

ORIGINAL

State of Florida



Public Service Commission

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

DATE: July 8, 2002
TO: Division of Economic Regulation (Fitch)
FROM: Division of Auditing and Safety (Vandiver)
RE: Docket No. 020004-GU; Company Name: Florida Public Utilities; Audit Purpose: Gas Conservation Cost Recovery Clause; Audit Control No. 02-057-4-1

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 the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. John T. English, President & CEO
Florida Public Utilities
401 South Dixie Highway, P.O. Box 3395
West Palm Beach, FL 33402

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Mr. George Bachman
Florida Public Utilities Co., Gas Division
401 South Dixie Highway, P.O. Box 3395
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DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING***

Miami District Office

**FLORIDA PUBLIC UTILITIES COMPANY
GAS CONSERVATION COST RECOVERY CLAUSE**

HISTORICAL YEAR ENDED DECEMBER 31, 2001

**DOCKET NO. 020004-GU
AUDIT CONTROL NO. 02-057-4-1**

A handwritten signature in cursive script, appearing to read "Raymond Grant", written over a horizontal line.

**Raymond Grant
Audit Manager**

A handwritten signature in cursive script, appearing to read "Kathy L. Welch", written over a horizontal line.

Kathy L. Welch, Audit Supervisor

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**DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING**

JUNE 26, 2002

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to the attached Conservation Cost Recovery schedules for the period ended December 31, 2001 for Florida Public Utilities Company Gas Division. These schedules were prepared by the utility as part of its petition for Conservation Cost Recovery in Docket 020004-GU.

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

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned- The documents or accounts were read quickly looking for obvious errors.

Compiled- The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

Confirmed- Evidential matter supporting an account balance, transaction or other information was obtained directly from an independent third party.

Verified- The item was tested for accuracy, and substantiating documentation was examined.

Conservation Recovery Schedules: Traced the filing to the general ledger. Reconciled revenues to the revenue and rate reports. Recalculated revenues to verify that the correct rate was used.

Examined all expense accounts for unusual entries and reviewed those invoices for compliance with the programs' guidelines and Commission policy.

True-up Calculation- Recalculated the true up provision for the twelve months ended December 31, 2001 to determine the accuracy of the current true-up amount for the period under audit. Traced the interest rates to the Wall Street Journal-30 day Commercial Paper Rate.

AUDIT DISCLOSURES

AUDIT DISCLOSURE NO. 1

SUBJECT: PROMOTIONAL ITEMS

STATEMENT OF FACT: The company purchased several items from RK Promotions to give to builders as gifts in order to promote the conservation program. Most of the items have Florida Public Utilities and the Good Cents logo on the items. The note pads also contain the utility phone number. Promotional items include flashlights, golfers bags, letter openers, jar grippers, rulers, pens, zipper pulls, pencils, bubble pens, ball point pens and roller ball pens.

The total spent on these items in the year 2001 is \$25,168.64 and the charges were made to account 908. A breakdown of the charges follows:

Date	Invoice	Description	Amount
2/13/01	2256	100 Roller Ball Pens	\$2,074.40
2/13/01	2257	100 Ball Point Pens	\$1,931.30
3/30/01	2274	3,000 Pens	\$1,547.40
3/30/01	2275	1560 Pencils	\$ 272.10
4/2/01	2281	3,030 Rulers	\$ 914.57
4/2/01	2286	3,080 Zipper Pull	\$ 896.57
4/2/01	2291	1510 Bubble Pens	\$2,333.43
4/26/01	2320	2,529 Letter Openers	\$2,709.52
5/4/01	2303	1,563 Golfers Bags	\$3,997.70
5/4/01	2319	2,592 Jar Grippers	\$1,324.30
5/4/01	2321	2586 Chip Clip	\$1,893.85
5/8/01	2325	2,500 Flash Lights	\$5,273.50
		Total	<u>\$25,168.64</u>

According to Commission Rule 25-17.015, "In determining whether an advertisement is "directly related to an approved conservation program, the Commission shall consider, but is not limited to, whether the advertisement or advertising campaign:

1. Identifies a specific problem;
2. States how to correct the problem; and
3. Provides direction concerning how to obtain help to alleviate the problem."

OPINION: Although the promotional items contained the logo of the good cents program and were conservation related, they did not meet the criteria set forth in Rule 25-17.015.

AUDIT DISCLOSURE NO. 2

SUBJECT: PROMOTIONAL ITEMS- CONTRACTOR'S PLANNERS

STATEMENT OF FACT: The company purchased 662 contractor's planners from Aspen Corporate Identity Group to give to builders as gifts in order to promote the conservation program. The planners have the Florida Public Utilities name and the logo imprinted on the front. The total spent on contractor's planners during the test year ending December 2001 is \$4,979.33. The company recorded the charges to account 121.401.908-Customer Assistance Expense. A breakdown of the charges follows:

Date	Invoice	Description	Amount
12/5/01	1135156	300 Contractor's Planners	\$2,260.76
11/20/01	1134267	100 Contractor's Planners	\$ 774.87
12/11/01	1111167	262 Contractor's Planners	<u>\$1,943.70</u>
Total		<u>662</u>	<u>\$4,979.33</u>

According to Commission Rule 25-17.015, "In determining whether an advertisement is "directly related to an approved conservation program, the Commission shall consider, but is not limited to, whether the advertisement or advertising campaign:

1. Identifies a specific problem;
2. States how to correct the problem; and
3. Provides direction concerning how to obtain help to alleviate the problem."

OPINION: The contractor planners are not directly related to an approved conservation program and do not meet the criteria set forth in Rule 25-17.015.

EXHIBITS

COMPANY PREPARED SCHEDULES

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY PROGRAM BY MONTH

FOR MONTHS January-01 THROUGH December-01

A. CONSERVATION EXPENSE BY PROGRAM		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1	Full House Res. New Construction	58,895	12,817	11,265	149,112	25,684	41,725	102,862	26,008	20,855	46,699	40,663	98,223	633,808
2	Residential Appliance Replacement	5,008	7,057	4,719	7,269	6,608	6,664	3,930	4,179	2,017	3,808	6,230	6,030	63,517
3	Conservation Education	148	1,568	3,050	1,175	3,535	50	0	410	0	0	0	233	10,169
4	Space Conditioning	3,135	(100)	500	3,749	350	1,200	1,663	0	0	350	4,961	350	16,158
5	Residential Conservation Service	2,643	326	463	0	1,726	77	0	0	0	1,385	389	0	7,019
6	Residential Appliance Retention	30,179	38,533	33,979	38,102	35,991	30,839	35,349	34,765	36,400	56,836	35,700	38,338	445,101
10	Commercial Conservation Service	0	4,006	500	0	68	382	0	0	0	353	107	2,372	7,788
13	Residential Service Reactivation	20	900	1,845	0	0	0	0	0	0	146	0	0	2,911
14	Common	3,086	9,671	11,621	6,648	9,036	15,195	15,416	12,864	22,711	15,930	15,622	12,185	149,985
15														
16														
17														
18														
19														
20														
21	TOTAL ALL PROGRAMS	103,114	74,778	67,942	206,145	82,998	96,132	159,220	78,226	81,983	124,515	103,672	157,731	1,336,456
22	LESS AMOUNT INCLUDED IN RATE BASE													
23	RECOVERABLE CONSERVATION EXPENSES	103,114	74,778	67,942	206,145	82,998	96,132	159,220	78,226	81,983	124,515	103,672	157,731	1,336,456

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY
 CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE CT-3
 PAGE 2 OF 3

FOR MONTHS January-01 THROUGH December-01

B. CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. RESIDENTIAL CONSERVATION													0
2. CONSERVATION ADJ. REVENUES	165,149	130,417	109,466	98,195	87,604	71,731	64,983	62,780	66,823	70,720	90,764	112,219	1,130,851
3. TOTAL REVENUES	165,149	130,417	100,466	98,195	87,604	71,731	64,983	62,780	66,823	70,720	90,764	112,219	1,130,851
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(8,922)	(8,922)	(8,922)	(8,922)	(8,922)	(8,922)	(8,922)	(8,922)	(8,922)	(8,922)	(8,922)	(8,917)	(107,059)
5. CONSERVATION REVENUE APPLICABLE	156,227	121,495	100,544	89,273	78,682	62,809	56,061	53,858	57,901	61,798	81,842	103,302	1,023,792
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	103,114	74,778	67,942	206,145	82,998	96,132	159,220	78,226	81,883	124,515	103,872	157,731	1,336,456
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	53,113	46,717	32,602	(116,872)	(4,316)	(33,323)	(103,159)	(24,368)	(24,082)	(62,717)	(21,830)	(54,429)	(312,664)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(382)	(78)	131	(8)	(188)	(206)	(384)	(532)	(498)	(468)	(467)	(466)	(3,544)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(107,059)	(45,406)	10,155	51,810	(56,148)	(51,728)	(76,335)	(170,956)	(186,934)	(202,582)	(256,855)	(270,230)	(107,059)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	8,922	8,922	8,922	8,922	8,922	8,922	8,922	8,922	8,922	8,922	8,922	8,917	107,059
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(45,406)	10,155	51,810	(56,148)	(51,728)	(76,335)	(170,956)	(186,934)	(202,592)	(256,855)	(270,230)	(316,208)	(316,208)

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 FLORIDA PUBLIC UTILITIES COMPANY
 (RLS-2)
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COMPANY: FLORIDA PUBLIC UTILITIES COMPANY

SCHEDULE CT-3
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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-01 THROUGH December-01

C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE 8-9)	(107,059)	(45,406)	10,155	51,810	(56,148)	(51,728)	(76,335)	(170,956)	(186,934)	(202,592)	(256,855)	(270,230)	(107,059)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	(45,024)	10,233	51,679	(56,140)	(51,542)	(76,129)	(170,572)	(186,402)	(202,084)	(256,387)	(269,763)	(315,742)	(312,664)
3. TOTAL BEG AND ENDING TRUE-UP	(152,083)	(35,173)	61,834	(4,330)	(107,690)	(127,857)	(246,907)	(357,358)	(389,028)	(458,079)	(526,618)	(585,972)	(418,723)
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(76,042)	(17,587)	30,917	(2,165)	(53,845)	(63,929)	(123,454)	(178,679)	(194,514)	(229,490)	(263,309)	(292,986)	(209,862)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	6.50%	5.55%	5.15%	5.00%	4.37%	3.94%	3.80%	3.67%	3.47%	2.67%	2.22%	2.04%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.55%	5.15%	5.00%	4.37%	3.94%	3.80%	3.67%	3.47%	2.67%	2.22%	2.04%	1.78%	
7. TOTAL (LINE C-5 + C-6)	12.05%	10.70%	10.15%	9.37%	8.31%	7.74%	7.47%	7.14%	6.14%	4.89%	4.26%	3.82%	
8. AVG INTEREST RATE (C-7 X 50%)	6.03%	5.35%	5.08%	4.69%	4.16%	3.87%	3.74%	3.57%	3.07%	2.45%	2.13%	1.91%	
9. MONTHLY AVERAGE INTEREST RATE	0.502%	0.446%	0.423%	0.390%	0.346%	0.323%	0.311%	0.298%	0.256%	0.204%	0.178%	0.159%	
10. INTEREST PROVISION (LINE C-4 X C-9)	(382)	(78)	131	(8)	(186)	(206)	(384)	(532)	(498)	(468)	(467)	(466)	(3,544)

EXHIBIT NO. _____
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