

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: July 13, 2018

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20180003-GU
Company Name: Florida Public Utilities Company
Company Code: GU603
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 2018-011-1-3

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 Commission Clerk. There are no confidential work papers associated with this audit.

LMD/cmm

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
Tallahassee District Office

Auditor's Report

Florida Public Utilities Company
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2017

Docket No. 20180003-GU
Audit Control No. 2018-011-1-3
July 10, 2018

A handwritten signature in blue ink, appearing to read "V. Hymavathi".

Hymavathi Vedula
Audit Manager

A handwritten signature in blue ink, appearing to read "Marisa N. Glover".

Marisa N. Glover
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 10, 2018. 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 2017 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20180003-GU.

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

Objectives and Procedures

General

Definition

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

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual terms sold for the period January 1, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual term sales.

Procedures: We traced revenues reported on the 2017 filing to the Utility's general ledger and the monthly revenue reports. We selected a random sample of residential and commercial customers' bills and recalculated each to verify the correct tariff rate, which were tested in FPUC Gas Cost Conservation Recovery Clause, Docket 20180004-GU, Audit Control No. 2018-016-1-3. 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 A-2 of the Utility's filing was supported by sufficient documentation and that the expenses are appropriately recoverable through the PGA.

Procedures: We traced expenses reported from the filing to the general ledger. We traced a random 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, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Non-Financial Commercial Paper rates, and the 2017 PGA revenues and costs. No exceptions were noted.

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 to 2016 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

FOR THE PERIOD OF: JANUARY 2017 THROUGH DECEMBER 2017

		CURRENT MONTH: DECEMBER				YEAR-TO-DATE			
		ACTUAL	ESTIMATE (1)	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION									
1	PURCHASED GAS COST	772,942	\$ 2,760,328	\$ 1,987,386	72.0	9,016,338	\$ 27,658,921	\$ 18,642,583	67.4
	Sch. A-1 Line 4, Estimate include Sch. A-1 Line 10								
2	TRANSPORTATION COST	1,333,254	\$ 1,097,439	\$ (235,815)	(21.5)	12,691,088	\$ 10,288,568	\$ (2,402,520)	(23.4)
	Sch. A-1 Lines 1, 2, 3, 5, 5								
3	TOTAL COST	2,106,196	\$ 3,857,767	\$ 1,751,571	45.4	21,707,426	\$ 37,947,489	\$ 16,240,063	42.8
4	FUEL REVENUES (NET OF REVENUE TAX)	2,540,007	\$ 3,856,967	\$ 1,316,960	34.1	22,928,073	\$ 37,936,589	\$ 15,008,516	39.6
5	TRUE-UP - (COLLECTED) OR REFUNDED *	(27,373)	\$ (27,373)	-	0.0	(328,468)	\$ (328,468)	-	0.0
6	FUEL REVENUE APPLICABLE TO PERIOD	2,512,634	\$ 3,829,594	\$ 1,316,960	34.4	22,599,805	\$ 37,808,121	\$ 15,008,516	39.9
	Add Lines 4 + 5								
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	406,438	\$ (28,173)	\$ (434,611)	1542.7	892,179	\$ (339,368)	\$ (1,231,547)	362.9
	Line 6 - Line 3								
8	INTEREST PROVISION - THIS PERIOD	764	\$ 669	\$ (95)	(14.2)	4,509	\$ 5,646	\$ 1,137	20.1
	Line 21								
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST: over/(under)	465,516	\$ 597,328	\$ 131,812	22.1	(325,065)	\$ 602,451	\$ 927,516	154.0
10	TRUE-UP COLLECTED OR (REFUNDED)	27,373	\$ 27,373	-	0.0	328,468	\$ 328,468	-	0.0
	Reverse of Line 5								
10a	FLEX RATE REFUND (if applicable)	-	\$ -	-	0.0	-	\$ -	-	0.0
11	TOTAL ACTUAL/ESTIMATED TRUE-UP: over/(under)	900,091	\$ 597,197	\$ (302,894)	(50.7)	900,091	\$ 597,197	\$ (302,894)	(50.7)
	Add Lines 7 + 8 + 9 + 10 + 10a								
MEMO: Unbilled Over-recovery		896,383							
Over/(under)-recovery Book Balance		1,796,474							
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND INTEREST	\$ 465,516	\$ 597,328	\$ 131,812	22.1				
	Line 9								
13	ENDING TRUE-UP BEFORE INTEREST	\$ 899,327	\$ 606,628	\$ (302,799)	(50.8)				
	Add Lines 12 + 7 + 5								
14	TOTAL (12+13)	\$ 1,364,843	\$ 1,193,856	\$ (170,987)	(14.3)				
	Add Lines 12 + 13								
15	AVERAGE	\$ 682,422	\$ 596,928	\$ (85,494)	(14.3)				
	50% of Line 14								
16	INTEREST RATE - FIRST DAY OF MONTH	0.01200	0.01200	-	0.0				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.01490	0.01490	-	0.0				
18	TOTAL	0.02690	0.02690	-	0.0				
	Add Lines 16 + 17								
19	AVERAGE	0.01345	0.01345	-	0.0				
	50% of Line 18								
20	MONTHLY AVERAGE	0.00112	0.00112	-	0.0				
	Line 19 / 12 mos.								
21	INTEREST PROVISION	\$ 764	\$ 669	\$ (95)	(14.2)				
	Line 15 x Line 20								

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. (1) 2016 Projections have been revised to be consistent with the August 19th filing

Exhibit

Exhibit 1: True-Up