

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 24, 2017

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, ^{LD} Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20170003-GU
Company Name: Florida Public Utilities Company
Company Code: GU603
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 2017-020-1-1

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
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2016

Docket No. 170003-GU
Audit Control No. 17-020-1-1

June 30, 2017

A handwritten signature in cursive script, reading "Donna D. Brown", written over a horizontal line.

Donna D. Brown
Audit Manager

A handwritten signature in cursive script, reading "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 18, 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 Purchased Gas Cost Recovery Clause in Docket No. 170003-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, 2016, through December 31, 2016, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

Procedures: We traced revenues reported on the 2016 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, Docket 170004-GU, Audit Control No. 17-024-1-3. 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 was 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, 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 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 2016 to 2015 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 2016 THROUGH DECEMBER 2016										
			CURRENT MONTH: DECEMBER				YEAR-TO-DATE			
			ACTUAL	ESTIMATE (1)	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	1,490,564	\$ 11,641,276	\$ 10,150,712	87.2	8,800,899	\$ 107,599,280	\$ 98,798,381	91.8
2	TRANSPORTATION COST	Sch. A-1 Lines 1, 2, 3, 5, 6	1,228,536	\$ 957,836	\$ (270,900)	(28.3)	9,058,525	\$ 9,731,066	\$ 672,541	6.9
3	TOTAL COST		2,719,100	\$ 12,598,912	\$ 9,879,812	78.4	17,859,424	\$ 117,330,346	\$ 99,470,922	84.8
4	FUEL REVENUES (NET OF REVENUE TAX)		2,013,716	\$ 12,597,312	\$ 10,583,596	84.0	17,891,928	\$ 117,315,346	\$ 99,423,418	84.8
5	TRUE-UP - (COLLECTED) OR REFUNDED *		134,442	\$ 134,442	\$ -	0.0	1,613,299	\$ 1,613,299	\$ -	0.0
6	FUEL REVENUE APPLICABLE TO PERIOD	Add Lines 4 + 5	2,148,158	\$ 12,731,754	\$ 10,583,596	83.1	19,505,227	\$ 118,928,645	\$ 99,423,418	83.6
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	Line 6 - Line 3	(570,942)	\$ 132,842	\$ 703,784	529.8	1,645,803	\$ 1,598,299	\$ (47,504)	(3.0)
8	INTEREST PROVISION -THIS PERIOD	Line 21	13	\$ 277	\$ 264	95.3	(41)	\$ 2,371	\$ 2,412	101.7
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST: over/(under)		380,308	\$ 603,774	\$ 223,468	37.0	(357,528)	\$ 615,080	\$ 972,608	158.1
10	TRUE-UP COLLECTED OR (REFUNDED)	Reverse of Line 6	(134,442)	\$ (134,442)	\$ -	0.0	(1,613,299)	\$ (1,613,299)	\$ -	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	(325,065)	\$ 602,451	\$ 927,516	154.0	(325,065)	\$ 602,451	\$ 927,516	154.0
MEMO: Unbilled Over-recovery			784,085							
Over/(under)-recovery Book Balance			456,690							
INTEREST PROVISION										
12	BEGINNING TRUE-UP AND INTEREST	Line 9	\$ 380,306	\$ 603,774	\$ 223,468	37.0				
13	ENDING TRUE-UP BEFORE INTEREST	Add Lines 12 + 7 + 5	\$ (325,078)	\$ 602,174	\$ 927,252	154.0				
14	TOTAL (12+13)	Add Lines 12 + 13	\$ 55,228	\$ 1,205,948	\$ 1,150,720	95.4				
15	AVERAGE	50% of Line 14	\$ 27,614	\$ 602,974	\$ 575,360	95.4				
16	INTEREST RATE - FIRST DAY OF MONTH		0.00470	0.00470	-	0.0				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.00630	0.00630	-	0.0				
18	TOTAL	Add Lines 16 + 17	0.01100	0.01100	-	0.0				
19	AVERAGE	50% of Line 18	0.00550	0.00550	-	0.0				
20	MONTHLY AVERAGE	Line 19 / 12 mo.	0.00046	0.00046	-	0.0				
21	INTEREST PROVISION	Line 16 x Line 20	\$ 13	\$ 277	\$ 264	95.3				

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