

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
Energy Conservation Cost Recovery

Twelve Months Ended December 31, 2012

Docket No. 130002-EG
Audit Control No. 13-004-4-4

July 17, 2013

A handwritten signature in blue ink, appearing to read "Kathy Welch".

Kathy Welch
Audit Manager

A handwritten signature in blue ink, appearing to read "Bety Maitre".

Bety Maitre
Audit Staff

A handwritten signature in blue ink, appearing to read "Yen Ngo".

Yen Ngo
Audit Staff

A handwritten signature in blue ink, appearing to read "Iliana H. Piedra".

Iliana H. Piedra
Reviewer

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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 Economics in its audit service request dated January 3, 2013. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Public Utilities Company in support of its 2012 filing for the Energy Conservation Cost Recovery Clause in Docket No. 130002-EG.

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

Definition

Utility refers to the Florida Public Utilities Company.

ECCR refers to the Energy Conservation Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2012, through December 31, 2012, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECCR.

Procedures: We reconciled the 2012 filing to the Utility's general ledger by month. We compared KWH usage times the correct tariff rate to the revenue recorded in the ledger. We selected a random sample of residential and commercial customers' bills for the months of February and August 2012 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Objectives: The objectives were to determine whether operation and maintenance (O&M) expense listed on Schedule CT-3 of the Utility's filing was supported by adequate documentation and that the expenses were appropriately recoverable through the ECCR Clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of expenses for testing. The source documentation for selected items was reviewed to ensure the expense was charged to the correct accounts and appropriately recoverable through the ECCR Clause. Incentives were reconciled to Commission approved rates. Advertisements were tested for compliance with Rule 25-17.015(5), F.A.C. No exceptions were noted.

True-up

Objective: The objective was to determine whether the True-Up and Interest Provision, as filed on Schedule CT-3, was properly calculated.

Procedures: We traced the December 31, 2011, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2012, using the Commission approved beginning balance as of December 31, 2011, the Financial Commercial Paper rates, and the 2012 ECCR revenues and costs. Finding 1 discusses the True-Up.

Audit Findings

Finding 1: True-Up

Audit Analysis: Commission Order No. PSC-12-0611-FOF-EG, issued November 15, 2012 states that the final true-up amount for 2011 was \$236,897. The Utility filed a revised 2011 filing on July 13, 2012 which also calculated a final true-up amount of \$236,897. However the utility did not use this amount as its beginning true-up amount in the 2012 filing, but used \$207,259.

Also in its 2012 filing, the Utility included \$659,235 of Conservation Expenses. This amount includes adjustments to the general ledger that had already been accounted for in the revised 2011 ending true-up amount, but booked to the General Ledger in 2012. Audit staff reversed these amounts out of the Conservation Expenses for 2012. The correct Conservation Expense recoverable in the 2012 filing is \$651,145.

The schedule following this finding shows the corrected true-up calculation.

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

Effect on the Filing: The over-recovery should be \$123,947 which is \$21,561 higher than the \$102,386 reported.

CALCULATION OF TRUE-UP	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
Total Conservation Revenues	\$ (60,387)	\$ (51,723)	\$ (52,728)	\$ (59,692)	\$ (62,153)	\$ (64,870)	\$ (74,117)	\$ (79,761)	\$ (77,943)	\$ (68,739)	\$ (57,998)	\$ (54,270)	\$ (764,381)
1/12 of (A) Prior True-Up	\$ 19,741	\$ 19,741	\$ 19,741	\$ 19,741	\$ 19,741	\$ 19,741	\$ 19,741	\$ 19,741	\$ 19,741	\$ 19,741	\$ 19,741	\$ 7,552	\$ 224,708
Total cons. revenue current period	\$ (40,646)	\$ (31,982)	\$ (32,987)	\$ (39,951)	\$ (42,412)	\$ (45,129)	\$ (54,376)	\$ (60,020)	\$ (58,202)	\$ (48,998)	\$ (38,257)	\$ (46,718)	\$ (539,673)
Conservation Cost	\$ 64,971	\$ 46,828	\$ 86,543	\$ 76,081	\$ 68,744	\$ 63,450	\$ 58,702	\$ 53,013	\$ 53,257	\$ 69,185	\$ 51,256	\$ (40,885)	\$ 651,145
True-up this period	\$ 24,325	\$ 14,846	\$ 53,556	\$ 36,130	\$ 26,332	\$ 18,321	\$ 4,327	\$ (7,006)	\$ (4,945)	\$ 20,187	\$ 12,999	\$ (87,603)	\$ 111,472
Interest provision	\$ 15	\$ 23	\$ 21	\$ 24	\$ 30	\$ 28	\$ 30	\$ 32	\$ 21	\$ 20	\$ 28	\$ 15	\$ 286
Adj. to interest prov.(a)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred true-up beginning (9a)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
True-up & interest beginning(A)	\$ 236,897	\$ 241,496	\$ 236,624	\$ 270,460	\$ 286,873	\$ 293,495	\$ 292,103	\$ 276,717	\$ 250,002	\$ 225,336	\$ 225,802	\$ 219,087	\$ 236,897
Regulatory asses. fee adj (9b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prior true-up collected ref. (10) (A)	\$ (19,741)	\$ (19,741)	\$ (19,741)	\$ (19,741)	\$ (19,741)	\$ (19,741)	\$ (19,741)	\$ (19,741)	\$ (19,741)	\$ (19,741)	\$ (19,741)	\$ (7,552)	\$ (224,708)
Total net true-up over-recovery	\$ 241,496	\$ 236,624	\$ 270,460	\$ 286,873	\$ 293,495	\$ 292,103	\$ 276,717	\$ 250,002	\$ 225,336	\$ 225,802	\$ 219,087	\$ 123,947	\$ 123,947
True-up for the month per filing	\$ 211,856	\$ 206,970	\$ 240,816	\$ 257,230	\$ 263,847	\$ 264,883	\$ 249,497	\$ 228,440	\$ 203,777	\$ 204,246	\$ 197,527	\$ 102,386	\$ 102,386
Difference -Over-recovery is understated	\$ 29,640	\$ 29,654	\$ 29,644	\$ 29,643	\$ 29,648	\$ 27,220	\$ 27,220	\$ 21,562	\$ 21,559	\$ 21,556	\$ 21,560	\$ 21,561	\$ 21,561

Exhibit

Exhibit 1: True Up

COMPANY: FLORIDA PUBLIC UTILITIES - CONSOLIDATED ELECTRIC

SCHEDULE CT-3
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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY PROGRAM BY MONTH

FOR MONTHS		January-12	THROUGH	December-12										
A. CONSERVATION EXPENSE BY PROGRAM		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.	Common	31,859	54,949	57,825	64,647	83,258	20,258	29,700	30,077	31,810	32,437	18,207	(81,674)	332,257
2.	Residential Energy Survey	27,493	(9,760)	8,120	16,431	6,123	13,775	11,359	12,003	8,659	16,548	10,388	20,345	140,482
3.	Loan Program (discontinued but remains open)	(10)	0	0	0	0	0	0	0	0	0	0	0	(10)
4.	Commercial Energy Survey	0	500	701	488	271	975	516	767	1,838	1,039	1,394	4,006	13,093
5.	Low Income Education	0	0	0	0	0	0	0	0	0	0	0	0	0
6.	Commercial Heating & Cooling Upgrade	0	0	0	0	0	183	278	534	45	0	250	2,827	4,217
7.	Residential Heating & Cooling Upgrade	241	1,239	1,441	3,545	5,092	7,140	11,011	6,759	8,525	8,568	9,485	13,264	76,330
8.	Commercial Indoor Efficient Lighting Rebate	5,388	0	0	770	0	1,678	153	850	1,184	1,851	943	480	13,607
9.	Commercial Window Film Installation Program	0	0	0	0	0	183	153	181	45	2,849	0	1,718	5,129
10.	Commercial Chiller Upgrade Program	0	0	2,403	0	0	183	153	158	45	0	0	460	3,422
11.	Solar Water Heating Program	0	0	0	200	0	424	188	649	149	1,878	385	460	4,352
12.	Solar Photovoltaic Program	0	0	9,803	0	5,002	5,527	5,187	449	149	1,879	10,190	819	39,011
13.	Electric Conservation Demonstration and Development	0	0	6,250	0	0	6,250	0	6,250	0	345	0	6,250	25,346
14.	Affordable Housing Builders and Providers	0	0	0	0	0	0	0	0	0	0	0	0	0
15.														0
16.														0
17.														0
18.														0
19.														0
20.														0
21.														0
22.														0
21.	TOTAL ALL PROGRAMS	64,971	48,828	66,543	76,081	68,744	65,678	58,702	58,877	53,267	69,185	51,256	(40,685)	659,235
22.	LESS AMOUNT INCLUDED IN RATE BASE													
23.	RECOVERABLE CONSERVATION EXPENSES	64,971	48,828	66,543	76,081	68,744	65,678	58,702	58,877	53,267	69,185	51,256	(40,685)	659,235

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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-12 THROUGH December-12

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
8. CONSERVATION REVENUES													
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(60,387)	(51,723)	(52,728)	(59,892)	(62,153)	(64,870)	(74,117)	(79,781)	(77,943)	(88,738)	(57,998)	(54,270)	(764,381)
3. TOTAL REVENUES	(60,387)	(51,723)	(52,728)	(59,892)	(62,153)	(64,870)	(74,117)	(79,781)	(77,943)	(88,739)	(57,998)	(54,270)	(764,381)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	17,272	17,272	17,272	17,272	17,272	17,272	17,272	17,272	17,272	17,272	17,272	17,287	207,259
5. CONSERVATION REVENUE APPLICABLE	(43,115)	(34,451)	(35,456)	(42,420)	(44,881)	(47,598)	(56,845)	(62,489)	(60,671)	(51,467)	(40,726)	(37,003)	(557,122)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	64,871	48,828	88,543	78,081	68,744	65,876	98,702	58,677	53,257	69,185	51,256	(40,885)	659,235
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	21,856	12,377	51,087	33,661	23,863	18,276	1,857	(3,812)	(7,414)	17,718	10,530	(77,888)	102,113
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	13	18	22	25	28	30	29	27	23	23	23	14	273
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	207,259	211,856	208,979	240,818	257,230	263,847	284,883	248,497	228,440	203,777	204,248	197,527	207,259
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(17,272)	(17,272)	(17,272)	(17,272)	(17,272)	(17,272)	(17,272)	(17,272)	(17,272)	(17,272)	(17,272)	(17,287)	(207,259)
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	211,856	208,979	240,818	257,230	263,847	284,883	249,497	228,440	203,777	204,248	197,527	102,388	102,388

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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-12 THROUGH December-12

C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-8)	207,259	211,658	206,678	240,816	257,230	263,847	284,683	249,497	228,440	203,777	204,246	187,527	207,259
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B8+B8A+B10)	211,843	208,981	240,794	257,205	263,821	284,853	246,468	228,413	203,754	204,223	197,504	102,372	102,113
3. TOTAL BEG. AND ENDING TRUE-UP	419,102	418,817	447,773	498,021	521,051	528,700	514,351	477,910	432,194	408,000	401,750	289,899	309,372
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	209,551	209,409	223,887	249,011	260,526	264,350	257,176	238,955	216,097	204,000	200,875	149,850	154,686
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.07%	0.08%	0.13%	0.11%	0.13%	0.12%	0.15%	0.14%	0.13%	0.12%	0.15%	0.13%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.08%	0.13%	0.11%	0.13%	0.12%	0.15%	0.14%	0.13%	0.12%	0.15%	0.13%	0.10%	
7. TOTAL (LINE C-5 + C-6)	0.15%	0.21%	0.24%	0.24%	0.25%	0.27%	0.29%	0.27%	0.25%	0.27%	0.26%	0.23%	
8. AVG. INTEREST RATE (C-7 X 50%)	0.08%	0.11%	0.12%	0.12%	0.13%	0.14%	0.15%	0.14%	0.13%	0.14%	0.14%	0.12%	
9. MONTHLY AVERAGE INTEREST RATE	0.006%	0.006%	0.010%	0.010%	0.010%	0.011%	0.012%	0.011%	0.010%	0.011%	0.012%	0.010%	
10. INTEREST PROVISION (LINE C-4 X C-8)	13	18	22	25	26	30	29	27	23	23	23	14	273

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