

State of Florida



**Public Service Commission**

Office of Auditing and Performance Analysis  
Bureau of Auditing  
Miami District Office

**Auditor's Report**

Florida Public Utilities Company- Indiantown Gas Company  
Gas Conservation Cost Recovery

**Twelve Months Ended December 31, 2013**

Docket No. 140004-GU  
Audit Control No. 14-017-4-6  
**May 23, 2014**

A handwritten signature in black ink, appearing to read "George Simmons", written over a horizontal line.

George Simmons  
Audit Manager

A handwritten signature in blue ink, appearing to read "Jeffery A. Small", written over a horizontal line.

Jeffery A. Small  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economics in its audit service request dated January 14, 2014. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Public Utilities Company- Indiantown Gas Company in support of its 2013 filing for the Gas Conservation Cost Recovery in Docket No. 140004-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definition

Utility refers to the Florida Public Utilities Company- Indiantown Gas Company.  
GCCR refers to the Gas Conservation Cost Recovery.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2013, through December 31, 2013, and whether the Utility applied the Commission approved gas conservation cost recovery factor to actual therm sales.

**Procedures:** We computed revenues using the factors in Order No. PSC 12-0612-FOF-EI, issued November 15, 2012 and actual therms 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 for the period 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) 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 clause.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, charged to the correct account and appropriately recoverable thru the GCCR clause . 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, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Non-Financial Commercial Paper rates, and the 2013 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 2013 to 2012 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. No exceptions were noted.

Audit Findings

**None**

Exhibit

**Exhibit 1: True-Up**

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION

SCHEDULE CT-3  
PAGE 1 OF 3

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
SUMMARY OF EXPENSES BY PROGRAM BY MONTH

FOR MONTHS		January-13	THROUGH	December-13										
A CONSERVATION EXPENSE BY PROGRAM		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1	Residential New Construction Program			26	19	25				3				73
2	Residential Appliance Replacement Program			355	275	435	213	192	329	90	2,251	62	309	4,531
3	Conservation Education Program			107	76	50	9			47	26	32		347
4														
5	Residential Conservation Survey			4	4		3							11
6	Residential Appliance Retention	350		355	275	436	213	192	329	97	20	62	309	2,657
7														
8														
9														
10	Commercial Conservation Survey				4									4
12														
14	Common		158	8	200	5			4	11	21	16	58	477
15	Conservation Demonstration and Develop.		1,014		938				175					2,122
<b>13 TOTAL ALL PROGRAMS</b>		<b>350</b>	<b>1,170</b>	<b>853</b>	<b>1,791</b>	<b>950</b>	<b>438</b>	<b>384</b>	<b>835</b>	<b>245</b>	<b>2,318</b>	<b>212</b>	<b>676</b>	<b>10,222</b>
<b>14 LESS AMOUNT INCLUDED IN RATE BASE</b>														
<b>15 RECOVERABLE CONSERVATION EXPENSES</b>		<b>350</b>	<b>1,170</b>	<b>853</b>	<b>1,791</b>	<b>950</b>	<b>438</b>	<b>384</b>	<b>835</b>	<b>245</b>	<b>2,318</b>	<b>212</b>	<b>676</b>	<b>10,222</b>

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SCHEDULE CT-3  
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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-13 THROUGH December-13

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
<b>B. CONSERVATION REVENUES</b>													
1. RESIDENTIAL CONSERVATION													
2. CONSERVATION ADJ. REVENUES	(288)	(164)	(195)	(116)	(88)	(44)	(38)	(35)	(50)	(48)	(38)	(172)	(1,284)
3. TOTAL REVENUES	(288)	(164)	(195)	(116)	(88)	(44)	(38)	(35)	(50)	(48)	(38)	(172)	(1,284)
4. PRIOR PERIOD TRUE-UP ADJ. NOT APPLICABLE TO THIS PERIOD	(973)	(972)	(972)	(972)	(972)	(972)	(972)	(972)	(972)	(972)	(972)	(972)	(11,665)
5. CONSERVATION REVENUE APPLICABLE	(1,271)	(1,136)	(1,187)	(1,088)	(1,060)	(1,010)	(1,008)	(1,007)	(1,022)	(1,220)	(1,010)	(1,144)	(12,949)
6. CONSERVATION EXPENSES (FROM CT-3, PAGE 1, LINE 23)	350	1,170	853	1,791	956	438	384	835	245	2,318	212	676	10,272
7. TRUE-UP THIS PERIOD (LINE 5 - 6)	(921)	34	(314)	703	(110)	(578)	(624)	(172)	(777)	1,298	(798)	(468)	(2,727)
8. INTEREST PROVISION THIS PERIOD (FROM CT-3, PAGE 3, LINE 10)	(1)	(1)	(1)	(1)									(4)
9. TRUE-UP AND INTEREST PROVISION BEGINNING OF MONTH	(11,665)	(11,614)	(10,609)	(9,952)	(8,278)	(7,416)	(7,022)	(6,674)	(5,874)	(5,379)	(3,408)	(3,235)	(11,665)
9A. DEFERRED TRUE-UP BEGINNING OF PERIOD													
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	973	972	972	972	972	972	972	972	972	972	972	972	11,665
11. TOTAL NET TRUE-UP (LINES 7+8+9+9A+10)	(11,614)	(10,608)	(9,952)	(8,278)	(7,416)	(7,022)	(6,674)	(5,874)	(5,679)	(3,409)	(3,235)	(2,731)	(2,731)

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SCHEDULE CT-3

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CALCULATION OF TRUE-UP AND INTEREST PROVISION

FOR MONTHS January-13 THROUGH December-13

C. INTEREST PROVISION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. BEGINNING TRUE-UP (LINE 9-9)	(11,655)	(11,614)	(10,009)	(9,952)	(8,278)	(7,416)	(7,022)	(6,874)	(5,874)	(5,379)	(3,409)	(3,235)	(11,885)
2. ENDING TRUE-UP BEFORE INTEREST (LINES B7+B9+B9A+B10)	(11,613)	(10,636)	(9,951)	(8,277)	(7,418)	(7,022)	(6,874)	(6,874)	(6,579)	(3,408)	(3,235)	(2,731)	(2,727)
3. TOTAL BEG. AND ENDING TRUE-UP	(23,278)	(22,222)	(20,560)	(18,229)	(15,694)	(14,438)	(13,696)	(12,548)	(11,553)	(9,358)	(6,644)	(5,968)	(14,392)
4. AVERAGE TRUE-UP (LINE C-3 X 50%)	(11,639)	(11,111)	(10,280)	(9,115)	(7,847)	(7,219)	(6,948)	(6,274)	(5,777)	(4,544)	(3,322)	(2,983)	(7,196)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.10%	0.15%	0.14%	0.09%	0.09%	0.05%	0.08%	0.05%	0.05%	0.33%	0.05%	0.05%	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.15%	0.14%	0.09%	0.09%	0.05%	0.08%	0.05%	0.05%	0.03%	0.36%	0.05%	0.03%	
7. TOTAL (LINE C-5 + C-6)	0.25%	0.29%	0.23%	0.18%	0.14%	0.13%	0.13%	0.10%	0.08%	0.39%	0.11%	0.08%	
8. AVG. INTEREST RATE (C-7 X 50%)	0.13%	0.15%	0.12%	0.09%	0.07%	0.07%	0.07%	0.05%	0.04%	0.35%	0.06%	0.04%	
9. MONTHLY AVERAGE INTEREST RATE	0.010%	0.012%	0.010%	0.008%	0.006%	0.005%	0.005%	0.004%	0.003%	0.034%	0.005%	0.003%	
10. INTEREST PROVISION (LINE C-4 X C-9)	(1)	(1)	(1)	(1)									(4)

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