

State of Florida



Public Service Commission

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

DATE: June 22, 2001
TO: Division of Competitive Services (Shevie Brown)
FROM: Division of Regulatory Oversight (Vandiver)
RE: Docket No. 010004-GU; Florida Public Utilities Company; Energy Cost Conservation Recovery Clause; Audit Control No. 01-068-4-2

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 Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of Commission Clerk and Administrative Services
Division of Legal Services

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

- APP
CAF
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O.H.

DOCUMENT NUMBER-DATE

07921 JUN 26 01

FPSC-RECORDS/REPORTING

M E M O R A N D U M

DATE: June 12, 2001

TO: DENISE VANDIVER, BUREAU CHIEF, DIVISION OF REGULATORY OVERSIGHT

FROM: KATHY L. WELCH, REGULATOR ANALYST SUPERVISOR *KW*
MIAMI DISTRICT

RE: COMPLETED AUDIT SUMMARY REPORT

ORIGINATOR Shevie Brown
COMPANY FL Public Utilities Co.
AFAD CONTROL # 01-068-4-2 DOCKET # 01004-GU
PURPOSE OF AUDIT: Gas Conservation

| | | |
|----------------------|--------------|---------------|
| AUDITORS ASSIGNED | AUDIT HRS | TRAVEL HRS |
| _____ | _____ | _____ |
| AUDITORS ASSIGNED | AUDIT HRS | TRAVEL HRS |
| _____ | _____ | _____ |
| AUDIT MANAGER | AUDIT HRS | TRAVEL HRS |
| <u>Kathy Welch</u> | <u>16</u> | _____ |

DATE FIELD WORK BEGAN 5/10/01 FIELD WORK ENDED 5/16/01

| | |
|------------------------------|-------------------------------|
| ESTIMATED | FIELD AUDIT SUPERVISOR |
| HOURS _____ | HOURS (INC. TRAVEL) <u>2</u> |
| ESTIMATED TRAVEL HOURS _____ | TOTAL HOURS CHARGED <u>18</u> |

| | |
|------------------------|--------------------------|
| TOTAL DOLLARS AUDITED: | INVESTMENT _____ |
| | REVENUE <u>\$346,778</u> |
| | EXPENSE <u>\$454,453</u> |

FOR THE FOLLOWING ITEM, USE PAPER AS NECESSARY BE SPECIFIC RECOMMENDATIONS FOR NEXT AUDIT: _____



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Miami District Office

FLORIDA PUBLIC UTILITIES COMPANY

GAS CONSERVATION COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2000

**DOCKET #010004-GU
AUDIT CONTROL NO. 01-068-4-2**

A handwritten signature in cursive script, appearing to read "Kathy Welch", written over a horizontal line.

*Kathy Welch
Audit Manager*

A handwritten signature in cursive script, appearing to read "Ruth Young", written over a horizontal line.

*Ruth Young
Professional Accountant Specialist*

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT
MAY 11, 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, 2000 for Florida Public Utilities Company Gas Division. These schedules were prepared by the utility as part of its petition for Conservation Cost Recovery in Docket 010004-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.

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.

Examined all expense accounts for unusual entries and review those invoices for compliance with the programs guidelines and Commission policy.

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.

AUDIT DISCLOSURES

AUDIT DISCLOSURE NO. 1

SUBJECT: PROMOTIONAL ITEMS

STATEMENT OF FACT: The company purchased several items to give to builders as gifts in order to promote the conservation program. Most of the items have Florida Public Utilities and the Good Cents logo on the items. The note pads also contain a phone number. Promotional items include duffle bags, umbrellas, pens, screwdrivers, portfolios, eye glass cases, note pads, desk sets, and calculator clock.

The total spent on these items in the year 2000 is \$32,284.03 and the charges were made to account 908.

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 NO. 2

SUBJECT: GOOD LIFE TV COMMERCIAL

STATEMENT OF FACT: The company charged \$11,411.37 for a TV advertisement called "The Good Life" to account 909 in conservation expenses. The description of the commercial is attached. The \$11,411.37 is 70% of the total expense. The remaining 30% was charged to account 913, Advertising Expense.

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: The commercial does not meet the criteria set forth in Rule 25-17.015.

TV

AllianceMarketingGroup,Inc.

FLORIDA PUBLIC UTILITIES
"Good Life" :30
Copy Draft 11/1/94

VISUALS

Beautiful shots of
homes, people and
restaurants using
gas for cooking
(Florida Culinary
Institute, Ibis,
Normandy Isles,
other footage)

(LOGO)

AUDIO

ANNCR: (Music "Good Life")

(Music Under)

FOR MORE THAN (#) YEARS,
FLORIDA PUBLIC UTILITIES
HAS BEEN BRINGING THE GOOD
LIFE TO FLORIDIANS WITH
CLEAN, ENERGY EFFICIENT
GAS.

FLORIDA PUBLIC UTILITIES...
YOUR GAS COMPANY.

AUDIT DISCLOSURE NO. 3

SUBJECT: REVENUES

STATEMENT OF FACT: The company implemented a new billing system in October of 2000. There were several problems when the system was first implemented and some resulted in customers being under billed. The company has decided it is more cost effective to accept the revenue loss than to retroactively bill. The difference between revenues that should have been billed and what was actually billed in 2000 related to gas conservation is \$1,813.32.

OPINION: The filing correctly reports the actual revenues billed. However, some of the customers were not billed at the required rates.

EXHIBITS

COMPANY PREPARED SCHEDULES

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

FOR MONTHS September-00 THROUGH December-00

| A. CONSERVATION EXPENSE BY PROGRAM | | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | TOTAL |
|------------------------------------|-----------------------------------|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|---------|
| 1 | Full House Res New Construction | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21,054 | 6,116 | 3,362 | 178,528 | 209,060 |
| 2 | Residential Appliance Replacement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,100 | 4,803 | 7,537 | 14,440 |
| 3 | Conservation Education | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,785 | 0 | 3,521 | 100 | 5,406 |
| 4 | Space Conditioning | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,401 | 5,401 |
| 5 | Residential Conservation Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 290 | 485 | 12,191 | 1,874 | 14,840 |
| 6 | Residential Appliance Retention | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,228 | 13,280 | 28,012 | 37,886 | 83,406 |
| 7 | Commercial Conservation Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,125 | 1,794 | 4,919 |
| 8 | Residential Service Reactivation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Common | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,386 | 3,397 | 19,705 | 76,493 | 116,981 |
| 10 | | | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | | | |
| 13 | | | | | | | | | | | | | | |
| 14 | | | | | | | | | | | | | | |
| 15 | | | | | | | | | | | | | | |
| 16 | | | | | | | | | | | | | | |
| 17 | | | | | | | | | | | | | | |
| 18 | | | | | | | | | | | | | | |
| 19 | | | | | | | | | | | | | | |
| 20 | | | | | | | | | | | | | | |
| 21 | TOTAL ALL PROGRAMS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 44,743 | 25,378 | 74,719 | 309,613 | 454,453 |
| 22 | LESS AMOUNT INCLUDED IN RATE BASE | | | | | | | | | | | | | |
| 23 | RECOVERABLE CONSERVATION EXPENSES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 44,743 | 25,378 | 74,719 | 309,613 | 454,453 |

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY
 CALCULATION OF TRUE-UP AND INTEREST PROVISION
 FOR MONTHS September-00 THROUGH December-00

SCHEDULE CT-3
 PAGE 2 OF 3

| B. | CONSERVATION REVENUES | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | TOTAL |
|----|---|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|-----------|-----------|
| 1 | RESIDENTIAL CONSERVATION | | | | | | | | | | | | | 0 |
| 2 | CONSERVATION ADJ REVENUES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 56,216 | 83,330 | 90,417 | 116,815 | 346,778 |
| 3 | TOTAL REVENUES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 56,216 | 83,330 | 90,417 | 116,815 | 346,778 |
| 4 | PRIOR PERIOD TRUE-UP ADJ NOT APPLICABLE TO THIS PERIOD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 | CONSERVATION REVENUE APPLICABLE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 56,216 | 83,330 | 90,417 | 116,815 | 346,778 |
| 6 | CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 44,743 | 25,378 | 74,719 | 309,613 | 454,453 |
| 7 | TRUE-UP THIS PERIOD (LINE 5 - 6) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,473 | 57,952 | 15,698 | (192,798) | (107,675) |
| 8 | INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 31 | 219 | 424 | (58) | 616 |
| 9 | TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,504 | 69,675 | 85,797 | 0 |
| 9A | DEFERRED TRUE-UP BEGINNING OF PERIOD | | | | | | | | | | | | | |
| 10 | PRIOR TRUE-UP COLLECTED (REFUNDED) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 | TOTAL NET TRUE-UP (LINES 7+8+9+9A+10) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,504 | 69,675 | 85,797 | (107,059) | (107,059) |

EXHIBIT NO _____
 DOCKET NO 010004-GU
 FLORIDA PUBLIC UTILITIES COMPANY
 (RLS-1)
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COMPANY: FLORIDA PUBLIC UTILITIES COMPANY

SCHEDULE CT-3
PAGE 3 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS September-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) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,504 | 69,675 | 85,797 | 0 |
| 2 | ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,473 | 69,456 | 85,373 | (107,001) | (107,675) |
| 3 | TOTAL BEG AND ENDING TRUE-UP | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,473 | 80,960 | 155,048 | (21,204) | (107,675) |
| 4 | AVERAGE TRUE-UP (LINE C-3 X 50%) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,737 | 40,480 | 77,524 | (10,602) | (53,838) |
| 5 | INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 6.48% | 6.50% | 6.49% | 6.65% | |
| 6 | INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 6.50% | 6.49% | 6.65% | 6.50% | |
| 7 | TOTAL (LINE C-5 + C-6) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 12.98% | 12.99% | 13.14% | 13.15% | |
| 8 | AVG INTEREST RATE (C-7 X 50%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 6.49% | 6.50% | 6.57% | 6.58% | |
| 9 | MONTHLY AVERAGE INTEREST RATE | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.541% | 0.541% | 0.548% | 0.548% | |
| 10 | INTEREST PROVISION (LINE C-4 X C-9) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 31 | 219 | 424 | (58) | 616 |

01

EXHIBIT NO _____
DOCKET NO. 010004-GU
FLORIDA PUBLIC UTILITIES COMPANY
(RLS-1)
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