

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 26, 2023

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

RE: Docket No.: 20230010-EI
Company Name: Florida Public Utilities Company
Company Code: EI803
Audit Purpose: A3g: Storm Protection Plan Cost Recovery Clause
Audit Control No.: 2023-011-2-2

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 the Commission Clerk. There are no confidential work papers associated with this audit.

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

Auditor's Report

Florida Public Utilities Company
Storm Protection Plan Cost Recovery Clause

As of December 31, 2022

Docket No. 20230010-EI
Audit Control No. 2023-011-2-2
May 31, 2023

A handwritten signature in black ink, appearing to read "Hymavathi Vedula".

Hymavathi Vedula
Audit Manager

A handwritten signature in black ink, appearing to read "Todd M. Brown".

Todd M. Brown
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	4
Exhibits	
1: True-Up Calculation	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 Office of Industry Development & Market Analysis in its audit service request dated January 9, 2023. We have applied these procedures to the attached schedules prepared by Florida Public Utilities Company in support of its filing for Storm Protection Plan Cost Recovery in Docket No. 20230010-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Florida Public Utilities Company.

SPPCRC refers to the Storm Protection Plan Cost Recovery Clause.

SPP refers to the Storm Protection Plan.

Background

On April 3, 2023, Florida Public Utilities Company filed support for its actual Storm Protection Cost Recovery factor for the period of January 2022 through December 2022.

Objectives: The objectives were to reconcile the Implementation SPPCRC Overhead Hardening Operation and Maintenance Expenses to the general ledger, and to review a statistical or judgmental sample of expenses.

Procedures: We reconciled the operation and maintenance (O&M) expenses to the general ledger. We initially selected the 20 largest invoices for SPP Operation and Maintenance expenses for testing, and performed statistical sampling for the remaining O&M expenses. We tested for proper account, proper amount, proper period, and proper project. No exceptions were noted.

Objectives: The objectives were to audit the following capital investments: Feeder Hardening Program, Distribution Lateral Undergrounding Program, and Transmission Wooden Structure Hardening. In addition, our objectives were to: 1) Verify the investment amounts are recorded in the correct plant accounts; 2) Reconcile the corresponding plant-in-service/depreciation base; 3) Verify the calculation of non-interest bearing construction-work-in-progress (CWIP); 4) Verify the most recent Commission-approved depreciation and amortization periods are used in calculating depreciation expense; and 5) Reconcile depreciation savings for retired assets that have depreciation recovered through base rates.

Procedures: Audit staff reconciled the capital investments to the Utility's general ledger. We verified that the most recent Commission-approved depreciation and amortization periods were used in calculating depreciation expense. We audited a statistical sample of SPPCRC program-related additions, retirements, and adjustments for the period January 1, 2022, through December 31, 2022, by reviewing documentation for the Feeder Hardening Program, the Distribution Lateral Undergrounding Program, and Transmission Wooden Structure Hardening. In addition, there were no depreciation savings for retired assets recovered through base rates. No exceptions were noted.

Objective: The objective was to verify the SPPCRC program-related plant additions, retirements, and adjustments for the period January 1, 2022, through December 31, 2022.

Procedure: We reconciled the SPPCRC program-related plant additions, retirements, and adjustments to the general ledger. No exceptions were noted.

Objective: The objective was to reconcile the operation and maintenance expenses of the projects listed on Form 5A of the filing, to the general ledger.

Procedures: We reconciled the operation and maintenance expenses to the general ledger. We initially selected the five largest invoices/vouchers of the four largest projects listed on Form 5A for review, and performed statistical sampling for the remaining operation and maintenance expenses. No exceptions were noted.

Other

Objectives: The objectives were to: 1) Substantiate if the Utility changed any of its accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause, and 2) Verify if the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause.

Procedures: We requested and reviewed the accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. We reviewed whether the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision, as filed, was properly calculated.

Procedures: We verified the True-Up and Interest Provision amounts as of December 31, 2022, using the Non-financial Commercial Paper rates and 2022 revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-Up Calculation

Florida Public Utilities
Storm Protection Plan Cost Recovery Clause
Final True-Up
Prior Period: January through December 2021

SPPCRC Form 2A
Page 1 of 1

Calculation of True-Up Amount
(in Dollars)

Line	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	End of Period Total
1. Clause Revenues (net of Revenue Taxes)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2. True-Up Provision	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Clause Revenues Applicable to Period (Lines 1 + 2)	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Jurisdictional Rev. Req. (SPPCRC Form 5A and SPPCRC Form 7A)													
a. Overhead Hardening	0	0	0	0	11,884	43,920	27,644	19	3,480	284	234	1,136	88,601
b. Undergrounding	0	0	0	0	0	0	0	0	4,153	195	115	323	4,785
c. Vegetation Management	0	0	0	0	100,720	124,089	104,174	122,849	119,099	170,794	145,215	155,673	1,042,613
d. less: adj for costs in base rates	0	0	0	0	(81,292)	(81,292)	(81,292)	(81,292)	(81,292)	(81,292)	(81,292)	(81,292)	(650,338)
e. Total Jurisdictional Revenue Requirements	0	0	0	0	31,312	86,717	50,526	41,576	45,440	89,981	64,272	75,640	485,662
5. Over/Under Recovery (Line 3 - Line 4e)	0	0	0	0	(31,312)	(86,717)	(50,526)	(41,576)	(45,440)	(89,981)	(64,272)	(75,640)	(485,664)
6. Interest Provision (SPPCRC Form 3A, Line 10)	0	0	0	0	(9)	(75)	(232)	(370)	(528)	(839)	(1,198)	(1,547)	(4,796)
7. Beginning Balance True-Up & Interest Provision	0	0	0	0	0	(31,321)	(118,113)	(168,871)	(210,817)	(256,785)	(347,605)	(413,073)	0
a. Deferred True-Up from January to December 2021	0	0	0	0	0	0	0	0	0	0	0	0	0
8. True-Up Collected/(Refunded) (see Line 2)	0	0	0	0	0	0	0	0	0	0	0	0	0
9. End of Period Total True-Up (Lines 5+6+7+7a+8)	0	0	0	0	(31,321)	(118,113)	(168,871)	(210,817)	(256,785)	(347,605)	(413,073)	(490,460)	(490,460)
10. Adjustment to Period True-Up Including Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
11. End of Period Total True-Up (Lines 9 + 10)	\$ -	\$ -	\$ -	\$ -	\$ (31,321)	\$ (118,113)	\$ (168,871)	\$ (210,817)	\$ (256,785)	\$ (347,605)	\$ (413,073)	\$ (490,460)	\$ (490,460)

Exhibit No. _____
DOCKET NO. 20230010-EI
Florida Public Utilities Company
(RCW-1)
Page 2 of 34

Florida Public Utilities
Storm Protection Plan Cost Recovery Clause
Final True-Up
Prior Period: January through December 2022

SPPCRC Form 3A

Calculation of Interest Provision for True-Up Amount
(in Dollars)

<u>Line</u>	<u>Actual</u> <u>January</u>	<u>Actual</u> <u>February</u>	<u>Actual</u> <u>March</u>	<u>Actual</u> <u>April</u>	<u>Actual</u> <u>May</u>	<u>Actual</u> <u>June</u>	<u>Actual</u> <u>July</u>	<u>Actual</u> <u>August</u>	<u>Actual</u> <u>September</u>	<u>Actual</u> <u>October</u>	<u>Actual</u> <u>November</u>	<u>Actual</u> <u>December</u>	<u>End of</u> <u>Period</u> <u>Total</u>
1. Beginning True-Up Amount (SPPCRC Form 2A, Line 7+7a+10)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (31,321)	\$ (118,113)	\$ (168,871)	\$ (210,817)	\$ (256,785)	\$ (347,605)	\$ (413,073)	
2. Ending True-Up Amount Before Interest	0	0	0	0	(31,312)	(118,038)	(168,638)	(210,447)	(256,257)	(346,766)	(411,877)	(488,913)	
3. Total of Beginning & Ending True-Up (Lines 1 + 2)	0	0	0	0	(31,312)	(149,359)	(288,752)	(379,218)	(467,074)	(603,551)	(759,482)	(901,986)	
4. Average True-Up Amount (Line 3 x 1/2)	0	0	0	0	(15,656)	(74,680)	(143,376)	(189,659)	(233,537)	(301,776)	(379,741)	(450,993)	
5. Interest Rate (First Day of Reporting Business Month)	0.05%	0.06%	0.25%	0.35%	0.54%	0.86%	1.55%	2.34%	2.34%	3.08%	3.59%	3.97%	
6. Interest Rate (First Day of Subsequent Business Month)	0.06%	0.25%	0.35%	0.54%	0.86%	1.55%	2.34%	2.34%	3.08%	3.59%	3.97%	4.25%	
7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.11%	0.31%	0.60%	0.89%	1.40%	2.41%	3.89%	4.68%	5.42%	6.67%	7.56%	8.22%	
8. Average Interest Rate (Line 7 x 1/2)	0.055%	0.155%	0.300%	0.445%	0.700%	1.205%	1.945%	2.340%	2.710%	3.335%	3.780%	4.110%	
9. Monthly Average Interest Rate (Line 8 x 1/12)	0.005%	0.013%	0.025%	0.037%	0.058%	0.100%	0.162%	0.195%	0.226%	0.276%	0.315%	0.343%	
10. Interest Provision for the Month (Line 4 x Line 9)	\$ -	\$ -	\$ -	\$ -	\$ (9)	\$ (75)	\$ (232)	\$ (370)	\$ (528)	\$ (838)	\$ (1,196)	\$ (1,547)	\$ (4,786)

Exhibit No. _____
DOCKET NO. 20230010-EI
Florida Public Utilities Company
(RCW-1)
Page 3 of 34