

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-**

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**DATE:** May 6, 2016  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 160001-EI  
Company Name: Florida Public Utilities Company  
Company Code: EI803  
Audit Purpose: Fuel Cost Recovery Clause  
Audit Control No: 16-020-1-3

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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/cm

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, 2015**

Docket No. 160001-EI  
Audit Control No. 16-020-1-3

**April 28, 2016**

A handwritten signature in black ink, reading "Donna D. Brown", written over a horizontal line.

Donna D. Brown  
Audit Manager

A handwritten signature in blue ink, reading "Marisa N. Glover", written over a horizontal line.

Marisa N. Glover  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report set forth by the Division of Accounting and Finance in its audit service request dated January 20, 2016. We have applied these procedures to the attached summary exhibits and to several related schedules prepared by Florida Public Utilities Company in support of its 2015 Fuel and Purchased Power Cost Recovery filing in Docket No. 160001-EI.

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**

#### Definitions

FPUC/Utility refers to 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, 2015 through December 31, 2015, 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-14-0701-FOF-EI, issued December 19, 2014 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. See Finding 1.

### **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 2015 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 accounts. We also read the contracts with the qualifying facilities and compared the rates billed to the contracts. No exceptions were noted.

### **True-up**

**Objectives:** The objective was to determine whether the True-up and Interest Provision as filed on Schedule C-1 was properly calculated.

**Procedures:** We traced the December 31, 2014, True-Up Provision to the Commission Order. We recalculated the True-up and Interest Provision amounts as of December 31, 2015, using the Commission approved beginning balance as of December 31, 2014, the Financial Commercial Paper rates, and the 2015 FAC revenues and costs. No exceptions were noted.

## Audit Findings

### **Finding 1: Operating Revenue**

**Audit Analysis:** Two of the customer bills that we reviewed in our sample, had incorrect usage rates. The first bill was for a customer located in Marianna, Florida. The Utility charged 0.08118 cents per KWH for Outdoor Lighting. The second bill was for a customer located in Fernandina Beach, Florida. The Utility charged 0.06083 cents per KWH for Outdoor Lighting. The rate specified in the tariff is 0.08034 for both locations.

We informed the Utility of this and we were told a utility representative would notify the billing department to correct this and a determination made as to the extent of the error.

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

**Effect on the Filing:** The effect is unknown, pending determination by the utility regarding dollar effect.

# Exhibits

## 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 2013 THROUGH DECEMBER 2013  
 BASED ON TWELVE MONTHS ACTUAL  
 (EXCLUDES LINE LOSS - EXCLUDES TAXES)

Schedule C1

|  | 2013              |                    |                  |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |
|--|-------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|-------------------|--------------------|--------------------|-------------------|-------------------|
|  | ACTUAL<br>JANUARY | ACTUAL<br>FEBRUARY | ACTUAL<br>MARCH  | ACTUAL<br>APRIL  | ACTUAL<br>MAY    | ACTUAL<br>JUNE   | ACTUAL<br>JULY   | ACTUAL<br>AUGUST | ACTUAL<br>SEPTEMBER | ACTUAL<br>OCTOBER | ACTUAL<br>NOVEMBER | ACTUAL<br>DECEMBER | Total             | 12 months total   |
| <b>Total System Sales - KWH</b>                              | 53,990,067        | 55,036,982         | 50,057,066       | 43,893,737       | 45,232,412       | 55,409,936       | 67,489,813       | 67,758,390       | 61,258,059          | 46,999,567        | 44,782,087         | 46,365,507         | 636,345,003       | 636,345,003       |
| ROCKTENN Purchases - KWH                                     | 886,301           | 659,762            | 698,071          | 783,500          | 746,414          | 536,024          | 1,202,530        | 743,948          | 740,151             | 1,746,000         | 694,172            | 1,584,838          | 10,749,391        | 10,749,391        |
| Repower Purchases - KWH - On Peak                            | 237,091           | 58,533             | 422,048          | 488,003          | 275,330          | 449,708          | 307,890          | 103,408          | 412,441             | 246,563           | 221,334            | 125,407            | 3,422,244         | 3,422,244         |
| Repower Purchases - KWH - Off Peak                           | 234,899           | 142,599            | 605,966          | 793,016          | 517,111          | 629,656          | 690,741          | 621,874          | 1,001,897           | 485,993           | 292,762            | 65,596             | 6,243,242         | 6,243,242         |
| JEA Purchases - KWH  | 29,874,112        | 29,136,607         | 23,106,467       | 22,117,979       | 27,880,948       | 33,051,355       | 35,346,851       | 34,125,303       | 27,940,285          | 22,245,440        | 23,144,820         | 24,077,040         | 331,747,572       | 331,747,572       |
| Gulf Purchases - KWH   | 27,510,518        | 29,318,858         | 21,797,828       | 22,465,423       | 26,995,236       | 29,770,105       | 33,054,568       | 32,164,697       | 27,125,234          | 23,046,822        | 22,292,903         | 23,396,033         | 314,546,905       | 314,546,905       |
| Southern Purchases - TOTAL PURCHASES                         | 246,106           | 245,267            | 243,873          | 243,749          | 245,919          | 194,335          | 249,124          | 241,756          | 232,890             | 250,734           | 251,000            | 249,913            | 2,914,956         | 2,914,956         |
| System Billing Demand - JEA KW                               | 74,771            | 91,570             | 62,003           | 91,027           | 91,510           | 91,000           | 72,352           | 72,600           | 75,846              | 53,733            | 80,603             | 52,954             | 803,216           | 803,216           |
| System Billing Demand - Gulf KW                              | 91,000            | 91,000             | 91,000           | 91,000           | 91,000           | 91,000           | 91,000           | 91,000           | 91,000              | 91,000            | 91,000             | 91,000             | 1,092,000         | 1,092,000         |
| Peak Billing Demand - Gulf KW                                | 55,275            | 57,911             | 57,437           | 57,644           | 58,233           | 58,076           | 58,232           | 60,050           | 60,200              | 59,610            | 59,652             | 59,566             | 707,485           | 707,485           |
| DEMAND-KW(network load) JEA TRANS                            | 109,736           | 122,416            | 91,011           | 78,649           | 98,675           | 102,073          | 98,150           | 100,114          | 92,901              | 84,888            | 84,632             | 74,583             | 1,127,129         | 1,127,129         |
| <b>Purchased Power Rates:</b>                                |                   |                    |                  |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |
| RockTenn Fuel Costs - \$/KWH                                 | 0.04426           | 0.04426            | 0.04426          | 0.04426          | 0.04426          | 0.04426          | 0.04426          | 0.04426          | 0.04426             | 0.04426           | 0.04426            | 0.04426            | 0.04426           | 0.04426           |
| Repower Energy Charge - On Peak - \$/KWH                     | 0.04563           | 0.04563            | 0.04563          | 0.04563          | 0.04563          | 0.04563          | 0.04563          | 0.04563          | 0.04563             | 0.04563           | 0.04563            | 0.04563            | 0.04563           | 0.04563           |
| Repower Energy Charge - Off Peak - \$/KWH                    | 0.04563           | 0.04563            | 0.04563          | 0.04563          | 0.04563          | 0.04563          | 0.04563          | 0.04563          | 0.04563             | 0.04563           | 0.04563            | 0.04563            | 0.04563           | 0.04563           |
| JEA Base Fuel Costs - \$/KWH                                 | 0.04360           | 0.04360            | 0.04360          | 0.04360          | 0.04360          | 0.04360          | 0.04360          | 0.04360          | 0.04360             | 0.04360           | 0.04360            | 0.04360            | 0.04360           | 0.04360           |
| JEA Energy Charge - \$/KWH                                   | 0.01162           | 0.01162            | 0.01162          | 0.01162          | 0.01162          | 0.01162          | 0.01162          | 0.01162          | 0.01162             | 0.01162           | 0.01162            | 0.01162            | 0.01162           | 0.01162           |
| JEA Demand and Non-Fuel:                                     |                   |                    |                  |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |
| Demand Charge - \$/KW  | 14.31             | 14.31              | 14.31            | 14.31            | 14.31            | 14.31            | 14.31            | 14.31            | 14.31               | 14.31             | 14.31              | 14.31              | 14.31             | 14.31             |
| Distribution Facilities Charge - \$                          |                   |                    |                  |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |
| Transmission Charge \$/KW                                    | 1.51000           | 1.51000            | 1.51000          | 1.51000          | 1.51000          | 1.51000          | 1.51000          | 1.51000          | 1.51000             | 1.51000           | 1.51000            | 1.51000            | 1.51000           | 1.51000           |
| Gulf Fuel Demand and Non-Fuel:                               |                   |                    |                  |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |
| Line Loss Fctr. 0.87400                                      | 0.05574           | 0.05574            | 0.05574          | 0.05574          | 0.05574          | 0.05574          | 0.05574          | 0.05574          | 0.05574             | 0.05574           | 0.05574            | 0.05574            | 0.05574           | 0.05574           |
| Capacity Charge-\$/KW  | 10.55000          | 10.55000           | 10.55000         | 10.55000         | 10.55000         | 10.55000         | 10.55000         | 10.55000         | 10.55000            | 10.55000          | 10.55000           | 10.55000           | 10.55000          | 10.55000          |
| Transmission and Interconnection                             | 2.73760           | 2.60911            | 2.60911          | 2.60911          | 2.60911          | 2.60911          | 2.60911          | 2.60911          | 2.60911             | 2.60911           | 2.60911            | 2.60911            | 2.60911           | 2.60911           |
| <b>Purchased Power Costs:</b>                                |                   |                    |                  |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |
| RockTenn Fuel Costs  | 24,625            | 29,201             | 30,806           | 34,678           | 33,936           | 23,724           | 57,207           | 32,909           | 32,759              | 77,276            | 30,261             | 69,260             | 475,766           | 475,766           |
| Repower Standby Costs  | 24,301            | 9,176              | 48,945           | 62,336           | 36,159           | 62,430           | 41,005           | 37,202           | 97,920              | 33,564            | 23,458             | 6,769              | 543,261           | 543,261           |
| Gulf Base Fuel Costs   | 1,574,058         | 1,446,051          | 1,200,311        | 1,055,660        | 1,265,321        | 1,426,324        | 1,466,964        | 1,466,964        | 1,516,322           | 1,215,744         | 1,339,584          | 1,339,584          | 18,000,871        | 18,000,871        |
| JEA Base Fuel Costs  | 1,293,791         | 1,270,447          | 1,011,367        | 984,344          | (62,114)         | 1,441,039        | 1,541,088        | 1,487,865        | 1,216,589           | 989,001           | (243,632)          | 1,040,790          | 11,062,244        | 11,062,244        |
| JEA Fuel Adjustment  | 344,613           | 338,922            | 299,643          | 237,011          | 321,653          | 384,057          | 410,721          | 390,539          | 324,771             | 238,492           | 288,643            | 279,778            | 3,854,909         | 3,854,909         |
| Subtotal Fuel Costs  | 3,205,415         | 3,085,384          | 2,893,624        | 2,825,019        | 3,071,296        | 3,654,331        | 3,643,359        | 3,709,233        | 3,226,359           | 2,898,127         | 3,254,564          | 2,749,495          | 34,837,051        | 34,837,051        |
| <b>Demand and Non-Fuel Costs:</b>                            |                   |                    |                  |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |
| JEA Demand Charge  | 1,095,073         | 1,312,043          | 937,253          | 730,190          | 817,300          | 1,173,833        | 1,035,357        | 1,041,768        | 1,041,356           | 790,961           | 1,041,356          | 1,041,356          | 11,494,950        | 11,494,950        |
| JEA Dist. Facilities Charge                                  | 0                 | 0                  | 0                | 0                | 0                | 0                | 0                | 0                | 0                   | 0                 | 0                  | 0                  | 0                 | 0                 |
| JEA Transmission Charge                                      | 165,702           | 164,648            | 123,655          | 71,193           | 149,000          | 154,130          | 145,187          | 151,172          | 142,281             | 128,181           | 126,247            | 112,771            | 1,854,308         | 1,854,308         |
| Gulf Capacity Charge   | 960,050           | 960,050            | 960,050          | 960,050          | 960,050          | 960,050          | 960,050          | 960,050          | 960,050             | 960,050           | 960,050            | 960,050            | 11,520,000        | 11,520,000        |
| Southern Transmission/Interc.                                | 246,106           | 245,361            | 243,873          | 243,749          | 245,919          | 194,335          | 249,124          | 241,758          | 232,890             | 250,734           | 251,005            | 249,913            | 2,914,957         | 2,914,957         |
| Meter Reading and Processing                                 |                   |                    |                  |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |
| Subtotal Demand & Non-Fuel Costs                             | 2,441,921         | 2,703,202          | 2,214,822        | 2,095,188        | 2,235,177        | 2,492,550        | 2,289,178        | 2,284,758        | 2,438,377           | 2,131,353         | 2,099,393          | 2,080,909          | 27,854,005        | 27,854,005        |
| <b>Total System Purchased Power Costs</b>                    | <b>5,704,336</b>  | <b>5,788,586</b>   | <b>4,818,696</b> | <b>4,639,207</b> | <b>4,108,473</b> | <b>6,127,481</b> | <b>6,333,103</b> | <b>6,189,991</b> | <b>5,664,737</b>    | <b>4,729,510</b>  | <b>3,420,987</b>   | <b>4,829,971</b>   | <b>62,421,056</b> | <b>62,421,056</b> |
| Less Direct Billing To GSD11 Class                           | 47,735            | 108,048            | 182,954          | 102,241          | 47,706           | 113,876          | 47,706           | 50,883           | 217,680             | 47,706            | 47,706             | 195,689            | 1,206,430         | 1,206,430         |
| (these 2 amounts (Demand and commodity) should be Commodity) | 124,277           | 189,096            | 113,442          | 42,534           | 63,812           | 78,950           | 108,398          | 78,492           | 22,871              | 87,697            | 171,195            | 1,099,664          | 1,099,664         | 1,099,664         |
| <b>Net Purchased Power Costs</b>                             | <b>5,532,324</b>  | <b>5,500,430</b>   | <b>4,522,299</b> | <b>4,494,431</b> | <b>4,042,441</b> | <b>5,950,209</b> | <b>6,209,447</b> | <b>6,031,022</b> | <b>5,372,504</b>    | <b>4,716,934</b>  | <b>3,305,674</b>   | <b>4,400,007</b>   | <b>60,114,962</b> | <b>60,114,962</b> |
| <b>Total Costs and Charge Special Costs</b>                  | <b>3,042</b>      | <b>16,822</b>      | <b>5,407</b>     | <b>11,694</b>    | <b>17,841</b>    | <b>67,339</b>    | <b>49,084</b>    | <b>33,992</b>    | <b>(11,123)</b>     | <b>1,817</b>      | <b>1,225</b>       | <b>(18,242)</b>    | <b>168,897</b>    | <b>168,897</b>    |
| <b>5,535,366</b>   | <b>5,517,252</b>  | <b>4,527,706</b>   | <b>4,506,125</b> | <b>4,060,281</b> | <b>5,007,251</b> | <b>6,266,831</b> | <b>6,248,531</b> | <b>6,065,014</b> | <b>5,361,381</b>    | <b>4,718,751</b>  | <b>3,306,899</b>   | <b>4,411,845</b>   | <b>60,313,649</b> | <b>60,313,649</b> |
| <b>Sales Revenue - Fuel Adjustment Revenue:</b>              |                   |                    |                  |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |
| RB+ 1,000 kWh  | 0.10283           | 1,862,704          | 1,913,825        | 1,651,984        | 1,627,707        | 1,646,071        | 1,906,360        | 2,067,601        | 1,975,285           | 1,673,464         | 1,597,682          | 1,617,512          | 21,823,320        | 21,823,320        |
| RB+ 1,000 kWh  | 0.11532           | 1,040,104          | 1,129,971        | 910,185          | 469,559          | 488,366          | 976,716          | 1,606,940        | 1,537,919           | 1,173,026         | 999,267            | 448,955            | 10,530,969        | 10,530,969        |
| GB   | 0.10343           | 510,745            | 524,797          | 404,192          | 466,494          | 434,426          | 616,856          | 761,154          | 786,225             | 687,507           | 682,106            | 693,334            | 6,901,133         | 6,901,133         |
| GSD  | 0.09820           | 1,189,157          | 1,184,473        | 1,149,238        | 1,100,882        | 1,208,864        | 1,319,822        | 1,566,822        | 1,577,441           | 1,466,524         | 1,225,420          | 1,102,873          | 15,261,017        | 15,261,017        |
| GSLD   | 0.09480           | 613,228            | 546,755          | 555,309          | 621,588          | 661,585          | 696,901          | 776,829          | 796,345             | 789,641           | 690,896            | 687,724            | 6,106,916         | 6,106,916         |
| CL   | 0.08028           | 36,048             | 35,487           | 36,025           | 40,094           | 36,146           | 36,112           | 36,242           | 35,840              | 35,976            | 35,857             | 36,342             | 445,764           | 445,764           |
| SLCGL  | 0.08028           | 13,084             | 13,987           | 13,073           | 10,970           | 13,972           | 13,970           | 13,957           | 13,988              | 13,974            | 13,974             | 13,977             | 153,725           | 153,725           |
| Unbilled Fuel Revenue  | (70,001)          | (70,001)           | (192,182)        | (126,932)        | 272,120          | 576,001          | 89,664           | 3,221            | (426,697)           | (200,638)         | (110,549)          | (25,557)           | (183,509)         | (183,509)         |
| Total Fuel Revenue (Excl. GSD11)                             | 5,302,606         | 5,249,675          | 4,718,658        | 4,241,663        | 4,620,373        | 6,131,370        | 6,011,025        | 6,786,010        | 5,717,321           | 4,507,886         | 4,268,362          | 4,255,367          | 63,006,586        | 63,006,586        |
| GSD11 Fuel Revenue   | 172,012           | 204,128            | 200,397          | 144,776          | 64,632           | 177,186          | 123,856          | 156,000          | 392,143             | 70,576            | 115,313            | 368,884            | 2,276,094         | 2,276,094         |
| Non-Fuel Revenue   | 2,288,475         | 2,321,921          | 2,160,883        | 1,924,306        | 1,973,491        | 2,332,287        | 2,187,314        | 2,708,882        | 2,498,307           | 2,035,723         | 1,722,339          | 1,972,589          | 26,051,041        | 26,051,041        |
| Total Sales Revenue  | 7,623,293         | 7,685,794          | 7,175,769        | 6,314,746        | 6,957,897        | 8,641,134        | 8,721,984        | 8,653,963        | 8,507,770           | 6,814,188         | 6,346,434          | 6,694,819          | 92,217,721        | 92,217,721        |
| <b>KWH Sales:</b>  |                   |                    |                  |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |
| RB+ 1,000 kWh  | 18,306,598        | 18,609,349         | 18,011,          |                  |                  |                  |                  |                  |                     |                   |                    |                    |                   |                   |