

State of Florida



# Public Service Commission


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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** August 3, 2023

**TO:** Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

**FROM:** Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

**RE:** Docket No.: 20230004-GU  
Company Name: Florida Public Utilities Company  
Company Code: GU603  
Audit Purpose: A3e: Gas Conservation Cost Recovery  
Audit Control No.: 2023-018-4-1

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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 the Commission Clerk. There are no confidential work papers associated with this audit.

Attachment: Audit Report

Cc: Office of Auditing and Performance Analysis File.

State of Florida



## Public Service Commission

Office of Auditing and Performance Analysis  
Bureau of Auditing

### Auditor's Report

Florida Public Utilities Company  
Gas Conservation Cost Recovery Clause

**Twelve Months Ended December 31, 2022**

Docket No. 20230004-GU  
Audit Control No. 2023-018-4-1  
**August 2, 2023**

  
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Yen Ngo  
Audit Manager

  
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Donna Brown  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Economics in its audit service request dated January 18, 2023. 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 2022 filing for the Gas Conservation Cost Recovery Clause in Docket No. 20230004-GU.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Utility refers to Florida Public Utilities Company.

GCCR refers to the Gas Conservation Cost Recovery Clause.

### **Analytical Review**

**Objective:** The objective was to perform an analytical review of the Utility's GCCR Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

**Procedures:** We compared 2022 to 2021 revenues and expenses. We requested explanations from the Utility for any significant variances. The explanations provided by the Utility were sufficient. Further follow-up was not required.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2022, through December 31, 2022, and whether the Utility applied the Commission-approved cost recovery factor to actual therm sales.

**Procedures:** We computed revenues using the factors in Order No. PSC-2021-0422-FOF-GU, issued November 9, 2021, and actual therm sales from the Gross Margin Report, and reconciled them to the general ledger and the GCCR filing. We selected a sample of residential and commercial customers' bills 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 determine whether Operation and Maintenance (O&M) Expenses listed on Schedule CT-3 of the Utility's GCCR filing are supported by adequate documentation and that the expenses were appropriately recoverable through the GCCR.

**Procedures:** We traced expenses in the filing to the general ledger. We statistically selected a sample of O&M Expenses (except for payroll) for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, charged to the correct accounts, and appropriately recoverable through the GCCR. We also traced the allocation percentage of the common costs to the source documentation. We audited payroll by scheduling conservation payroll, benefits, and payroll taxes, and calculating the percentage of benefits and

taxes as compared to salaries. We traced cash incentive payments to allowances approved in Order No. PSC-2010-0551-PAA-EG, issued September 2, 2010, and in Order No. PSC-2014-0039-PAA-EG, issued January 14, 2014. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

### **True-up**

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

**Procedures:** We traced the December 31, 2021, True-Up Provision to Commission Order No. PSC-2022-0423-FOF-GU, issued on December 14, 2022. We recalculated the True-Up and Interest Provision amounts as of December 31, 2022, using the Commission-approved beginning balance as of December 31, 2021, the Non-Financial Commercial Paper rates, and the 2022 GCCR revenues and costs. No exceptions were noted.

Audit Findings

**None**

## Exhibit

### Exhibit 1: True Up

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY AND FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION CONSOLIDATED NATURAL GAS COMPANIES

SCHEDULE CT-3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

PAGE 2 OF 3

FOR MONTHS      January-22    THROUGH    December-22

E. CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(525,137)	(519,523)	(454,849)	(427,724)	(385,357)	(350,088)	(314,284)	(305,041)	(317,698)	(352,509)	(370,351)	(451,829)	(4,754,181)
3. TOTAL REVENUES	(525,137)	(519,523)	(454,849)	(427,724)	(385,357)	(350,088)	(314,284)	(305,041)	(317,698)	(352,509)	(370,351)	(451,829)	(4,754,181)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(82,405)	(82,405)	(82,405)	(82,405)	(82,405)	(82,405)	(82,405)	(82,405)	(82,405)	(82,405)	(82,405)	(82,405)	(748,851)
5. CONSERVATION REVENUE APPLICABLE	(587,543)	(581,928)	(517,054)	(490,129)	(427,772)	(412,493)	(378,689)	(387,446)	(380,103)	(414,914)	(432,756)	(514,234)	(5,503,042)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	440,872	313,925	287,863	448,588	183,721	385,981	580,007	296,265	300,582	334,832	455,581	474,803	4,573,742
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(146,671)	(268,002)	(229,180)	(41,581)	(244,051)	(18,612)	203,338	(71,181)	(79,522)	(20,282)	23,835	(39,431)	(829,300)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 16)	(35)	(121)	(281)	(443)	(748)	(1,351)	(1,839)	(2,075)	(2,437)	(2,871)	(5,175)	(3,276)	(18,841)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(748,851)	(833,152)	(1,038,880)	(1,205,918)	(1,185,518)	(1,387,907)	(1,323,485)	(1,058,652)	(1,070,503)	(1,030,058)	(1,050,904)	(867,839)	(748,851)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	82,405	82,405	82,405	82,405	82,405	82,405	82,405	82,405	82,405	82,405	82,405	82,405	748,851
11. TOTAL NET TRUE-UP (LINES 7-8+9+9A,+10)	(833,182)	(1,039,680)	(1,205,915)	(1,185,518)	(1,387,907)	(1,323,485)	(1,089,857)	(1,070,503)	(1,030,058)	(1,050,904)	(967,839)	(3-2,141)	(948,141)