

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 13, 2021
TO: Office of Commission Clerk
FROM: Dale Mailhot, Director, Office of Auditing and Performance Analysis
RE: Docket No.: 20210004-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: 2021-020-1-1

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.

DM/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

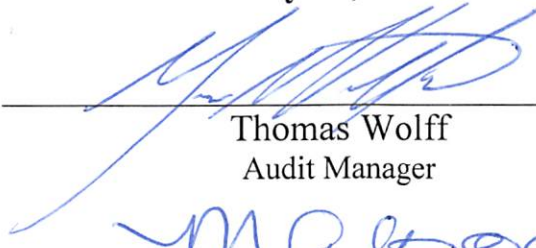
Auditor's Report

Florida Public Utilities Company
Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2020

Docket No. 20210004-GU
Audit Control No. 2021-020-1-1

July 12, 2021



Thomas Wolff
Audit Manager



Marisa 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 19, 2021. 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 2020 filing for the Gas Conservation Cost Recovery Clause in Docket No. 20210004-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

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

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2020, through December 31, 2020 and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

Procedures: We computed revenues using the factors in Order No. PSC-2019-0499-FOF-GU, issued November 22, 2019 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

Operation and Maintenance 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 for selected items was reviewed to ensure the expense was for the current period, charged to the correct accounts, and appropriately recoverable through the GCCR. Payroll was audited for electric and gas conservation programs by scheduling conservation payroll, benefits, and payroll taxes, 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, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2020, using the Commission approved beginning balance as of December 31, 2019, the Non-Financial Commercial Paper rates, and the 2020 GCCR revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2020 to 2019 revenues and expenses. Audit staff determined that the conservation revenues increased 35.84% percent overall due to the increase in the cost recovery factors for 2020. Travel expense decreased 58.56% due to travel limitations because of the COVID-19 pandemic. The Conservation Education Program – CV 703 expenses increased 160.78% due to increased digital advertising and education efforts in response to reduced opportunities to reach target audience through in person events. No further work performed.

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-20 THROUGH December-20

B. CONSERVATION REVENUES	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 RESIDENTIAL CONSERVATION													
2 CONSERVATION ADJ REVENUES	(563,820)	(533,603)	(497,271)	(394,686)	(376,288)	(341,145)	(338,264)	(322,169)	(324,498)	(342,198)	(403,271)	(546,330)	(5,003,654)
3 TOTAL REVENUES	(563,820)	(533,603)	(497,271)	(394,686)	(376,288)	(341,145)	(338,264)	(322,169)	(324,498)	(342,198)	(403,271)	(546,330)	(5,003,654)
4 PRIOR PERIOD TRUE-UP ADJ NOT APPLICABLE TO THIS PERIOD	16,162	16,162	16,162	16,162	16,162	16,162	16,162	16,162	16,162	16,162	16,162	16,162	193,936
5 CONSERVATION REVENUE APPLICABLE	(567,664)	(517,441)	(481,109)	(378,724)	(360,126)	(324,983)	(322,102)	(306,007)	(308,336)	(326,036)	(387,109)	(530,168)	(4,809,718)
6 CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 73)	316,384	283,051	328,125	200,631	244,542	402,073	317,036	266,539	651,739	508,704	258,205	659,784	4,447,010
7 TRUE-UP THIS PERIOD (LINE 5 - 6)	(251,280)	(234,390)	(152,984)	(177,693)	(115,585)	77,069	(5,066)	(39,469)	343,402	182,737	(128,904)	130,616	(362,706)
8 INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	00	(257)	(560)	(524)	(134)	(62)	(64)	(61)	(45)	(30)	(31)	(208)	(1,986)
9 TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	193,936	(73,416)	(324,227)	(493,856)	(688,535)	(820,385)	(759,527)	(780,618)	(836,511)	(509,316)	(342,751)	(487,648)	193,936
9A DEFERRED TRUE-UP BEGINNING OF PERIOD													
10 PRIOR TRUE-UP COLLECTED (REFUNDED)	(16,162)	(16,162)	(16,162)	(16,162)	(16,162)	(16,162)	(16,162)	(16,162)	(16,162)	(16,162)	(16,162)	(16,162)	(193,936)
11 TOTAL NET TRUE-UP (LINES 7-8+9+9A-10)	(73,416)	(234,227)	(493,856)	(688,535)	(820,385)	(759,527)	(780,618)	(836,511)	(509,316)	(342,751)	(487,648)	(364,832)	(364,832)

EXHIBIT NO _____
DOCKET NO. 20210004-GU
FLORIDA PUBLIC UTILITIES CO
(CDY-1)
PAGE 6 OF 24