

State of Florida



ORIGINAL

640494

## 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 6, 2004  
**TO:** Wayne Makin, Division of Competitive Markets and Enforcement  
**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing *a*  
Division of Regulatory Compliance and Consumer Assistance  
**RE:** **Undocketed ; Company Name:** Florida Public Utilities Co. ; **Audit Purpose:** Non-Monitored Transportation Administration Change Cost Recovery Factors ; **Audit Control No.** 04-015-4-1

RECEIVED - FPSC  
MAY - 7 PM 2:28  
COMMISSION  
CLERK

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 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

Mr. John T. English, President & CEO  
Florida Public Utilities Co.  
401 South Dixie Highway  
West Palm Beach, FL 33402

CMP \_\_\_\_\_  
COM \_\_\_\_\_  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_  
RCA \_\_\_\_\_  
SCR \_\_\_\_\_  
SEC 1 \_\_\_\_\_  
OTH \_\_\_\_\_

Messer Law Firm  
Norman H. Horton, Jr., Esq.  
P. O. Box 1876  
Tallahassee, FL 32302-1876

DOCUMENT NUMBER-DATE

05384 MAY-7 3

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE  
BUREAU OF AUDITING

*Miami District Office*

FLORIDA PUBLIC UTILITIES COMPANY

NON-MONITORED TRANSPORTATION ADMINISTRATION CHARGE  
COST RECOVERY FACTORS

HISTORICAL YEAR ENDED DECEMBER 31, 2003

UNDOCKETED  
AUDIT CONTROL NO. 04- 015-4-1

  
\_\_\_\_\_  
Yen Ngo, Audit Manager  
\_\_\_\_\_  
Kathy Welch, Regulatory Analyst Supervisor

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE**  
**AUDITOR'S REPORT**  
**April 30, 2004**

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

We have applied the procedures described in this report to audit the Non-Monitored Transportation Administration Charge Cost Recovery Factor schedules for the historical 12-month period ended December 31, 2003 for Florida Public Utilities Company. These schedules were prepared by the utility as part of its petition for Non-Monitored Transportation Administration Charge Cost Recovery Factors.

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. There are confidential workpapers associated with this audit.

## 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.

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

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**True-up Calculation** - Recalculated the true- up provision. Verified the beginning true-up to the Commission Orders and deferred true-up to the prior filings. Traced the interest rates to the Wall Street Journal 30-day Commercial Paper Rate. Traced the prior true-up to the prior audit.

**Revenues** - Compiled the revenues from the general ledger and reconciled to the filing; verified the billing factors to the appropriate order.

**Expenses** - Compiled the expenses from the general ledger and reconciled to the filing. Traced the computer rental to the lease and the invoice. Traced payroll to the journal entry.

## **II. AUDIT EXCEPTIONS**

### **Exception No. 1**

**Subject: March Revenue**

**Statement of Fact:** Order No. PSC-03-0336-TRF-GU, Docket No. 030022-GU required a true-up of (\$.00054) per therm for General Service and General Service Transportation, and (\$.00035) per therm for Large Volume Service and Large Volume Transportation. When the company billed the true-up of the over-recovery to the customers in March 2003, the amount was added to the bill instead of reduced from the bill.

**Opinion:** This overstated the revenue for March 2003. The correct revenue should be (\$1,266). The recalculated revenue is calculated on the following page. This has not been adjusted to the true-up because the customers were billed the amount shown on the company schedule. If the company provides a refund, the true-up should be adjusted. If not, the current over-recovery accurately reflects revenues collected.

Division	Acc't No.	Revised March Revenue			Per Revenue & Rate Report			
		*Correct Amount	Billed Amount	Difference	Revenue	(A) Adjusted Revenue	Billed Amount	Difference
121	4810	(427.56)	418.57	(846.13)	418.57		418.57	0.00
	4811	(396.24)	382.80	(779.04)	388.15		388.15	(5.35)
	4812	(7.20)	7.20	(14.40)	7.20		7.20	0.00
	4890	(25.39)	24.46	(49.85)	24.46		24.46	0.00
	4891	(79.69)	78.09	(157.78)	1,158.09	(1,080.00)	78.09	0.00
	4892				432.00	(432.00)	0.00	0.00
	4898				500.00	(500.00)	0.00	0.00
		(936.08)	911.12	(1,847.20)	2,928.47	(2,012.00)	916.47	(5.35)
123	4810	(179.69)	135.00	(314.69)	135.00		135.00	0.00
	4811	(115.19)	84.43	(199.62)	84.43		84.43	0.00
	4812	(9.47)	9.48	(18.95)	9.48		9.48	0.00
	4890	(3.67)	3.05	(6.72)	3.05		3.05	(0.00)
	4891	(21.98)	20.46	(42.44)	560.46	(540.00)	20.46	(0.00)
	4892				108.00	(108.00)	0.00	0.00
		(330.00)	252.42	(582.42)	900.42	(648.00)	252.42	(0.00)
		(1,266.08)	1,163.54	(2,429.62)	3,828.89	(2,660.00)	1,168.89	(5.35)

(A) These are the non-monitored transportation charge and the pool manager revenue.

\* The adjusted revenues had already been removed from the correct revenue.

### III. DISCLOSURES

#### Disclosure No. 1

#### Subject: Non-Monitored Transportation Administration

**Statement of Fact:** Based on the prior audit Docket No. 030022-GU, the company has an e-mail from Tallahassee staff that required it to adjust the non-monitored transportation charge and the Pool Management Revenue, which the company already included in base rates, from the true-up schedule for the period January through December 2003.

**Opinion:** The beginning true-up balance needs to be adjusted to remove revenues from October 2001 to December 2002 that were in base rates. The company provided August 2001 to December 2002 for the last audit. Based on the revised information, which excludes August and September, the amounts are as follows:

Account No.	Amount
<b>Administrative Charge</b>	
121.4000.48917	15,571.80
121.4000.48927	6,523.20
123.4000.48917	6,089.74
123.4000.48927	1,661.40
	<u>29,845.80</u>
<b>Pool Management Revenue</b>	
121.4000.48987	8,200.00
Total Revenues	<u>38,045.80</u>
Interest	338.00
Less: Tax Factor (.0053)	<u>(191.00)</u>
Total Adjustment	38,192.00
Ending Over-recovery 2002	<u>(77,889.00)</u>
Correct Beginning True-up Balance	<u><u>(39,697.00)</u></u>

The company also included these base fees in the 2003 filing. The charges were reversed in September along with the adjustment that should have been made to the beginning true-up. However, interest expense is not correct unless each month is corrected. Therefore, on the revised true-up attached to this disclosure, we have adjusted the beginning true-up to \$39,697, adjusted the monthly revenues to actual collected, and removed the September adjusting entry to both.



Title: Revised Calculation of True-up & Interest Calculations  
Period: TYE 12/31/03

Source: Company prepared schedule A-2

Interest Rates per Wall Street Journal Commercial Paper Interest- first day reporting 30 day commercial paper rate per Tallahassee memo

2003			2003		
January	Month 1	1.290%	July	Month 7	1.000%
February	Month 2	1.270%	August	Month 8	1.050%
March	Month 3	1.250%	September	Month 9	1.060%
April	Month 4	1.180%	October	Month 10	1.060%
May	Month 5	1.190%	November	Month 11	1.050%
June	Month 6	1.210%	December	Month 12	1.000%
			January 2004		1.060%

Interest- first day reporting of subsequent month

#### INTEREST RATES

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Beginning	1.290%	1.270%	1.250%	1.180%	1.190%	1.210%	1.000%	1.050%	1.060%	1.060%	1.050%	1.000%	
Ending	1.270%	1.250%	1.180%	1.190%	1.210%	1.000%	1.050%	1.060%	1.060%	1.050%	1.000%	1.060%	
Total	2.560%	2.520%	2.430%	2.370%	2.400%	2.210%	2.050%	2.110%	2.120%	2.110%	2.050%	2.060%	
Average	1.280%	1.260%	1.215%	1.185%	1.200%	1.105%	1.025%	1.055%	1.060%	1.055%	1.025%	1.030%	
Monthly Average	0.107%	0.105%	0.101%	0.099%	0.100%	0.092%	0.085%	0.088%	0.088%	0.088%	0.085%	0.086%	

#### TRUE-UP CALCULATION

UNBUNDLING REVS.	2,631	2,660	3,823	2,192	1,556	3,070	1,798	1,759	1,800	(911)	(1,187)	(1,456)	17,735
LESS: NON-MONITORED TRANS. ADM. CHARG	2,660	2,660	2,660	2,660	2,660	4,050	2,714	2,660	2,692	0	0	0	25,416
ADJUSTED UNBUNDLING REVS.	(29)	0	1,163	(468)	(1,104)	(980)	(916)	(901)	(892)	(911)	(1,187)	(1,456)	(7,681)
PRIOR TRUE-UP PROVISION	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	39,697
UNBUNDLING REVS. APPLIC. TO PERIOD	3,279	3,308	4,471	2,840	2,204	2,328	2,392	2,407	2,416	2,397	2,121	1,852	32,016
UNBUNDLING EXPENSES	1,428	1,204	1,202	1,728	1,109	1,305	3,582	1,497	2,483	1,438	1,480	1,354	19,810
TRUE-UP THIS PERIOD	1,851	2,104	3,269	1,112	1,095	1,023	(1,190)	910	(67)	959	641	498	498
INTEREST PROVISION	42	40	38	36	34	29	24	22	19	17	14	12	326
TRUE-UP & INTEREST BEGINNING	39,697	38,282	37,117	37,116	34,955	32,776	30,521	26,047	23,671	20,315	17,983	15,330	15,330
DEFERRED TRUE-UP BEGINNING OF PERIOD	0	0	0	0	0	0	0	0	0	0	0	0	0
PRIOR PERIOD TRUE-UP COLLECTED/(REFUN	(3,308)	(3,308)	(3,308)	(3,308)	(3,308)	(3,308)	(3,308)	(3,308)	(3,308)	(3,308)	(3,308)	(3,308)	(39,697)
TOTAL NET TRUE-UP OVER/(UNDER) RECOVER	38,282	37,117	37,116	34,955	32,776	30,521	26,047	23,671	20,315	17,983	15,330	12,532	12,532
PER COMPANY'S FILING	42,593	44,094	46,741	47,252	47,746	49,556	47,814	48,118	(18,819)	(21,186)	(23,873)	(26,705)	(26,705)
DIFFERENCE	(4,311)	(6,977)	(9,625)	(12,297)	(14,970)	(19,035)	(21,767)	(24,447)	39,134	39,169	39,203	39,237	39,237
CALCULATION OF INTEREST													
BEGINNING TRUE-UP & INTEREST	39,697	38,282	37,117	37,116	34,955	32,776	30,521	26,047	23,671	20,315	17,983	15,330	353,809
ENDING TRUE-UP BEFORE INTEREST	38,240	37,078	37,078	34,920	32,742	30,492	26,023	23,649	20,296	17,966	15,316	12,520	326,319
TOTAL	77,937	75,359	74,195	72,035	67,698	63,268	56,543	49,696	43,966	38,281	33,299	27,850	680,128
AVERAGE TRUE-UP	38,969	37,680	37,098	36,018	33,849	31,634	28,272	24,848	21,983	19,141	16,649	13,925	340,064
INTEREST RATE PER ABOVE	0.107%	0.105%	0.101%	0.099%	0.100%	0.092%	0.085%	0.088%	0.088%	0.088%	0.085%	0.086%	0.000%
INTEREST PER STAFF	42	40	38	36	34	29	24	22	19	17	14	12	326
PER COMPANY'S FILING	45	45	46	46	47	45	42	42	13	(18)	(20)	(22)	311
DIFFERENCE	(3)	(5)	(8)	(10)	(13)	(16)	(18)	(20)	6	35	34	34	15

#### **IV. EXHIBITS**

NON-MONITORED TRANSPORTATION ADMIN. CHARGE  
JANUARY 2003 THROUGH DECEMBER 2003  
ACTUAL

	JAN 2003	FEB 2003	MAR 2003	APR 2003	MAY 2003	JUN 2003	JUL 2003	AUG 2003	SEP 2003	OCT 2003	NOV 2003	DEC 2003	TOTAL
UNBUNDLING REVS.													
RCS AUDIT FEES	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
b.	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
UNBUND. ADJ REV. (NET OF REV. TAXES)	2,631	2,660	3,803	2,192	1,556	3,070	1,798	1,759	(64,467)	(911)	(1,187)	(1,456)	(48,552)
TOTAL REVENUES	2,631	2,660	3,803	2,192	1,556	3,070	1,798	1,759	(64,467)	(911)	(1,187)	(1,456)	(48,552)
PRIOR PERIOD TRUE-UP NOT APPLIC. TO PERIOD	3,450	3,445	3,445	3,445	3,445	3,445	3,445	3,445	3,445	3,445	3,445	3,445	41,345
UNBUNDLING REVS. APPLIC. TO PERIOD	6,081	6,105	7,248	5,637	5,001	6,515	5,243	5,204	(61,022)	2,534	2,258	1,989	(7,207)
UNBUNDLING EXPS. (FORM C-3, PAGE 3)	1,428	1,204	1,202	1,728	1,109	1,305	3,582	1,497	2,483	1,438	1,480	1,354	19,810
TRUE-UP THIS PERIOD	4,653	4,901	6,046	3,909	3,892	5,210	1,661	3,707	(63,505)	1,096	778	635	(27,017)
INTEREST THIS PERIOD (C-3,PAGE 5)	45	45	46	46	47	45	42	42	13	(18)	(20)	(22)	312
TRUE-UP & INT. BEG. OF MONTH	41,345	42,593	44,094	46,741	47,252	47,746	49,556	47,814	48,118	(18,819)	(21,186)	(23,873)	41,345
PRIOR TRUE-UP COLLECT./(REFUND.)	(3,450)	(3,445)	(3,445)	(3,445)	(3,445)	(3,445)	(3,445)	(3,445)	(3,445)	(3,445)	(3,445)	(3,445)	(41,345)
END OF PERIOD TOTAL NET TRUE-UP ONGOING	42,593	44,094	46,741	47,252	47,746	49,556	47,814	48,118	(18,819)	(21,186)	(23,873)	(26,705)	(26,705)
NET TRUE-UP INITIAL	0	0	0	0	0	0	0	0	0	1,229 *	1,229	1,229	1,229

\* True up for initial was \$1,229 for 10/03, estimated as \$0 for 11-12/03

EXHIBIT NO. \_\_\_\_\_  
DOCKET NO. -  
FLORIDA PUBLIC UTILITIES COMPANY

SCHEDULE C-2  
PAGE 2 OF 2

FLORIDA PUBLIC UTILITIES

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
JANUARY 2003 THROUGH DECEMBER 2003

	ACTUAL								PROJECTION				
	JAN 2003	FEB 2003	MAR 2003	APR 2003	MAY 2003	JUN 2003	JUL 2003	AUG 2003	SEP 2003	OCT 2003	NOV 2003	DEC 2003	TOTAL
INTEREST PROVISION													
BEGINNING TRUE-UP	41,345	42,593	44,094	46,741	47,252	47,746	49,556	47,814	48,118	(18,819)	(21,186)	(23,873)	
END. T-UP BEFORE INT.	42,548	44,049	46,695	47,205	47,699	49,511	47,772	48,076	(18,832)	(21,168)	(23,853)	(26,683)	
TOT. BEG. & END. T-UP	83,893	86,641	90,789	93,946	94,950	97,257	97,328	95,890	29,286	(39,987)	(45,039)	(50,556)	
AVERAGE TRUE-UP	41,947	43,321	45,395	46,973	47,475	48,629	48,664	47,945	14,643	(19,994)	(22,520)	(25,278)	
INT. RATE-FIRST DAY OF REPORTING BUS. MTH	1.29%	1.27%	1.25%	1.18%	1.19%	1.21%	1.00%	1.05%	1.06%	1.06%	1.06%	1.06%	
INT. RATE-FIRST DAY OF SUBSEQUENT BUS. MTH	1.27%	1.25%	1.18%	1.19%	1.21%	1.00%	1.05%	1.06%	1.06%	1.06%	1.06%	1.06%	
TOTAL	2.56%	2.52%	2.43%	2.37%	2.40%	2.21%	2.05%	2.11%	2.12%	2.12%	2.12%	2.12%	
AVG INTEREST RATE	1.28%	1.26%	1.22%	1.19%	1.20%	1.11%	1.03%	1.06%	1.06%	1.06%	1.06%	1.06%	
MONTHLY AVG. RATE	0.11%	0.11%	0.10%	0.10%	0.10%	0.09%	0.09%	0.09%	0.09%	0.09%	0.09%	0.09%	
INTEREST PROVISION	\$45	\$45	\$46	\$46	\$47	\$45	\$42	\$42	\$13	(\$18)	(\$20)	(\$22)	\$312

EXHIBIT NO. \_\_\_\_\_  
DOCKET NO. -  
FLORIDA PUBLIC UTILITIES COMPANY  
(MS-1)  
PAGE 3 OF 4

**Florida Public Utilities Company, Natural Gas Divisions  
Non-Monitored Transportation Administration Charge  
Applicable to Non-Monitored Commercial Rate Schedule Customers  
January 2004 - December 2004**

<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>EXTERNAL LABOR</u>		
Legal Expense	\$ 5,000.00	
Advertising & Postage	<u>1,500.00</u>	6,500.00
		<u>15,500.00</u>
 <u>AMORTIZED INITIAL COSTS</u>		
January 2005 to September 2005		
(Total cost \$93,201.69 divided by 48 months multiplied by 9 months)		
		17,475.00
Estimated Total	\$	<u>32,975.00</u>

EXHIBIT NO. \_\_\_\_\_  
 DOCKET NO. \_\_\_\_\_  
 FLORIDA PUBLIC UTILITIES COMPANY  
 (MS-1)  
 PAGE 1 OF 4

SCHEDULE C-1  
 PAGE 1 OF 1

FLORIDA PUBLIC UTILITIES COMPANY

FLORIDA PUBLIC UTILITIES COMPANY  
 NATURAL GAS DIVISIONS  
 NON-MONITORED TRANSPORTATION ADMIN. CHARGE  
 MARCH 2004 THROUGH DECEMBER 2004  
 (2004 PERIOD)

1 TOTAL ANNUAL COST (SCHEDULE D, PAGE 1)	\$ 32,975
2. TRUE-UP ONGOING	(42,082)
3 TRUE-UP INITIAL	1,229
4 TOTAL (LINE 1 THROUGH LINE 3)	\$ (7,878)

RATE SCHEDULE	BILLS	2004 PERIOD THERMS	2004 PERIOD CUSTOMER CHARGE	2004 PERIOD NON-GAS ENERGY CHARGE	TOTAL CUST. & ENGY CHG REVENUE	2004 PERIOD NTAC REVENUES	NTAC AS % OF TOTAL REVENUES	DOLLARS THERMS	TAX FACTOR	FACTOR
GENERAL SERVICE & GS TRANSPORTATION	*11 *90 33,985	9,598,850	509,780	2,065,001	2,574,781	(2,915)	-0.11320%	(0.00030)	1.00503	(0.00031)
LARGE VOL SERVICE & LG. VOL. TRANSPORTATION(<50,000 Therms/Yr)	*51 *91 11,232	24,606,250	505,440	3,807,571	4,313,011	(4,882)	-0.11320%	(0.00020)	1.00503	(0.00020)
INTERRUPTIBLE SERVICE	*61 40	934,290	9,800	61,775	71,375	(81)	-0.11320%	(0.00009)	1.00503	(0.00009)
TOTAL	45,257	35,139,390	1,024,820	5,934,347	6,959,167	(7,878)				