

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 2, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150002-EG
Company Name: Florida Public Utilities Company
Company Code: EI803
Audit Purpose: Energy Conservation Cost Recovery Clause
Audit Control No: 15-013-4-2

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 is no confidential work papers associated with this audit.

LMD/cp

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

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 Clause

Twelve Months Ended December 31, 2014

Docket No. 150002-EG
Audit Control No. 15-013-4-2

June 1, 2015

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

Yen Ngo
Audit Staff

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

Jeffery A. Small
Audit Manager

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 13, 2015. We have applied these procedures to the attached summary exhibit and to several supporting schedules prepared by Florida Public Utilities Company in support of its 2014 filing for the Energy Conservation Cost Recovery Clause in Docket No. 150002-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

Definitions

FPUC/Utility refers to Florida Public Utilities Company.

ECCR refers to Energy Conservation Cost Recovery.

Revenue

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2014, through December 31, 2014, and whether the Utility applied the Commission approved energy conservation cost recovery factor to actual KWH sales.

Procedures: We computed revenues using the factors in Order No. PSC-13-0614-FOF-EG, issued November 20, 2013 and actual KWH usage and reconciled them to the general ledger and the ECCR 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

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expenses listed on the Schedule CT-3 of the Utility's ECCR was supported by adequate documentation and that the expenses are appropriately recoverable through the ECCR 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 correct account and appropriately recoverable through the ECCR clause. We traced conservation program rebates to allowances approved in Order No. PSC-10-678-PAA-EG, issued November 12, 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

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

Procedures: We traced the December 31, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Non-Financial Commercial Paper rates, and the 2014 ECCR revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

COMPANY: FLORIDA PUBLIC UTILITIES - CONSOLIDATED ELECTRIC

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-14 THROUGH December-14

A. CONSERVATION EXPENSE BY PROGRAM		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1.	Common	28,645	28,755	50,796	27,506	30,354	28,799	45,629	32,595	28,928	31,739	21,463	24,987	380,195
2	Residential Energy Survey	16,186	19,072	18,765	16,565	12,488	11,394	6,529	11,066	7,754	12,195	9,574	5,694	147,281
3	Loan Program (discontinued but remains open)													0
4.	Commercial Energy Survey	4,040	2,062	12,760	7,687	5,716	6,171	1,415	2,201	2,318	2,908	2,339	1,621	51,218
5.	Low Income Education													0
6.	Commercial Heating & Cooling Upgrade	-	694	812	-	300	505	1,066	459	469	656	983	1,369	7,314
7.	Residential Heating & Cooling Upgrade	7,881	10,974	(2,474)	2,335	6,147	3,946	19,005	12,032	10,068	14,116	11,223	11,406	106,639
8.	Commercial Indoor Efficient Lighting Rebate	-	-	57	-	1,659	1,987	16,451	459	1	792	819	1,324	23,549
9.	Commercial Window Film Installation Program	-	-	57	-	300	459	435	459	443	619	483	1,034	4,299
10.	Commercial Chiller Upgrade Program	-	-	-	414	1,251	469	435	459	443	656	483	1,034	5,655
11.	Solar Water Heating Program	-	-	-	-	-	-	-	-	795	152	500	-	1,448
12.	Solar Photovoltaic Program	-	-	40,013	-	-	-	-	-	-	5,002	-	-	45,015
13.	Electric Conservation Demonstration and Development	-	-	-	-	-	-	-	-	-	-	-	-	0
14.	Affordable Housing Builders and Providers	-	-	-	-	-	-	-	-	-	-	-	-	0
15.														0
16.														0
17.														0
18.														0
19.														0
20.														0
21.														0
22.														0
21.	TOTAL ALL PROGRAMS	56,732	61,557	120,785	54,487	58,226	53,740	90,965	59,729	51,221	68,835	47,867	48,469	772,612
22.	LESS AMOUNT INCLUDED IN RATE BASE													
23.	RECOVERABLE CONSERVATION EXPENSES	56,732	61,557	120,785	54,487	58,226	53,740	90,965	59,729	51,221	68,835	47,867	48,469	772,612

Exhibit 1: True-Up, continued

COMPANY: FLORIDA PUBLIC UTILITIES - CONSOLIDATED ELECTRIC

SCHEDULE CT-3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

PAGE 2 OF 3

FOR MONTHS January-14 THROUGH December-14

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B. CONSERVATION REVENUES													
1 RESIDENTIAL CONSERVATION	(57,222)	(59,128)	(49,396)	(41,942)	(49,105)	(55,730)	(65,950)	(62,479)	(62,309)	(49,409)	(45,300)	(49,478)	(647,448)
2 CONSERVATION ADJ. REVENUES													0
3 TOTAL REVENUES	(57,222)	(59,128)	(49,396)	(41,942)	(49,105)	(55,730)	(65,950)	(62,479)	(62,309)	(49,409)	(45,300)	(49,478)	(647,448)
4 PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(3,740)	(3,740)	(3,740)	(3,740)	(3,740)	(3,740)	(3,740)	(3,740)	(3,740)	(3,740)	(3,740)	(3,741)	(44,881)
5 CONSERVATION REVENUE APPLICABLE	(60,962)	(62,868)	(53,136)	(45,682)	(52,845)	(59,470)	(69,690)	(66,219)	(66,049)	(53,149)	(49,040)	(53,219)	(692,329)
6 CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	56,732	61,557	120,785	54,487	58,226	53,740	90,965	59,729	51,221	68,835	47,867	48,469	772,612
7 TRUE-UP THIS PERIOD (LINE 5 - 6)	(4,229)	(1,311)	67,649	8,804	5,381	(5,731)	21,276	(6,490)	(14,828)	15,686	(1,173)	(4,750)	80,283
8 INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(2)	(2)	0	2	2	2	3	4	3	3	4	5	24
9 TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(44,881)	(45,372)	(42,945)	28,444	40,991	50,113	48,124	73,143	70,397	59,312	78,740	81,312	(44,881)
9A DEFERRED TRUE-UP BEGINNING OF PERIOD													
10 PRIOR TRUE-UP COLLECTED (REFUNDED)	3,740	3,740	3,740	3,740	3,740	3,740	3,740	3,740	3,740	3,740	3,740	3,741	44,881
11 TOTAL NET TRUE-UP (LINES 7+8+9-9A+10)	(45,372)	(42,945)	28,444	40,991	50,113	48,124	73,143	70,397	59,312	78,740	81,312	80,307	80,307

Exhibit 1: True-Up, continued

COMPANY: FLORIDA PUBLIC UTILITIES - CONSOLIDATED ELECTRIC

SCHEDULE CT-3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

PAGE 3 OF 3

FOR MONTHS January-14 THROUGH December-14

C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE B-9)	(44,881)	(45,372)	(42,945)	28,444	40,991	50,113	48,124	73,143	70,397	59,312	78,740	81,312	(44,881)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7-B9+B9A+B10)	(45,370)	(42,943)	28,444	40,989	50,111	48,122	73,140	70,393	59,309	78,737	81,308	80,302	80,283
3. TOTAL BEG. AND ENDING TRUE-UP	(90,251)	(88,315)	(14,501)	69,433	91,102	98,235	121,285	143,537	129,706	138,049	160,048	161,614	35,402
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(45,126)	(44,158)	(7,250)	34,716	45,551	49,118	60,632	71,768	64,853	69,025	80,024	80,807	17,701
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.03%	0.05%	0.05%	0.06%	0.05%	0.05%	0.06%	0.07%	0.06%	0.04%	0.06%	0.07%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.05%	0.05%	0.06%	0.05%	0.05%	0.06%	0.07%	0.06%	0.04%	0.06%	0.07%	0.08%	
7. TOTAL (LINE C-5 + C-6)	0.08%	0.10%	0.11%	0.11%	0.10%	0.11%	0.13%	0.13%	0.10%	0.10%	0.13%	0.15%	
8. AVG INTEREST RATE (C-7 X 50%)	0.04%	0.05%	0.06%	0.06%	0.05%	0.06%	0.07%	0.07%	0.05%	0.05%	0.07%	0.08%	
9. MONTHLY AVERAGE INTEREST RATE	0.003%	0.004%	0.005%	0.005%	0.004%	0.005%	0.005%	0.005%	0.004%	0.004%	0.005%	0.006%	
10. INTEREST PROVISION (LINE C-4 X C-9)	(2)	(2)	0	2	2	2	3	4	3	3	4	5	24