,538)	(396,276)	(382,892)	(370,553)	(371,046)	(407,757)	(431,391)	(466,758)	(5,330,025)
5 PRIOR PERIOD TRUE UP NOT APPLICABLE TO THIS PERIOD	(31,528)	(31,528)	(31,528)	(31,528)	(31,528)	(31,528)	(31,528)	(31,528)	(31,528)	(31,528)	(31,528)	(31,528)	(378,336)
6 CONSERVATION REVENUES APPLICABLE TO THE PERIOD	(529,842)	(606,949)	(555,243)	(490,892)	(476,066)	(429,804)	(414,420)	(402,081)	(402,574)	(439,285)	(462,919)	(498,288)	(5,708,361)
CONSERVATION EXPENSES													
7 (FROM CT-3, PAGE 1)	284,672	262,567	450,054	504,439	530,114	427,586	416,729	379,548	475,229	439,048	403,391	464,487	5,037,863
8 TRUE-UP THIS PERIOD	(245,170)	(344,382)	(105,189)	13,547	54,048	(2,218)	2,309	(22,533)	72,655	(238)	(59,528)	(33,799)	(670,498)
9 INTEREST PROVISION THIS PERIOD (FROM CT-3 PAGE 3)	(136)	(217)	(264)	(268)	(276)	(259)	(241)	(256)	(247)	(224)	(250)	(309)	(2,948)
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(378,334)	(592,112)	(905,184)	(979,108)	(934,301)	(849,001)	(819,950)	(786,354)	(777,617)	(673,681)	(642,614)	(670,864)	
11 PRIOR PERIOD TRUE UP													
COLLECTED/(REFUNDED)	<u>31,528</u>												
12 TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	<u>(592,112)</u>	<u>(905,184)</u>	<u>(979,108)</u>	<u>(934,301)</u>	<u>(849,001)</u>	<u>(819,950)</u>	<u>(786,354)</u>	<u>(777,617)</u>	<u>(673,681)</u>	<u>(642,614)</u>	<u>(670,864)</u>	<u>(673,444)</u>	<u>(673,445)</u>

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2016 THROUGH DECEMBER 2016**

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total
INTEREST PROVISION													
1. BEGINNING TRUE-UP	(378,334)	(592,112)	(905,184)	(979,108)	(934,301)	(849,001)	(819,950)	(786,354)	(777,617)	(673,681)	(642,614)	(670,864)	
2. ENDING TRUE-UP BEFORE INTEREST	(591,976)	(904,966)	(978,844)	(934,033)	(848,725)	(819,681)	(786,113)	(777,359)	(673,434)	(642,390)	(670,614)	(673,135)	
3. TOTAL BEGINNING & ENDING TRUE-UP	(970,310)	(1,497,078)	(1,884,028)	(1,913,141)	(1,783,026)	(1,668,693)	(1,606,063)	(1,563,713)	(1,451,051)	(1,316,071)	(1,313,228)	(1,343,998)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(485,155)	(748,539)	(942,014)	(956,571)	(891,513)	(834,346)	(803,031)	(781,856)	(725,525)	(658,035)	(656,614)	(671,999)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	0.340%	0.340%	0.350%	0.320%	0.360%	0.380%	0.360%	0.350%	0.430%	0.390%	0.430%	0.470%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	0.340%	0.350%	0.320%	0.360%	0.380%	0.380%	0.350%	0.430%	0.390%	0.430%	0.470%	0.630%	
7. TOTAL (SUM LINES 5 & 6)	0.680%	0.690%	0.670%	0.680%	0.740%	0.740%	0.710%	0.780%	0.820%	0.820%	0.900%	1.100%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.340%	0.345%	0.335%	0.340%	0.370%	0.370%	0.355%	0.390%	0.410%	0.410%	0.450%	0.550%	
9. MONTHLY AVG INTEREST RATE	0.028%	0.029%	0.028%	0.028%	0.031%	0.031%	0.030%	0.033%	0.034%	0.034%	0.038%	0.046%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(136)	(217)	(264)	(268)	(276)	(259)	(241)	(258)	(247)	(224)	(250)	(309)	(2,948)
10. a. INT. ADJ													