

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 5, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150004-GU
Company Name: Indiantown Gas Company
Company Code: GU606
Audit Purpose: Natural Gas Conservation Cost Recovery Clause
Audit Control No: 15-012-1-4

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
Tallahassee District Office

Auditor's Report

Florida Public Utilities Company - Indiantown Gas Company
Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2014

Docket No. 150004-GU
Audit Control No. 15-012-1-4

May 22, 2015

A handwritten signature in black ink that reads "Donna D. Brown".

Donna D. Brown
Audit Manager

A handwritten signature in blue ink that reads "Lynn M. Deamer".

Lynn M. Deamer
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 12, 2015. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Public Utilities Company - Indiantown Gas Company in support of its 2014 filing for the Gas Conservation Cost Recovery Clause in Docket No. 150004-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 - Indiantown Gas Company.
GCCR refers to the Gas Conservation Cost Recovery Clause.

Revenue

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2014, through December 31, 2014, 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-13-0613-FOF-GU, issued November 20, 2013 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

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

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. We traced the cash incentives from the general ledger to supporting documentation and verified that the incentive amounts did not exceed the approved amount reflected in the applicable Orders. 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 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 GCCR 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 2014 to 2013 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

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-14	THROUGH	December-14										
A. CONSERVATION EXPENSE BY PROGRAM		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
	Full House Residential New Construction	49,213	35,161	33,484	19,709	43,827	19,494	78,035	39,748	54,047	59,788	8,823	31,012	470,337
	Residential Appliance Replacement	50,794	69,255	56,108	79,500	53,978	72,990	61,238	50,721	67,688	46,487	37,567	54,560	700,862
	Conservation Education	4,670	7,006	10,076	6,545	5,537	2,664	12,116	(1,815)	7,000	3,337	2,706	6,985	66,826
	Space Conditioning													
	Residential Conservation Survey	2,207	7,902	3,885	3,120	3,595	3,390	2,506	17,035	3,541	3,725	3,293	3,237	57,234
6	Residential Appliance Retention	49,709	82,503	49,966	82,132	52,795	66,235	70,262	50,020	59,535	59,221	46,718	51,942	701,038
7	Commercial Conservation Survey	774	2,538	723		257	1,190	933	1,572				1,000	8,987
12	Residential Service Reactivation Program	350	700		1,400	350	1,050	1,400	2,100	409	785	757	25	9,325
14	Common	64,784	63,617	81,438	70,994	68,103	68,363	98,200	59,380	76,760	78,020	65,741	57,117	852,497
15	Conservation Demonstration and Development							2,500	59,380	2,500	2,500	2,284	2,500	12,284
16	Commercial Small Food Service Program	261	262	239	16,650	62,426	135,627	152,615	33,322	31,064	76,135	55,436	125,287	689,325
17	Commercial Large Non-Food Service Program	261	262	239	480	466	4,939	7,747	2,772	1,906	6,374	1,058	3,685	30,189
18	Commercial Large Food Service Program	261	262	239	480	466	1,549	41,326	11,385	24,438	10,691	20,956	48,310	160,363
19	Commercial Large Hospitality Program	261	262	239	480	7,557	1,538	35,888	2,772	3,488	2,526	1,115	1,890	57,814
20	Commercial Large Cleaning Service Program	261	262	239	1,830	7,651	1,585	6,172	3,376	1,900	1,024	1,115	1,890	27,305
21.	TOTAL ALL PROGRAMS	223,785	269,993	236,675	283,319	307,006	380,614	568,738	272,385	334,271	350,592	247,569	389,439	3,844,386
22.	LESS AMOUNT INCLUDED IN RATE BASE													
23.	RECOVERABLE CONSERVATION EXPENSES	223,785	269,993	236,675	283,319	307,006	380,614	568,738	272,385	334,271	350,592	247,569	389,439	3,844,386

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY
 CALCULATION OF TRUE-UP AND INTEREST PROVISION
 FOR MONTHS January-14 THROUGH December 14

SCHEDULE CT-3
 PAGEZ OF 3

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B. CONSERVATION REVENUES													
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(368,941)	(353,148)	(318,642)	(288,701)	(238,675)	(216,189)	(217,271)	(192,089)	(180,280)	(214,127)	(281,942)	(338,174)	(3,188,174)
3. TOTAL REVENUES	(368,941)	(353,148)	(318,642)	(288,701)	(238,675)	(216,189)	(217,271)	(192,089)	(180,280)	(214,127)	(281,942)	(338,174)	(3,188,174)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(658)	(657)	(657)	(651)	(651)	(651)	(657)	(657)	(657)	(657)	(657)	(657)	(7,883)
5. CONSERVATION REVENUE APPLICABLE	(369,597)	(353,805)	(319,299)	(289,358)	(239,332)	(216,843)	(217,928)	(192,746)	(180,937)	(214,784)	(282,599)	(338,831)	(3,196,057)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	223,795	269,993	226,675	263,319	307,006	380,614	568,738	272,385	334,271	350,592	247,569	389,439	3,844,388
7. TRUE-UP THIS PERIOD (LINE 5-6)	(145,812)	(83,811)	(92,624)	(26,038)	67,675	163,771	350,810	79,639	153,334	135,808	(15,030)	50,608	648,329
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(3)	(0)	(13)	(15)	(13)	(0)		15	17	23	33	39	70
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(7,883)	(153,042)	(238,205)	(318,185)	(343,581)	(275,282)	(110,843)	240,828	320,939	474,947	611,435	597,095	(7,883)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	656	657	657	657	657	657	657	657	657	657	657	657	7,883
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(153,042)	(238,205)	(318,185)	(343,581)	(275,282)	(110,843)	240,828	320,839	474,947	611,435	597,095	648,399	648,399

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY
 CALCULATION OF TRUE-UP AND INTEREST PROVISION
 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)	(7,883)	(153,042)	(236,205)	(318,185)	(343,581)	(275,282)	(110,843)	240,828	320,939	474,947	611,435	597,095	(7,883)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	(153,039)	(236,197)	(318,172)	(343,568)	(275,249)	(110,834)	240,824	320,924	474,930	611,412	597,062	648,360	648,329
3. TOTAL BEG. AND ENDING TRUE-UP	(160,922)	(389,239)	(554,378)	(661,750)	(618,830)	(386,097)	129,780	561,551	795,869	1,086,359	1,208,497	1,245,455	640,446
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(80,461)	(194,619)	(277,188)	(330,875)	(309,415)	(193,048)	64,890	280,776	397,934	543,179	604,248	622,727	320,223
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)								15	17	23	33	39	70