

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
Gas Conservation Cost Recovery

Twelve Months Ended December 31, 2013

Docket No. 140004-GU
Audit Control No. 14-017-4-5
May 21, 2014

A handwritten signature in black ink, appearing to read "Debra M. Dobiac".

Debra Dobiac
Audit Manager

A handwritten signature in blue ink, appearing to read "Jeffery A. Small".

Jeffery A. Small
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 14, 2014. 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 2013 filing for the Gas Conservation Cost Recovery Clause in Docket No. 140004-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

Definition

Utility refers to the Florida Public Utilities Company.
GCCR refers to the Gas Conservation Cost Recovery.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2013, through December 31, 2013, and whether the Utility applied the Commission approved gas conservation cost recovery factor to actual therm sales.

Procedures: We computed revenues using the factors in Order No. PSC-12-0612-FOF-GU, issued November 15, 2012 and actual therm sales from the Gross Margin Report, and reconciled them to the general ledger and the GCCR filing. We selected a sample of residential and commercial customers' bills for the period and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on Schedule CT-3 of the Utility's GCCR filing was supported by adequate documentation and that the expenses were appropriately recoverable through the GCCR clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, charged to the correct account, and appropriately recoverable through the GCCR clause. We traced cash incentive payments to allowances approved in Order No. PSC-10-551-PAA-EG, issued September 2, 2010. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. 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, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Non-Financial Commercial Paper rates, and the 2013 GCCR filing revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's GCCR revenues and expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2013 to 2012 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

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-13 THROUGH December-13

A. CONSERVATION EXPENSE BY PROGRAM		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.	Full House Residential New Construction	64,780	32,579	58,655	46,252	48,770	23,408	70,252	17,041	18,532	126,793	22,636	27,637	579,141
2.	Residential Appliance Replacement	63,320	68,107	53,800	47,530	65,589	54,149	86,674	48,424	50,887	69,232	35,365	53,953	711,091
3.	Conservation Education	8,529	20,400	12,011	11,484	21,118	12,415	3,048	4,357	9,918	14,040	6,007	6,819	129,752
4.	Space Conditioning							585	60	198		296		1,080
5.	Residential Conservation Survey	6,474	5,096	1,577	6,469	5,315	6,440	4,558	3,605	2,938	4,818	3,372	4,940	57,674
6.	Residential Appliance Retention	48,050	58,867	59,593	50,030	83,723	39,603	53,302	40,471	38,089	66,166	22,327	57,548	618,314
7.	Dealer / Contractor (Inactive)													
10.	Commercial Conservation Survey	637	2,048	484	753	1,336	970	506	975	464	1,592	582	731	11,056
12.														
13.	Residential Service Reactivation Program	74	700	700		702	4,025	2,211	350	2,970	3,591	350	3,241	16,916
14.	Common	68,977	65,214	65,567	67,320	76,034	55,357	73,125	56,716	52,462	85,377	67,511	60,543	734,263
15.	Conservation Demonstration and Development		531	531	531	1,003	1,000	1,976	1,503	4,063	1,266	1,003	1,003	13,812
21. TOTAL ALL PROGRAMS		370,886	253,603	254,897	231,002	324,591	197,269	296,277	173,604	180,121	372,865	163,390	216,415	2,035,140
22. LESS AMOUNT INCLUDED IN RATE BASE														
23. RECOVERABLE CONSERVATION EXPENSES		370,886	253,603	254,897	231,002	324,591	197,269	296,277	173,604	180,121	372,865	163,390	216,415	2,035,140

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY

SCHEDULE CT-3
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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-13 THROUGH December-13

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B. CONSERVATION REVENUES													
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(282,349)	(273,804)	(279,210)	(258,732)	(214,154)	(190,265)	(168,417)	(169,358)	(168,803)	(183,355)	(228,127)	(258,322)	(2,648,896)
3. TOTAL REVENUES	(282,349)	(273,804)	(279,210)	(258,732)	(214,154)	(190,265)	(168,417)	(169,358)	(168,803)	(183,355)	(228,127)	(258,322)	(2,648,896)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(24,415)	(24,412)	(24,412)	(24,412)	(24,412)	(24,412)	(24,412)	(24,412)	(24,412)	(24,412)	(24,412)	(24,412)	(292,947)
5. CONSERVATION REVENUE APPLICABLE	(306,764)	(298,216)	(303,722)	(283,144)	(238,566)	(214,777)	(190,829)	(192,770)	(192,615)	(207,767)	(252,539)	(280,734)	(2,942,843)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	270,886	253,603	254,897	231,002	324,591	197,269	290,277	173,804	160,121	372,665	183,350	218,415	2,935,140
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(35,878)	(44,613)	(48,825)	(52,142)	86,025	(17,508)	105,448	(18,966)	(12,895)	165,118	(60,149)	(64,319)	(7,702)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 19)	(31)	(38)	(32)	(27)	(19)	(14)	(11)	(5)	(4)	(1)	2		(180)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(282,947)	(304,441)	(324,890)	(348,124)	(376,881)	(266,463)	(259,573)	(129,724)	(124,283)	(112,770)	76,759	32,024	(292,947)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	24,415	24,412	24,412	24,412	24,412	24,412	24,412	24,412	24,412	24,412	24,412	24,412	292,947
11. TOTAL NET TRUE-UP (LINES 7+8-9+9A+10)	(354,441)	(324,650)	(349,124)	(376,881)	(270,463)	(259,573)	(129,724)	(124,283)	(112,770)	76,759	32,024	(7,883)	(7,883)

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY

SCHEDULE CT-3
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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-13 THROUGH December-13

C.	INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.	BEGINNING TRUE-UP (LINE B-9)	(292,947)	(304,441)	(324,680)	(349,124)	(378,881)	(266,463)	(259,573)	(129,724)	(124,283)	(112,770)	76,759	32,034	(292,947)
2.	ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B5A+B10)	(304,410)	(324,642)	(349,092)	(376,850)	(266,444)	(259,559)	(129,713)	(124,276)	(112,766)	76,760	32,022	(7,883)	(7,700)
3.	TOTAL BEG AND ENDING TRUE-UP	(597,356)	(629,082)	(673,772)	(725,979)	(643,326)	(526,022)	(389,286)	(254,022)	(237,049)	(34,010)	108,781	24,141	(300,649)
4.	AVERAGE TRUE-UP (LINE C-3 X 50%)	(298,678)	(314,541)	(336,886)	(362,989)	(321,663)	(263,011)	(194,643)	(127,011)	(118,525)	(18,005)	54,390	12,070	(150,325)
5.	INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.10%	0.15%	0.14%	0.09%	0.09%	0.05%	0.08%	0.05%	0.05%	0.03%	0.06%	0.05%	
6.	INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.15%	0.14%	0.09%	0.09%	0.05%	0.08%	0.05%	0.05%	0.03%	0.06%	0.05%	0.03%	
7.	TOTAL (LINE C-5 - C-6)	0.25%	0.29%	0.23%	0.18%	0.14%	0.13%	0.13%	0.10%	0.08%	0.09%	0.11%	0.08%	
8.	AVG INTEREST RATE (C-7 X 50%)	0.13%	0.15%	0.12%	0.09%	0.07%	0.07%	0.07%	0.05%	0.04%	0.05%	0.06%	0.04%	
9.	MONTHLY AVERAGE INTEREST RATE	0.010%	0.012%	0.010%	0.008%	0.006%	0.005%	0.005%	0.004%	0.003%	0.004%	0.005%	0.003%	
10.	INTEREST PROVISION (LINE C-4 X C-9)	(31)	(38)	(32)	(27)	(19)	(14)	(11)	(5)	(4)	(1)	2		(180)