

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.: 20180002-EI
Company Name: Florida Public Utilities Company
Company Code: EI803
Audit Purpose: A3b: Energy Conservation Cost Recovery
Audit Control No: 2018-017-1-2

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, 2017

Docket No. 20180002-EG
Audit Control No. 2018-017-1-2
May 31, 2018

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

George Simmons
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 17, 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 Energy Conservation Cost Recovery in Docket No. 20180002-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, 2017, through December 31, 2017, 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-2017-0434-FOF-EG, issued November 14, 2017. 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 (except for payroll) for testing. The source documentation for selected items was reviewed to ensure the expenses were for the current period, charged to the correct accounts, and appropriately recoverable through the ECCR. 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 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 objectives were 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 February 28, 2018 FEECA filing for Residential Energy Survey Program, the Residential Heating and Cooling Efficiency Upgrade Program, the Commercial Energy Consultation Program, and the Commercial Reflective Roof Program by reconciling them with the program participants noted in the Utility's 2017 ECCR true-up filing. See Finding 1 for our disclosures.

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 Non-Financial Commercial Paper rates, and the 2017 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 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 Finding

Finding 1: Program Participants

Audit Analysis: We reconciled the number of program participants reported in the Utility's February 28, 2018 FEECA filing for Residential Energy Survey Program, the Residential Heating and Cooling Efficiency Upgrade Program, the Commercial Energy Consultation Program, and the Commercial Reflective Roof Program with the program participants noted on Schedule CT-6 of the Utility's 2017 ECCR true-up filing. The results are shown below:

Residential Energy Survey Program

Schedule CT-6, page 11 of 18, showed 203 participants in the Residential Energy Survey Program. Table 3-1 of the FEECA filing showed the number of participants to be 180. The Utility stated that the number of participants on Schedule CT-6 of the true-up filing was overstated and the 180 participants in the FEECA filing should have been reported on the Schedule CT-6. The total program costs were not effected.

Commercial Energy Consultation Program

Schedule CT-6, page 18 of 18, showed 13 participants in the Commercial Energy Consultation Program. Table 3-6 of the FEECA filing showed the number of participants to be 11. The Utility stated that the number of participants on the Schedule CT-6 of the true-up filing was overstated and the 11 participants in the FEECA filing should have been reported on the Schedule CT-6. The total program costs were not effected.

Effect on the General Ledger: There is no effect on the General Ledger.

Effect on the Filing: This is for informational purposes only. The total program costs were not effected.

Exhibit

Exhibit 1: True-Up

COMPANY: FLORIDA PUBLIC UTILITIES - CONSOLIDATED ELECTRIC
 CALCULATION OF TRUE-UP AND INTEREST PROVISION
 FOR MONTHS January-17 THROUGH December-17

SCHEDULE CT-3
 PAGE 2 OF 3

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B. CONSERVATION REVENUES													
1. RESIDENTIAL CONSERVATION	(47,932)	(47,689)	(41,703)	(46,020)	(47,139)	(57,434)	(64,206)	(63,137)	(62,153)	(54,465)	(55,696)	(46,688)	(634,461)
2. CONSERVATION ADJ. REVENUES													0
3. TOTAL REVENUES	(47,932)	(47,689)	(41,703)	(46,020)	(47,139)	(57,434)	(64,206)	(63,137)	(62,153)	(54,465)	(55,696)	(46,688)	(634,461)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(5,468)	(5,468)	(5,468)	(5,468)	(5,468)	(5,468)	(5,468)	(5,468)	(5,468)	(5,468)	(5,468)	(5,468)	(65,614)
5. CONSERVATION REVENUE APPLICABLE	(53,400)	(53,157)	(47,171)	(51,488)	(52,607)	(62,902)	(69,674)	(68,605)	(67,621)	(59,933)	(61,364)	(52,154)	(700,075)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	38,906	60,688	49,894	56,159	45,852	31,090	35,034	49,024	40,223	50,706	47,487	145,923	640,996
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(14,494)	(2,469)	2,723	4,671	(6,744)	(31,813)	(34,639)	(19,581)	(27,398)	(9,227)	(13,877)	93,769	(59,079)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(37)	(38)	(40)	(40)	(38)	(50)	(79)	(107)	(124)	(137)	(150)	(123)	(963)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(65,614)	(74,677)	(71,716)	(63,565)	(53,466)	(54,780)	(81,175)	(110,425)	(124,845)	(146,699)	(150,594)	(169,153)	(65,614)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	5,468	5,468	5,468	5,468	5,468	5,468	5,468	5,468	5,468	5,468	5,468	5,468	65,614
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(74,677)	(71,716)	(63,565)	(53,466)	(54,780)	(61,175)	(110,425)	(124,845)	(146,699)	(150,594)	(169,153)	(60,042)	(60,042)

EXHIBIT NO. _____
 DOCKET NO. 20160002-EG
 FLORIDA PUBLIC UTILITIES COMPANY
 (CDY-1)
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