

State of Florida



Public Service Commission

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

DATE: May 24, 2001
TO: Division of Safety and Electric Reliability (Colson)
Division of Regulatory Oversight (Vandiver) (W)
RE: Docket No. 010002-EG; Florida Public Utilities Company; Conservation -
Period Ended 12/31/2000 ; Audit Control No. 01-058-4-1

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 Records and Reporting. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of Records and Reporting
Division of Legal Services

Mr. John T. English
Florida Public Utilities Company
P.O. Box 3395
West Palm Beach, Florida 33402-3395

Messer Law Firm

DOCUMENT NUMBER-DATE

07716 JUN 21 06

FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

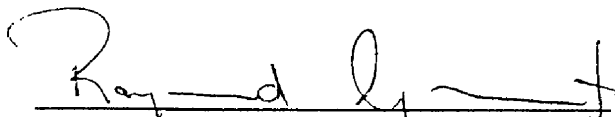
Miami District Office

FLORIDA PUBLIC UTILITIES COMPANY

CONSERVATION COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2000

DOCKET #010002-EG
AUDIT CONTROL NO. 01-058-4-1



Raymond Grant
Audit Manager



Kathy Welch
Audit Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	AUDIT PURPOSE	1
	SCOPE LIMITATION	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT PROCEDURES	2
II.	AUDIT DISCLOSURES	
	PROMOTIONAL MERCHANDISE	3
	DEFAULTED LOANS	4
	DEFAULTED LOANS	5
III.	COMPANY EXHIBITS	
	CT-3 SCHEDULES	6

**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT
APRIL 23, 2001**

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

We have applied the procedures described in this report to the attached Conservation Cost Recovery schedules for the period ended December 31, 2001 for Florida Public Utilities Company. These schedules were prepared by the utility as part of its petition for Conservation Cost Recovery in Docket 010002-EG.

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.

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

Conservation Recovery Schedules: Traced the filing to the general ledger. Reconciled revenues to the revenue and rate reports. Recalculated revenues to verify that the correct rate was used. Traced the beginning period true-up to the order.

Examined all expense accounts for unusual entries and review those invoices for compliance with the programs guidelines and Commission policy. Scanned to make sure costs were similar to prior periods.

True-up Calculation- Recalculated the true up provision for the twelve months ended December 31, 2000 to determine the accuracy of the current true-up amount for the period under audit. Traced the interest rates to the Wall Street Journal-30 day Commercial Paper Rate. Traced the prior true-up to the prior audit.

Audit Disclosure

Disclosure No. 1

Subject: Promotional Merchandise

Statement of Fact: On December 27, 2000, the company purchased promotional merchandise related to its Good Cents Conservation Program totaling \$21,435.58, \$10,717.79 for Marianna and \$10,717.79 for Fernandina. The promotional items were used at home shows and conventions and contained the Good Cents logo and the company's name. The promotional expenses were allocated to Marianna and Fernandina and recorded in the following accounts:

	Marianna	Fernandina	Total
	Act. 114.4010.908	Act. 115.4010.908	
50 Umbrellas	842.88	842.88	1,685.76
125 Tape Measures	1,024.80	1,024.80	2,049.60
50 Wooden Pens	563.70	563.70	1,127.40
50 Sports Travel Bags	1,794.40	1,794.40	3,588.80
25 Sports Travel Bags	946.40	946.40	1,892.80
270 Post it Note Cube Pads	1,724.24	1,724.24	3,448.48
125 T-Top Screwdrivers	660.58	660.58	1,321.16
270 Post it Note Cube Pads	1,724.24	1,724.24	3,448.48
50 Portfolios	1,436.55	1,436.55	2,873.10
Total	\$10,717.79	\$10,717.79	\$21,435.58

According to Commission Rule 25-17.015, "In determining whether an advertisement is 'directly related to an approved conservation program, the Commission shall consider, but is not limited to, whether the advertisement or advertising campaign:

1. Identifies a specific problem;
2. States how to correct the problem; and
3. Provides direction concerning how to obtain help to alleviate the problem."

Opinion: Although the promotional items contained the logo of the good cents program and were conservation related, they did not meet the criteria set forth in Rule 25-17.015.

Audit Disclosure

Disclosure No. 2

Subject: Defaulted Loans

Statement of Fact: Florida Public Utilities Co. (FPUC) signed a contract with Gulf Power to administer loans made under the loan program. Gulf Power signed a contract with Southern Company. Southern Company was responsible for defining eligibility, establishing credit requirements, servicing, collection and any other administrative details necessary to loan funds under the loan program. In the event of a default, Southern Company would bill Gulf Power and Gulf Power would bill FPUC for payment of the defaulted loans.

In December 2000, the company paid Gulf Power \$12,497.51 for the defaulted loans of two Fernandina Beach customers. The company recorded the payment in account 115.401.908 Customer Assistance Expense. These loans were made through the Good Cents Loan Program in August and November of 1998 for the purchase and installation of heat pumps.

On June 6, 2000, the company paid Gulf Power \$3,504 for an unpaid loan of a Fernandina Beach customer. The company recorded the payment in account 115.4010.908. This loan was also made through the Good Cents Loan Program. According to the company's correspondence, the debt was reaffirmed at \$1,500.00 and an adjustment was made in August 2000, to reduced the \$3,504 written -off against the program to \$2,004.

In November 2000, the company recorded a payment of \$700 made to Catering by Jeff twice in account 115.4010.908.

A summary of the conservation expenses described above follows:

December 2000	Two Unpaid Loans	12,497.51
June 2000	One Unpaid Loan	2,004.00
November 2000	Invoice Recorded Twice	<u>700.00</u>
		<u>\$15,201.51</u>

OPINION: This should be reviewed further by Tallahassee Staff Analyst to determine if these expenses should be charged against conservation programs.

Audit Disclosure

Disclosure No. 3

Subject: Defaulted Loans

Statement of Fact: On November 11, 2000, Florida Public Utilities Co. (FPUC) paid \$4,100.00 to Woodall's Air Conditioning for the purchase and installation of a heat pump for a customer. The company recorded this expense in account 114.4041.908 Customer Assistance Expense.

The customer was approved for the loan by First Financial under the Good Cents Loan Program. The company made the payment because First Financial filed for protection under the bankruptcy laws and the check First Financial issued to Woodall's was returned due to insufficient funds.

According to the Conservation Manager, the loan was insured by Fannie Mae. Fannie Mae has agreed to settle and reimburse FPUC for one-half of the amount paid but FPUC has not consented to accept the offer. FPUC has filed documents to be included as creditors in the bankruptcy proceeding.

EXHIBITS

CT-3 SCHEDULES MARIANNA

CT-3 SCHEDULES FERNANDINA

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

FOR MONTHS January-00 THROUGH December-00

A	CONSERVATION EXPENSE BY PROGRAM	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1	In Concert with the Environment (program eliminated)	0	0	0	0	0	0	0	0	0	0	0	0	0
2	Direct Leakage Repair	168	245	275	133	77	58	165	448	174	481	242	461	2,927
3	Residential Geothermal Heat Pump	(17)	128	249	33	16	0	0	71	142	74	11	0	707
4	Residential Energy Audits	4,187	2,461	2,136	2,094	2,318	1,546	1,920	2,087	1,970	2,330	3,110	6,550	32,709
5	Low Income Customer Energy Audits	335	173	115	60	0	0	0	71	116	74	11	0	955
6	FPU Express	513	940	350	688	802	688	777	515	481	492	5,006	1,015	12,927
7	Enhanced Good Cents Home	1,330	1,573	1,414	1,910	2,719	2,128	2,826	2,592	3,713	2,308	3,197	7,141	32,851
8	Commercial/Industrial Good Cents Building	169	464	143	100	55	63	702	12	1,279	74	28	4,219	7,308
9	Commercial/Industrial Energy Audits & Tech. Assist.	123	154	165	239	37	41	195	599	291	335	173	3,355	5,707
10	Common	4,927	4,744	6,236	4,115	6,799	4,780	5,101	4,947	5,061	5,128	4,446	4,075	60,259
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														
21	TOTAL ALL PROGRAMS	11,735	10,882	11,083	9,372	12,823	9,304	11,686	11,342	13,227	11,296	16,884	26,816	156,450
22	LESS AMOUNT INCLUDED IN RATE BASE													
23	RECOVERABLE CONSERVATION EXPENSES	11,735	10,882	11,083	9,372	12,823	9,304	11,686	11,342	13,227	11,296	16,884	26,816	156,450

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-00 THROUGH December-00

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B. CONSERVATION REVENUES													
1 RESIDENTIAL CONSERVATION													10
2 CONSERVATION ADJ. REVENUES	9,899	10,213	8,105	8,308	9,033	12,068	12,633	12,571	11,048	11,903	8,557	10,898	125,239
3 TOTAL REVENUES	9,899	10,213	8,105	8,308	9,033	12,068	12,633	12,571	11,048	11,906	8,557	10,898	125,239
4 PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	1,849	1,849	1,849	1,849	1,849	1,849	1,849	1,849	1,849	1,849	1,849	1,850	22,189
5 CONSERVATION REVENUE APPLICABLE	11,748	12,062	9,954	10,157	10,882	13,917	14,482	14,420	12,897	13,755	10,406	12,748	147,428
6 CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	11,735	10,882	11,093	9,372	12,823	9,304	11,686	11,342	13,227	11,296	16,894	26,816	156,450
7 TRUE-UP THIS PERIOD (LINE 5 - 6)	13	1,180	(1,129)	785	(1,941)	4,613	2,798	3,078	(330)	2,459	(6,478)	(14,068)	(9,022)
8 INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	101	97	91	84	75	75	85	91	89	85	65	(1)	937
9 TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	22,189	20,454	19,882	16,995	16,015	12,300	15,139	16,171	17,491	15,401	16,066	7,034	22,189
9A DEFERRED TRUE-UP BEGINNING OF PERIOD													
10 PRIOR TRUE-UP COLLECTED (REFUNDED)	(1,849)	(1,849)	(1,849)	(1,849)	(1,849)	(1,849)	(1,849)	(1,849)	(1,849)	(1,849)	(1,849)	(1,850)	(22,189)
11 TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	20,454	19,882	16,995	16,015	12,300	15,139	16,171	17,491	15,401	16,066	7,834	(8,085)	(8,085)

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-00 THROUGH December-00

C.	INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1	BEGINNING TRUE-UP (LINE B-9)	22,189	20,454	19,882	18,995	16,015	12,300	15,139	16,171	17,491	15,401	18,096	7,834	22,189
2	ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	20,353	19,785	16,904	15,931	12,225	15,064	18,086	17,400	15,312	16,011	7,769	(8,084)	(9,022)
3	TOTAL BEG AND ENDING TRUE-UP	42,542	40,239	36,786	32,926	28,240	27,364	31,225	33,571	32,803	31,412	23,865	(250)	13,167
4	AVERAGE TRUE-UP (LINE C-3 X 50%)	21,271	20,120	18,393	16,463	14,120	13,682	15,613	16,786	16,402	15,706	11,933	(125)	0,584
5	INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.60%	5.80%	5.80%	6.07%	6.18%	6.57%	6.58%	6.50%	6.48%	6.50%	6.49%	6.65%	
6	INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.80%	5.80%	6.07%	6.18%	6.57%	6.58%	6.50%	6.48%	6.50%	6.49%	6.65%	6.50%	
7	TOTAL (LINE C-5 + C-6)	11.40%	11.60%	11.87%	12.25%	12.75%	13.15%	13.08%	12.98%	12.98%	12.99%	13.14%	13.15%	
8	AVG INTEREST RATE (C-7 X 50%)	5.70%	5.80%	5.94%	6.13%	6.38%	6.58%	6.54%	6.49%	6.49%	6.50%	6.57%	6.58%	
9	MONTHLY AVERAGE INTEREST RATE	0.475%	0.483%	0.495%	0.510%	0.531%	0.548%	0.545%	0.541%	0.541%	0.541%	0.548%	0.548%	
10	INTEREST PROVISION (LINE C-4 X C-9)	101	97	91	84	75	75	85	91	89	85	65	(1)	937

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

FOR MONTHS January-00 THROUGH December-00

A. CONSERVATION EXPENSE BY PROGRAM	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 In Concert with the Environment (program eliminated)	167	14	0	0	0	0	0	0	0	0	0	0	181
2 Direct Leakage Repair	464	93	102	246	280	289	442	600	1,000	43	651	741	4,951
3 Residential Geothermal Heat Pump	483	376	146	181	259	124	304	322	104	132	504	47	2,982
4 Residential Energy Audits	1,275	1,612	2,760	809	1,999	1,933	960	2,026	914	2,099	4,039	4,313	24,739
5 Low Income Customer Energy Audits	480	63	0	0	0	18	0	0	1,062	450	0	0	2,073
6 FPU Express	613	(76)	692	181	137	3,757	656	(566)	1,241	347	564	12,781	20,327
7 Enhanced Good Cents Home	962	1,802	1,508	869	1,808	3,231	2,208	2,211	3,857	643	4,478	4,891	28,468
8 Commercial/Industrial Good Cents Building	629	999	804	372	428	548	354	659	1,556	434	792	3,875	11,450
9 Commercial/Industrial Energy Audits & Tech. Assil.	637	2,353	1,071	485	519	514	343	495	1,644	484	838	5,322	14,703
10 Common	6,277	8,053	6,121	3,847	5,538	3,096	4,229	4,870	3,947	4,543	4,078	4,179	56,778
11													
12													
13													
14													
15													
16													
17													
18													
19													
20													
21 TOTAL ALL PROGRAMS	11,987	13,289	13,204	6,990	10,968	13,510	9,496	10,617	15,325	9,175	15,942	36,149	166,652
22 LESS AMOUNT INCLUDED IN RATE BASE													
23 RECOVERABLE CONSERVATION EXPENSES	11,987	13,289	13,204	6,990	10,968	13,510	9,496	10,617	15,325	9,175	15,942	36,149	166,652

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY - FERNANDINA

SCHEDULE CT-3
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-00 THROUGH December-00

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B CONSERVATION REVENUES													
1 RESIDENTIAL CONSERVATION													0
2 CONSERVATION ADJ REVENUES	9,033	9,928	9,253	8,268	10,566	10,780	11,573	11,386	10,470	11,386	8,626	9,517	120,986
3 TOTAL REVENUES	9,033	9,928	9,253	8,268	10,566	10,780	11,573	11,386	10,470	11,386	8,826	9,517	120,986
4 PRIOR PERIOD TRUE-UP ADJ NOT APPLICABLE TO THIS PERIOD	3,611	3,611	3,611	3,611	3,611	3,611	3,611	3,611	3,611	3,611	3,611	3,616	43,337
5 CONSERVATION REVENUE APPLICABLE	12,644	13,539	12,864	11,879	14,177	14,391	15,184	14,997	14,081	14,997	12,437	13,133	164,323
6 CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	11,987	13,289	13,204	6,990	10,968	13,510	9,496	10,617	15,325	9,175	15,942	38,149	168,852
7 TRUE-UP THIS PERIOD (LINE 5 - 6)	657	250	(340)	4,889	3,209	881	5,688	4,380	(1,244)	5,822	(3,505)	(23,016)	(2,328)
8 INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	199	188	175	175	105	184	182	189	179	173	103	71	2,003
9 TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	43,337	40,582	37,409	33,833	35,086	34,869	32,323	34,582	35,540	30,864	33,248	26,295	43,337
9A DEFERRED TRUE-UP BEGINNING OF PERIOD													
10 PRIOR TRUE-UP COLLECTED (REFUNDED)	(3,611)	(3,611)	(3,611)	(3,611)	(3,611)	(3,611)	(3,611)	(3,611)	(3,611)	(3,611)	(3,611)	(3,616)	(43,337)
11 TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	40,582	37,409	33,633	35,086	34,869	32,323	34,582	35,540	30,864	33,248	26,295	(266)	(266)

EXHIBIT NO. _____
 DOCKET NO. 010002-EG
 FLORIDA PUBLIC UTILITIES COMPANY
 (MAP-1)
 PAGE 24 OF 36

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY - FERNANDINA

SCHEDULE CT-3
PAGE 3 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-00 THROUGH December-00

C.	INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.	BEGINNING TRUE-UP (LINE B-9)	43,337	40,582	37,409	33,633	35,086	34,869	32,323	34,562	35,540	30,884	33,248	26,295	43,337
2.	ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	40,383	37,221	33,458	34,911	34,684	32,139	34,400	35,351	30,685	33,075	26,122	(337)	(2,329)
3.	TOTAL BEG. AND ENDING TRUE-UP	83,720	77,803	70,867	68,544	69,770	67,008	66,723	69,933	66,225	63,939	59,380	25,958	41,008
4.	AVERAGE TRUE-UP (LINE C-3 X 50%)	41,860	38,902	35,434	34,272	34,885	33,504	33,362	34,967	33,113	31,970	29,690	12,079	20,504
5.	INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.60%	5.80%	5.00%	6.07%	6.10%	6.57%	6.58%	6.50%	6.48%	6.50%	6.49%	6.65%	
6.	INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.80%	5.80%	6.07%	6.18%	6.57%	6.58%	6.50%	6.48%	6.50%	6.49%	6.65%	6.50%	
7.	TOTAL (LINE C-5 + C-6)	11.40%	11.60%	11.87%	12.25%	12.75%	13.15%	13.08%	12.98%	12.98%	12.99%	13.14%	13.15%	
8.	AVG. INTEREST RATE (C-7 X 50%)	5.70%	5.80%	5.94%	6.13%	6.38%	6.58%	6.54%	6.49%	6.49%	6.50%	6.57%	6.58%	
9.	MONTHLY AVERAGE INTEREST RATE	0.475%	0.483%	0.495%	0.510%	0.531%	0.548%	0.545%	0.541%	0.541%	0.541%	0.548%	0.548%	
10.	INTEREST PROVISION (LINE C-4 X C-9)	199	188	175	175	185	184	182	189	179	173	103	71	2,063

EXHIBIT NO. _____
 CHECKET NO. 010002-EG
 FLORIDA PUBLIC UTILITIES COMPANY
 (MAP-1)
 PAGE 25 OF 36