

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 29, 2024

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

FROM: Donna Brown, Bureau Chief, Office of Auditing & Performance Analysis *DB*

RE: Docket No.: 20240001-EI
Company Name: Florida Public Utilities Company
Company Code: EI803
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No.: 2024-008-2-4

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 & Performance Analysis

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Florida Public Utility Company
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2023

Docket No. 20240001-EI
Audit Control No. 2024-008-2-4

May 29, 2024

A handwritten signature in cursive script, appearing to read "L. Sampson", written over a horizontal line.

Lily Sampson
Audit Manager

A handwritten signature in cursive script, appearing to read "Donna D. Brown", written over a horizontal line.

Donna D. 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 Accounting & Finance in its audit service request dated January 3, 2024. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Public Utility Company in support of its 2023 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20240001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Florida Public Utility Company, or FPUC
Fuel Clause refers to the Fuel and Purchased Power Cost Recovery Clause.

Analytical Review

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

Procedures: We compared 2023 revenues and expenses to 2021 and 2022. We requested explanations from the Utility for significant changes to revenues. The utility-provided explanations were sufficient.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2023, through December 31, 2023, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the Fuel Clause.

Procedures: We reconciled the 2023 filing to the Utility's monthly revenue reports and general ledger. We computed the factors by rate code and compared them to the last Commission Order No. PSC PSC-2023-0343-FOF-EI. We selected a statistical sample of residential and commercial customers' bills for May 2023 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 whether Operation and Maintenance (O&M) Expense listed on the Utility's Schedule C1 filing was supported by adequate documentation, the expenses were appropriately recoverable through the Fuel Clause, and the expenses were in compliance with Order No. 14546, in Docket No. 850001-EI-B.

Procedures: We traced expenses in the filing to the general ledger. We statistically selected a sample of O&M Expenses for testing for all twelve months of 2023. The source documentation

for selected items was reviewed to ensure the expense was related to the Fuel Clause and charged to the correct accounts. No exceptions were noted.

Other

Revenue Expansion Factor

Objective: The objective was to verify whether the revenue expansion factor applied to any capital investments being recovered through the fuel clause contained a component of bad debt expense.

Procedures: We requested support for whether the revenue expansion factor applied to any capital investments being recovered through the Fuel Clause contained a component of bad debt expense. Per the Utility response, the revenue expansion factor used for clause calculations does not contain any component for bad debt expense. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule C1 was properly calculated.

Procedures: We traced the December 31, 2022, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2023, using the Commission approved beginning balance as of December 31, 2022, the Financial Commercial Paper rates, and the 2023 Fuel Clause revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: Customer Bills

Audit Analysis: Audit staff statistically sampled bills to determine whether the Utility was using the appropriate clause factors per the Utility's tariff rates. In our recalculation of customer bills, we discovered one bill that was charged incorrectly. We determined that the utility inadvertently charged a commercial customer, the residential rate. In addition, we are unable to determine how many other customers were billed incorrectly.

Effect on the General Ledger: The Utility should decide the effect on the general ledger.

Effect on the Filing: This finding does not impact the Utility's filing.

