

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 9, 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.: 20230002-EG
Company Name: Florida Public Utilities Company
Company Code: EI803
Audit Purpose: A3b: Energy Conservation Cost Recovery Clause
Audit Control No.: 2023-018-1-2

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
Energy Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230002-EG

Audit Control No. 2023-018-1-2

August 9, 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 "Nazret Weldehlasie".

Nazret Weldehlasie
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 Energy Conservation Cost Recovery Clause in Docket No. 20230002-EG.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Florida Public Utilities Company.
ECCR refers to Energy Conservation Cost Recovery Clause.

Analytical Review

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

Procedures: We compared 2022 to 2021 revenues and expenses. We requested explanations from the Utility for any significant variances. The explanations provided by the Utility were sufficient. Further follow-up was not required.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2022, through December 31, 2022, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the ECCR.

Procedures: We reconciled the 2022 filing to the Utility's monthly Revenue Reports. We computed the factors by rate code and compared them to the last Commission Order (Order No. PSC-2021-0427-FOF-EG). 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

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expenses listed on the Utility's Schedule CT-3 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECCR.

Procedures: We traced expenses in the filing to the general ledger. We statistically sampled O&M expenses (except for payroll) for testing. The source documentation for selected items was reviewed to ensure the expenses were for the current period, charged to the correct accounts, and appropriately recoverable through the ECCR. Payroll was audited for electric and gas conservation programs by scheduling conservation payroll, benefits, and payroll taxes for 2022,

and calculating the percentage of benefits and taxes as compared to salaries. We traced conservation program rebates to allowances approved in Order Nos. PSC-2010-0678-PAA-EG and PSC-2015-0326-PAA-EG, issued November 12, 2010, and August 11, 2015, respectively. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

Other Issues

Objective: The objective was to verify the number of program participants reported in the Utility's Florida Energy Efficiency and Conservation Act (FEECA) filing.

Procedures: We traced the number of program participants reported in the Utility's March 1, 2023 FEECA filing for the Residential Energy Survey Program, Commercial Reflective Program, Residential Heating & Cooling Upgrade Program and Low Income Energy Outreach Program by reconciling them with the program participants noted in the Utility's 2022 ECCR true-up filing. Audit staff did note that the Utility filed a revised FEECA filing on June 19, 2023. 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, 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 Financial Commercial Paper rates, and the 2022 ECCR revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: Other Issues – FEECA Filing

Audit Analysis: On June 19, 2023, the Utility filed a revised FEECA filing. In this revised filing, the Utility identified 92 participants, noted \$449 per installation costs, and \$25,949 in total program costs for the Residential Heating & Cooling Upgrade Program. Audit staff calculated the dollars per participant by dividing the general ledger amounts by the number of participants noted on the FEECA filing ($\$25,949/92$). We compared the dollars per participant calculated by audit staff to the amount noted in the FEECA filing. We determined that there was a difference of \$167 ($\$449 - \282) between the FEECA filing and audit staff's calculated amount. This difference is due to Common program costs.

The Utility informed audit staff that the Common program's costs were not specific to any conservation program, but include such costs as travel, subscriptions, etc., that benefit all programs. Therefore, those costs were allocated to other programs based on expense size and other metrics. The portion of the Common costs that should have been allocated to the Residential Heating and Cooling program were \$15,399, for a total cost of \$41,348. ($\$25,949 + \$15,399$). By dividing \$41,348 by 92 participants, we determined how the FEECA filing reflected \$449 for the per installation cost.

Effect on the General Ledger: No effect on the filing.

Effect on the Filing: No effect on the Utility's filing.

Exhibit

Exhibit 1: True Up

COMPANY: FLORIDA PUBLIC UTILITIES - CONSOLIDATED ELECTRIC

SCHEDULE CT-3

CALCULATION OF TRUE-UP AND INTEREST PROVISION

PAGE 2 OF 3

FOR MONTHS January-22 THROUGH December-22 revised 8_3_2023

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B. CONSERVATION REVENUES													
1. RESIDENTIAL CONSERVATION	(69,634)	(70,347)	(58,494)	(59,114)	(60,998)	(79,652)	(96,648)	(85,891)	(86,587)	(64,267)	(66,535)	(59,584)	(845,721)
2. CONSERVATION ADJ REVENUES													0
3. TOTAL REVENUES	(69,634)	(70,347)	(58,494)	(59,114)	(60,998)	(79,652)	(96,648)	(85,891)	(86,587)	(64,267)	(66,535)	(59,584)	(845,721)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	2,788	(2,788)	2,788	(2,788)	(2,788)	2,788	2,788	2,788	(2,788)	2,788	(2,788)	2,788	(33,460)
5. CONSERVATION REVENUE APPLICABLE	(72,422)	(73,135)	(59,282)	(61,802)	(63,786)	(82,440)	(99,436)	(88,689)	(89,375)	(57,055)	(69,323)	(52,356)	(879,181)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	80,948	108,258	85,710	39,078	31,174	63,953	31,887	44,438	38,581	69,337	83,367	41,801	669,543
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	8,526	35,133	8,428	(22,823)	(32,613)	(18,486)	(67,549)	(44,230)	(50,794)	(7,718)	4,043	(20,565)	(210,638)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(1)	0	5	6	(6)	(33)	(118)	(246)	(387)	(550)	(623)	(698)	(2,651)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(33,460)	(22,147)	15,773	24,984	4,965	(24,866)	(40,597)	(105,478)	(147,164)	(195,557)	(201,037)	(194,828)	(33,460)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	2,788	2,788	2,788	2,788	2,788	2,788	2,788	2,788	2,788	2,788	2,788	2,788	33,460
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(22,147)	15,773	24,984	4,965	24,965	(40,597)	(105,476)	(147,164)	(195,557)	(201,037)	(194,828)	(213,269)	(213,269)