

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: August 18, 2020

TO: Office of Commission Clerk

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

RE: Docket No.: 20200003-GU
Company Name: Florida Public Utilities Company
Company Code: GU603
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 2020-022-1-1

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, 2019

Docket No. 20200003-GU
Audit Control No. 2020-022-1-1
August 7, 2020

A handwritten signature in blue ink, appearing to read "Thomas Wolff", written over a horizontal line.

Thomas Wolff
Audit Manager

A handwritten signature in blue ink, appearing to read "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer
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 21, 2020. 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 2019 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20200003-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, 2019, through December 31, 2019, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

Procedures: We traced revenues reported on the 2019 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, 2018, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2019, using the

Commission approved beginning balance as of December 31, 2018, the Non-Financial Commercial Paper rates, and the 2019 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 2019 to 2018 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 2019 THROUGH DECEMBER 2019

		CURRENT MONTH: DECEMBER				YEAR-TO-DATE			
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION									
1	PURCHASED GAS COST	692,416	\$ 1,762,435	\$ 1,060,019	60.5	6,749,255	\$ 18,370,357	\$ 11,621,102	63.3
2	TRANSPORTATION COST	2,369,543	\$ 2,083,149	\$ (286,394)	(13.8)	22,145,190	\$ 22,198,828	\$ 53,638	0.2
3	TOTAL COST	3,061,959	\$ 3,835,584	\$ 773,625	20.2	28,894,445	\$ 40,569,185	\$ 11,674,740	28.8
4	FUEL REVENUES (NET OF REVENUE TAX)	3,491,005	\$ 3,391,424	\$ (99,584)	(2.9)	30,310,144	\$ 35,237,963	\$ 4,927,819	14.0
5	TRUE-UP - (COLLECTED) OR REFUNDED *	227,213	\$ 227,213	\$ -	0.0	2,726,557	\$ 2,726,557	\$ -	0.0
6	FUEL REVENUE APPLICABLE TO PERIOD	3,718,221	\$ 3,618,637	\$ (99,584)	(2.8)	33,036,701	\$ 37,964,520	\$ 4,927,819	13.0
7	TRUE-UP - OVER/(UNDER) - THIS PERIOD	686,262	\$ (216,947)	\$ (873,209)	402.5	4,142,256	\$ (2,604,665)	\$ (6,746,921)	259.0
8	INTEREST PROVISION - THIS PERIOD	1,767	\$ (3,157)	\$ (4,924)	156.0	24,631	\$ 6,007	\$ (18,624)	(310.0)
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST over/(under)	1,114,412	\$ (2,151,339)	\$ (3,265,751)	151.8	104,697	\$ 2,726,669	\$ 2,821,662	96.2
10	TRUE-UP COLLECTED OR (REFUNDED)	(227,213)	\$ (227,213)	\$ -	0.0	(2,726,557)	\$ (2,726,557)	\$ -	0.0
10a	FLEX RATE REFUND (if applicable)	-	\$ -	\$ -	0.0	-	\$ -	\$ -	0.0
11	TOTAL ACTUAL/ESTIMATED TRUE-UP: over/(under)	1,545,228	\$ (2,598,656)	\$ (4,143,884)	159.5	1,545,228	\$ (2,598,656)	\$ (4,143,884)	159.5
NADG: Unbilled Over recovery Over/Under recovery Book Balance			1,245,344				3,247,412		
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND ENDING TRUE-UP BEFORE INTEREST	Line 9	\$ 1,114,412	\$ (2,151,339)	\$ (3,265,751)	151.8			
13		Add Lines 7 - 9 - 10	\$ 1,543,461	\$ (2,595,499)	\$ (4,138,960)	159.5			
14	TOTAL (12+13)	Add Lines 12 - 13	\$ 2,657,872	\$ (4,746,838)	\$ (7,404,710)	156.0			
15	AVERAGE	50% of Line 14	\$ 1,328,936	\$ (2,373,419)	\$ (3,702,355)	156.0			
16	INTEREST RATE - FIRST DAY OF MONTH		0.01810	0.01610	-	0.0			
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.01590	0.01590	-	0.0			
18	TOTAL	Add Lines 16 - 17	0.03200	0.03200	-	0.0			
19	AVERAGE	50% of Line 18	0.01600	0.01600	-	0.0			
20	MONTHLY AVERAGE	Line 18 x 12 mos	0.00133	0.00133	-	0.0			
21	INTEREST PROVISION	Line 19 x Line 20	\$ 1,767	\$ (3,157)	\$ (4,924)	156.0			