

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 14, 2010
TO: Daniel Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 100003-GU
Company Name: Florida Public Utilities Company
Company Code: GU603
Audit Purpose: Purchased Gas Cost Recovery Clause
Audit Control No: 10-008-4-1

CP
10 JUL 15 AM 11:05
RECEIVED-FPSC
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 a response to the Office of Commission Clerk. There were no confidential work papers associated with this audit.

CP/ip

Attachment: Audit Report

cc: (With Attachment)
Office of Auditing and Performance Analysis (Mailhot, File Folder)
Office of Commission Clerk
Office of the General Counsel

(Without Attachment)
Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

State of Florida



FLORIDA PUBLIC SERVICE COMMISSION

OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
BUREAU OF AUDITING

Miami District Office

FLORIDA PUBLIC UTILITIES COMPANY
PURCHASED GAS ADJUSTMENT

Twelve Months Ended December 31, 2009

Docket No. 100003-GU

Audit Control No. 10-008-4-1

A handwritten signature in black ink, appearing to read "Kathy L. Welch".

Kathy L. Welch
Audit Manager

A handwritten signature in black ink, appearing to read "Gabriela Leon".

Gabriela Leon
Accounting Specialist
Audit Reviewer

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OFFICE OF AUDITING AND PERFORMANCE ANALYSIS

AUDITOR'S REPORT

July 13, 2010

TO: FLORIDA PUBLIC SERVICE COMMISSION:

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 purchased gas adjustment filing, Docket 100003-GU.

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

OBJECTIVES AND PROCEDURES:

REVENUE

Objective: The objective of the audit was to determine if the revenue recorded in the filing agrees with the ledger reported revenue and to determine if the customers were billed according to the utility billing schedule. The objective of the audit was also to determine that the billing schedules were under the cap authorized by the Commission.

Procedure: We verified that the revenues contained in the Company's general ledger are reflected on Schedule A-2. We reconciled these revenues to the billing registers. We tested a sample of customer bills to verify that the appropriate purchased gas adjustment factor was charged.

EXPENSES

Objective: To determine that the cost of gas in the filing agreed with the ledger and could be traced to source documentation.

Procedures: We traced the filing to the ledger. We traced the ledger detail to the transfers from inventory and traced a sample of the inventory account to invoices. No errors were found.

TRUE-UP

Objective: To determine that the calculation of the true-up was correct and calculated using the appropriate interest rates and was properly recorded in the ledger.

Procedures: We recomputed the true-up for the period. We verified that the beginning true-up amount and interest rates as stated by the Company on the January A-2 filing were approved by the Florida Public Service Commission. The monthly true-up amounts, as recorded on Schedule A-2, were reconciled to the general ledger.

We recomputed the final true-up filing, Schedule A-7. The amounts on A-7 were reconciled to the December cumulative A-2 and to appropriate Commission orders. No errors were found.

EXHIBITS

Company Schedule A-2

FOR THE PERIOD OF: JANUARY 2009 THROUGH DECEMBER 2009

			CURRENT MONTH: DECEMBER				YEAR-TO-DATE: 2009			
			ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
					AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION										
1	PURCHASED GAS COST	Sch. A-1 Line 4. Estimate include Sch. A-1 Line 10	1,915,238.29	1,143,898.00	(771,340.29)	(67.4)	16,672,492.53	17,087,919.00	415,426.47	2.4
2	TRANSPORTATION COST	Sch. A-1 Lines 1, 2, 3, 5, 6	543,364.15	570,474.00	27,109.85	4.8	4,393,231.69	4,528,318.00	135,086.31	3.0
3	TOTAL COST		2,458,602.44	1,714,372.00	(744,230.44)	(43.4)	21,065,724.22	21,616,237.00	550,512.78	2.6
4	FUEL REVENUES (NET OF REVENUE TAX)		1,480,890.44	1,706,372.00	225,481.56	13.2	22,252,481.05	21,534,037.00	(718,444.05)	(3.3)
5	TRUE-UP - (COLLECTED) OR REFUNDED *		77,904.67	77,904.67	-	0.0	934,856.00	934,856.00	-	0.0
6	FUEL REVENUE APPLICABLE TO PERIOD	Add Lines 4 + 5	1,558,795.11	1,784,276.67	225,481.56	12.6	23,187,337.05	22,468,893.00	(718,444.05)	(3.2)
7	TRUE-UP - OVER(Under) - THIS PERIOD	Line 6 - Line 3	(899,807.33)	69,904.67	969,712.00	1367.2	2,121,612.83	652,656.00	(1,268,956.83)	(148.8)
8	INTEREST PROVISION - THIS PERIOD	Line 21	157.37	3,418.81	3,261.44	95.4	6,308.73	79,551.53	73,242.80	92.1
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST: over/(under)		1,414,545.88	20,114,653.06	18,700,107.18	93.0	(756,074.31)	20,112,720.34	20,868,794.65	103.6
10	TRUE-UP COLLECTED OR (REFUNDED)	Reverse of Line 5	(77,904.67)	(77,904.67)	-	0.0	(934,856.00)	(934,856.00)	-	0.0
10a	FLEX RATE REFUND (if applicable)		-	-	-	0.0	-	-	-	0.0
11	TOTAL ACTUAL/ESTIMATED TRUE-UP: over/(under)	Add Lines 7 + 8 + 9 + 10 + 10a	436,991.25	20,110,071.87	19,673,080.62	97.8	436,991.25	20,110,071.87	19,673,080.62	97.8
MEMO: Unbilled Over-recovery			683,955.00							
Over/(under)-recovery Book Balance			1,300,956.25							
INTEREST PROVISION										
12	BEGINNING TRUE-UP AND INTEREST	Line 9	1,414,545.88	20,114,653.06	18,700,107.18	93.0				
13	ENDING TRUE-UP BEFORE INTEREST	Add Lines 12 + 7 + 5	436,833.88	20,106,653.06	19,669,819.18	97.8				
14	TOTAL (12+13)	Add Lines 12 + 13	1,851,379.76	40,221,306.12	38,369,926.36	95.4				
15	AVERAGE	50% of Line 14	925,689.88	20,110,653.06	19,184,963.18	95.4				
16	INTEREST RATE - FIRST DAY OF MONTH		0.00200	0.00200	-	0.0				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.00200	0.00200	-	0.0				
18	TOTAL	Add Lines 16 + 17	0.00400	0.00400	-	0.0				
19	AVERAGE	50% of Line 18	0.00200	0.00200	-	0.0				
20	MONTHLY AVERAGE	Line 19 / 12 mos.	0.00017	0.00017	-	0.0				
21	INTEREST PROVISION	Line 15 x Line 20	157.37	3,418.81	3,261.44	95.4				

Beginning of period True-up & Interest (Line 9) comes from the most recently filed E-4 if we do not flex down. If we flex down, the beginning of the period True-up & Interest (Line 9) comes from the prior periods end of period not true-up.
The prior period write-off will be the estimated over/under recovery estimated on Schedule E-4 regardless if we flex down.

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COMPANY:		FINAL FUEL OVER/UNDER RECOVERY	SCHEDULE A-7
<u>FLORIDA PUBLIC UTILITIES COMPANY</u>		FOR THE PERIOD: JANUARY 2009 THROUGH DECEMBER 2009	
1.	TOTAL ACTUAL FUEL COST FOR THE PERIOD	A-2, LINE 3	21,065,724.22
2.	FUEL REVENUES APPLICABLE TO THE PERIOD	A-2, LINE 6	23,187,337.05
3.	OVER/(UNDER) RECOVERY FOR THE PERIOD	LINE 2 - LINE 1	2,121,612.83
4.	INTEREST PROVISION FOR THE PERIOD	A-2, LINE 8	6,308.73
5.	TOTAL OVER/(UNDER) RECOVERY FOR THE PERIOD	LINE 3 + LINE 4	2,127,921.56
6.	LESS: ESTIMATED OVER/(UNDER) RECOVERY FOR THE PERIOD JANUARY 2009 THROUGH DECEMBER 2009, WHICH WAS INCLUDED IN THE CURRENT JANUARY 2010 THROUGH DECEMBER 2010 PERIOD:	E-4, LINE 4, COL. 4	2,518,720
7.	FINAL 2009 FUEL OVER/(UNDER) RECOVERY TO BE INCLUDED IN THE PROJECTED JANUARY 2011 THROUGH DECEMBER 2011 PERIOD	LINE 5 - LINE 6	(390,798)

Exhibit _____
Docket No. 100003-GU
Florida Public Utilities Company
(JVMJ-1)