

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 24, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*
RE: Docket No.: 110004-GU
Company Name: Florida Public Utilities Company – Indiantown Division
Company Code: GU606
Audit Purpose: Gas Conservation Cost Recovery Clause
Audit Control No: 11-005-4-8

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 no confidential work papers associated with this audit.

CJP/ir

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

04367 JUN 24 =

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Florida Public Utilities Company-Indiantown Division
Gas Conservation Cost Recovery

Twelve Months Ended December 31, 2010

Docket No. 110004-GU
Audit Control No. 11-005-4-8

June 22, 2011

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

Kathy L. Welch
Audit Manager

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

Iliana Piedra
Reviewer

DOCUMENT NUMBER-DATE

04367 JUN 24 =

FPSC-COMMISSION CLERK

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 8, 2011. We have applied these procedures to the attached summary exhibit prepared by Florida Public Utilities Company-Indiantown Division and to several of its related schedules in support of its filing for the Energy (Gas) Conservation Cost Recovery Clause in Docket 110004-GU (ECCR).

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

Objectives and Procedures

General

Indiantown Gas Company (IGC) was sold to Florida Public Utilities Company as of July 31, 2010. The employees of the former Indiantown Gas Company continued to prepare the billing and generate the billing summaries used to determine revenues for this filing.

Objective: The objective of the audit was to reconcile the filing to the general ledger.

Procedure: The ledgers of the Indiantown Gas Company from January to July and Florida Public Utilities Company for August to December were reconciled to the filing.

Revenue

Objectives: The objective of the audit was to determine if the approved energy conservation adjustment factors were billed and used to determine revenue in the filing.

Procedures: We calculated the therm usage from the billing summaries times the factors approved in Commission Order PSC-09-0733-FOF-GU¹. In addition, we reviewed several bills for different rate classes and months to determine if the approved rates were used. Audit Finding 1 discusses the rates used to bill the customers and calculate clause revenues.

Expense

Objectives: The objective of the audit was to determine that the filed expenses agree with the source documentation and meet the program requirements. In addition, we were to review builder agreements entered into and to compare the tank-less water heater rebates to the approved standards. Also, we were to determine if advertising complies with Rule 25-17.015(5), F.A.C.

Procedures: A sample of expenses was traced to supporting documentation. Rebates were traced to the approved rebates in Commission Order PSC-07-0531-TRF-EG². There were no builder agreements or advertising expenses.

True-up

Objectives: The objective was to verify that the true-up and interest provision amount at December 31, 2010 was properly calculated.

Procedures: We recalculated the true-up and interest provision amount as of December 31, 2010 using the Commission approved beginning balance as of December 31, 2009, the 2010 Commercial paper rates, and the 2010 Revenues and Costs.

¹ See Order No. PSC-09-0733-FOF-GU, issued November 4, 2009, Docket No. 090004-GU, In re: Natural gas conservation cost recovery.

² See Order No. PSC-07-0531-TRF-EG, issued June 26, 2007, Docket No. 070246-EG, In re: Petition for approval of energy conservation programs, by Indiantown Gas Company.

Audit Findings

Finding 1: Ordered Conservation Rates Were Not Used

Audit Analysis: Commission Order PSC-09-0733-FOF-GU³ established conservation rates that were to be used during the 2010 calendar year. IGC did not use these rates to bill but continued to use the rates established for the 2009 calendar year in Commission Order PSC-08-0785-FOF-GU.⁴ After the sale of the Utility, IGC continued to bill the customers for Florida Public Utilities. Therefore, these rates were used for the entire year. The 2009 rates were lower than the ordered 2010 rates. Therefore, the customers were under-billed.

The filing was correctly prepared using the revenues that were actually billed to the customers. Therefore, the error does not affect the true-up schedules. However, the customers should be billed using the ordered rates and Florida Public Utilities needs to verify the rates used until the customers are converted in to its billing system.

Effect on the General Ledger: There is no effect on the ledger.

Effect on the Filing: There is no effect on the filing.

³ See Order No. PSC-09-0733-FOF-GU, issued November 4, 2009, Docket No. 090004-GU, In re: Natural gas conservation cost recovery.

⁴ See Order No. PSC-08-0785-FOF-GU, issued December 1, 2008, Docket No. 080004-GU, In re: Natural gas conservation cost recovery.

Exhibits

Exhibit 1: Calculation of True-Up and Interest Provision-CT-3

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

SCHEDULE CT-3
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-10 THROUGH December-10

B.	CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.	RESIDENTIAL CONSERVATION													0
2.	CONSERVATION ADJ. REVENUES	(828)	(520)	(490)	(687)	(1,238)	(267)	(178)	(189)	(175)	(213)	(194)	(661)	(5,640)
3.	TOTAL REVENUES	(828)	(520)	(490)	(687)	(1,238)	(267)	(178)	(189)	(175)	(213)	(194)	(661)	(5,640)
4.	PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(1,668)	(1,671)	(1,671)	(1,671)	(1,671)	(1,671)	(1,671)	(1,671)	(1,671)	(1,671)	(1,671)	(1,671)	(20,049)
5.	CONSERVATION REVENUE APPLICABLE	(2,496)	(2,191)	(2,161)	(2,358)	(2,909)	(1,938)	(1,849)	(1,860)	(1,846)	(1,884)	(1,865)	(2,332)	(25,689)
6.	CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	1,598	725	825	1,660	1,710	730	435	0	0	450	300	300	8,733
7.	TRUE-UP THIS PERIOD (LINE 5 - 6)	(898)	(1,466)	(1,336)	(698)	(1,199)	(1,208)	(1,414)	(1,860)	(1,846)	(1,434)	(1,565)	(2,032)	(16,956)
8.	INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(3)	(3)	(3)	(3)	(4)	(5)	(4)	(4)	(4)	(4)	(3)	(4)	(44)
9.	TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(20,049)	(19,282)	(19,080)	(18,748)	(17,778)	(17,310)	(16,852)	(16,599)	(16,792)	(16,971)	(16,738)	(16,635)	(20,049)
9A.	DEFERRED TRUE-UP BEGINNING OF PERIOD													
10.	PRIOR TRUE-UP COLLECTED (REFUNDED)	1,668	1,671	1,671	1,671	1,671	1,671	1,671	1,671	1,671	1,671	1,671	1,671	20,049
11.	TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(19,282)	(19,080)	(18,748)	(17,778)	(17,310)	(16,852)	(16,599)	(16,792)	(16,971)	(16,738)	(16,635)	(17,000)	(17,000)

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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-10 THROUGH December-10

C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-9)	(20,049)	(19,282)	(19,080)	(18,748)	(17,778)	(17,310)	(16,852)	(16,599)	(16,792)	(16,971)	(16,738)	(16,635)	(20,049)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	(19,279)	(19,077)	(18,745)	(17,775)	(17,306)	(16,847)	(16,595)	(16,788)	(16,967)	(16,734)	(16,632)	(16,996)	(16,956)
3. TOTAL BEG. AND ENDING TRUE-UP	(39,328)	(38,359)	(37,825)	(36,523)	(35,084)	(34,157)	(33,447)	(33,387)	(33,759)	(33,705)	(33,370)	(33,631)	(37,005)
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(19,664)	(19,180)	(18,913)	(18,262)	(17,542)	(17,079)	(16,724)	(16,694)	(16,880)	(16,853)	(16,685)	(16,816)	(18,503)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.20%	0.20%	0.21%	0.21%	0.23%	0.34%	0.35%	0.28%	0.28%	0.25%	0.25%	0.25%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.20%	0.21%	0.21%	0.23%	0.34%	0.35%	0.28%	0.28%	0.25%	0.25%	0.25%	0.25%	
7. TOTAL (LINE C-5 + C-6)	0.40%	0.41%	0.42%	0.44%	0.57%	0.69%	0.63%	0.56%	0.53%	0.50%	0.50%	0.50%	
8. AVG. INTEREST RATE (C-7 X 50%)	0.20%	0.21%	0.21%	0.22%	0.29%	0.35%	0.32%	0.28%	0.27%	0.25%	0.25%	0.25%	
9. MONTHLY AVERAGE INTEREST RATE	0.017%	0.017%	0.018%	0.018%	0.024%	0.029%	0.026%	0.023%	0.022%	0.021%	0.021%	0.021%	
10. INTEREST PROVISION (LINE C-4 X C-9)	(3)	(3)	(3)	(3)	(4)	(5)	(4)	(4)	(4)	(4)	(3)	(4)	(44)

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