

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-

DATE: July 2, 2007
TO: Lee R. Colson, Utilities System/Engineering Specialist, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: **Docket No: 070002-EG; Company Name: Florida Public Utilities Company; Audit Purpose: Energy Conservation Cost Recovery Clause; Audit Control No: 07-071-4-2**

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. There are no confidential work papers associated with this audit.

DNV:sbj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Ms. Cheryl Martin
Florida Public Utilities Co.
P.O. Box 3395
West Palm Bch, FL 33402

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Messer Law Firm
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Tallahassee, FL 32317

DOCUMENT NUMBER-DATE

05362 JUL-25

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF REGULATORY COMPLIANCE AND
CONSUMER ASSISTANCE
BUREAU OF AUDITING***

Miami District Office

**Florida Public Utilities Company
Electric Energy Conservation Clause Audit**

Twelve Months Ended December 31, 2006

**DOCKET #070002-EG
AUDIT CONTROL NO. 07-071-4-2**

A handwritten signature in cursive script, reading "Kathy L. Welch".

***Kathy L. Welch
Audit Manager***

A handwritten signature in cursive script, reading "Iliana Piedra".

***Iliana Piedra
Regulatory Analyst***

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

June 21, 2007

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

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Florida Public Utilities Company in support of its electric energy conservation clause filing for 2006.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

I. OBJECTIVES AND PROCEDURES:

A. Objective: The objective of the audit was to determine if there were changes in the conservation programs. We also determined if the expenses were materially different than the prior year and if the actual expenses were within budget.

1. We compared the programs in the filing to those in effect in the prior year.
2. We compared the type of expense to the prior year and to the projected costs.
3. We asked the utility to explain the differences.
4. We reviewed the expense sample to determine if the explanations were reasonable.

B. Objective: The objective of the audit was to determine if the company applied the Commission approved cost recovery factor to actual KWH sales.

1. We obtained the company revenue reports for four months and applied the Commission approved factor to the KWH sales. The totals were compared to the reported sales on the company filing. Conservation factors were not applied to the inter-company sales. The dollars are not material but the utility was informed they should bill themselves the same rates as other commercial customers.
2. We also recalculated the bills for a random sample of individual customers.

C. Objective: The objective of the audit was to determine that the actual program expenses are representative of company activity and are properly computed and recorded on the company books.

1. We reconciled the expenses in the filing to the general ledger.
2. We selected a judgmental sample of all expenses, and reviewed the source documentation to make sure the item was a conservation expense and charged to the correct account. Donations and promotional items, which were removed in the last period by Tallahassee staff, were included in the expenses. These items were not material and were reversed in 2007 expenses by the utility.
3. We compiled payroll from the general ledger. Employees who charged time to electric conservation were traced to the company's description of duties for conservation employees, to determine that their position was related to conservation and that the appropriate percents were charged.

D. Objective: The objective of the audit was to determine if the true-up calculation and interest provision as filed was properly calculated.

1. We agreed the beginning true-up to the PSC order.
2. We recalculated the true-up for the year using the Wall Street Journal interest rates.

E. Objective: The objective of the audit was to verify that the yearly report to the Commission detailing the company's achieved KWH savings results is accurate for three programs (GoodCents Home/Energy Star, Commercial/Industrial GoodCents Building, and GoodCents Commercial Technical Assistance).

1. We agreed planned KWH savings to the company's four year demand side management plan dated June 1, 2004.
2. We recalculated the achieved KWH savings for each program.
3. We agreed the number of customers participating to appropriate company records.
4. We reviewed documents verifying that the customers participated.

EXHIBITS

COMPANY: FLORIDA PUBLIC UTILITIES - CONSOLIDATED ELECTRIC

SCHEDULE CT-3
PAGE 1 OF 3

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

FOR MONTHS January-06 THROUGH December-06

A. CONSERVATION EXPENSE BY PROGRAM	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.													0
2.													0
3.													0
4.													0
5.													0
6.													0
7.													0
8.													0
9.													0
10. Common	11,100	10,535	14,418	9,700	12,897	10,183	7,556	10,766	10,994	11,746	10,991	21,298	142,184
11. Residential Geothermal Heat Pump	0	3,310	(3,112)	127	0	0	0	0	0	0	0	0	325
12. GoodCents Home/Energy Star Program	5,648	9,185	7,518	2,279	6,416	2,686	10,393	5,315	12,477	1,824	9,498	7,560	80,799
13. GoodCents Energy Survey Program	7,694	3,587	9,970	5,618	12,426	14,526	5,747	7,828	5,107	9,271	10,846	6,296	98,716
14. GoodCents Loan Program	(10)	(20)	(20)	(20)	(10)	(20)	(20)	4,010	(1,624)	(10)	(10)	(20)	2,226
15. GoodCents Commercial Building Program	3,540	302	3,800	233	1,027	266	654	704	1,822	1,388	1,900	2,377	18,013
16. GoodCents Commercial Tech. Assist. Program	1,839	4,881	1,855	1,756	9,148	13,499	(2,997)	4,735	2,106	4,900	6,636	2,207	50,565
17. Low Income	0	0	0	0	0	0	0	0	0	0	0	0	0
18. Affordable Housing Builders & Providers Program	0	0	0	0	0	0	0	0	0	0	0	0	0
19. Residential Heat and Cool Eff. Upgrade Program	5,031	(1,667)	5,861	(697)	2,146	1,391	5,170	2,927	5,321	1,907	2,529	2,075	31,994
20. Residential Ceiling Insulation Upgrade Program	4,767	(2,551)	5,327	(943)	1,572	858	3,926	1,685	5,384	1,077	(471)	922	21,553
21. Comm. Indoor Eff. Light. Rebate Program	4,685	(2,317)	4,522	(994)	1,486	(5,965)	3,579	886	5,418	219	(1,733)	0	9,786
22. Educ./Conserv. Demo. And Devel. Program	0	0	0	0	0	0	0	0	0	0	0	0	0
21. TOTAL ALL PROGRAMS	44,294	25,245	50,139	17,059	47,108	37,424	34,008	38,856	47,005	32,322	39,986	42,715	456,161
22. LESS AMOUNT INCLUDED IN RATE BASE													
23. RECOVERABLE CONSERVATION EXPENSES	44,294	25,245	50,139	17,059	47,108	37,424	34,008	38,856	47,005	32,322	39,986	42,715	456,161

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COMPANY: FLORIDA PUBLIC UTILITIES - CONSOLIDATED ELECTRIC

SCHEDULE CT-3
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-06 THROUGH December-06

B. CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. RESIDENTIAL CONSERVATION													0
2. CONSERVATION ADJ. REVENUES	(31,750)	(32,411)	(29,635)	(27,695)	(30,436)	(33,739)	(40,128)	(37,828)	(38,769)	(32,137)	(25,711)	(29,573)	(389,812)
3. TOTAL REVENUES	(31,750)	(32,411)	(29,635)	(27,695)	(30,436)	(33,739)	(40,128)	(37,828)	(38,769)	(32,137)	(25,711)	(29,573)	(389,812)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(8,916)	(8,916)	(8,916)	(8,916)	(8,916)	(8,916)	(8,916)	(8,916)	(8,916)	(8,916)	(8,916)	(8,921)	(106,997)
5. CONSERVATION REVENUE APPLICABLE	(40,666)	(41,327)	(38,551)	(36,811)	(39,352)	(42,655)	(49,044)	(46,744)	(47,685)	(41,053)	(34,627)	(38,494)	(496,809)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	44,294	25,245	50,139	17,059	47,108	37,424	34,008	38,856	47,005	32,322	39,986	42,715	456,161
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	3,628	(16,082)	11,588	(19,552)	7,756	(5,231)	(15,036)	(7,888)	(680)	(8,731)	5,359	4,221	(40,648)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(370)	(371)	(357)	(355)	(353)	(322)	(340)	(352)	(330)	(313)	(282)	(223)	(3,968)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(106,997)	(94,823)	(102,360)	(82,213)	(93,204)	(76,885)	(73,522)	(79,982)	(79,306)	(71,400)	(71,528)	(57,535)	(106,997)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	8,916	8,916	8,916	8,916	8,916	8,916	8,916	8,916	8,916	8,916	8,916	8,921	108,997
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(94,823)	(102,360)	(82,213)	(93,204)	(76,885)	(73,522)	(79,982)	(79,306)	(71,400)	(71,528)	(57,535)	(44,616)	(44,616)

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COMPANY: FLORIDA PUBLIC UTILITIES - CONSOLIDATED ELECTRIC

SCHEDULE CT-3
PAGE 3 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-06 THROUGH December-06

C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-9)	(106,997)	(94,823)	(102,360)	(82,213)	(93,204)	(76,885)	(73,522)	(79,982)	(79,306)	(71,400)	(71,528)	(57,535)	(106,997)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	(94,453)	(101,989)	(81,856)	(92,849)	(76,532)	(73,200)	(79,642)	(78,954)	(71,070)	(71,215)	(57,253)	(44,393)	(40,648)
3. TOTAL BEG. AND ENDING TRUE-UP	(201,450)	(196,812)	(184,216)	(175,062)	(169,736)	(150,085)	(153,164)	(158,936)	(150,376)	(142,615)	(128,781)	(101,928)	(147,645)
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(100,725)	(98,406)	(92,108)	(87,531)	(84,868)	(75,043)	(76,582)	(79,468)	(75,188)	(71,308)	(64,391)	(50,964)	(73,823)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	4.30%	4.51%	4.53%	4.78%	4.96%	5.01%	5.29%	5.36%	5.27%	5.26%	5.27%	5.25%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	4.51%	4.53%	4.78%	4.96%	5.01%	5.29%	5.36%	5.27%	5.26%	5.27%	5.25%	5.27%	
7. TOTAL (LINE C-5 + C-6)	8.81%	9.04%	9.31%	9.74%	9.97%	10.30%	10.65%	10.63%	10.53%	10.53%	10.52%	10.52%	
8. AVG. INTEREST RATE (C-7 X 50%)	4.41%	4.52%	4.66%	4.87%	4.99%	5.15%	5.33%	5.32%	5.27%	5.27%	5.26%	5.26%	
9. MONTHLY AVERAGE INTEREST RATE	0.367%	0.377%	0.388%	0.406%	0.415%	0.429%	0.444%	0.443%	0.439%	0.439%	0.438%	0.438%	
10. INTEREST PROVISION (LINE C-4 X C-9)	(370)	(371)	(357)	(355)	(353)	(322)	(340)	(352)	(330)	(313)	(282)	(223)	(3,968)

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