

STATE OF FLORIDA

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TIMOTHY DEVLIN, DIRECTOR
AUDITING & FINANCIAL ANALYSIS
(850) 413-6480

Public Service Commission

June 16, 1999

Mr. John T. English
Florida Public Utilities Company
P. O. Box 3395
West Palm Beach, FL 33402-3395

Re: Docket No. 990003-GU; Florida Public Utilities Company
Audit Report; PGA - Nine Months Ended December 31, 1998

Mr. English:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

Denise N. Vandiver
Bureau Chief - Auditing Services

DNV:sp

- cc: Division of Records and Reporting
- Division of Auditing and Financial Analysis (Devlin/Causseaux/File Folder)
- Division of Electric and Gas (Makin)
- Miami District Office (Welch)
- Division of Legal Services
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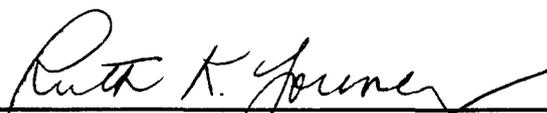
FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES
MIAMI DISTRICT OFFICE

FLORIDA PUBLIC UTILITIES COMPANY

PURCHASE GAS ADJUSTMENT AUDIT

NINE MONTHS ENDED DECEMBER 31, 1998

DOCKET NO. 990003-GU
AUDIT CONTROL NO. 99-042-4-2



Ruth K. Young, Audit Manager



Kathy L. Welch, Audit Supervisor

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

June 8, 1999

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED
PARTIES**

We have applied the procedures described later in this report to audit the accompanying Purchased Gas Adjustment Schedules A-2 for the nine months ending December 31, 1998. These schedules were prepared by the utility as part of its Purchased Gas Adjustment true-up filings in Docket No. 990003-GU. There is confidential information associated with this audit filed with the Division of Records and Reporting separately. The audit exit conference was held on June 8, 1999.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned - The documents or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

Revenues:

Compiled purchased gas adjustment revenues for the months of April, 1998 through December, 1998. Revenues for two months were traced to the company reconciliation sheets and then to the monthly revenue reports. The monthly therm amounts were agreed to the company monthly revenue reports. The conversion factors were verified and the amount used to bill the customers was compared to the cap approved by the Commission for this time period. Off system sales amounts and therms were agreed to the monthly revenue reports and to the invoices sent to the customer. The company regulatory assessment fee return for the nine months ended December, 1998 was compared to the company revenue to determine if the company was including franchise fees revenues and gross receipts tax revenues in its return.

Expenses:

Compiled cost of gas expenses for the months of April, 1998 through December, 1998. Examined all invoices for two months. For invoices that were corrected, reviewed the fax cover sheets advising of the change; the reason for the change and the deal price volume reports.

True-up and Interest:

Recalculated the true-up and interest amounts for the nine months.
Traced interest rates to the Wall Street Journal.

II. EXHIBIT

Schedule A-2 for the nine months ended December 31, 1998

FOR THE PERIOD OF: APRIL 1998 Through DECEMBER 1998

	CURRENT MONTH: DECEMBER 1998				PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE (3)	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION									
1 PURCHASED GAS COST (Sch. A-1 Line 4)	921,672	2,336,136	1,414,464	60.55	6,411,623	9,730,121	3,318,498	34.11	
2 TRANSPORTATION COST (Sch. A-1 Lines 1,2,3,5,6)	587,892	(987,761)	(1,575,653)	159.52	3,162,534	(268,826)	(3,431,360)	1,276.42	
3 TOTAL	1,509,564	1,348,375	(161,189)	(11.95)	9,574,157	9,461,295	(112,862)	(1.19)	
4 FUEL REVENUES (NET OF REVENUE TAX)	1,259,692	1,343,092	83,400	6.21	10,026,508	10,101,347	74,839	0.74	
5 TRUE-UP (COLLECTED) OR REFUNDED	11,882	11,882	0	0.00	106,938	106,938	0	0.00	
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	1,271,574	1,354,974	83,400	6.16	10,133,446	10,208,285	74,839	0.73	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(237,990)	6,599	244,589	3,706.46	559,289	746,990	187,701	25.13	
8 INTEREST PROVISION-THIS PERIOD (21) (2)	886	1,231	345	0.00	2,304	606	(1,698)	0.00	
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST (1)	329,299	270,357	(58,942)	(21.80)	(374,342)	(374,342)	0	0.00	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(11,882)	(11,882)	0	0.00	(106,938)	(106,938)	0	0.00	
10a FLEX RATE REFUND (if applicable)	0	0	0	0.00	0	0	0	0.00	
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	80,313	266,305	185,992	69.84	80,313	266,316	186,003	69.84	
INTEREST PROVISION									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	329,299	270,357	(58,942)	(21.80)	• If line 5 is a refund add to line 4 If line 5 is a collection () subtract from line 4				
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	79,427	265,074	185,647	70.04					
14 TOTAL (12+13)	408,726	535,431	126,705	23.66					
15 AVERAGE (50% OF 14)	204,363	267,716	63,353	23.66					
16 INTEREST RATE - FIRST DAY OF MONTH	5.5000%	5.5200%	...	...			
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.9000%	5.5200%	...	...			
18 TOTAL (16+17)	10.4000%	11.0400%	...	...			
19 AVERAGE (50% OF 18)	5.2000%	5.5200%	...	...			
20 MONTHLY AVERAGE (19/12 Months)	0.433%	0.460%	...	...			
21 INTEREST PROVISION (15x20)	886	1,231	...	...			

Estimated Only:

- (1) Beginning of period True-up & Interest (Line 9) comes from the most recently filed E-4 if we do not flex down. If we flex down, the beginning of the period True-up & Interest (Line 9) comes from the prior periods end of period net true-up. In the sixth month of the period, the beginning True-up amount will change to the actual True-up amount at the end of the fifth month on the most recently filed Schedule E-2. The prior period write-off will be the estimated over/under recovery estimated on Schedule E-4 regardless if we flex down.
- (2) For the current period, interest should equal the most recently filed Schedule E-2.
- (3) Period to date for months six to nine should be five months actual plus four months estimated. Should agree to Schedule E-2.