

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-**

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**DATE:** June 8, 2016  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamen, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 160004-GU  
Company Name: Florida Public Utilities Company, Chesapeake Utilities Corp.,  
Florida Public Utilities Company – Ft. Meade, Florida Public Utilities Company –  
Indiantown  
Company Code: GU603, GU616, GU618, GU606  
Audit Purpose: Natural Gas Conservation Cost Recovery  
Audit Control No: 16-019-1-3, 16-019-1-1, 16-019-1-4, 16-019-1-5

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Attached is the final audit report for the Utilities stated above. I am sending the Utilities a copy of this memo and the audit report. If the Utilities desires to file a response to the audit report, it should be filed with the Office of Commission Clerk. There are no confidential work papers associated with this audit.

LMD/cm

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  
Gas Conservation Cost Recovery Clause

**Twelve Months Ended December 31, 2015**

Docket No. 160004-GU

Audit Control Nos. 16-019-1-1; 16-019-1-3; 16-019-1-4; 16-019-1-5

**May 18, 2016**

Handwritten signature of Debra Dobiac in black ink.

Debra Dobiac  
Audit Manager

Handwritten signature of George Simmons in black ink.

George Simmons  
Audit Staff

Handwritten signature of Joan Hudson in black ink.

Joan Hudson  
Audit Staff

Handwritten signature of Marisa N. Glover in blue ink.

Marisa N. Glover  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Economics in its audit service request dated January 22, 2016. 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 2015 filing for the Gas Conservation Cost Recovery Clause in Docket No. 160004-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definition

Utility refers to the entity formed by consolidating the filings of Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade Division, and the Florida Division of Chesapeake Utilities Corporation.

GCCR refers to the Gas Conservation Cost Recovery.

#### Background

Prior to 2015, Florida Public Utilities Company (a wholly owned subsidiary of Chesapeake Utilities Corporation), Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade Division, and the Florida Division of Chesapeake Utilities Corporation filed separate testimony and exhibits in support of their proposed final and estimated true-up amounts and conservation cost recovery factors. On August 22, 2014, the Utilities filed a petition to consolidate the conservation programs of the Utilities' various divisions, which the Commission approved in Order No. PSC-14-0655-FOF-GU, issued November 6, 2014. In Docket No. 160004-GU, audit staff received four audit service requests from technical staff to audit the GCCR true-up for the period from January 2015 through December 2015. Audit staff noted that the Utility filed a consolidated exhibit attached to the testimony in March 2016 and the GCCR transactions were recorded only on FPUC's books. Therefore, audit staff consolidated the four audits into this one audit report.

### **Revenue**

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2015, through December 31, 2015, and whether the Utility applied the Commission approved gas cost recovery factors to actual therm sales.

**Procedures:** We computed revenues using the factors in Order No. PSC-14-0655-FOF-GU, issued November 6, 2014, and actual therm sales from the Gross Margin Report, and reconciled them to the general ledger and the GCCR filing. We selected a random sample of residential and commercial customers' bills 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 GCCR filing was supported by adequate documentation and that the expenses are 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-10-0551-PAA-EG, issued September 2, 2010 and in Order No. PSC-14-0039-PAA-EG, issued January 14, 2014. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administration 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, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the Commission approved beginning balance as of December 31, 2014, the Non-Financial Commercial Paper rates, and the 2015 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 2015 to 2014 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

SCHEDULE CT-3  
PAGE 1 OF 3

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY AND FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION CONSOLIDATED GAS COMPANIES  
ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
SUMMARY OF EXPENSES BY PROGRAM BY MONTH

FOR MONTHS January-15 THROUGH December-15

| A<br>CONSERVATION EXPENSE<br>BY PROGRAM      | FOR MONTHS |          |         |         |         |         |         |         |           |         |          |          | TOTAL     |
|--|------------|----------|---------|---------|---------|---------|---------|---------|-----------|---------|----------|----------|-----------|
|  | JANUARY    | FEBRUARY | MARCH   | APRIL   | MAY     | JUNE    | JULY    | AUGUST  | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER |           |
| 1 Full House Residential New Construction    | 19,605     | 72,825   | 146,669 | 107,342 | 32,666  | 100,871 | 56,231  | 48,050  | 219,530   | 117,452 | 59,896   | 98,841   | 1,041,279 |
| 2 Residential Appliance Replacement          | 42,824     | 69,686   | 78,232  | 88,500  | 28,351  | 70,294  | 59,530  | 75,268  | 109,695   | 78,133  | 33,184   | 65,591   | 808,836   |
| 3 Conservation Education                     | 11,891     | 6,854    | 10,237  | 6,471   | 13,026  | 12,852  | 9,500   | 5,881   | 8,308     | 13,481  | 6,540    | 11,714   | 114,810   |
| 4 Space Conditioning                         | 3,462      | 1,174    | 1,865   | 1,724   | 1,969   | 2,054   | 1,365   | 1,724   | 3,720     | 1,734   | 1,888    | 3,072    | 28,038    |
| 5 Residential Appliance Referral             | 41,140     | 52,319   | 62,666  | 107,857 | 50,028  | 63,242  | 88,117  | 68,314  | 78,058    | 111,122 | 51,823   | 24,828   | 826,790   |
| 6 Residential Service Reactivation           | 1,879      | 1,829    | 350     | 350     | 350     | 350     | 350     | 350     | 350       | 350     | 350      | 350      | 3,713     |
| 7 Common                                     | 182,047    | 183,688  | 182,164 | 182,058 | 96,752  | 86,271  | 119,719 | 67,843  | 88,124    | 68,208  | 80,847   | 108,204  | 1,127,193 |
| 8 Conservation Demonstration and Demand      | 2,404      | 3,976    | 1,263   | 16,412  | 5,500   | 2,550   | 3,042   | 2,500   | 25,115    | 1,709   | 1,000    | 5,000    | 78,420    |
| 9 Commercial Stand Food Program              | 113,977    | 194,778  | 320,331 | 121,668 | 91,563  | 108,785 | 178,365 | 70,221  | 28,118    | 93,677  | 154,652  | 199,731  | 1,850,949 |
| 10 Commercial Large Non-Food Service Program | 2,357      | 874      | 10,780  | 2,815   | 18,568  | 27,254  | 4,100   | 4,882   | 2,543     | 15,313  | 13,780   | 6,088    | 101,560   |
| 11 Commercial Large Food Service Program     | 6,402      | 7,655    | 48,214  | 23,244  | 18,340  | 34,578  | 26,783  | 13,080  | 129,232   | 18,730  | 1,072    | 49,354   | 371,510   |
| 12 Commercial Large Hospitality Program      | 11,076     | 674      | 4,567   | 5,115   | 8,965   | 6,417   | 7,045   | 3,518   | 4,365     | 145     | 145      | 4,373    | 71,358    |
| 13 Commercial Large Cleaning Service Program | 29,301     | (3,037)  | 4,220   | 14,115  | 723     | 4,414   | 140     | 1,578   | 383       | 56,998  | 140      | 20,373   | 123,124   |
| 4. TOTAL ALL PROGRAMS                        | 329,487    | 418,887  | 604,650 | 587,650 | 378,026 | 534,470 | 541,091 | 491,085 | 655,609   | 657,480 | 417,691  | 668,359  | 6,788,175 |
| 5. LESS AMOUNT INCLUDED<br>IN RATE BASE      |            |          |         |         |         |         |         |         |           |         |          |          |           |
| 7. RECOVERABLE<br>CONSERVATION EXPENSES      | 305,487    | 418,887  | 604,650 | 587,650 | 378,026 | 534,470 | 541,091 | 491,085 | 655,609   | 657,480 | 417,691  | 668,359  | 6,788,175 |

EXHIBIT NO. 100304-GU  
DOCKET NO. 100304-GU  
FLORIDA PUBLIC UTILITIES CO.  
(COPY)  
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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-15 THROUGH December-15

|   | JANUARY   | FEBRUARY  | MARCH     | APRIL     | MAY       | JUNE      | JULY      | AUGUST    | SEPTEMBER | OCTOBER   | NOVEMBER  | DECEMBER  | TOTAL       |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| B. CONSERVATION REVENUES                                      |           |           |           |           |           |           |           |           |           |           |           |           |             |
| 1 RESIDENTIAL CONSERVATION                                    |           |           |           |           |           |           |           |           |           |           |           |           |             |
| 2 CONSERVATION ADJ REVENUES                                   | (529,606) | (639,877) | (535,131) | (457,835) | (378,640) | (339,162) | (342,864) | (332,255) | (333,875) | (347,441) | (377,408) | (463,045) | (5,132,261) |
| 3 TOTAL REVENUES  | (599,606) | (699,877) | (585,131) | (492,835) | (378,642) | (339,162) | (342,864) | (332,255) | (333,875) | (347,441) | (377,408) | (463,045) | (5,132,261) |
| 4 PRIOR PERIOD TRUE-UP ADJ NOT APPLICABLE TO THIS PERIOD      | 88,045    | 88,045    | 88,045    | 88,045    | 88,045    | 88,045    | 88,045    | 88,045    | 88,045    | 88,045    | 88,045    | 88,045    | 1,056,536   |
| 5 CONSERVATION REVENUE APPLICABLE                             | (501,561) | (611,832) | (497,086) | (404,790) | (290,597) | (251,117) | (254,819) | (244,210) | (245,830) | (259,396) | (289,363) | (375,001) | (4,075,725) |
| 6 CONSERVATION EXPENSES (FROM CT-5, PART 1, LINE 23)          | 355,487   | 416,897   | 804,050   | 667,830   | 375,099   | 554,470   | 541,081   | 401,085   | 555,668   | 657,480   | 417,691   | 668,369   | 6,758,176   |
| 7 TRUE-UP THIS PERIOD (LINE 5 - 6)                            | (104,074) | (132,965) | 356,964   | 233,040   | 85,499    | 283,353   | 285,172   | 156,875   | 709,839   | 398,084   | 128,328   | 293,269   | 2,682,450   |
| 8 INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10) | 88        | 53        | 45        | 57        | 75        | 86        | 95        | 111       | 167       | 201       | 247       | 529       | 1,734       |
| 9 TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH           | 1,056,536 | 802,485   | 841,529   | 910,472   | 1,056,544 | 1,056,073 | 1,248,447 | 1,495,609 | 1,515,610 | 2,137,571 | 2,447,511 | 2,488,942 | 1,056,536   |
| 9A DEFERRED TRUE-UP BEGINNING OF PERIOD                       |           |           |           |           |           |           |           |           |           |           |           |           |             |
| 10 PRIOR TRUE-UP COLLECTED (REFUNDED)                         | (88,045)  | (88,045)  | (88,045)  | (88,045)  | (88,045)  | (88,045)  | (88,045)  | (88,045)  | (88,045)  | (88,045)  | (88,045)  | (88,045)  | (1,056,536) |
| 11 TOTAL NET TRUE-UP (LINE 7+8+9+9A+10)                       | 952,466   | 641,529   | 810,482   | 1,056,544 | 1,056,073 | 1,248,447 | 1,495,609 | 1,515,610 | 2,137,571 | 2,447,511 | 2,488,942 | 2,694,184 | 2,694,184   |

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-15 THROUGH December-15

|  | JANUARY   | FEBRUARY  | MARCH     | APRIL     | MAY       | JUNE      | JULY      | AUGUST    | SEPTEMBER | OCTOBER   | NOVEMBER  | DECEMBER  | TOTAL     |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| C. INTEREST PROVISION  |           |           |           |           |           |           |           |           |           |           |           |           |           |
| 1 BEGINNING TRUE-UP (LINE B-5)   | 1,056,536 | 882,485   | 841,529   | 910,462   | 1,055,544 | 1,053,073 | 1,246,447 | 1,446,660 | 1,515,210 | 2,137,571 | 2,447,811 | 2,488,342 | 1,096,336 |
| 2 ENDING TRUE-UP BEFORE INTEREST<br>(LINE B-7 + (C-3) x (D-5) + (D-6)) | 882,417   | 841,475   | 810,447   | 880,487   | 1,028,820 | 1,246,351 | 1,445,874 | 1,515,489 | 2,137,484 | 2,447,810 | 2,488,085 | 2,683,055 | 2,882,452 |
| 3 TOTAL BEG AND ENDING TRUE-UP   | 1,938,953 | 1,723,961 | 1,651,976 | 1,790,949 | 2,104,362 | 2,301,424 | 2,692,321 | 2,962,149 | 3,654,694 | 4,585,381 | 4,935,896 | 5,171,397 | 3,748,695 |
| 4 AVERAGE TRUE-UP (LINE C-3 X 50%)                                     | 969,477   | 751,980   | 775,988   | 892,989   | 1,054,271 | 1,150,717 | 1,347,511 | 1,481,064 | 1,825,507 | 2,292,591 | 2,407,553 | 2,590,998 | 1,874,483 |
| 5 INTEREST RATE - FIRST DAY OF<br>REPORTING BUSINESS MONTH             | 0.00%     | 0.09%     | 0.05%     | 0.00%     | 0.03%     | 0.09%     | 0.09%     | 0.09%     | 0.10%     | 0.12%     | 0.09%     | 0.15%     |           |
| 6 INTEREST RATE - FIRST DAY OF<br>SUBSEQUENT BUSINESS MONTH            | 0.09%     | 0.08%     | 0.05%     | 0.08%     | 0.09%     | 0.09%     | 0.09%     | 0.10%     | 0.12%     | 0.09%     | 0.15%     | 0.14%     |           |
| 7 TOTAL (LINE C-5 + D-6)   | 0.17%     | 0.17%     | 0.14%     | 0.14%     | 0.17%     | 0.18%     | 0.17%     | 0.18%     | 0.22%     | 0.21%     | 0.24%     | 0.29%     |           |
| 8 AVG INTEREST RATE (C-7 X 50%)  | 0.09%     | 0.09%     | 0.07%     | 0.07%     | 0.09%     | 0.09%     | 0.09%     | 0.09%     | 0.11%     | 0.11%     | 0.12%     | 0.28%     |           |
| 9 MONTHLY AVERAGE INTEREST RATE  | 0.007%    | 0.007%    | 0.006%    | 0.006%    | 0.007%    | 0.006%    | 0.007%    | 0.008%    | 0.009%    | 0.009%    | 0.010%    | 0.020%    |           |
| 10 INTEREST PROVISION<br>(LINE C-4 X C-9)                              | 66        | 53        | 45        | 57        | 75        | 88        | 95        | 111       | 167       | 201       | 247       | 628       | 1,734     |

EXHIBIT NO. \_\_\_\_\_  
DOCKET NO. 182004-GJ  
FLORIDA PUBLIC UTILITIES CO.  
(CITY-1)  
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