

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-

COMMISSION
CLERK

JUL 11 PM 3:16

RECEIVED-FPSC

DATE: July 11, 2012

TO: Office of Commission Clerk

FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 120003-GU
 Company Name: Florida Public Utilities Company
 Company Code: GU603
 Audit Purpose: A3c Purchased Gas Cost Recovery
 Audit Control No: 12-012-4-2

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 a response to the Office of Commission Clerk. There were no confidential work papers associated with this audit.

CJP/lmd

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

04614 JUL 11 12

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Florida Public Utilities Company
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2011

Docket No. 120003-GU
Audit Control No. 12-012-4-2

July 9, 2012

Handwritten signature of Iliana H. Piedra in cursive script.

Iliana H. Piedra
Audit Manager

Handwritten signature of Kathy Welch in cursive script.

Kathy Welch
Reviewer

DOCUMENT NUMBER-DATE

04614 JUL 11 12

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 12, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Public Utilities Company in support of its 2011 filing for the Purchased Gas Cost Recovery Clause in Docket No. 120003-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Florida Public Utilities Company.
PGA refers to the Purchased Gas Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual terms sold for the period January 1, 2011, through December 31, 2011, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the PGA.

Procedures: We reconciled the 2011 filing to the Utility's General Ledger and the monthly billing system reports. We compared the rates used to the rates in the last Commission Order No. PSC PSC-10-0704-FOF-GU. We selected a random sample of residential and commercial customers' bills for the months of February and December 2011, and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Schedule A-2 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the PGA.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses. The source documentation for selected items was reviewed to ensure the expense was related to the PGA and that the expense was charged to the correct accounts. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule A-2 was properly calculated.

Procedures: We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates, and the 2011 PGA revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True Up

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY		CALCULATION OF TRUE-UP AND INTEREST PROVISION						SCHEDULE A-2			
FOR THE PERIOD OF: JANUARY 2011 THROUGH DECEMBER 2011											
		CURRENT MONTH: DECEMBER				YEAR-TO-DATE: 2011					
		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	\$ 2,105,290	\$ 2,113,809	\$ 8,519	0.4	\$ 17,369,308	\$ 32,315,983	\$ 14,946,675	46.3	
2	TRANSPORTATION COST	Sch. A-1 Lines 1, 2, 3, 5 & 6	\$ 561,523	\$ 482,279	\$ (79,244)	(16.4)	\$ 3,828,242	\$ 3,534,462	\$ (293,780)	(11.1)	
3	TOTAL COST		\$ 2,666,814	\$ 2,596,088	\$ (70,726)	(2.7)	\$ 21,297,550	\$ 35,850,445	\$ 14,552,895	40.6	
4	FUEL REVENUES (NET OF REVENUE TAX)		\$ 2,396,616	\$ 2,592,134	\$ 195,518	7.5	\$ 20,794,293	\$ 35,792,735	\$ 14,998,442	41.9	
5	TRUE-UP - (COLLECTED) OR REFUNDED *		\$ 242,602	\$ 242,602	\$ -	0.0	\$ 2,911,232	\$ 2,911,232	\$ -	0.0	
6	FUEL REVENUE APPLICABLE TO PERIOD	Add Lines 4 + 5	\$ 2,639,218	\$ 2,834,736	\$ 195,518	6.9	\$ 23,705,525	\$ 38,703,967	\$ 14,998,442	38.8	
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	Line 6 - Line 5	\$ (27,596)	\$ 238,648	\$ 266,244	111.6	\$ 2,407,975	\$ 2,853,522	\$ 445,547	15.6	
8	INTEREST PROVISION - THIS PERIOD	Line 21	\$ (1)	\$ 49	\$ 50	102.0	\$ 1,441	\$ 1,083	\$ (358)	(33.1)	
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST: over/(under)		\$ 117,601	\$ 694,918	\$ 577,317	83.1	\$ 349,218	\$ 747,640	\$ 398,422	53.3	
10	TRUE-UP COLLECTED OR (REFUNDED)	Reverse of Line 5	\$ (242,602)	\$ (242,602)	\$ -	0.0	\$ (2,911,232)	\$ (2,911,232)	\$ -	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	\$ (152,596)	\$ 691,013	\$ 843,611	122.1	\$ (152,596)	\$ 691,013	\$ 843,611	122.1	
MEMO: Disabled Over-recovery			886,758								
Over/(under)-recovery Book Balance			734,160								
INTEREST PROVISION											
12	BEGINNING TRUE-UP AND INTEREST	Line 9	\$ 117,601	\$ 694,918	\$ 577,317	83.1					
13	ENDING TRUE-UP BEFORE INTEREST	Add Lines 12 + 7 + 5	\$ (152,597)	\$ 690,964	\$ 843,561	122.1					
14	TOTAL (12+13)	Add Lines 12 + 13	\$ (34,996)	\$ 1,385,882	\$ 1,420,878	102.5					
15	AVERAGE	50% of Line 14	\$ (17,498)	\$ 692,941	\$ 710,439	102.5					
16	INTEREST RATE - FIRST DAY OF MONTH		0.00090	0.00090	-	0.0					
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.00070	0.00070	-	0.0					
18	TOTAL	Add Lines 16 + 17	0.00160	0.00160	-	0.0					
19	AVERAGE	50% of Line 18	0.00080	0.00080	-	0.0					
20	MONTHLY AVERAGE	Line 19 / 12 mos.	0.00007	0.00007	-	0.0					
21	INTEREST PROVISION	Line 15 x Line 20	\$ (1)	\$ 49	\$ 50	102.0					

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