

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 6, 2021
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20210001-EI
Company Name: Florida Public Utilities Company
Company Code: EI803
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2021-007-1-3

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: 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

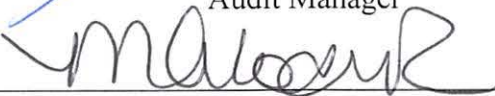
Florida Public Utilities Company
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2020

Docket No. 20210001-EI
Audit Control No. 2021-007-1-3
April 29, 2021



Thomas Wolff
Audit Manager



Marisa N. Glover
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	4
Exhibit	
1: True-Up.....	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 Accounting and Finance in its audit service request dated January 7, 2021. 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 2020 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20210001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

FPUC/Utility refers to the Florida Public Utilities Company.

FAC refers to the Fuel and Purchased Power Cost Recovery Clause.

Revenue

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2020, through December 31, 2020 and whether FPUC applied the Commission approved cost recovery factor to actual KWH sales for the FAC.

Procedures: We computed revenues using the factors in Order No. PSC-2019-0484-FOF-EI, issued November 18, 2019 and actual KWH sales from the Fuel Revenue Reports and reconciled them to the general ledger and filing. We selected a random sample of residential and commercial customers' bills for the period and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Objectives: The objectives were to determine whether expenses listed on the FAC filing are supported by adequate documentation and that the expenses are appropriately recoverable through the FAC and meet the criteria in Order 14546, issued July 8, 1985. In addition, we were to determine whether the energy payments to qualifying facilities are based on the appropriate standard offer or negotiated contract rate.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of 2019 expenses for testing. The source documentation for selected items was reviewed to ensure the expense was related to the FAC and that the expense was charged to the correct account. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule C-1 was properly calculated.

Procedures: We traced the December 31, 2019, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2020, using the Commission approved beginning balance as of December 31, 2019, the Non-financial Commercial Paper rates, and the 2020 FAC revenues and costs. No exceptions were noted.

Analytical Review

Objectives: The objective was to perform an analytical review of the Utility's FAC Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2019 to 2018 revenues and expenses. There was a 22.09% and 31.37% decrease in Jurisdictional Fuel Revenues and Costs, respectively, between 2019 and 2020. A 23.75% decrease and 21.29% increase in Total Fuel Revenues and Non-Fuel Revenues, respectively, between 2019 and 2020.

The Utility provided the following explanations:

A 33.28%, 31.71%, and 60.71% decrease in Purchased Power Costs, Demand and Non-Fuel Costs, and Special Costs/Other Fuel Related Costs, respectively, from 2019 and 2020. The 22.09% and 31.37% decrease were due primarily to a reduction in fuel factors and decrease in sales volume from 2019 to 2020 and a decrease in capacity demand charge rate, respectively. The 23.75% decrease and 21.29% increase in Total Fuel Revenues and Non-Fuel Revenues were due to a reduction in the fuel factors and a decrease in sales volumes and the increase was due to the implementation of the interim rates effective January 2020. The cost reduction variance in 2020, the contracted monthly system billing demand reduced 66%, and COVID-19 reduced travel and in-person meeting cause the 33.28%, 31.71%, and 60.71% decrease in Purchased Power Costs, Demand and Non-Fuel Costs, and Special Costs/Other Fuel Related Costs.

No further work was done.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

FLORIDA PUBLIC UTILITIES COMPANY
CALCULATION OF PURCHASED POWER COSTS AND CALCULATION OF TRUE-UP AND INTEREST PROVISION-EXCLUDING GSLD1
 ACTUAL/ESTIMATED FOR THE PERIOD: JANUARY 2020 THROUGH DECEMBER 2020
 BASED ON TWELVE MONTHS ACTUAL
 (EXCLUDING LINE LOSS, EXCLUDING TARIFF)

Schedule C1

	2020												Total
	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	
Total System Sales - KWH	46,124,472	43,763,223	40,566,336	42,455,602	43,068,192	51,431,735	56,096,167	65,655,059	69,753,706	49,596,356	47,439,579	46,010,509	601,961,015
WEST-ROCK Purchases - KWH	1,020,000	1,150,000	350,000	340,000	360,000	420,000	190,000	350,000	530,000	320,000	530,000	440,000	6,000,000
Resistor Purchases - KWH - On Peak	40,058	68,632	96,733	55,617	2,478	22,915	30,081	21,582	54,109	73,651	147,221	74,882	688,039
Resistor Purchases - KWH - Off Peak	244,082	162,551	140,280	139,739	144,161	127,811	71,693	107,477	205,575	413,363	362,757	212,739	2,332,338
Eight Phase Purchases-KWH	15,182,978	11,530,427	15,396,795	14,740,660	14,548,725	12,919,968	14,335,732	13,070,334	14,171,327	14,545,285	13,899,225	14,637,336	170,978,792
Oil Purchases - KWH - BLOCK	21,199,735	19,722,200	20,352,689	18,955,580	20,910,000	21,715,270	22,815,423	22,790,255	21,402,634	21,074,509	19,823,006	22,259,969	253,137,289
Oil Purchases - KWH - LOAD	2,271,426	1,284,847	1,161,149	865,146	2,995,356	6,435,557	8,301,585	8,290,898	4,966,660	2,980,718	946,425	4,154,198	44,673,962
FPL Purchases - KWH - BLOCK	7,190,664	7,059,043	6,564,834	6,918,263	6,316,387	8,241,871	9,715,272	10,356,679	10,034,035	9,173,237	9,782,147	6,784,042	98,146,474
FPL Purchases - KWH - LOAD	4,465,949	1,757,861	(1,293,874)	578,970	8,318,020	12,382,221	13,996,017	13,921,101	7,144,591	1,945,793	4,380,228	6,911,432	74,508,309
FPL Billing Demand - KW - BLOCK	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	168,000
FPL Billing Demand - KW - LOAD	45,604	38,531	19,091	37,849	40,052	75,465	82,035	60,542	84,215	32,705	34,813	41,109	582,011
FPL B.L.R. Transmission Demand - KW	59,978	63,067	42,962	48,146	49,997	92,146	49,567	79,813	66,096	47,885	(9,021)	102,115	692,741
Oil Demand - KW - BLOCK	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	372,000
Oil Demand-KW - LOAD	33,609	24,245	14,511	17,506	20,498	38,590	30,868	32,799	30,504	20,822	16,196	34,011	306,239
Oil Transmission Demand - KWH Block / Load	55,955	56,072	56,297	57,002	56,000	56,000	54,631	54,395	55,514	53,814	53,679	52,773	662,321
Purchased Power Costs													
Fuel Costs	1,834,807	1,545,820	1,498,061	1,447,473	1,842,789	1,938,905	2,162,611	2,334,672	2,155,517	1,808,138	2,031,076	2,371,563	23,018,332
Demand & Non-Fuel Costs	1,422,374	1,368,909	1,156,755	1,251,700	1,316,848	1,621,145	1,587,102	1,652,339	1,751,266	1,370,730	1,105,425	1,448,248	15,678,065
Total System Purchased Power Costs	3,257,181	2,914,729	2,654,816	2,699,173	3,159,637	3,560,050	3,749,713	3,986,911	3,906,783	3,178,869	3,136,501	2,406,045	38,696,398
Less Direct Billing To GSD11 Class	105,944	81,729	(298,768)	17,029	28,734	(12,805)	164,667	(14,701)	17,381	89,560	(10,979)	46,642	221,642
(Less 2 amounts (Demand and commodity) should e Commodity)	(1,090)	3,471	10,762	3,175	12,635	23,426	7,740	16,158	(2,547)	9,221	(2,995)	19,519	99,525
Net Purchased Power Costs	3,252,327	2,829,629	2,972,822	2,678,969	3,118,210	3,496,430	3,577,306	3,887,455	3,891,859	3,080,057	3,150,755	2,339,883	38,275,230
Special Costs	1,960	75,343	994	6,460	14,921	12,649	6,974	6,681	12,863	10,405	6,744	5,006	110,900
Net Purchased Power and Other Fuel Costs	3,254,287	2,854,772	2,973,816	2,685,430	3,133,139	3,509,079	3,584,260	3,894,136	3,904,722	3,090,463	3,157,119	2,344,889	38,386,129
Sales Revenues													
Fuel Acquisition Revenues	3,393,181	3,258,257	3,001,240	3,138,335	3,190,608	3,835,863	4,971,207	4,966,170	4,477,199	3,702,024	3,506,599	3,443,013	44,897,696
Unbilled Fuel Revenues	(831,324)	206,031	(44,628)	(31,070)	23,285	361,616	78,684	55,339	(205,952)	(94,077)	(142,609)	(35,794)	(860,128)
Total Fuel Revenues (Less GSD11)	2,561,857	3,464,288	2,956,612	3,107,265	3,213,893	4,197,479	5,048,891	5,022,109	4,271,247	3,607,948	3,363,990	3,407,220	44,037,568
GSD11 Fuel Revenues	104,854	85,200	(279,005)	20,204	41,419	10,621	172,407	(543)	14,924	98,001	(13,874)	66,161	321,167
Non-Fuel Revenues	2,281,185	2,178,757	1,687,923	2,020,524	2,125,910	2,429,393	2,902,289	2,878,390	10,958,129	3,275,892	3,079,675	2,593,999	38,416,066
Total Sales Revenue	5,255,896	5,728,245	4,365,529	5,147,993	5,389,192	6,637,492	8,124,687	7,899,956	15,244,300	6,982,641	6,429,690	6,067,380	83,263,831
True-up Credits (incl. GSD11)													
Fuel Revenue	2,867,857	3,464,288	2,956,612	3,107,265	3,221,863	4,197,479	5,048,891	5,022,109	4,271,247	3,607,948	3,363,790	3,407,220	44,537,568
True-up Provision - credits/(fund)	161,204	161,204	161,204	161,204	161,204	161,204	161,204	161,204	161,204	161,204	161,204	161,204	1,934,490
Fuel Revenue	2,706,653	3,303,084	2,795,408	2,946,061	3,060,659	4,036,274	4,886,687	4,860,905	4,110,043	3,446,744	3,202,586	3,246,016	42,603,118
Net Purchased Power and Other Fuel Costs	3,254,287	2,854,772	2,973,816	2,685,430	3,133,139	3,509,079	3,584,260	3,894,136	3,904,722	3,090,463	3,157,119	2,344,889	38,386,129
True-up Provision for the Period	(547,634)	448,312	(178,409)	260,631	(72,480)	527,196	1,304,407	966,770	205,321	356,201	45,467	45,467	4,216,989
Interest Provision for the Period	(5,493)	(8,219)	(5,342)	(3,154)	(485)	(256)	(152)	(40)	119	151	201	201	(19,593)
Beginning of Period True-up and Interest Provision	(3,852,348)	(4,344,371)	(3,739,974)	(3,762,520)	(3,343,838)	(3,256,569)	(2,567,425)	(1,101,966)	25,968	1,418,752	1,913,273	2,120,095	(3,852,348)
True-up Collected or (To) Funded	161,204	161,204	161,204	161,204	161,204	161,204	161,204	161,204	161,204	161,204	161,204	161,204	1,934,500
Overcollected Interim Rate-Purchase-Michael									1,026,212	(23,062)			1,555,577
End of Period, Net True-up and Int. Prov.	(4,344,371)	(3,739,974)	(3,762,520)	(3,343,838)	(3,256,569)	(2,567,425)	(1,101,966)	25,968	1,418,752	1,913,273	2,120,095	2,120,095	3,235,074
Beginning True-up Amount	(3,852,348)	(4,344,371)	(3,739,974)	(3,762,520)	(3,343,838)	(3,256,569)	(2,567,425)	(1,101,966)	25,968	1,418,752	1,913,273	2,120,095	3,235,074
Ending True-up Amount Before Interest	(4,338,778)	(3,734,755)	(3,757,178)	(3,340,684)	(3,255,114)	(2,567,169)	(1,101,814)	26,003	1,418,704	1,913,155	2,119,944	2,119,944	3,234,873
Total Beginning and Ending True-up	(8,291,126)	(8,079,026)	(7,497,152)	(7,103,204)	(6,598,953)	(5,822,734)	(3,669,239)	(1,075,958)	1,444,672	3,331,908	4,033,217	5,254,968	6,470,947
Average True-up Amount	(4,145,563)	(4,039,513)	(3,748,576)	(3,551,602)	(3,299,476)	(2,911,369)	(1,834,619)	(537,979)	722,336	1,665,954	2,016,609	2,627,484	3,235,474
Average Actual Interest Rate	1.5900%	1.5500%	1.7100%	1.0500%	0.1650%	0.1050%	0.1000%	0.0900%	0.0800%	0.0850%	0.0900%	0.0900%	0.0900%
Interest Provision	(5,493)	(8,219)	(5,342)	(3,154)	(485)	(256)	(152)	(40)	119	151	201	201	

Exhibit No. _____
 DOCKET NO. 20210001-01
 Florida Public Utilities Company
 (COY - 1)
 Page 3 of 3