

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 11, 2010
TO: Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation
FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis CP
RE: Docket No.: 100002-EG
Company Name: Florida Public Utilities Company
Company Code: EI803
Audit Purpose: Energy Conservation Cost Recovery
Audit Control No: 09-350-4-2

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 Commission Clerk. There were confidential work papers associated with this audit.

CP/ip

Attachment: Audit Report

cc: (With Attachment)
Office of Auditing and Performance Analysis (Mailhot, File Folder)
Office of Commission Clerk
Office of the General Counsel

(Without Attachment)
Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER-DATE

04841 JUN 11 2010

FPSC-COMMISSION CLERK

State of Florida



FLORIDA PUBLIC SERVICE COMMISSION

*OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
BUREAU OF AUDITING*

Miami District Office


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

Twelve Months Ended December 31, 2009

**DOCKET NO. 100002-EG
AUDIT CONTROL NO. 09-350-4-2**



Kathy L. Welch
Audit Manager



Iliana Piedra
Accounting Specialist
Audit Reviewer

DOCUMENT NUMBER-DATE

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
AUDITOR'S REPORT**

June 8, 2010

TO: FLORIDA PUBLIC SERVICE COMMISSION

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 electric conservation cost recovery in Docket No. 100002-EG.

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 the general ledger.

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

Objective: The objective of the audit 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 of the entire true-up provision 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 kilowatt-hour (KWH) sales and properly calculated revenues.

Procedures: We determined that the conservation rate in the last order times the KWHs sold equaled the conservation revenue in the filing. We then verified that some bills selected at random used the ordered rates.

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 random sample of vouchers recorded in the general ledger and traced them to source documentation. We verified that the incentives paid by the voucher met the program guidelines.

We reviewed the payroll to determine that employees' hours charged to conservation agreed to job descriptions. We reviewed the overhead rate for consistency with the last audit. We reviewed the pension curtailment entries and other adjusting entries to payroll.

EXHIBITS

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

FOR MONTHS January-09 THROUGH December-09

A	CONSERVATION EXPENSE BY PROGRAM	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1														0
2														0
3														0
4														0
5														0
6														0
7														0
8														0
9														0
10	Common	28,622	32,904	53,822	19,628	39,306	33,596	22,190	24,624	39,117	16,350	11,097	24,436	345,592
11	Residential Geothermal Heat Pump	0	0	0	0	0	0	0	0	0	56	60	(5)	111
12	GoodCents Home/Energy Star Program	0	0	0	0	0	0	0	0	0	947	(25)	0	922
13	GoodCents Energy Survey Program	7,782	11,856	38,380	15,658	8,101	6,574	4,999	6,394	7,107	12,603	5,821	7,058	132,433
14	GoodCents Loan Program	(10)	0	(10)	(10)	(10)	(10)	(10)	(10)	0	(10)	(10)	0	(90)
15	GoodCents Commercial Building Program	331	755	(159)	0	648	0	382	0	0	0	0	0	1,957
16	GoodCents Commercial Tech. Assis. Program	178	452	3,644	185	1,455	1,205	1,408	1,829	1,835	1,092	1,126	2,359	16,964
17	Low Income	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Affordable Housing Builders & Providers Program	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Residential Heat and Cool Eff. Upgrade Program	790	1,929	1,376	3,208	4,138	1,905	2,491	5,242	2,232	726	1,855	1,581	27,453
20	Residential Ceiling Insulation Upgrade Program	276	276	256	103	838	458	171	788	778	128	298	373	4,743
21	Comm. Indoor Eff. Light. Rebate Program	227	222	289	281	1,351	133	52	0	0	0	176	(146)	2,595
22	Educ./Conserv. Demo. And Devel. Program	170	1,263	108	1,198	1,500	517	2,950	37	0	0	0	0	7,743
21	TOTAL ALL PROGRAMS	38,364	49,657	97,916	40,241	57,327	44,378	34,631	38,904	51,069	31,892	20,398	35,656	540,433
22	LESS AMOUNT INCLUDED IN RATE BASE													
23	RECOVERABLE CONSERVATION EXPENSES	38,364	49,657	97,916	40,241	57,327	44,378	34,631	38,904	51,069	31,892	20,398	35,656	540,433

COMPANY: FLORIDA PUBLIC UTILITIES - CONSOLIDATED ELECTRIC

SCHEDULE CT-3
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-09 THROUGH December-09

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
0. CONSERVATION REVENUES													
1 RESIDENTIAL CONSERVATION													0
2 CONSERVATION ADJ. REVENUES	(44,525)	(44,779)	(44,769)	(37,227)	(38,903)	(46,303)	(57,578)	(52,357)	(48,442)	(48,872)	(40,055)	(40,273)	(543,083)
3 TOTAL REVENUES	(44,525)	(44,779)	(44,769)	(37,227)	(38,903)	(46,303)	(57,578)	(52,357)	(49,442)	(46,872)	(40,055)	(40,273)	(543,083)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	2,241	2,241	2,241	2,241	2,241	2,241	2,241	2,241	2,241	2,241	2,241	2,239	26,890
5 CONSERVATION REVENUE APPLICABLE	(42,284)	(42,538)	(42,528)	(34,986)	(36,662)	(44,062)	(55,337)	(50,116)	(47,201)	(44,631)	(37,814)	(38,034)	(516,193)
6 CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	38,354	49,657	97,918	40,241	57,327	44,378	34,631	38,904	51,089	31,892	20,388	16,656	540,433
7 TRUE-UP THIS PERIOD (LINE 5 - 6)	(3,920)	7,119	55,388	5,255	20,665	316	(20,706)	(11,212)	3,868	(12,739)	(17,416)	(2,378)	24,240
8 INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	13	15	28	32	26	27	22	15	13	10	7	4	212
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	25,896	20,742	25,635	78,810	81,856	100,306	98,408	75,483	62,045	63,685	48,715	29,065	26,890
9A DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(2,241)	(2,241)	(2,241)	(2,241)	(2,241)	(2,241)	(2,241)	(2,241)	(2,241)	(2,241)	(2,241)	(2,239)	(26,890)
11 TOTAL NET TRUE-UP (LINES 7+8+9A+10)	20,742	25,635	78,810	81,856	100,306	98,408	75,483	62,045	63,685	48,715	29,065	24,452	24,452

EXHIBIT NO. _____
DOCKET NO. 100002-EG
FLORIDA PUBLIC UTILITIES COMPANY
(MIS-1)
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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-09 THROUGH December-09

C.	INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1	BEGINNING TRUE-UP (LINE B-9)	26,890	20,742	25,035	78,810	81,966	100,396	98,408	75,483	82,045	63,685	48,715	29,865	26,890
2	ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	20,729	25,820	78,782	81,824	100,280	98,381	75,461	62,030	63,672	48,705	29,858	24,448	24,240
3	TOTAL BEG AND ENDING TRUE-UP	47,619	46,562	104,417	160,634	182,136	198,667	173,869	137,513	125,717	112,390	77,773	53,513	51,130
4	AVERAGE TRUE-UP (LINE C-3 X 50%)	23,810	23,181	52,209	80,317	91,068	99,344	86,935	68,757	62,859	56,195	38,887	26,757	25,585
5	INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.54%	0.79%	0.75%	0.55%	0.40%	0.50%	0.35%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
6	INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.79%	0.75%	0.55%	0.40%	0.30%	0.35%	0.30%	0.35%	0.30%	0.30%	0.30%	0.30%	0.30%
7	TOTAL (LINE C-5 + C-6)	1.33%	1.54%	1.30%	0.95%	0.70%	0.85%	0.65%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%
8	AVG INTEREST RATE (C-7 X 50%)	0.67%	0.77%	0.65%	0.48%	0.35%	0.33%	0.33%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
9	MONTHLY AVERAGE INTEREST RATE	0.056%	0.054%	0.054%	0.040%	0.029%	0.027%	0.027%	0.025%	0.025%	0.025%	0.025%	0.025%	0.025%
10	INTEREST PROVISION (LINE C-4 X C-9)	13	15	28	32	26	27	22	15	13	10	7	4	212