

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 20, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150004-GU
Company Name: Florida Public Utilities Company
Company Code: GU603
Audit Purpose: Natural Gas Conservation Cost Recovery
Audit Control No: 15-012-1-2

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 is no confidential work papers associated with this audit.

LMD/cp

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 Public Utilities Company
Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2014

Docket No. 150004-GU
Audit Control No. 15-012-1-2
May 18, 2015

Handwritten signature of Debra M. Dobiac in black ink.

Debra M. Dobiac
Audit Manager

Handwritten signature of Lynn M. Deamer in blue ink.

Lynn M. Deamer
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economics in its audit service request dated January 12, 2015. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Public Utilities Company in support of its 2014 filing for the Gas Conservation Cost Recovery Clause in Docket No. 150004-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Florida Public Utilities Company.
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, 2014, through December 31, 2014, and whether the Utility applied the Commission approved gas cost recovery factors to actual therm sales.

Procedures: We computed revenues using the factors in Order No. PSC-13-0613-FOF-GU, issued November 20, 2013, and 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 clause.

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 account, and appropriately recoverable through the GCCR clause. 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 Administration Code. No exceptions were noted.

True-Up

Objective: The objective was to determine whether the True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Non-Financial

Commercial Paper rates, and the 2014 GCCR filing 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 2014 to 2013 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 PUBLIC UTILITIES COMPANY

SCHEDULE CT-3
PAGE 1 OF 3

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY PROGRAM BY MONTH

FOR MONTHS	THROUGH												TOTAL
	January-14	February-14	March-14	April-14	May-14	June-14	July-14	August-14	September-14	October-14	November-14	December-14	
A. CONSERVATION EXPENSE BY PROGRAM	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
1 Full House Residential New Construction	49,213	35,161	33,484	19,709	43,627	19,494	76,035	39,748	54,047	59,786	8,623	31,012	470,337
2 Residential Appliance Replacement	50,794	60,255	58,168	79,500	53,978	72,950	61,238	60,721	67,686	48,487	37,687	54,550	700,662
3 Conservation Education	4,670	7,006	10,076	6,546	6,537	2,664	12,116	(1,816)	7,000	3,337	2,706	6,985	69,829
4 Spas Conditioning													
6 Residential Conservation Survey	2,207	7,902	3,865	3,120	3,595	3,300	2,606	17,036	3,541	3,725	3,293	3,237	57,234
8 Residential Appliance Referral	49,709	82,503	49,966	62,132	62,795	66,235	70,262	60,020	59,535	59,221	46,716	51,942	701,038
7													
10 Commercial Conservation Survey	774	2,559	723		257	1,160	933	1,672				1,000	8,967
12													
13 Residential Service Reactivation Program	350	700		1,400	350	1,050	1,400	2,100	409	785	757	26	9,225
14 Common	64,704	63,617	81,436	70,994	68,103	88,353	98,200	59,380	76,760	78,020	65,741	57,117	852,487
16 Conservation Demonstration and Development							2,500		2,500	2,500	2,284	2,600	12,284
18 Commercial Small Food Service Program	261	262	239	10,850	62,426	136,027	162,015	33,322	31,064	78,135	55,435	125,287	589,325
17 Commercial Large Non-Food Service Program	261	262	239	480	466	4,959	7,747	2,772	1,906	6,374	1,058	3,685	30,169
18 Commercial Large Food Service Program	261	262	239	480	466	1,549	41,326	11,385	24,439	10,891	20,956	48,310	160,363
19 Commercial Large Hospitality Program	261	262	239	480	1,547	1,638	36,688	2,772	3,486	2,526	1,115	1,890	57,814
20 Commercial Large Cleaning Service Program	201	202	239	1,630	7,651	1,565	6,172	3,376	1,500	1,024	1,115	1,890	27,305
21. TOTAL ALL PROGRAMS	223,785	269,993	236,675	263,319	307,006	380,614	568,738	272,385	334,271	350,592	247,569	389,439	3,844,386
22. LESS AMOUNT INCLUDED IN RATE BASE													
23. RECOVERABLE CONSERVATION EXPENSES	223,785	269,993	236,675	263,319	307,006	380,614	568,738	272,385	334,271	350,592	247,569	389,439	3,844,386

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY

SCHEDULE CT-3
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-14 THROUGH December-14

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B. CONSERVATION REVENUES													
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(368,941)	(353,148)	(318,642)	(288,701)	(238,675)	(216,186)	(217,271)	(192,089)	(180,280)	(214,127)	(251,942)	(338,174)	(3,188,174)
3. TOTAL REVENUES	(368,941)	(353,148)	(318,642)	(288,701)	(238,675)	(216,186)	(217,271)	(192,089)	(180,280)	(214,127)	(251,942)	(338,174)	(3,188,174)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(656)	(657)	(657)	(657)	(657)	(657)	(657)	(657)	(657)	(657)	(657)	(657)	(7,883)
5. CONSERVATION REVENUE APPLICABLE	(369,597)	(353,805)	(319,299)	(289,358)	(239,332)	(216,843)	(217,928)	(192,746)	(180,937)	(214,784)	(252,599)	(338,831)	(3,196,057)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	223,785	289,893	236,675	263,319	307,006	369,614	556,738	272,285	324,271	350,592	247,069	389,428	3,844,396
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(145,812)	(63,911)	(82,624)	(26,038)	67,674	183,771	550,810	70,639	153,334	136,808	(15,030)	50,608	648,329
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(3)	(6)	(13)	(15)	(13)	(9)	4	15	17	23	33	39	70
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(7,883)	(153,042)	(236,206)	(318,185)	(343,581)	(275,262)	(110,943)	240,628	320,959	474,947	511,435	557,095	(7,883)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	656	657	657	657	657	657	657	657	657	657	657	657	7,883
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(153,042)	(236,238)	(318,185)	(343,581)	(275,262)	(110,843)	240,628	320,939	474,947	511,436	597,095	648,399	648,369

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY

SCHEDULE CT-3
PAGE 3 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-14 THROUGH December-14

C.	INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.	BEGINNING TRUE-UP (LINE B-8)	(7,883)	(183,042)	(236,208)	(318,188)	(343,581)	(276,282)	(110,843)	240,628	320,539	474,947	611,435	597,095	(7,883)
2.	ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B10+B11)	(153,039)	(236,197)	(318,172)	(343,565)	(275,748)	(110,834)	240,624	320,924	474,930	611,412	597,082	648,360	648,329
3.	TOTAL BEG. AND ENDING TRUE-UP	(160,922)	(389,239)	(554,378)	(661,750)	(618,830)	(388,097)	129,780	561,551	795,869	1,085,359	1,208,497	1,245,455	540,448
4.	AVERAGE TRUE-UP (LINE C-3 X 60%)	(80,461)	(194,619)	(277,188)	(332,875)	(309,415)	(193,548)	64,890	280,776	397,934	543,179	604,248	622,727	320,223
5.	INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.00%	0.06%	0.05%	0.06%	0.05%	0.05%	0.05%	0.07%	0.05%	0.04%	0.05%	0.07%	
6.	INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.06%	0.05%	0.06%	0.05%	0.05%	0.05%	0.07%	0.05%	0.04%	0.05%	0.07%	0.05%	
7.	TOTAL (LINE C-6 + C-5)	0.06%	0.10%	0.11%	0.11%	0.10%	0.11%	0.12%	0.13%	0.10%	0.10%	0.13%	0.15%	
8.	AVG. INTEREST RATE (C-7 X 50%)	0.04%	0.05%	0.06%	0.06%	0.05%	0.06%	0.07%	0.07%	0.05%	0.05%	0.07%	0.08%	
9.	MONTHLY AVERAGE INTEREST RATE	0.003%	0.004%	0.005%	0.005%	0.004%	0.005%	0.005%	0.005%	0.004%	0.004%	0.005%	0.006%	
10.	INTEREST PROVISION (LINE C-4 X C-9)	(3)	(5)	(13)	(15)	(12)	(9)	4	15	17	23	33	39	70