

State of Florida



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# Public Service Commission

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COMMISSION  
CLERK

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**DATE:** April 27, 2009  
**TO:** Devlin Higgins, Regulatory Analyst II, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance *DNV*  
**RE:** Docket No: 090004-GU; Company Name: Florida Public Utilities Company;  
Audit Purpose: Gas Conservation Cost Recovery; Company Code: GU603;  
Audit Control No: 09-028-4-4;

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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.

DNV/tbm

Attachment: Audit Report

CC: Division of Regulatory Compliance (Salak, Mailhot, Harvey,  
District Offices, File Folder)  
Office of Commission Clerk (2)  
General Counsel  
Office of Public Counsel

Mr. Marc S. Seagrave  
Florida Public Utilities Company  
Post Office Box 3395  
West Palm Beach, FL 33402-3395

Mr. Norman H. Horton, Jr.  
Messer Law Firm  
Post Office Box 15579  
Tallahassee, FL 32317

DOCUMENT NUMBER-DATE

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**FLORIDA PUBLIC SERVICE COMMISSION**  
**DIVISION OF REGULATORY COMPLIANCE**  
**BUREAU OF AUDITING**

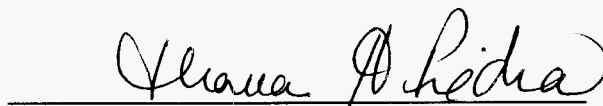
***Miami District Office***

**Florida Public Utilities Company**  
**Gas Energy Conservation Clause Audit**

**Twelve Months Ended December 31, 2008**

**DOCKET #090004-GU**  
**AUDIT CONTROL NO. 09-028-4-4**

  
**Kathy L. Welch**  
**Audit Manager**

  
**Iliana Piedra**  
**Accounting Specialist**  
**Audit Reviewer**

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03978 APR 29 8  
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## TABLE OF CONTENTS

AUDITOR'S REPORT	PAGE
I. PURPOSE	1
II. OBJECTIVES AND PROCEDURES	2
III. EXHIBITS	3
Company Filing Calculation of True-up for 2008	

DOCUMENT NUMBER-DATE

03978 APR 29 8

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**DIVISION OF REGULATORY COMPLIANCE  
AUDITOR'S REPORT**

**April 22, 2009**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED  
PARTIES**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules, prepared by Florida Public Utilities Company, in support of its filing for conservation Docket 090004-GU.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed upon procedures and the report is intended only for internal Commission use.

## **OBJECTIVES AND PROCEDURES:**

**Objective:** The objective of the audit was to reconcile the schedules to each other and to the general ledger.

**Procedures:** We prepared a trial balance using the general ledger and reconciled all conservation accounts to the filing.

**Objective:** The objective was to verify that the true-up was calculated correctly.

**Procedures:** We agreed the beginning true-up provision to the last order and workpapers. We prepared a recalculation using the filing and Commission approved interest rates.

**Objective:** The objective of the audit was to determine that the company has applied the approved conservation cost recovery factors to actual therm sales and properly calculated revenues.

**Procedures:** Therms from the statistics report were multiplied by the ordered rates and compared to the ledger and filing. Differences were compared to billing corrections. Some bills were selected and recalculated to determine that the tariff rates were used.

**Objective:** The objective of the audit was to determine that the actual energy conservation program expenses filed by the company agree with source documentation and meet the requirements of the programs.

**Procedures:** We reconciled the filing to the general ledger detail. We selected a sample of the vouchers recorded in the general ledger and traced them to source documentation.

We verified that the incentives paid by voucher met the program guidelines. We verified that the incentives credited to the bills met the program guidelines. We reviewed contracts with builders to determine if the contracts agreed with the program guidelines.

We compared the payroll file to the file from the last audit to determine if new employees were added. Due to time restrictions we did not obtain their job descriptions to determine if their duties showed they were conservation employees.

## EXHIBITS



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-08 THROUGH December-08

A. CONSERVATION EXPENSE BY PROGRAM		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.	Full House Residential New Construction Program	27,489	18,931	34,131	9,678	66,136	63,446	24,977	60,136	52,686	40,542	19,643	17,500	435,295
2.	Residential Appliance Replacement Program	37,727	25,900	34,453	34,763	14,796	17,542	17,852	22,135	20,782	50,160	12,925	20,916	309,951
3.	Conservation Education Program	11,838	6,148	10,028	10,033	(19)	4,681	981	9,436	1,237	375	233	483	55,454
4.	Space Conditioning Program	632	580	564	800	824	736	823	791	637	866	607	883	8,743
5.	Residential Conservation Service Program	11,303	5,067	2,366	164	2,073	1,681	6,388	825	3,722	5,111	922	(457)	39,165
6.	Residential Appliance Retention Program	52,106	52,664	55,890	40,657	34,374	34,693	31,806	29,411	38,179	74,349	48,116	45,225	537,470
7.	Dealer / Contractor													
10.	Commercial Conservation Service Program	314	4,086	1,807	5,393	616	13,485	449	152	2,724	1,466	(291)	780	30,981
12.	Residential Service Reactivation Program	396												951
14.	Common	44,231	24,686	66,840	43,501	41,848	35,371	51,877	62,072	32,899	58,461	28,540	54,334	544,660
21. TOTAL ALL PROGRAMS		186,036	138,062	206,079	144,989	161,203	171,635	135,153	184,958	152,866	231,330	110,695	139,664	1,962,670
22. LESS AMOUNT INCLUDED IN RATE BASE														
23. RECOVERABLE CONSERVATION EXPENSES		186,036	138,062	206,079	144,989	161,203	171,635	135,153	184,958	152,866	231,330	110,695	139,664	1,962,670

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EXHIBIT NO. \_\_\_\_\_  
DOCKET NO. 090004-GU  
FLORIDA PUBLIC UTILITIES COMPANY  
(MSS-1)  
PAGE 5 OF 18



COMPANY: FLORIDA PUBLIC UTILITIES COMPANY

SCHEDULE CT-3  
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-08 THROUGH December-08

B. CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(231,544)	(198,684)	(208,887)	(171,967)	(149,673)	(124,790)	(118,649)	(108,481)	(108,922)	(118,974)	(152,112)	(202,376)	(1,895,059)
3. TOTAL REVENUES	(231,544)	(198,684)	(208,887)	(171,967)	(149,673)	(124,790)	(118,649)	(108,481)	(108,922)	(118,974)	(152,112)	(202,376)	(1,895,059)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(36,321)	(36,323)	(36,323)	(36,323)	(36,323)	(36,323)	(36,323)	(36,323)	(36,323)	(36,323)	(36,323)	(36,323)	(435,874)
5. CONSERVATION REVENUE APPLICABLE	(267,865)	(235,007)	(245,210)	(208,290)	(185,996)	(161,113)	(154,972)	(144,804)	(145,245)	(155,297)	(188,435)	(238,699)	(2,330,933)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	186,036	138,062	206,079	144,989	161,203	171,635	135,153	184,958	152,866	231,330	110,695	139,664	1,962,670
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(81,829)	(96,945)	(39,131)	(63,301)	(24,793)	10,522	(19,819)	40,154	7,621	76,033	(77,740)	(99,035)	(368,263)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(1,540)	(1,319)	(1,302)	(1,282)	(1,255)	(1,105)	(1,045)	(953)	(1,259)	(1,091)	(549)	(296)	(12,996)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(435,874)	(482,922)	(544,863)	(548,973)	(577,233)	(566,958)	(521,218)	(505,759)	(430,235)	(387,550)	(276,285)	(318,251)	(435,874)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	36,321	36,323	36,323	36,323	36,323	36,323	36,323	36,323	36,323	36,323	36,323	36,323	435,874
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(482,922)	(544,863)	(548,973)	(577,233)	(566,958)	(521,218)	(505,759)	(430,235)	(387,550)	(276,285)	(318,251)	(381,259)	(381,259)

EXHIBIT NO. \_\_\_\_\_  
DOCKET NO. 090004-GU  
FLORIDA PUBLIC UTILITIES COMPANY  
(MSS-1)  
PAGE 6 OF 18

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY

SCHEDULE CT-3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

PAGE 3 OF 3

FOR MONTHS January-08 THROUGH December-08

C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-9)	(435,874)	(482,922)	(544,863)	(548,973)	(577,233)	(566,958)	(521,218)	(505,759)	(430,235)	(387,550)	(276,285)	(318,251)	(435,874)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	(481,382)	(543,544)	(547,671)	(575,951)	(565,703)	(520,113)	(504,714)	(429,282)	(386,291)	(275,194)	(317,702)	(380,963)	(368,263)
3. TOTAL BEG. AND ENDING TRUE-UP	(917,256)	(1,026,466)	(1,092,534)	(1,124,924)	(1,142,936)	(1,087,071)	(1,025,932)	(935,041)	(816,526)	(662,744)	(593,987)	(699,214)	(804,137)
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(458,628)	(513,233)	(546,267)	(562,462)	(571,468)	(543,536)	(512,966)	(467,521)	(408,263)	(331,372)	(296,994)	(349,607)	(402,069)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	4.98%	3.08%	3.09%	2.63%	2.84%	2.43%	2.45%	2.44%	2.45%	4.95%	2.95%	1.49%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	3.08%	3.09%	2.63%	2.84%	2.43%	2.45%	2.44%	2.45%	4.95%	2.95%	1.49%	0.54%	
7. TOTAL (LINE C-5 + C-6)	8.06%	6.17%	5.72%	5.47%	5.27%	4.88%	4.89%	4.89%	7.40%	7.90%	4.44%	2.03%	
8. AVG. INTEREST RATE (C-7 X 50%)	4.03%	3.09%	2.86%	2.74%	2.64%	2.44%	2.45%	2.45%	3.70%	3.95%	2.22%	1.02%	
9. MONTHLY AVERAGE INTEREST RATE	0.336%	0.257%	0.238%	0.228%	0.220%	0.203%	0.204%	0.204%	0.308%	0.329%	0.185%	0.085%	
10. INTEREST PROVISION (LINE C-4 X C-9)	(1,540)	(1,319)	(1,302)	(1,282)	(1,255)	(1,105)	(1,045)	(953)	(1,259)	(1,091)	(549)	(296)	(12,996)

EXHIBIT NO. \_\_\_\_\_  
 DOCKET NO. 090004-GU  
 FLORIDA PUBLIC UTILITIES COMPANY  
 (MSS-1)  
 PAGE 7 OF 18