

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1996

**Field Audit Completed
December 4, 1996**

FLORIDA PUBLIC UTILITIES INC.

West Palm Beach, Florida

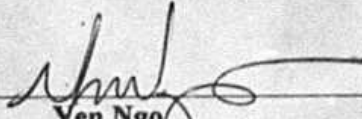
Palm Beach County

Conservation Audit

Docket Number 960002-EG

Audit Control Number

96-233-4-2



**Yen Ngo
Audit Manager**



**Kathy Welch
District Audit Supervisor
Miami**

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

Audit Purpose:

We have applied the procedures described in Section II of this report to audit the schedules of Energy Conservation for the twelve month period ending September 30, 1996 prepared by Florida Public Utilities Company for the Conservation Cost Recovery Clause, FPSC Docket 960002-EG. The audit exit conference was waived by the Company.

Disclaim Public Use:

This is an internal accounting report prepared after performing a limited scope audit; accordingly this document must not be relied upon for any purpose except to assist the commission staff in the performance to their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

Opinion:

The schedules of Energy Conservation for the twelve month period ending September 1996 represent Florida Public Utilities Inc. books and records maintained in substantial compliance with Commission Directives. The expressed opinions extend only to the scope of work described in section II of this report.

II. AUDIT SCOPE:

The opinions contained in this report are based on the audit work described below. When used in this report **COMPILED** and **EXAMINED** means that audit work includes:

COMPILED: Means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and, except as otherwise noted performed no other audit work.

EXAMINED: Means that the audit staff reconciled exhibit amounts with the general ledger; traced general ledger account balances to subsidiary ledgers; applied selective analytical review procedures; tested account balances to the extent further described; and disclosed any error, irregularity, or inconsistency observed.

REVENUES AND EXPENSES:

Compiled CT-3 Schedules: traced to supporting schedules and reconciled to the books. Traced interest rates used to Wall Street Journal 30 day commercial rate, recalculated average interest rate and interest provision.

Judge mentally tested the Conservation expenses for the months of August and September 1996 and randomly tested for the months of October 1995 through July 1996 for Marianna and Fernandina. These expenses were traced to invoices, journal entries and copies of advertisement ads.

Examined revenues; recalculated conservation adjustment factor, traced factors to PSC order PSC-95-0398-FOF-EG and order PSC-96-0352-FOF-EG, and applied factor to jurisdictional KWH.

III. COMPANY EXHIBITS

CONSERVATION ADJUSTMENT TRUE-UP

FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

1.	ADJUSTED END OF PERIOD TOTAL NET TRUE-UP		
2.	FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996		
3.	END OF PERIOD NET TRUE-UP		
4.	PRINCIPAL	(11,488)	
5.	INTEREST	(269)	(11,757) ¹
6.	LESS PROJECTED TRUE-UP		
7.	FEBRUARY 1996 (DATE) HEARINGS		
8.	PRINCIPAL	27,264	
9.	INTEREST	641	27,905
10.	ADJUSTED END OF PERIOD TOTAL TRUE-UP		(30,662) ¹

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1.	ADJUSTED END OF PERIOD TOTAL NET TRUE-UP		
2.	FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996		
3.	END OF PERIOD NET TRUE-UP		
4.	PRINCIPAL	5,025	
5.	INTEREST	(471)	4.55
6.	LESS PROJECTED TRUE-UP		
7.	FEBRUARY 1996 (DATE) HEARINGS		
8.	PRINCIPAL	12,855	
9.	INTEREST	72	12,927
10.	ADJUSTED END OF PERIOD TOTAL TRUE-UP		(8,373) *****

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ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL VS PROJECTED

FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

	ACTUAL	PROJECTED*	DIFFERENCE
1. CAPITAL INVESTMENT			
2. PAYROLL BENEFITS	20,686	15,282	5,404
3. MATERIAL & SUPPLIES	571	502	69
4. OUTSIDE SERVICES	210	5,300	(5,090)
5. ADVERTISING	15,619	16,219	(600)
6. INCENTIVES	0	0	0
7. VEHICLES	5,488	4,712	776
8. TRAVEL	0	0	0
9. GENERAL & ADMIN	(1,719)	60	(1,779)
10. LEGAL SERVICES	(7,757)	226	(7,983)
11. OTHER	739	666	73
12. SUB-TOTAL	33,837	42,967	(9,130)
13. PROGRAM REVENUES			
14. TOTAL PROGRAM COSTS	33,837	42,967	(9,130)
15. LESS: PRIOR PERIOD TRUE-UP	(6,312)	(6,312)	0
16. AMOUNTS INCLUDED IN RATE BASE			
17. CONSERVATION ADJ REVENUE	51,637	22,015	29,622
18. ROUNDING ADJUSTMENT			
19. TRUE-UP BEFORE INTEREST	(11,468)	27,264	(38,752)
20. ADD INTEREST PROVISION	(269)	641	(910)
21. END OF PERIOD TRUE-UP	(11,757)	27,905	(39,662)

() REFLECTS OVERRECOVERY
* 2 MONTHS ACTUAL AND 10 MONTHS PROJECTED

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COMPANY: FLORIDA PUBLIC UTILITIES COMPANY - FERNANDINA
 ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
 ACTUAL VS PROJECTED

SCHEDULE C1-2
 PAGE 1 OF 3

FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

	ACTUAL	PROJECTED*	DIFFERENCE
1 CAPITAL INVESTMENT			
2 PAYROLL BENEFITS	23,606	6,770	16,836
3 MATERIAL & SUPPLIES	525	600	(75)
4 OUTSIDE SERVICES	210	6,300	(6,090)
5 ADVERTISING	14,369	13,209	1,160
6 INCENTIVES	0	0	0
7 VEHICLES	8,132	3,023	5,109
8 TRAVEL	0	0	0
9 GENERAL & ADMIN	(1,087)	0	(1,087)
10 LEGAL SERVICES	(7,709)	226	(7,935)
11 OTHER	3,463	1,300	2,163
12 SUB-TOTAL	41,509	31,428	10,081
13 PROGRAM REVENUES			
14 TOTAL PROGRAM COSTS	41,509	31,428	10,081
15 LESS PRIOR PERIOD TRUE-UP	1,656	1,656	0
16 AMOUNTS INCLUDED IN RATE BASE			
17 CONSERVATION ADJ REVENUE	34,823	16,917	17,911
18 ROUNDING ADJUSTMENT			
19 TRUE-UP BEFORE INTEREST	5,025	12,855	(7,830)
20 ADD INTEREST PROVISION	(471)	72	(543)
21 END OF PERIOD TRUE-UP	4,554	12,927	(8,373)

() REFLECTS OVERRECOVERY
 * 2 MONTHS ACTUAL AND 10 MONTHS PROJECTED

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COMPANY: FLORIDA PUBLIC UTILITIES COMPANY - MARIANNA
 CALCULATION OF TRUE-UP AND INTEREST PROVISION
 FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

B. CONSERVATION REVENUES	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
1. RESIDENTIAL CONSERVATION													0
2. CONSERVATION ADJ. REVENUES	3,914	3,259	4,037	4,657	4,160	3,748	3,462	3,762	4,826	5,244	5,222	5,346	51,637
3. TOTAL REVENUES	3,914	3,259	4,037	4,657	4,160	3,748	3,462	3,762	4,826	5,244	5,222	5,346	51,637
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(526)	(526)	(526)	(526)	(526)	(526)	(526)	(526)	(526)	(526)	(526)	(526)	(6,312)
5. CONSERVATION REVENUE APPLICABLE	3,388	2,733	3,511	4,131	3,634	3,222	2,936	3,236	4,300	4,718	4,696	4,820	45,325
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 33)	3,250	2,417	(3,105)	1,092	2,526	3,597	3,719	3,244	3,338	5,583	4,113	4,063	33,637
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	138	316	6,616	3,039	1,108	(375)	(783)	(8)	962	(865)	583	757	11,488
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(29)	(25)	(6)	19	30	34	34	35	40	43	44	50	269
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(6,312)	(5,677)	(4,860)	2,276	5,860	7,524	7,709	7,486	8,039	9,567	9,271	10,424	(6,312)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	526	526	526	526	526	526	526	526	526	526	526	526	6,312
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(5,677)	(4,860)	2,276	5,860	7,524	7,709	7,486	8,039	9,567	9,271	10,424	11,757	11,757

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY - FERNANDINA
 CALCULATION OF TRUE-UP AND INTEREST PROVISION
 FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

8. CONSERVATION REVENUES	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
1. RESIDENTIAL CONSERVATION													0
2. CONSERVATION ADJ. REVENUES	3,142	2,368	2,886	3,662	3,581	2,955	2,412	2,292	2,656	2,938	2,890	3,048	34,828
3. TOTAL REVENUES	3,142	2,368	2,886	3,662	3,581	2,955	2,412	2,292	2,656	2,938	2,890	3,048	34,828
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	138	138	138	138	138	138	138	138	138	138	138	138	1,656
5. CONSERVATION REVENUE APPLICABLE	3,280	2,506	3,024	3,800	3,719	3,093	2,550	2,430	2,794	3,074	3,028	3,186	36,484
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 33)	1,091	3,137	(5,239)	645	3,184	4,466	1,751	4,049	4,229	7,061	8,463	8,872	41,509
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	2,189	(631)	8,263	3,155	535	(1,373)	799	(1,619)	(1,435)	(3,987)	(5,435)	(5,486)	(5,025)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	13	18	34	59	64	63	62	59	52	40	17	(8)	471
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	1,656	3,720	2,967	11,126	14,202	14,663	13,215	13,938	12,240	10,719	6,634	1,078	1,656
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(138)	(138)	(138)	(138)	(138)	(138)	(138)	(138)	(138)	(138)	(138)	(138)	(1,656)
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	3,720	2,967	11,126	14,202	14,663	13,215	13,938	12,240	10,719	6,634	1,078	(4,554)	(4,554)

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COMPANY: FLORIDA PUBLIC UTILITIES COMPANY - FERNANDINA
 CALCULATION OF TRUE-UP AND INTEREST PROVISION
 FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

SCHEDULE CT-3
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C. INTEREST PROVISION	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-10)	1,656	3,720	2,967	11,126	14,202	14,663	13,215	13,938	12,240	10,719	8,634	1,078	1,656
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	1,707	2,951	11,092	14,143	14,599	13,152	13,876	12,181	10,667	8,594	1,061	(4,546)	(5,025)
3. TOTAL BEG. AND ENDING TRUE-UP	5,363	6,671	14,059	25,269	28,801	27,815	27,091	26,119	22,907	17,313	7,695	(3,468)	(3,369)
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	2,682	3,336	7,030	12,635	14,401	13,908	13,546	13,060	11,454	8,657	3,848	(1,734)	(1,685)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.94%	5.61%	5.80%	5.81%	5.40%	5.33%	5.50%	5.40%	5.40%	5.52%	5.45%	5.39%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.81%	5.80%	5.81%	5.40%	5.33%	5.50%	5.40%	5.40%	5.52%	5.45%	5.39%	5.44%	
7. TOTAL (LINE C-5 + C-6)	11.75%	11.81%	11.61%	11.21%	10.73%	10.83%	10.90%	10.80%	10.92%	10.97%	10.84%	10.83%	
8. AVG. INTEREST RATE (C-7 X 50%)	5.88%	5.81%	5.81%	5.61%	5.37%	5.42%	5.45%	5.40%	5.46%	5.49%	5.42%	5.42%	
9. MONTHLY AVERAGE INTEREST RATE	0.490%	0.484%	0.484%	0.467%	0.447%	0.451%	0.454%	0.450%	0.455%	0.457%	0.452%	0.451%	
10. INTEREST PROVISION (LINE C-4 X C-9)	13	16	34	59	64	53	62	51	52	40	17	(8)	471

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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS OCTOBER 1995 THROUGH SEPTEMBER 1996

C. INTEREST PROVISION	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-10)	(6,312)	(5,877)	(4,860)	2,276	5,860	7,524	7,709	7,488	8,039	9,567	9,271	10,424	(6,312)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	(5,648)	(4,835)	2,282	5,841	7,494	7,875	7,452	8,004	9,527	9,228	10,380	11,707	11,468
3. TOTAL BEG. AND ENDING TRUE-UP	(11,960)	(10,512)	(2,578)	8,117	13,354	15,199	15,161	15,490	17,566	18,795	19,651	22,131	5,176
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(5,980)	(5,256)	(1,289)	4,059	6,677	7,600	7,581	7,745	8,783	9,398	9,826	11,066	2,588
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.94%	5.81%	5.80%	5.81%	5.40%	5.33%	5.50%	5.40%	5.40%	5.52%	5.45%	5.39%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.81%	5.80%	5.81%	5.40%	5.33%	5.50%	5.40%	5.40%	5.52%	5.45%	5.39%	5.44%	
7. TOTAL (LINE C-5 + C-6)	11.75%	11.61%	11.61%	11.21%	10.73%	10.83%	10.90%	10.80%	10.92%	10.97%	10.84%	10.83%	
8. AVG. INTEREST RATE (C-7 X 50%)	5.88%	5.81%	5.81%	5.61%	5.37%	5.42%	5.45%	5.40%	5.46%	5.49%	5.42%	5.42%	
9. MONTHLY AVERAGE INTEREST RATE	0.490%	0.484%	0.484%	0.467%	0.447%	0.451%	0.454%	0.450%	0.455%	0.457%	0.452%	0.451%	
10. INTEREST PROVISION (LINE C-4 X C-9)	(29)	(25)	(5)	19	30	34	34	35	40	43	44	50	209

State of Florida

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

December 24, 1996

Mr. Frank C. Cressman
Florida Public Utilities Company
Post Office Box 3395
West Palm Beach, Florida 33402-3395

RE: Docket No. 960002-EG -- Florida Public Utilities Company
Conservation Audit Report - Period Ended September 30, 1996
Audit Control # 96-123-4-2

Dear Mr. Cressman:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn, Chief
Bureau of Records

KF/cls
Enclosure
cc: Public Counsel
Messer Law Firm
Rutledge Law Firm