

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 3, 2019

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20190003-GU
Company Name: Florida Public Utilities Company
Company Code: GU603
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 2019-023-1-1

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

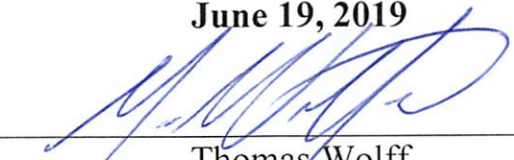
Auditor's Report

Florida Public Utilities Company
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2018

Docket No. 20190003-GU
Audit Control No. 2019-023-1-1

June 19, 2019



Thomas Wolff
Audit Manager



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 Economics in its audit service request dated January 22, 2019. 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 2018 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20190003-GU.

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 terms sold for the period January 1, 2018, through December 31, 2018, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

Procedures: We traced revenues reported on the 2018 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. We traced unbilled revenues to the revenue summary. 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, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the

Commission approved beginning balance as of December 31, 2017, the Non-Financial Commercial Paper rates, and the 2018 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 2018 to 2017 revenues and expenses. There were no significant variances. 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 2018 THROUGH DECEMBER 2018										
		CURRENT MONTH: DECEMBER				YEAR-TO-DATE				
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
				AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION										
1	PURCHASED GAS COST	1,380,537	\$ 1,962,374	\$ 581,837	29.7	8,370,938	\$ 17,333,313	\$ 8,962,375	51.7	
	Sub A-1 Line 4 Estimate multiple by A-1 Line 10									
2	TRANSPORTATION COST	2,452,770	\$ 1,874,884	\$ (617,886)	(33.7)	19,223,637	\$ 19,090,354	\$ (133,283)	(0.7)	
	Sub A-1 Lines 1, 2, 3 5-9									
3	TOTAL COST	3,833,307	\$ 3,797,258	\$ (36,049)	(1.0)	27,594,575	\$ 36,423,667	\$ 8,829,092	24.2	
4	FUEL REVENUES (NET OF REVENUE TAX)	3,008,088	\$ 3,641,196	\$ 633,108	17.4	26,769,155	\$ 34,552,470	\$ 7,783,324	22.5	
5	TRUE-UP - (COLLECTED) OR REFUNDED *	56,595	\$ 56,595	\$ -	0.0	679,139	\$ 679,139	\$ -	0.0	
6	FUEL REVENUE APPLICABLE TO PERIOD	3,064,683	\$ 3,697,791	\$ 633,108	17.1	27,448,294	\$ 35,231,618	\$ 7,783,324	22.1	
	Add Lines 4 + 5									
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	(768,824)	\$ (99,407)	\$ 669,417	(67.7)	(146,281)	\$ (1,192,049)	\$ (1,045,768)	87.7	
	Line 6 - Line 3									
8	INTEREST PROVISION - THIS PERIOD	1,028	\$ (2,391)	\$ (3,419)	143.0	30,175	\$ (7,920)	\$ (38,095)	481.0	
	Line 21									
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST: over(under)	929,090	\$ (1,123,458)	\$ (2,052,548)	182.7	900,091	\$ 597,197	\$ (302,894)	(50.7)	
10	TRUE-UP COLLECTED OR (REFUNDED)	(56,595)	\$ (56,595)	\$ -	0.0	(679,139)	\$ (679,139)	\$ -	0.0	
	Reverse of Line 5									
10a	FLEX RATE REFUND (if applicable)	-	\$ -	\$ -	0.0	-	\$ -	\$ -	0.0	
11	TOTAL ACTUAL/ESTIMATED TRUE-UP: over(under)	104,899	\$ (1,281,911)	\$ (1,386,810)	108.2	104,846	\$ (1,281,911)	\$ (1,386,757)	108.2	
	Add Lines 7 + 8 + 9 + 10 + 10a									
	MEMO: Unbilled Over-recovery	897,443								
	Over(under)-recovery Book Balance	1,092,342								
INTEREST PROVISION										
12	BEGINNING TRUE-UP AND INTEREST	\$ 929,090	\$ (1,123,458)	\$ (2,052,548)	182.7					
	Line 9									
13	ENDING TRUE-UP BEFORE INTEREST	\$ 103,871	\$ (1,279,520)	\$ (1,383,391)	108.1					
	Add Lines 12 + 7 + 5									
14	TOTAL (12+13)	\$ 1,032,961	\$ (2,402,978)	\$ (3,435,939)	143.0					
	Add Lines 12 + 13									
15	AVERAGE	\$ 516,481	\$ (1,201,489)	\$ (1,717,970)	143.0					
	50% of Line 14									
16	INTEREST RATE - FIRST DAY OF MONTH	0.02270	0.02270	-	0.0					
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.02500	0.02500	-	0.0					
18	TOTAL	0.04770	0.04770	-	0.0					
	Add Lines 16 + 17									
19	AVERAGE	0.02385	0.02385	-	0.0					
	50% of Line 18									
20	MONTHLY AVERAGE	0.00199	0.00199	-	0.0					
	Line 19 / 12 mos									
21	INTEREST PROVISION	\$ 1,028	\$ (2,391)	\$ (3,419)	143.0					
	Line 15 + Line 20									