

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: May 19, 2017
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 170002-EI
Company Name: Florida Public Utilities Company
Company Code: EI803
Audit Purpose: A3b: Energy Conservation Cost Recovery
Audit Control No: 17-024-1-2

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 are no confidential work papers associated with this audit.

LMD/cmm

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
Energy Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2016

Docket No. 170002-EG
Audit Control No. 17-024-1-2
May 16, 2017

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

Debra M. Dobiac
Audit Manager

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

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 19, 2017. 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 2016 filing for the Energy Conservation Cost Recovery Clause in Docket No. 170002-EG.

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.
ECCR refers to the Energy Conservation Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2016, through December 31, 2016, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales.

Procedures: We computed revenues using the factors in Order No. PSC PSC-15-0542-FOF-EG, issued November 23, 2015. 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

Operation and Maintenance 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 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECCR.

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 expenses were for the current period, charged to the correct account, and appropriately recoverable through the ECCR. We traced conservation program rebates to allowances approved in Order Nos. PSC-10-0678-PAA-EG and PSC-15-0326-PAA-EG, issued November 12, 2010, and August 11, 2015, respectively. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code (F.A.C.). No exceptions were noted.

Other Issues

Objectives: The objective was to verify the number of program participants reported in the Utility's Florida Energy Efficiency and Conservation Act (FEECA) filing.

Procedures: We verified the number of program participants reported in the Utility's March 1, 2017 FEECA filing for the Residential Energy Survey Program, the Residential Heating and Cooling Efficiency Upgrade Program, the Commercial Energy Consultation Program, the Commercial Reflective Roof Program, and the Low-Income Energy Outreach Program by reconciling them with the program participants noted in the Utility's 2016 ECCR true-up filing. We noted that the Commercial Energy Consultation Program costs of \$42,277 on Schedule CT-3, page 1 of 3; in the true-up filing did not reconcile to the Commercial Energy Consultation Program costs of \$34,166 from Table 3-6 – Program Costs in the FEECA filing. The audited costs of \$42,277 for the Commercial Energy Consultation Program recorded in the general ledger supported the ECCR true-up filing. No further 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, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission approved beginning balance as of December 31, 2015, the Non-Financial Commercial Paper rates, and the 2016 ECCR revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECCR Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2015 to 2016 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 - CONSOLIDATED ELECTRIC

SCHEDULE CT-3
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-16 THROUGH December-16

B. CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. RESIDENTIAL CONSERVATION	(57,378)	(58,806)	(53,504)	(46,987)	(48,322)	(59,199)	(72,092)	(72,399)	(65,454)	(50,212)	(47,841)	(49,536)	(681,730)
2. CONSERVATION ADJ. REVENUES													0
3. TOTAL REVENUES	(57,378)	(58,806)	(53,504)	(46,987)	(48,322)	(59,199)	(72,092)	(72,399)	(65,454)	(50,212)	(47,841)	(49,536)	(681,730)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,695	80,307
5. CONSERVATION REVENUE APPLICABLE	(50,686)	(52,114)	(46,812)	(40,295)	(41,630)	(52,507)	(65,400)	(65,707)	(58,762)	(43,520)	(41,149)	(42,841)	(601,423)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	42,950	42,599	102,108	102,157	101,671	(7,596)	48,813	68,777	75,712	47,984	47,899	54,442	718,618
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(7,736)	(9,515)	55,297	61,862	60,041	(60,103)	(16,587)	(6,931)	16,950	4,464	6,850	11,601	117,192
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	5	4	4	7	13	13	8	8	10	10	11	23	117
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	80,307	65,884	49,881	98,290	153,467	206,829	140,047	117,776	104,162	114,429	112,211	112,380	80,307
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(6,692)	(6,692)	(6,692)	(6,692)	(6,692)	(6,692)	(6,692)	(6,692)	(6,692)	(6,692)	(6,692)	(6,695)	(80,307)
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	65,884	49,681	98,290	153,467	206,829	140,047	117,776	104,162	114,429	112,211	112,380	117,309	117,309