

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 3, 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.: 20230003-GU
Company Name: Florida Public Utilities Company
Company Code: GU603
Audit Purpose: A3c: Purchased Gas Cost Recovery Clause
Audit Control No.: 2023-018-1-4

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
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230003-GU
Audit Control No. 2023-018-1-4

August 2, 2023

A handwritten signature in black ink, appearing to read "Donna D. Brown".

Donna D. Brown
Audit Manager

A handwritten signature in blue ink, appearing to read "Lily Sampson".

Lily Sampson
Audit Staff

A handwritten signature in black ink, appearing to read "NW Weldeyasie".

Nazret Weldeyasie
Audit Staff

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

Todd M. Brown
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 18, 2023. 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 2022 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20230003-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Florida Public Utilities Company.
PGA refers to the Purchased Gas Cost Recovery Clause.

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 2017 through 2022 revenues and expenses. Total fuel revenues increased by 25 percent as a result of a \$5.9 million dollar variance in swing service, a commodity usage difference of \$0.1 million, a PGA rate variance of \$2.4 million, and a pool manager variance of \$2.7 million. Purchased gas costs increased by 49.64 percent due to an approximate 93 percent in weighted average cost of gas therms. No further work was performed.

Revenue

Objectives: The objectives were to determine the therms sold for the period January 1, 2022, through December 31, 2022, and whether the Utility applied the Commission-approved cost recovery factor to actual therm sales.

Procedures: We reconciled the 2022 filing to the Utility's general ledger and the monthly revenue reports. We selected a sample of residential and commercial customers' bills and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Objectives: The objectives were to verify that the Operation and Maintenance (O&M) Expenses listed on the A-2 Schedule of the Utility's filing were supported by adequate documentation and that the expenses were appropriately recoverable through the PGA.

Procedures: We traced expenses in the filing to the general ledger. We traced a 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, 2021, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2022, using the Commission-approved beginning balance as of December 31, 2021, the Non-financial Commercial Paper rates, and the 2022 PGA revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True Up

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2-REVISED				
FOR THE PERIOD OF: JANUARY 2022 THROUGH DECEMBER 2022										
		CURRENT MONTH: DECEMBER				YEAR-TO-DATE				
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
				AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION										
1	PURCHASED GAS COST	Sch. A-1 Line 4, Estimate include Sch. A-1 Line 10	2,898,118	\$ 2,310,852	\$ (585,266)	(25.3)	23,609,400	\$ 21,562,863	\$ (2,026,537)	(9.4)
2	TRANSPORTATION COST	Sch. A-1 Lines 1, 2, 3, 6, 8	4,944,485	\$ 1,432,478	\$ (3,512,007)	(245.2)	32,607,678	\$ 14,414,311	\$ (18,193,368)	(126.2)
3	TOTAL COST		7,840,603	\$ 3,743,330	\$ (4,097,273)	(109.5)	56,217,079	\$ 35,997,174	\$ (20,219,905)	(56.2)
4	FUEL REVENUES (NET OF REVENUE TAX)		6,228,984	\$ 3,742,330	\$ (2,486,654)	(66.5)	54,917,830	\$ 35,988,874	\$ (18,928,956)	(52.6)
5	TRUE-UP - (COLLECTED) OR REFUNDED *		160,083	\$ 160,083	\$ -	0.0	1,920,991	\$ 1,920,991	\$ -	0.0
6	FUEL REVENUE APPLICABLE TO PERIOD	Add Lines 4 + 5	6,389,067	\$ 3,902,413	\$ (2,486,654)	(63.7)	56,838,821	\$ 37,909,865	\$ (18,928,956)	(49.9)
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	Line 6 - Line 3	(1,451,536)	\$ 158,083	\$ 1,610,919	1012.4	621,742	\$ 1,912,891	\$ 1,290,949	67.5
8	INTEREST PROVISION - THIS PERIOD	Line 21	(10,036)	\$ (9,162)	\$ 874	(9.5)	(16,046)	\$ (46,592)	\$ (30,546)	65.6
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST: over/(under)		(2,119,997)	\$ (2,670,720)	\$ (550,723)	20.6	\$ (2,426,360)	\$ (2,625,990)	\$ (199,630)	7.6
10	TRUE-UP COLLECTED OR (REFUNDED)	Reverse of Line 5	(160,083)	\$ (160,083)	\$ -	0.0	(1,920,991)	\$ (1,920,991)	\$ -	0.0
10a	FLEX RATE REFUND (if applicable)		-	\$ -	\$ -	0.0	-	\$ -	\$ -	0.0
11	TOTAL ACTUAL/ESTIMATED TRUE-UP: over/(under)	Add Lines 7 + 8 + 9 + 10 + 10a	(3,741,652)	\$ (2,680,882)	\$ 1,060,770	(39.6)	(3,741,652)	\$ (2,680,882)	\$ 1,060,770	(39.6)
MEMO: Unbilled Over-recovery			1,370,506							
Over/(under)-recovery Book Balance			(2,371,143)							
INTEREST PROVISION										
12	BEGINNING TRUE-UP AND INTEREST	Line 9	\$ (2,119,997)	\$ (2,670,720)	\$ (550,723)	20.6				
13	ENDING TRUE-UP BEFORE INTEREST	Add Lines 12 + 7 + 5	\$ (3,731,616)	\$ (2,671,720)	\$ 1,059,896	(39.7)				
14	TOTAL (12+13)	Add Lines 12 + 13	\$ (5,851,614)	\$ (5,342,440)	\$ 509,173	(9.5)				
15	AVERAGE	50% of Line 14	\$ (2,925,807)	\$ (2,671,220)	\$ 254,587	(9.5)				
16	INTEREST RATE - FIRST DAY OF MONTH		0.03970	0.03970	-	0.0				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.04250	0.04250	-	0.0				
18	TOTAL	Add Lines 16 + 17	0.08220	0.08220	-	0.0				
19	AVERAGE	50% of Line 18	0.04110	0.04110	-	0.0				
20	MONTHLY AVERAGE	Line 19 / 12 mos.	0.00343	0.00343	-	0.0				
21	INTEREST PROVISION	Line 15 x Line 20	\$ (10,036)	\$ (9,162)	\$ 874	(9.5)				

Beginning of period True-up & Interest (Line 9) comes from the most recently filed E-4 if we do not flex down. If we flex down, the beginning of the period True-up & Interest (Line 9) comes from the prior periods end of period net true-up.
The prior period write-off will be the estimated over/under recovery estimated on Schedule E-4 regardless if we flex down.