

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: June 15, 2018
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20180004-GU
Company Name: Florida Public Utilities/Division of Chesapeake Utilities Corporation (Consolidated Companies)
Company Code: GU603, GU606, GU616, GU618
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery
Audit Control No: 2018-016-1-3

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 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
Division of Chesapeake Utilities Corp.
(Consolidated Companies)
Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2017

Docket No. 20180004-GU
Audit Control No. 2018-016-1-3

June 8, 2018

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

Donna D. Brown
Audit Manager

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

Marisa N. Glover
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	4
Exhibit	
1: True-Up.....	5

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 Accounting and Finance in its audit service request dated January 16, 2018. 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 2017 filing for the Gas Conservation Cost Recovery Clause in Docket No. 20180004-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 Clause.

Revenue

Objectives: The objectives were to determine the actual the therms sold for the period January 1, 2017, through December 31, 2017, 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-2016-0547-FOF-EI, issued December 5, 2016 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.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses (except for payroll) for testing. The source documentation of selected items was reviewed to ensure the expense was for the current period, charged to the correct account, and appropriately recoverable through the GCCR. Payroll was audited for electric and gas conservation programs by scheduling conservation payroll, benefits, and payroll taxes for 2017 and calculating the percentage of benefits and taxes as compared to salaries. We traced cash incentive payments to allowances approved in Order No. PSC 2010-0551-PAA-EG, issued September 2, 2010 and in Order No. PSC-2014-0039-PAA-EG, issued January 14, 2014. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No 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, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Financial Commercial Paper rates, and the 2017 FAC revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2017 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 COMPANY AND FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION CONSOLIDATED NATURAL GAS COMPANIES

SCHEDULE CT-3
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-17 THROUGH December-17

B. CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(695,607)	(642,424)	(646,092)	(575,642)	(468,340)	(448,594)	(437,293)	(407,144)	(466,396)	(439,398)	(518,215)	(617,106)	(6,362,226)
3. TOTAL REVENUES	(695,607)	(642,424)	(646,092)	(575,647)	(468,340)	(448,594)	(437,293)	(407,144)	(466,396)	(439,398)	(518,215)	(617,106)	(6,362,226)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	<u>61,874</u>	<u>61,875</u>	<u>61,875</u>	<u>61,875</u>	<u>61,875</u>	<u>61,875</u>	<u>61,875</u>	<u>61,875</u>	<u>61,875</u>	<u>61,875</u>	<u>61,875</u>	<u>61,875</u>	<u>742,499</u>
5. CONSERVATION REVENUE APPLICABLE	(633,733)	(580,549)	(584,217)	(513,772)	(406,465)	(386,719)	(375,388)	(345,269)	(404,521)	(377,523)	(456,340)	(555,231)	(5,819,727)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	251,337	590,185	423,751	306,867	378,132	295,498	284,089	424,732	198,135	376,686	485,510	602,581	4,617,501
7. TRUE-UP THIS PERIOD (LINE 5-6)	(382,396)	9,636	(160,466)	(206,905)	(28,333)	(91,221)	(91,300)	79,463	(206,385)	(637)	29,170	47,349	(1,002,226)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	271	142	81	(75)	(205)	(302)	(466)	(578)	(696)	(852)	(942)	(1,119)	(4,741)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	742,499	298,500	248,403	24,142	(244,713)	(335,126)	(488,524)	(642,165)	(625,155)	(894,111)	(957,675)	(991,322)	742,499
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(61,874)	(61,875)	(61,875)	(61,875)	(61,875)	(61,875)	(61,875)	(61,875)	(61,875)	(61,875)	(61,875)	(61,875)	(742,499)
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	<u>298,500</u>	<u>248,403</u>	<u>24,142</u>	<u>244,713</u>	<u>335,126</u>	<u>488,524</u>	<u>642,165</u>	<u>625,155</u>	<u>894,111</u>	<u>957,675</u>	<u>991,322</u>	<u>1,006,967</u>	<u>1,006,967</u>