

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
Purchased Gas Cost Recovery

Twelve Months Ended December 31, 2013

Docket No. 140003-GU
Audit Control No. 14-010-4-3

July 18, 2014



Yen N. Ngo
Audit Manager



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Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

 None..... 4

Exhibit

 1: True Up..... 5

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 9, 2014. 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 2013 filing for the Purchased Gas Cost Recovery Clause in Docket No. 140003-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 Florida Public Utilities Company.
PGA refers to the Purchased Gas 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 cost recovery factor to actual therms sales.

Procedures: We traced PGA Revenues reported on the Utility's 2013 filing to the general ledger. We recomputed the monthly PGA Revenues using the proper net of tax revenue factor. A random sample of residential and commercial customers' bills was reviewed in the Gas Conservation Cost Recovery Clause audit to verify that correct rates were used. We traced unbilled revenues to the summary report. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether the operation and maintenance (O&M) expenses listed on Schedule A-2 of the Utility's filing were supported by adequate documentation and that the expenses are appropriately recoverable through the PGA Clause.

Procedures: We traced expenses from the filing to the general ledger. We selected a sample of gas purchase and transportation costs and traced them to supporting invoices. 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, 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 Financial Commercial Paper rates, and the 2013 PGA revenues and costs. No exceptions were noted.

Analytical Review

Objectives: The objective was to perform an analytical review of the Utility's PGA revenues and expenses to determine whether 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 variances. Explanations provided were sufficient. 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	
FOR THE PERIOD OF: JANUARY 2013 THROUGH DECEMBER 2013											
			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	\$ 1,296,112	\$ 3,316,672	\$ 2,020,761	60.9	\$ 15,607,662	\$ 34,134,632	\$ 18,627,470	54.6	
2	TRANSPORTATION COST	Sch. A-1 Lines 1, 2, 3, 5, 6	\$ 724,236	\$ 719,245	\$ (4,991)	(0.7)	\$ 5,986,734	\$ 5,782,165	\$ (204,569)	(3.5)	
3	TOTAL COST		\$ 2,020,348	\$ 4,035,117	\$ 2,015,769	49.9	\$ 21,493,796	\$ 39,916,697	\$ 18,422,901	46.2	
4	FUEL REVENUES (NET OF REVENUE TAX)		\$ 2,046,881	\$ 4,035,117	\$ 1,988,136	49.3	\$ 23,085,209	\$ 30,869,197	\$ 16,813,998	42.1	
5	TRUE-UP - (COLLECTED) OR REFUNDED -		\$ 105,518	\$ 105,518	\$ -	0.0	\$ 1,266,214	\$ 1,266,214	\$ -	0.0	
6	FUEL REVENUE APPLICABLE TO PERIOD	Add Lines 4 - 5	\$ 2,151,469	\$ 4,140,635	\$ 1,989,136	48.0	\$ 24,351,423	\$ 41,165,411	\$ 16,813,998	40.6	
7	TRUE-UP - OVER/(UNDER) - THIS PERIOD	Line 6 - Line 3	\$ 131,151	\$ 104,518	\$ (26,633)	(25.6)	\$ 2,657,627	\$ 1,248,714	\$ (1,608,913)	(128.9)	
8	INTEREST PROVISION - THIS PERIOD	Line 21	\$ 1	\$ 19	\$ 18	94.7	\$ (427)	\$ 477	\$ 904	189.5	
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST: over/(under)		\$ 31,369	\$ 629,176	\$ 597,807	95.0	\$ (1,533,983)	\$ 645,218	\$ 2,179,201	337.8	
10	TRUE-UP COLLECTED OR (REFUNDED)	Reverse of Line 5	\$ (105,518)	\$ (105,518)	\$ -	0.0	\$ (1,266,214)	\$ (1,266,214)	\$ -	0.0	
10a	FLEX RATE REFUND (if applicable)		\$ -	\$ -	\$ -	0.0	\$ -	\$ -	\$ -	0.0	
11	TOTAL ACTUAL/ESTIMATED TRUE-UP: over/(under)	Add Lines 7 - 6 + 9 - 10 - 10a	\$ 57,003	\$ 628,195	\$ 571,192	90.9	\$ 57,003	\$ 628,195	\$ 571,192	90.9	
M&M: Unpaid Over-recovery					632,173						
Over/(under)-recovery Book Balance					659,176						
INTEREST PROVISION											
12	BEGINNING TRUE-UP AND INTEREST	Line 9	\$ 31,369	\$ 629,176	\$ 597,807	95.0					
13	ENDING TRUE-UP BEFORE INTEREST	Add Lines 12 - 7 - 8	\$ 57,002	\$ 628,176	\$ 571,174	90.9					
14	TOTAL (12+13)	Add Lines 12 - 13	\$ 68,371	\$ 1,257,352	\$ 1,168,981	93.0					
15	AVERAGE	50% of Line 14	\$ 44,186	\$ 628,676	\$ 584,400	93.0					
16	INTEREST RATE - FIRST DAY OF MONTH		0.00050	0.00050	-	0.0					
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.00030	0.00030	-	0.0					
18	TOTAL	Add Lines 16 - 17	0.00080	0.00080	-	0.0					
19	AVERAGE	100% of Line 18	0.00040	0.00040	-	0.0					
20	MONTHLY AVERAGE	Line 18 / 12 mos.	0.00003	0.00003	-	0.0					
21	INTEREST PROVISION	Line 19 x Line 20	\$ 1	\$ 19	\$ 18	94.7					