

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: July 10, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150003-GU
Company Name: Florida Public Utilities Company
Company Code: GU603
Audit Purpose: Purchased Gas Cost Recovery Clause
Audit Control No: 15-014-1-3

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
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2014

Docket No. 150003-GU
Audit Control No. 15-014-1-3

July 9, 2015

A handwritten signature in blue ink, appearing to read "Donna D. Brown".

Donna D. Brown
Audit Manager

A handwritten signature in blue ink, appearing to read "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 6, 2015. 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 2014 filing for the Purchased Gas Cost Recovery Clause in Docket No. 150003-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.
PGA refers to the Purchased Gas Cost Recovery Clause.

Revenue

Operating Revenues

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 cost recovery factor to actual therm sales.

Procedures: We traced revenues reported on the 2014 filing to the Utility's general ledger and the monthly revenue reports. We selected a random sample of customers' bills and recalculated each to verify the use of the correct tariff rate, which were tested in FPUC GCCR Clause, Docket 150004-GU, Audit Control No.: 15-012-1-2. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expenses listed on the Schedule A-2 of the Utility's filing were supported by sufficient documentation and that the expenses are appropriately recoverable through the PGA.

Procedures: We traced expenses reported from the filing to the general ledger. We traced a random sample of O&M Expenses to source documentation to ensure the expenses were supported by sufficient documentation and that the expenses were appropriately recoverable through the PGA. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule A-2 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 PGA revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's PGA 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			CALCULATION OF TRUE-UP AND INTEREST PROVISION						SCHEDULE A-2	
FOR THE PERIOD OF: JANUARY 2014 THROUGH DECEMBER 2014										
			CURRENT MONTH: DECEMBER			YEAR-TO-DATE				
			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	1,526,153	\$ 2,337,334	\$ 811,181	34.7	17,151,839	\$ 24,312,600	\$ 7,160,761	29.5
2	TRANSPORTATION COST	Sch A-1 Lines 1, 2, 3, 5, 6	707,293	\$ 1,145,665	\$ 438,392	38.3	6,235,353	\$ 11,525,999	\$ 5,290,646	45.9
3	TOTAL COST		2,233,446	\$ 3,483,019	\$ 1,249,573	35.9	23,387,192	\$ 35,838,599	\$ 12,451,407	34.7
4	FUEL REVENUES (NET OF REVENUE TAX)		2,447,375	\$ 3,482,618	\$ 1,035,244	29.7	24,865,355	\$ 35,834,799	\$ 10,969,444	30.6
5	TRUE-UP - (COLLECTED) OR REFUNDED -		(5,784)	\$ (5,784)	\$ -	0.0	(69,405)	\$ (69,405)	\$ -	0.0
6	FUEL REVENUE APPLICABLE TO PERIOD	Add Lines 4 + 5	2,441,591	\$ 3,476,835	\$ 1,035,244	29.8	24,795,950	\$ 35,765,394	\$ 10,969,444	30.7
7	TRUE-UP - OVER/(UNDER) - THIS PERIOD	Line 6 - Line 3	208,144	\$ (6,184)	\$ (214,328)	3465.9	1,408,758	\$ (73,205)	\$ (1,481,963)	2024.4
8	INTEREST PROVISION -THIS PERIOD	Line 21	84	\$ 37	\$ (47)	(127.0)	354	\$ 342	\$ (12)	(3.5)
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST over/(under)		1,290,368	\$ 625,100	\$ (665,268)	(106.4)	25,863	\$ 628,195	\$ 602,332	95.9
10	TRUE-UP COLLECTED OR (REFUNDED)	Reverse of Line 5	5,784	\$ 5,784	\$ -	0.0	69,405	\$ 69,405	\$ -	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	1,504,380	\$ 624,737	\$ (879,643)	(140.8)	1,504,380	\$ 624,737	\$ (879,643)	(140.8)
MEMO: Unbilled Over-recovery			1,009,029							
Over/(under)-recovery Book Balance			2,513,400							
INTEREST PROVISION										
12	BEGINNING TRUE-UP AND INTEREST	Line 9	\$ 1,290,368	\$ 625,100	\$ (665,268)	(106.4)				
13	ENDING TRUE-UP BEFORE INTEREST	Add Lines 12 + 7 + 5	\$ 1,504,296	\$ 624,700	\$ (879,596)	(140.8)				
14	TOTAL (12+13)	Add Lines 12 + 13	\$ 2,794,664	\$ 1,249,800	\$ (1,544,864)	(123.6)				
15	AVERAGE	50% of Line 14	\$ 1,397,332	\$ 624,900	\$ (772,432)	(123.6)				
16	INTEREST RATE - FIRST DAY OF MONTH		0.00070	0.00070	-	0.0				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.00080	0.00080	-	0.0				
18	TOTAL	Add Lines 16 + 17	0.00150	0.00150	-	0.0				
19	AVERAGE	50% of Line 18	0.00075	0.00075	-	0.0				
20	MONTHLY AVERAGE	Line 19 / 12 mos	0.00006	0.00006	-	0.0				
21	INTEREST PROVISION	Line 15 x Line 20	\$ 84	\$ 37	\$ (47)	(127.0)				

Beginning of period True-up & Interest (Line 9) comes from the most recently filed E-4 if we do not flex down. If we flex down, the beginning of the period True-up & Interest (Line 9) comes from the prior periods end of period net true-up.
The prior period write-off will be the estimated over/under recovery estimated on Schedule E-4 regardless if we flex down.