

State of Florida



Public Service Commission

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

DATE: July 27, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*
RE: Docket No.: 110003-GU
Company Name: Florida Public Utilities Company
Company Code: GU603
Audit Purpose: Purchased Gas Cost Recovery Clause
Audit Control No: 11-005-4-2

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 no confidential work papers associated with this audit.

CJP/kby

Attachments: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

05213 JUL 27 =

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
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2010

Docket No. 110003-GU
Audit Control No. 11-005-4-2

July 26, 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 H. Piedra", written over a horizontal line.

Iliana H. Piedra
Reviewer

DOCUMENT NUMBER-DATE

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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 5, 2011. We have applied these procedures to the attached summary exhibit prepared by Florida Public Utilities Company (FPUC) and to several of its related schedules in support of its filing for the Purchased Gas Cost Recovery Clause (PGA) in Docket 110003-GU.

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

Objectives: Our objectives were to verify that FPUC's filing agreed to the general ledger and that the Company maintains its accounts and records in conformity with the Uniform System of Accounts as adopted by the Commission.

Procedures: We reconciled the filing to the general ledger and verified that the costs incurred were proper and expensed to the appropriate account.

Revenue

Objectives: The objective was to verify that all purchased gas adjustment revenue was included in the filing and to reconcile the revenues to therm usage and monthly purchased gas adjustment charges.

Procedures: We reconciled the monthly revenues in the filing to FPUC's general ledger. We traced the revenues to the monthly billing system reports. We compared the rates used to the rates in Order PSC-09-0794-FOF-EG¹. A sample of customer bills was re-calculated and the PGA factors charged to customers was traced the rates in the same order.

Expense

Objectives: Our objective was to verify that the costs in the filing are recoverable through the Purchased Gas Cost Recovery Clause.

Procedures: We reconciled the expenses in FPUC's general ledger to the filing and traced the expenses in the filing to supporting documentation.

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 Commercial paper rates, and the 2010 Purchased Gas Cost Recovery Revenues and Costs.

¹ See Order No. PSC-09-0794-FOF-EG, issued December 1, 2009, Docket No.090002-EG, In Re: Energy conservation cost recovery clause.

Audit Findings

Finding 1: October Invoice Not Recorded in Filing

Audit Analysis: In October 2010, FPUC recorded an invoice from Florida Gas Transmission for \$23,838.76 in its general ledger. This invoice was not added to gas expenses in the PGA filing in October 2010. In FPUC's November filing, it included a schedule showing October accrued and actual invoices. This invoice was included on the schedule. However, it was not included in the total of the schedule which was used in the October gas expense on the A-2 filing. The \$23,838.76 needs to be added to October gas costs. The interest effect of this increase is \$12.42. These adjustments reduce the total over-recovery of \$349,218.00 to \$325,366.82.

FPUC also had some minor differences between the general ledger and the filing that were related to accruals. We have not adjusted the accrual differences. However, FPUC needs to reconcile these differences and correct the ledger.

Effect on the General Ledger: The ledger is correct except for the miscellaneous accrual adjustments.

Effect on the Filing: Gas costs should be increased by \$23,838.76 and interest by \$12.42 for a total decrease to the over-recovery of \$23,851.18.

Exhibits

Exhibit 1: Calculation of True Up and Interest Provision Schedule A-2

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY		CALCULATION OF TRUE-UP AND INTEREST PROVISION								SCHEDULE A-2	
		FOR THE PERIOD OF: JANUARY 2010 THROUGH DECEMBER 2010									
		CURRENT MONTH: DECEMBER				YEAR-TO-DATE : 2010					
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE			
				AMOUNT	%			AMOUNT	%		
TRUE-UP CALCULATION											
1	PURCHASED GAS COST		Sch. A-1 Line 4, Estimate include Sch. A-1 Line 10 Sch. A-1	\$ 2,382,607	\$ 1,549,920	\$ (832,687)	(53.7)	\$20,155,867	\$ 20,349,942	\$ 194,075	1.0
2	TRANSPORTATION COST		Lines 1, 2, 3, 5, 6	\$ 1,261,429	\$ 539,866	\$ (721,563)	(133.7)	\$ 5,367,688	\$ 4,211,755	\$ (1,155,933)	(27.5)
3	TOTAL COST			\$ 3,644,036	\$ 2,089,786	\$ (1,554,250)	(74.4)	\$25,523,552	\$ 24,561,697	\$ (961,855)	(3.8)
4	FUEL REVENUES (NET OF REVENUE TAX)			\$ 2,358,463	\$ 2,079,086	\$ (279,377)	(13.4)	\$25,432,214	\$ 24,450,797	\$ (981,417)	(4.0)
5	TRUE-UP - (COLLECTED) OR REFUNDED *			\$ 68,982	\$ 68,982	\$ -	0.0	\$ 827,789	\$ 827,789	\$ -	0.0
6	FUEL REVENUE APPLICABLE TO PERIOD		Add Lines 4 + 5	\$ 2,427,445	\$ 2,148,068	\$ (279,377)	(13.0)	\$26,260,003	\$ 25,278,586	\$ (981,417)	(3.8)
7	TRUE-UP - OVER/(UNDER) - THIS PERIOD		Line 6 - Line 3	\$ (1,216,590)	\$ 59,282	\$ 1,274,873	2187.4	\$ 736,451	\$ 710,889	\$ (25,562)	(3.6)
8	INTEREST PROVISION - THIS PERIOD		Line 21	\$ 208	\$ 158	\$ (50)	(31.8)	\$ 3,585	\$ 30,751	\$ 27,166	88.4
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST: over/(under)			\$ 1,634,563	\$ 759,182	\$ (875,401)	(115.6)	\$ 435,991	\$ 827,789	\$ 391,798	47.2
10	TRUE-UP COLLECTED OR (REFUNDED)		Reverse of Line 5	\$ (68,982)	\$ (68,982)	\$ -	0.0	\$ (827,789)	\$ (827,789)	\$ -	0.0
10a	FLEX RATE REFUND (if applicable)			\$ -	\$ -	\$ -	0.0	\$ -	\$ -	\$ -	0.0
11	TOTAL ACTUAL/ESTIMATED TRUE-UP: over/(under)		Add Lines 7 + 8 + 9 + 10 + 10a	\$ 349,218	\$ 747,640	\$ 398,422	53.3	\$ 349,218	\$ 747,640	\$ 398,422	53.3
				MEMO: Unbilled Over-recovery	1,198,451.00						
				Over/(under)-recovery Book Balance	1,547,669.00						
INTEREST PROVISION											
12	BEGINNING TRUE-UP AND INTEREST		Line 9	\$ 1,634,563	\$ 759,182	\$ (875,401)	(115.6)				
13	ENDING TRUE-UP BEFORE INTEREST		Add Lines 12 + 7 + 5	\$ 349,010	\$ 747,482	\$ 398,472	53.3				
14	TOTAL (12+13)		Add Lines 12 + 13	\$ 1,983,573	\$ 1,505,664	\$ (477,909)	(31.7)				
15	AVERAGE		90% of Line 14	\$ 991,797	\$ 752,832	\$ (238,965)	(31.7)				
16	INTEREST RATE - FIRST DAY OF MONTH			0.00250	0.00250	-	0.0				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH			0.00250	0.00250	-	0.0				
18	TOTAL		Add Lines 16 + 17	0.00500	0.00500	-	0.0				
19	AVERAGE		50% of Line 18	0.00250	0.00250	-	0.0				
20	MONTHLY AVERAGE		Line 19 / 12 mos.	0.00021	0.00021	-	0.0				
21	INTEREST PROVISION		Line 15 x Line 20	\$ 208.28	\$ 158.09	\$ (50.19)	(31.8)				