

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: May 23, 2003
TO: Division of Competitive Markets & Enforcement (Makin, Marshall)
FROM: Division of Auditing and Safety (Vandiver) *DN*
RE: **Docket No.** 030022-GU; **Company Name:** Florida Public Utilities Co.; **Audit Purpose:** Non-Monitored Transportation; **Audit Control No.** 03-050-4-1

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 the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

Miami District Office

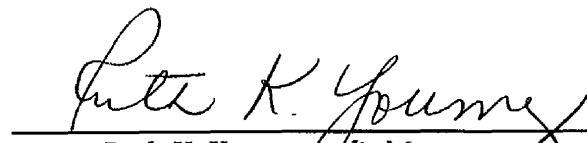
FLORIDA PUBLIC UTILITIES COMPANY

NON-MONITORED TRANSPORTATION ADMINISTRATION CHARGE TRUE-UP

15 MONTHS ENDED DECEMBER 31, 2002

AUDIT CONTROL NO. 03-050-4-1

DOCKET NUMBER 030022-GU



Ruth K. Young, Audit Manager



*Kathy L. Welch
Miami District Office Audit Supervisor*

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	Purpose	1
	Disclaim Public Use	1
	Summary of Significant Procedures	2
II.	AUDIT DISCLOSURES	
1.	Calculation of True-Up	3
2.	Revenues and Expenses for Large Volume Monitored Transportation and Interruptible Customers	6
3.	Pool Manager Revenue	7
4.	Public Authority Customer Revenue	8
5.	Estimated Expenditures for the Year Ended December 31, 2003	9
III.	EXHIBITS	
	Company Filing for 15 months ended December 31, 2002	10

**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

May 5, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Non-Monitored Transportation Administration Charge True-up for the 15 months ending December 31, 2002. These schedules were prepared by the utility as part of its Non-Monitored Transportation Administration Charge filings in Docket No. 030022-GU.

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.

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.

Confirmed - Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

Verify - The item was tested for accuracy and compared to substantiating documentation.

Revenues: Recalculated revenues for each rate class by applying the factors approved by the Commission to the terms used. Compared total with the company filing and general ledger. Reviewed pool manager revenue. Compared the types of revenue in the filing with the types approved by the Commission for this true up.

Expenses: Compiled expenses for the 15 months. Examined invoices and supporting documents to determine if the expenses were Commission approved.

True-up and Interest: Recalculated the true-up and interest amount for the 15 months ending December 31, 2002, using interest rates from the Wall Street Journal.

AUDIT DISCLOSURE 1

SUBJECT: CALCULATION OF TRUE-UP

STATEMENT OF FACTS: The company submitted Schedule C-2, page 1, calculation of the true-up for the 15 month period ending December 31, 2002, without including interest. The PSC orders authorizing this true-up do not address the subject. However, it was agreed at the time that the methodology used for the conservation cost recovery clause would be followed. This clause calculates interest.

OPINION: It needs to be determined whether interest should be a factor in this true-up calculation. A recalculation of the company's true-up schedule including interest follows this disclosure. Wall Street Journal Commercial Rates, interest first day reporting were used. This results in an increase in the over-recovery from \$77,889 to \$78,761, a difference of \$872.

Company: Florida Public Utilities Co. - Gas
 Title: True-up & Interest Calculations Non-Monitored Transportation Administrative Charges
 Period: October 2001 to December 2002

Interest Rates per Wall Street Journal Commercial Paper
 Interest - first day reporting

January	1.7800%	July	1.7500%
February	1.7700%	August	1.7300%
March	1.7500%	September	1.7100%
April	1.8000%	October	1.7800%
May	1.7500%	November	1.6500%
June	1.7700%	December	1.3000%

Interest - first day reporting
 of subsequent month

January NEXT 1.2800%

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	Total 12 months	Oct, Nov and Dec 3 months total	Oct 01 thru December 02 Total 15 months
Beginning	1.780%	1.770%	1.750%	1.800%	1.750%	1.770%	1.750%	1.730%	1.710%	1.780%	1.650%	1.300%			
Ending	1.770%	1.750%	1.800%	1.750%	1.770%	0.000%	1.730%	1.710%	1.780%	1.850%	1.300%	1.280%			
Total	3.550%	3.520%	3.550%	3.550%	3.520%	1.770%	3.480%	3.440%	3.470%	3.410%	2.950%	2.590%			
Average	1.775%	1.780%	1.775%	1.775%	1.780%	0.885%	1.740%	1.720%	1.735%	1.705%	1.475%	1.285%			
Monthly Average	0.148%	0.147%	0.148%	0.148%	0.147%	0.074%	0.145%	0.143%	0.145%	0.142%	0.123%	0.108%			
CALCULATION OF TRUE-UP															
TOTAL GAS REVENUES															
Prior True-up	0	0	0	0	0	0	0	0	0	0	0	0	0		
Total gas revenue to current period	7,695	6,917	7,940	6,197	6,183	6,585	5,721	5,815	6,012	6,071	6,537	7,942	79,615	21,648	101,261
Gas Cost	545	2,209	972	532	1,423	1,107	679	2,852	1,142	1,774	1,510	4,818	18,563	3,809	23,372
True-up this period	7,150	4,708	6,968	5,665	4,760	5,478	5,042	2,963	4,870	4,297	5,027	3,124	60,052	17,837	77,889
Interest provision	32	40	48	58	66	37	80	85	92	97	90	83	809	83	872
True-up & Interest bag	17,837	25,019	28,767	36,784	42,508	47,333	52,848	57,971	61,019	65,961	70,374	75,491	17,837	0	0
Prior true-up coll. refunded	0	0	0	0	0	0	0	0	0	0	0	0	0		
Total net true-up	25,019	28,767	36,784	42,508	47,333	52,848	57,971	61,019	65,961	70,374	75,491	78,598	78,598		78,761
True-up for the month CO. FILING	24,987	28,685	36,663	42,328	47,088	52,596	57,608	60,571	65,441	69,738	74,785	77,889	77,889		77,889
Difference	32	72	121	180	245	252	363	448	540	636	706	709	709		872

CALCULATION OF INTEREST

Beginning true up and int.	17,837	25,019	28,767	36,784	42,508	47,333	52,848	57,971	61,019	65,961	70,374	75,491			
Ending true-up before int	24,987	28,727	36,735	42,448	47,298	52,811	57,890	60,834	65,889	70,278	75,401	78,815			
Total	42,824	54,745	65,502	79,233	89,775	100,145	110,738	118,804	128,906	136,258	145,775	154,106			
Average true up	21,412	27,373	32,251	39,617	44,888	50,072	55,369	59,402	63,454	68,129	72,889	77,053			
Interest rate per above	0.15%	0.15%	0.15%	0.15%	0.15%	0.07%	0.15%	0.14%	0.14%	0.14%	0.14%	0.12%	0.11%		
Interest per staff	32	40	48	58	66	37	80	85	92	97	90	83	809		
True-up for the month per VFP	0	0	0	0	0	0	0	0	0	0	0	0	0		
	32	40	48	58	66	37	80	85	92	97	90	83	809		

Source: Company prepared schedule c-2

Company: Florida Public Utilities Co. - Gas
Title: True-up & Interest Calculations Non-Monitored Transportation Administrative Charges
Period: Year ended 12/31/02

Interest Rates per Wall Street Journal Commercial Paper 2002
Interest- first day reporting
Month 7 1.7500% July
Month 8 1.7300% August
Month 9 1.7100% September
Month 10 1.7600% October
Month 11 1.6500% November
Month 12 1.3000% December

Interest- first day reporting
of subsequent month

INTEREST RATES	1.2900%			
	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Beginning	1.750%	1.730%	1.710%	
Ending	1.730%	1.710%	1.760%	
Total	3.480%	3.440%	3.470%	
Average	1.740%	1.720%	1.735%	
Monthly Average	0.145%	0.143%	0.145%	

CALCULATION OF TRUE-UP

TOTAL GAS REVENUES				0
Prior	0	0	0	0
Total gas revenue to current period	17,317	5,427	(1,098)	21,646
Gas Cost	1,996	1,069	742	3,809
True-up this period	15,319	4,358	(1,840)	17,837
Interest provision	11	25	27	63
True-up & interest beg	0	15,330	19,713	17,900
Prior true-up coll. refunded	0	0	0	0
Total net true-up	15,330	19,713	17,900	17,900
True-up for the month CO. FILING	15,319	19,677	17,837	17,837
Difference	11	36	63	63

CALCULATION OF INTEREST

Beginning true up and int.	0	15,330	19,713
Ending true-up before int	15,319	19,688	17,873
Total	15,319	35,018	37,586
Average true up	7,660	17,509	18,793
Interest rate per above	0.15%	0.14%	0.14%
Interest per staff	11	25	27
Interest per filing	0	0	0
	11	25	27

Source: Company prepared schedule C-2

AUDIT DISCLOSURE 2

SUBJECT: REVENUE AND EXPENSES FOR LARGE VOLUME MONITORED TRANSPORTATION AND INTERRUPTIBLE CUSTOMERS

STATEMENT OF FACTS:

Revenues: The company included in its true up, for the 15 months ended December 31, 2002, the "administrative charge" revenue from its large volume monitored transportation and interruptible customers. These customers are covered under tariff Rate Schedule LVTS and LVITS, Third Revised Sheet No. 34.12 and Second Revised Sheet No 34.32. This tariff was approved in PSC-95-0518-FOF-GU, and it is an administration charge of \$54 per meter per month "... for customers required to have electronic measurement equipment." The total revenue is \$29,808.

Expenses: Also included in expenses is labor for meter installation, maintenance and meter reading for these large volume monitored transportation customers. The total labor expense charged for gas utility operations personnel related to meters was \$6,717.

OPINION: If the revenue and expenses are part of the base rates, neither should be included in this true up.

AUDIT DISCLOSURE 3

SUBJECT: POOL MANAGER REVENUE

STATEMENT OF FACTS: The company included in its true up, for the 15 months ended December 31, 2002, \$8,900 revenue for Pool Manager Service Revenues. The company is collecting this pursuant to its approved tariff, Rate Schedule PM, Pool Manager Service, Original Sheet 33.2.

OPINION: This tariff does not mention that it is part of the recovery clause and appears to be related to base transportation rates. The company did not include any pool manager expenses in the filing. Therefore, it is probably not supposed to be included in the clause.

AUDIT DISCLOSURE 4

SUBJECT: PUBLIC AUTHORITY CUSTOMER REVENUE

STATEMENT OF FACTS: For the 15 months ended December 31, 2002, the company inadvertently excluded its Public Authority Customers from being charged the NTAC rate. It is the company's plan not to apply the 2003 rate refund back to these customers.

AUDIT DISCLOSURE 5

SUBJECT: ESTIMATED EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2003

STATEMENT OF FACTS: In PSC-03-0336-TRF-GU the commission approved FPUC's proposed recovery factors for the period March through December 2003. Included in the company's filing was an estimate of \$63,000 for expenses. The expenses for the 15 months ended December 31, 2002 were \$23,372. This is a 70 % increase. Company personnel explained that the estimate includes an administrative position for the operation, maintenance and upgrading of software and documentation systems that has not yet been filled. The company foresees the need for this person when the amount of customers who switch to transportation service only increases. The position which average salary is estimated at \$43,500 will be filled when the number of customers increases. At this time the company has approximately 300 transportation customers.

The description of administrative charges submitted to the Commission includes labor for "...Incremental personnel time and expense incurred by FPUC in operating, maintaining and upgrading software and documentation systems..." The salaries for the personnel that were on payroll before this recovery clause were not included the administrative expense in the true-up. A company representative explained that it was agreed upon with Tallahassee staff that these charges would not be included as they are already in base rates.

COMPANY FILED EXHIBITS

SCHEDULE C - 1
PAGE 1 OF 1

FLORIDA PUBLIC UTILITIES COMPANY

FLORIDA PUBLIC UTILITIES COMPANY
NATURAL GAS DIVISIONS
NON-MONITORED TRANSPORTATION ADMIN. CHARGE
MARCH 2003 THROUGH DECEMBER 2003

1. TOTAL ANNUAL COST (SCHEDULE D, PAGE 1)	\$ 63,000
2 TRUE-UP	(77,889)
3. TOTAL (LINE 1 AND LINE 2)	\$ (14,889)

RATE SCHEDULE		ANNUAL BILLS	ANNUAL THERMS	ANNUAL CUSTOMER CHARGE	ANNUAL NON-GAS ENERGY CHARGE	TOTAL CUST. & ENGY CHG REVENUE	ANNUAL NTAC REVENUES	NTAC AS % OF TOTAL REVENUES	DOLLARS THERMS	TAX FACTOR	FACTOR
GENERAL SERVICE & GS TRANSPORTATION	*11 *90	35,818	11,041,144	537,270	2,375,281	2,912,551	(5,883)	-0.20199%	(0.00053)	1.00503	(0.00054)
LARGE VOL SERVICE & LG. VOL. TRANSPORTATION(<50,000 Th/Yr)	*51 *91	9,260	25,699,593	416,700	3,976,755	4,393,455	(8,875)	-0.20199%	(0.00035)	1.00503	(0.00035)
INTERRUPTIBLE SERVICE	*61	47	812,360	11,280	53,713	64,993	(131)	-0.20199%	(0.00016)	1.00503	(0.00016)
TOTAL		45,125	37,553,097	965,250	6,405,750	7,371,000	(14,889)				

Note 1 Lg Vol Transportation Customers >=50,000 Th/Yr and Interruptible Transportation Service Customers are not subject to the (NTAC) since they are already charged a Transportation Administration Charge (TAC)

Note 2 Public Authorities are being excluded from General Service and Large Vol. Service

NON-MONITORED TRANSPORTATION ADMIN. CHARGE
OCTOBER 2001 THROUGH DECEMBER 2002

UNBUNDLING REVS.	ACTUAL												OCT 2002	NOV 2002	DEC 2002	TOTAL
	OCT 2001	NOV 2001	DEC 2001	JAN 2002	FEB 2002	MAR 2002	APR 2002	MAY 2002	JUN 2002	JUL 2002	AUG 2002	SEP 2002				
RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
a. OTHER PROG. REV.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
c.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
UNBUND. ADJ REV. (NET OF REV. TAXES)	17,317	5,427	(1,098)	7,695	6,917	7,940	6,197	6,183	6,585	5,721	5,815	6,012	6,071	6,537	7,942	101,261
TOTAL REVENUES	17,317	5,427	(1,098)	7,695	6,917	7,940	6,197	6,183	6,585	5,721	5,815	6,012	6,071	6,537	7,942	101,261
PRIOR PERIOD TRUE-UP NOT APPLIC. TO PERIOD																
UNBUNDLING REVS. APPLIC. TO PERIOD	17,317	5,427	(1,098)	7,695	6,917	7,940	6,197	6,183	6,585	5,721	5,815	6,012	6,071	6,537	7,942	101,261
UNBUNDLING EXPS. APPLIC. TO PERIOD	1,998	1,069	742	545	2,209	972	532	1,423	1,107	679	2,852	1,142	1,774	1,510	4,818	23,372
TRUE-UP THIS PERIOD	15,319	4,358	(1,840)	7,150	4,708	6,968	5,665	4,760	5,478	5,042	2,963	4,870	4,297	5,027	3,124	77,889
TRUE-UP & INT. BEG. OF MONTH	0	15,319	19,677	17,837	24,987	29,695	36,663	42,328	47,088	52,566	57,608	60,571	65,441	69,738	74,765	0
PRIOR TRUE-UP COLLECT./(REFUND.)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
END OF PERIOD TOTAL NET TRUE-UP	15,319	19,677	17,837	24,987	29,695	36,663	42,328	47,088	52,566	57,608	60,571	65,441	69,738	74,765	77,889	77,889

**Florida Public Utilities Company, Natural Gas Divisions
Non-Monitored Transportation Administration Charge
Applicable to Non-Monitored Commercial Rate Schedule Customers
January 2003 - December 2003**

<u>Annual Expenditure</u>	<u>Amount</u>	
<u>LEASES</u>		
Notebook Computers Lease	\$ 6,000.00	
Voicemail Ports ACD Box	<u>3,000.00</u>	\$ 9,000.00
<u>FPU LABOR & TRAINING EXPENSE</u>		
Labor		47,500.00
<u>EXTERNAL LABOR</u>		
Legal Expense	\$ 5,000.00	
Advertising & Postage	<u>1,500.00</u>	6,500.00
Estimated Total		\$ <u>63,000.00</u>