

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:** July 19, 2016  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 160003-GU  
Company Name: Florida Public Utilities Company  
Company Code: GU603  
Audit Purpose: A3c – Purchased Gas Cost Recovery Clause  
Audit Control No: 16-021-1-1

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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 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  
Purchased Gas Cost Recovery Clause

**Twelve Months Ended December 31, 2015**

Docket No. 160003-GU  
Audit Control No. 16-021-1-1  
**June 30, 2016**

A handwritten signature in black ink, appearing to read "Dham", written over a horizontal line.

Debra M. Dobiac  
Audit Manager

A handwritten signature in black ink, appearing to read "Marisa M. Glover", written over a horizontal line.

Marisa M. Glover  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet objectives set forth by the Division of Economics in its audit service request dated January 21, 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 Purchased Gas Cost Recovery Clause in Docket No. 160003-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 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, 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

**Procedures:** We traced revenues reported on the 2015 filing to the Utility's general ledger and the monthly revenue reports. We selected a random sample of residential and commercial customers' bills and recalculated each to verify the correct tariff rate, which were tested in FPUC Gas Cost Conservation Recovery Clause, Docket 160004-GU, Audit Control No. 16-019-1-3. No exceptions were noted.

### **Expense**

#### Operation and Maintenance Expense

**Objectives:** The objectives were to verify that Operation and Maintenance (O&M) Expense listed on 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, 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 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 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

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY		CALCULATION OF TRUE-UP AND INTEREST PROVISION								SCHEDULE A-2	
FOR THE PERIOD OF: JANUARY 2015 THROUGH DECEMBER 2015											
CURRENT MONTH: DECEMBER											
		ACTUAL		ESTIMATE		DIFFERENCE		ACTUAL		YEAR-TO-DATE	
						AMOUNT				DIFFERENCE	
						%				AMOUNT	
										%	
<b>TRUE-UP CALCULATION</b>											
1	PURCHASED GAS COST	Sch A-1 Line 4 Estimate include Sch. A-1 Line 10	624,791	\$ 2,583,951	\$ 1,959,160	75.8		9,737,031	\$ 28,836,009	\$ 19,098,978	66.2
2	TRANSPORTATION COST	Sch. A-1 Lines 1, 2, 3, 5, 6	855,927	\$ 1,272,601	\$ 416,874	32.7		7,488,845	\$ 13,251,310	\$ 5,762,465	43.6
3	TOTAL COST		1,480,718	\$ 3,856,552	\$ 2,376,034	61.6		17,225,876	\$ 42,087,319	\$ 24,861,443	59.1
4	FUEL REVENUES (NET OF REVENUE TAX)		1,641,629	\$ 3,856,152	\$ 2,214,523	57.4		15,362,975	\$ 42,077,019	\$ 26,714,044	63.5
5	TRUE-UP - (COLLECTED) OR REFUNDED *		68,640	\$ 68,640	\$ -	0.0		823,689	\$ 823,689	\$ -	0.0
6	FUEL REVENUE APPLICABLE TO PERIOD	Add Lines 4 + 5	1,710,269	\$ 3,924,792	\$ 2,214,523	56.4		16,186,664	\$ 42,900,708	\$ 26,714,044	62.3
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	Line 6 - Line 3	229,551	\$ 68,240	\$ (161,311)	(238.4)		(1,039,212)	\$ 813,389	\$ 1,852,601	227.8
8	INTEREST PROVISION -THIS PERIOD	Line 21	(88)	\$ 123	\$ 211	171.5		993	\$ 643	\$ (350)	(54.4)
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST: over/(under)		(518,351)	\$ 615,357	\$ 1,133,708	184.2		1,504,380	\$ 624,737	\$ (879,643)	(140.8)
10	TRUE-UP COLLECTED OR (REFUNDED)	Reverse of Line 5	(68,640)	\$ (68,640)	\$ -	0.0		(823,689)	\$ (823,689)	\$ -	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	(357,528)	\$ 615,080	\$ 972,608	158.1		(357,528)	\$ 615,080	\$ 972,608	158.1
MEMO: Unbilled Over-recovery			677,319								
Over/(under)-recovery Book Balance			319,791								
<b>INTEREST PROVISION</b>											
12	BEGINNING TRUE-UP AND INTEREST	Line 9	\$ (518,351)	\$ 615,357	\$ 1,133,708	184.2					
13	ENDING TRUE-UP BEFORE INTEREST	Add Lines 12 + 7 + 5	\$ (357,440)	\$ 614,957	\$ 972,397	156.1					
14	TOTAL (12+13)	Add Lines 12 + 13	\$ (875,791)	\$ 1,230,314	\$ 2,106,105	171.2					
15	AVERAGE	50% of Line 14	\$ (437,896)	\$ 615,157	\$ 1,053,053	171.2					
16	INTEREST RATE - FIRST DAY OF MONTH		0.00150	0.00150	-	0.0					
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.00340	0.00340	-	0.0					
18	TOTAL	Add Lines 16 + 17	0.00490	0.00490	-	0.0					
19	AVERAGE	50% of Line 18	0.00245	0.00245	-	0.0					
20	MONTHLY AVERAGE	Line 19 / 12 mos.	0.00020	0.00020	-	0.0					
21	INTEREST PROVISION	Line 15 x Line 20	\$ (88)	\$ 123	\$ 211	171.5					

Beginning of period True-up & Interest (Line 9) comes from the most recently filed E-4 if we do not file down. If we file 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 file down.