

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-Indiantown Company
Gas Conservation Cost Recovery

Twelve Months Ended December 31, 2012

Docket No. 130004-GU
Audit Control No. 13-004-4-6

July 24, 2013

A handwritten signature in blue ink, appearing to read "Yen Ngo", written over a horizontal line.

Yen Ngo
Audit Manager

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

Kathy Welch
Reviewer

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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 Economics in its audit service request dated January 3, 2013. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Public Utilities Company-Indiantown Division in support of its 2012 filing for the Gas Conservation Cost Recovery Clause in Docket No. 130004-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-Indiantown Division.
GCCR refers to the Gas Conservation Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2012, through December 31, 2012, and whether the Utility applied the Commission approved cost recovery factor to actual therms sales for the GCCR clause.

Procedures: We reconciled the 2012 filing to the Utility's general ledger by month. We compared therms usage times the correct tariff rate to the revenue recorded in the ledger. We selected a random sample of residential and commercial customers' bills for the months of June and October 2012 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Objectives: The objectives were to determine whether operation and maintenance (O&M) expense listed on Schedule CT-3 of the Utility's filing was supported by adequate documentation and that the expenses were appropriately recoverable through the GCCR clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of expenses for testing. The source documentation for selected items was reviewed to ensure the expense was charged to the correct accounts and appropriately recoverable through the GCCR Clause. Incentives were reconciled to Commission approved rates. Advertisements were tested for compliance with Rule 25-17.015(5), F.A.C. No exceptions were noted.

True-up

Objective: The objective was to determine whether the True-Up and Interest Provision, as filed on Schedule CT-3, was properly calculated.

Procedures: We traced the December 31, 2011, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2012, using the Commission approved beginning balance as of December 31, 2011, the Financial Commercial Paper rates, and the 2012 GCCR revenues and costs. Finding 1 discusses the True-Up.

Audit Findings

Finding 1: True-Up

Audit Analysis: Commission Order No. PSC-12-0612-FOF-GU, issued November 15, 2012 states that the final true-up amount for 2011 was \$13,622. The Utility filed a revised 2011 filing on July 13, 2012 which also calculated a final true-up amount of \$13,622. However the utility did not use this amount as its beginning true-up amount in the 2012 filing, but used \$11,611.

Also in its 2012 filing, the Utility included \$5,238 of Conservation Expenses. This amount includes adjustments to the general ledger that had already been accounted for in the revised 2011 ending true-up amount, but booked to the General Ledger in 2012. Audit staff reversed these amounts out of the Conservation Expenses for 2012. The correct Conservation Expense recoverable in the 2012 filing is \$7,960

The schedule following this finding shows the corrected true-up calculation.

Effect on the General Ledger: There is no effect on the ledger.

Effect on the Filing: The over-recovery should be \$11,665 which is \$708 lower than the \$12,373 reported.

CALCULATION OF TRUE-UP	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
Total Fuel Revenues	\$ -	\$ -	\$ -	\$ (2,479)	\$ (566)	\$ -	\$ (332)	\$ (323)	\$ (633)	\$ (191)	\$ (440)	\$ (1,025)	\$ (5,988)
1/12 (A) Prior True-up	\$ 1,135	\$ 1,135	\$ 1,135	\$ 1,135	\$ 1,135	\$ 1,135	\$ 1,135	\$ 1,135	\$ 1,135	\$ 1,135	\$ 1,135	\$ 1,135	\$ 13,622
Total cons. revenue to current period	\$ 1,135	\$ 1,135	\$ 1,135	\$ (1,344)	\$ 569	\$ 1,135	\$ 803	\$ 812	\$ 502	\$ 944	\$ 695	\$ 110	\$ 7,634
Conservation Cost	\$ -	\$ -	\$ -	\$ 3,449	\$ 1,765	\$ 259	\$ 125	\$ 9	\$ 1,120	\$ 906	\$ 209	\$ 117	\$ 7,959
True-up this period	\$ 1,135	\$ 1,135	\$ 1,135	\$ 2,105	\$ 2,334	\$ 1,394	\$ 928	\$ 821	\$ 1,622	\$ 1,850	\$ 904	\$ 227	\$ (325)
Interest provision	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (12)
Adj. to interest prov. (a)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred true-up beginning (9a)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
True-up & interest beginning (A)	\$ (13,622)	\$ (13,623)	\$ (13,624)	\$ (13,625)	\$ (12,656)	\$ (11,458)	\$ (11,200)	\$ (11,408)	\$ (11,723)	\$ (11,237)	\$ (10,523)	\$ (10,755)	\$ (13,622)
Regulatory assessment fee adj.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prior true-up collected refunded	\$ (1,135)	\$ (1,135)	\$ (1,135)	\$ (1,135)	\$ (1,135)	\$ (1,135)	\$ (1,135)	\$ (1,135)	\$ (1,135)	\$ (1,135)	\$ (1,135)	\$ (1,135)	\$ (13,622)
Total net true-up per Staff	\$ (13,623)	\$ (13,624)	\$ (13,625)	\$ (12,656)	\$ (11,458)	\$ (11,200)	\$ (11,408)	\$ (11,723)	\$ (11,237)	\$ (10,523)	\$ (10,755)	\$ (11,665)	\$ (11,665)
True-up for the month per filing	\$ (11,611)	\$ (11,613)	\$ (11,614)	\$ (13,368)	\$ (12,170)	\$ (11,912)	\$ (12,119)	\$ (12,434)	\$ (11,948)	\$ (11,232)	\$ (11,464)	\$ (12,373)	\$ (12,373)
Difference - Over-recovery is	\$ (2,012)	\$ (2,011)	\$ (2,011)	\$ 712	\$ 712	\$ 712	\$ 711	\$ 711	\$ 711	\$ 709	\$ 709	\$ 708	\$ 708

Exhibit

Exhibit 1: True Up

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY

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-12	THROUGH	December-12										
A. CONSERVATION EXPENSE BY PROGRAM		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1	Full House Residential New Construction	64,817	19,698	28,322	14,817	17,347	32,608	12,391	85,773	15,585	20,396	19,426	14,485	325,665
2	Residential Appliance Replacement	19,787	20,231	48,464	20,422	42,638	56,963	32,383	70,934	85,068	66,175	54,018	89,665	604,776
3	Conservation Education	4,051	13,389	11,537	5,383	6,065	6,333	4,451	10,441	3,890	13,097	16,385	15,789	110,591
4	Space Conditioning					858	225						43	1,126
5	Residential Conservation Service	2,130	2,130	(2,130)	6,391	2,131	2,130	2,130	3,750	4,489	283	4,249	10,095	37,778
6	Residential Appliance Retention	31,279	31,754	37,477	37,630	43,070	67,151	(15,099)	73,162	126,204	88,471	59,804	79,658	662,561
7	Dealer / Contractor (Inactive)													
10	Commercial Conservation Service			556	834	464	864	464	464	464	1,267	464	1,252	7,093
12														
13	Residential Service Reactivation Program	300	5,132	1,050	700	4,782		700	350	2,452	1,214	1,315	2,045	20,040
14	Common	95,571	110,225	148,598	103,482	90,305	102,172	74,708	97,449	62,488	83,785	71,609	(158,752)	879,598
15	Conservation Demonstration and Development							2,500			864	1,150	1,912	6,426
21. TOTAL ALL PROGRAMS		217,935	202,559	269,872	189,619	207,680	268,446	114,638	322,323	302,420	275,552	228,418	56,192	2,655,654
22. LESS AMOUNT INCLUDED IN RATE BASE														
23. RECOVERABLE CONSERVATION EXPENSES		217,935	202,559	269,872	189,619	207,680	268,446	114,638	322,323	302,420	275,552	228,418	56,192	2,655,654

EXHIBIT NO. _____
DOCKET NO 130004-GU
FLORIDA PUBLIC UTILITIES COMPANY
(CDY-1)
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COMPANY: FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

SCHEDULE CT-3
PAGE 2 OF 3 .

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-12 THROUGH December-12

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B. CONSERVATION REVENUES													
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES				(2,479)	(568)		(331)	(323)	(633)	(191)	(440)	(1,025)	(5,888)
3. TOTAL REVENUES				(2,479)	(568)		(331)	(323)	(633)	(191)	(440)	(1,025)	(5,888)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(963)	(968)	(668)	(968)	(968)	(968)	(968)	(968)	(968)	(968)	(968)	(968)	(11,611)
5. CONSERVATION REVENUE APPLICABLE	(963)	(668)	(668)	(3,447)	(1,534)	(968)	(1,299)	(1,291)	(1,601)	(1,159)	(1,406)	(1,993)	(17,599)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)				728	1,765	256	125	9	1,120	906	209	117	5,238
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(963)	(668)	(668)	(2,721)	231	(706)	(1,174)	(1,282)	(481)	(251)	(1,199)	(1,876)	(12,361)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(12)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(11,611)	(11,612)	(11,613)	(11,614)	(13,368)	(12,170)	(11,912)	(12,119)	(12,434)	(11,948)	(11,232)	(11,464)	(11,511)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	963	968	668	968	968	968	968	968	968	968	968	968	11,611
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(11,612)	(11,613)	(11,614)	(13,368)	(12,170)	(11,912)	(12,119)	(12,434)	(11,948)	(11,232)	(11,464)	(12,373)	(12,373)

EXHIBIT NO. _____
DOCKET NO. 120004-GU
FLORIDA PUBLIC UTILITIES COMPANY
(CDY-2)
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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-12 THROUGH December-12

C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-4)	(11,611)	(11,612)	(11,613)	(11,614)	(13,368)	(12,170)	(11,912)	(12,119)	(12,434)	(11,948)	(11,232)	(11,464)	(11,611)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	(11,611)	(11,612)	(11,613)	(13,367)	(12,169)	(11,911)	(12,118)	(12,433)	(11,947)	(11,231)	(11,463)	(12,372)	(12,361)
3. TOTAL BEG. AND ENDING TRUE-UP	(23,222)	(23,224)	(23,226)	(24,981)	(25,537)	(24,081)	(24,030)	(24,552)	(24,381)	(23,179)	(22,695)	(23,856)	(23,972)
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(11,611)	(11,612)	(11,613)	(12,491)	(12,769)	(12,041)	(12,015)	(12,276)	(12,161)	(11,590)	(11,349)	(11,918)	(11,986)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.07%	0.08%	0.12%	0.11%	0.13%	0.12%	0.15%	0.14%	0.13%	0.12%	0.15%	0.13%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.08%	0.13%	0.11%	0.13%	0.12%	0.15%	0.14%	0.13%	0.12%	0.15%	0.13%	0.16%	
7. TOTAL (LINE C-5 + C-6)	0.15%	0.21%	0.24%	0.24%	0.25%	0.27%	0.29%	0.27%	0.25%	0.27%	0.28%	0.29%	
8. AVG INTEREST RATE (C-7 X 50%)	0.08%	0.11%	0.12%	0.12%	0.13%	0.14%	0.15%	0.14%	0.13%	0.14%	0.14%	0.12%	
9. MONTHLY AVERAGE INTEREST RATE	0.006%	0.008%	0.010%	0.010%	0.010%	0.011%	0.012%	0.011%	0.010%	0.011%	0.012%	0.010%	
10. INTEREST PROVISION (LINE C-4 X C-9)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(12)