

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: May 6, 2022
TO: Office of the Commission Clerk
FROM: Rhonda L. Hicks, Director, Office of Auditing and Performance Analysis *RLH*
RE: Docket No.: 20220001-EI
Company Name: Florida Public Utilities Company
Company Code: EI803
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2022-003-1-3

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

RLH/cm

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
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2021

Docket No. 20220001-EI
Audit Control No. 2022-003-1-3
May 5, 2022

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

Jonathan Miller
Audit Manager

A handwritten signature in cursive script, appearing to read "Marisa N. Glover", written over a horizontal line.

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 Accounting and Finance in its audit service request dated December 21, 2022. 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 2021 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20220001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Florida Public Utilities Company.

Fuel Clause refers to the Fuel and Purchased Power Cost Recovery Clause.

Revenue

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2021, through December 31, 2021, and whether the Utility applied the Commission-approved cost recovery factor to actual (KWH) sales for the Fuel Clause.

Procedures: We reconciled the 2021 filing to the Utility's monthly Revenue Reports and General Ledger. We computed the factors by rate code and compared them to Commission Order No. PSC-2020-0439-FOF-EI, issued November 16, 2020. We recalculated twelve months of residential and commercial customers' bills based off of usage, the amount of customers per each class, and the correct tariff rate provided by the Utility. Finding 1 discusses the revenue variance.

Expense

Objectives: The objectives were to determine whether expenses listed on the Fuel Clause filing are supported by adequate documentation, are appropriately recoverable through the Fuel Clause, and meet the criteria in Order 14546, issued July 8, 1985, in Docket No. 19850001-EI-B. In addition, we were to determine whether the energy payments to qualifying facilities are based on the appropriate standard offer or negotiated contract rate.

Procedures: We recalculated Schedule C-1 from the Fuel Clause filing for each month of 2021. We selected a twelve-month sample of expenses, and traced them to supporting documentation. We ensured the expenses were related to the Fuel Clause and charged to the correct accounts. The fuel expenses included in the Fuel Clause Filing complied with the requirements established in Order No. 14546. We also reviewed the contracts for qualifying facilities, and compared the rates billed to the contracts. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule C-1 was properly calculated.

Procedures: We traced the December 31, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2021, using the Commission-approved beginning balance as of December 31, 2020, the Non-financial Commercial Paper rates, and the 2021 Fuel Clause revenues and costs. Finding 1 discusses the True-Up variance.

Analytical Review

Objectives: 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 calendar year 2020 to 2021 annual revenues and expenses. There was a 28.90% increase in Jurisdictional Costs between 2020 and 2021. This is due to increased fuel costs. There was a 49.94% and 40.16% increase in Purchased Power Costs and Special Costs/Other Fuel Related Costs, respectively, between 2020 and 2021. The 49.94% increase in Purchased Power Costs was due to increases in the price factors from power suppliers. The 40.16% increase in Special Costs/Other Fuel Related Costs is attributed to consultant work performed for a combined heat and power project. No further work was performed.

Audit Findings

Finding 1: Revenues

Audit Analysis: The Utility recorded \$42,339,325 on Schedule C-1 for Fuel Revenues in the 2021 Fuel Clause Filing. Audit staff determined Fuel Revenues to be \$42,248,371. We recalculated test year revenues by the usage, number of customers, from the Utility’s King Curtis and Step Fuel Reports, and used the approved tariff rates based on Order No. PSC-2020-0439-FOF-EI, issued November 16, 2020, in Docket No. 20200001-EI. Audit staff determined the following as shown in Table 1-1.

Table 1-1

	Utility Per Filing	Utility filing and Audit Variance	Audit	General Ledger & Audit Variance	General Ledger
January	\$ 4,638,954	\$ (706,028)	\$ 3,932,926	\$ 706,027	\$ 4,638,953
February	2,582,495	\$ 704,659	3,287,154	466,492	3,753,646
March	2,522,721	\$ (8,522)	2,514,199	(1,162,629)	1,351,570
April	3,079,221	\$ (75,699)	3,003,522	75,698	3,079,220
May	3,120,988	\$ (36)	3,120,952	37	3,120,989
June	3,971,907	\$ (5,214)	3,966,693	5,213	3,971,906
July	4,358,839	\$ (3,405)	4,355,434	3,404	4,358,838
August	4,538,189	\$ 417	4,538,606	(417)	4,538,189
September	4,108,517	\$ 201	4,108,718	(202)	4,108,516
October	3,630,579	\$ 154	3,630,733	(155)	3,630,578
November	2,678,041	\$ 1,277	2,679,318	(1,278)	2,678,040
December	3,108,874	\$ 1,242	3,110,116	(1,242)	3,108,874
Total	42,339,325	(90,954)	42,248,371	90,951	42,339,322

1. Marianna residential customers were billed the incorrect fuel factor rate in January and part of February 2021. The Utility charged \$1.18198 for Residential (On Peak), instead of 0.015361. The Residential (Off Peak) customers for January and part of February were charged \$0.05898, instead of 0.03061. The Residential customers with less than or equal to 1,000 kWh per month for January and part of February were charged \$0.09798, instead of 0.06961. The Residential customers with more than or equal to 1,000 kWh per month for January and part of February were charged \$1.11048, instead of 0.08211.
2. Marianna general service customers were billed the incorrect fuel factor rate in January and part of February 2021. The Utility charged \$0.09831 for General Service, instead of 0.07034. The General Service- Demand customers for the month of January and part of February were charged \$0.09516, instead of 0.06719. The General Service- Large Demand customers for the month of January and part of February were charged \$0.09292, instead of 0.06495.
3. Marianna customers with Outdoor Lighting and Street Lighting for the month of January and part of February were charged \$0.07909, instead of 0.05072.

Effect on the General Ledger: No effect.

Effect on the Filing: Based on the steps performed above audit staff determined the Utility's revenues are overstated by \$90,954. The Utility's true-up is overstated by \$90,035.

Information to Finding 1

In February 2021, the Utility made an adjustment of \$704,659 to decrease revenues and remove overcharges made in January 2021. In March 2021, the Utility manually adjusted overbillings and reduced revenues in the amount of \$7,486.59, due to accounts previously closed. In April 2021, the Utility retroactively billed three accounts in the amount of \$75,843.38 to increase revenues, due to an issue with the meter multiplier. The Utility did not submit the usage for this adjustment. In June 2021, the Utility corrected two accounts in the amount of \$5,108.19 to increase revenues, due to an update to the meter multiplier. In July 2021, the Utility refunded customers with closed accounts in the amount of \$4,171.41, which decreased revenues. The Utility did not include the usage for this adjustment. For the months of May, August, September, October, November, and December 2021, there were minor discrepancies which Audit staff deemed immaterial. Audit staff did not adjust the recalculation of the true-up due to lack of supporting documentation for the usage, the number of customers affected, and the rate factors associated with the adjustments which affect our Revenue schedules.

Effect on the General Ledger: No effect.

Effect on the Filing: Based on the steps performed above including adjustments made by the Utility, audit staff determined the revenue difference is overstated by \$1,655. Audit staff also created a revised true-up schedule including the Utility adjustments which has the Utility true-up overstated by \$1,606.

Exhibit

Exhibit 1: True-Up

FLORIDA PUBLIC UTILITIES COMPANY
 CALCULATION OF PURCHASED POWER COSTS AND CALCULATION OF TRUE-UP AND INTEREST PROVISION-EXCLUDING GSLD1
 ACTUAL/ESTIMATED FOR THE PERIOD: JANUARY 2021 THROUGH DECEMBER 2021
 BASED ON TWELVE MONTHS ACTUAL
 (EXCLUDES LINE LOSS, EXCLUDES TAPPS)

Schedule C1

	2021												Total
	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	
Total System Costs - IOWH	62,074,506	51,828,071	41,401,194	42,501,215	45,324,407	53,512,733	63,015,542	63,040,500	64,719,550	52,911,245	49,522,979	43,229,133	624,801,818
WEST-ROCK Purchases - IOWH	950,000	420,000	480,000	960,000	410,000	300,000	290,000	440,000	320,000	540,000	430,000	630,000	8,200,000
Florida Purchases - IOWH - On Peak	120,081	109,578	126,304	99,790	31,737	19,350	13,710	25,677	10,982	11,622	294,807	167,756	982,571
Florida Purchases - IOWH - Off Peak	205,531	148,285	385,109	267,208	264,901	146,201	63,750	115,600	110,694	190,330	791,059	573,253	3,200,943
Eight Page Purchases-IOWH	14,837,336	13,701,170	14,073,770	13,806,243	13,825,204	13,208,427	13,060,358	13,007,520	13,340,000	14,578,069	14,406,407	13,882,474	105,198,959
Out Purchases - IOWH - BLDCK	21,831,144	19,207,744	20,380,294	10,377,021	21,067,849	21,787,337	22,695,362	22,725,308	21,500,843	20,693,054	20,394,132	21,228,180	233,397,269
FPL Purchases - IOWH - LOAD	3,726,975	2,770,380	838,444	716,794	3,246,235	6,259,551	7,472,462	7,963,071	5,599,912	2,018,444	870,140	1,247,658	43,246,944
FPL Purchases - IOWH - BLDCK	9,309,527	8,638,672	7,933,191	8,362,975	6,332,620	6,777,193	10,269,074	10,371,920	10,140,243	10,071,838	9,529,782	8,400,789	110,448,226
FPL Billing Demand - IOWH - BLDCK	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	168,000
FPL Billing Demand - IOWH - LOAD	63,969	37,754	15,343	22,276	38,779	48,923	49,105	54,154	50,295	31,177	12,967	30,871	452,541
FPL BULK Transmission Demand - IOWH	63,818	6,667	10,788	60,116	62,779	62,685	64,210	64,944	61,019	36,513	38,636	53,886	696,942
Out Demand - IOWH - BLDCK	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	372,000
Out Demand-IOWH - LOAD	31,752	32,781	14,163	13,427	22,997	28,685	33,251	32,790	27,698	22,109	22,482	20,683	326,318
Out Transmission Demand - IOWH - Stock / Load	51,289	52,059	61,714	52,459	52,487	52,154	52,874	52,758	52,849	54,221	54,226	54,137	632,236
Purchased Power Costs: Fuel Costs	2,250,183	2,492,332	2,250,987	1,914,428	2,259,107	2,952,212	3,358,881	3,607,270	3,601,246	3,635,011	3,478,627	2,704,381	34,514,756
Purchased Power Costs: Demand & Non-Fuel Costs	1,699,859	1,210,650	1,091,586	1,141,956	1,226,210	1,471,989	1,503,458	1,524,196	1,455,467	1,221,589	1,158,503	1,278,211	15,949,375
Total System Purchased Power Costs	3,950,042	3,702,982	3,342,573	3,056,384	3,485,317	4,424,201	4,862,339	5,131,466	5,056,713	4,856,600	4,637,130	3,982,592	50,464,131
Less Direct Billing To GSD1 Cost: Demand	50,201	(10,560)	4,470	12,317	4,283	26,223	42,064	(24,338)	51,870	64,950	(21,971)	22,613	215,895
(Base 2 amount) (Demand and capacity) should be Common	121,107	24,466	28,853	20,985	21,407	76,854	82,443	90,914	40,068	187,317	90,394	56,257	826,756
Net Purchased Power Costs	3,007,945	3,668,234	3,230,141	2,923,073	3,469,637	4,221,133	4,727,832	5,068,860	4,964,769	4,904,304	4,586,722	3,899,631	49,322,481
Special Costs	11,827	13,814	33,062	2,959	10,469	2,920	9,930	10,839	8,453	12,333	14,930	17,194	158,436
Total Costs and Charges	4,026,185	3,695,449	3,263,203	2,926,032	3,480,106	4,224,063	4,737,762	5,078,699	4,973,222	4,916,636	4,601,702	3,917,015	49,477,917
Fuel Revenue	233,759	(112,854)	(288,440)	97,317	30,689	269,919	1,624	196,143	(201,950)	32,172	(287,517)	93,587	(32,841)
Unbilled Fuel Revenue	4,639,694	2,582,495	2,522,721	3,079,221	3,120,988	3,971,907	4,358,839	4,538,199	4,108,517	3,630,979	2,678,041	3,108,874	42,339,324
Total Fuel Revenue (incl. GSD1)	171,208	7,787	30,020	33,312	26,600	103,077	134,507	82,576	91,944	222,267	77,413	81,170	1,041,650
GSD1 Fuel Revenue	3,626,386	3,283,562	2,919,180	2,891,475	2,978,703	3,355,637	3,997,752	3,761,767	3,506,265	3,231,120	2,842,624	2,856,483	38,728,703
Non-Fuel Revenue	8,338,847	6,873,614	6,371,940	6,704,008	6,022,331	7,430,671	8,191,068	8,362,532	8,006,715	7,053,365	6,098,078	6,047,127	62,109,576
True-up Calculation (incl. GSD1s):													
Fuel Revenues	4,639,694	2,582,495	2,522,721	3,079,221	3,120,988	3,971,907	4,358,839	4,538,199	4,108,517	3,630,979	2,678,041	3,108,874	42,339,324
True-up Provision - (incl. GSD1s)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(297,158)
Fuel Revenue	4,664,418	2,607,290	2,547,937	3,103,985	3,145,732	3,966,671	4,383,603	4,562,963	4,133,281	3,656,343	2,702,805	3,133,036	42,039,492
Net Purchased Power and Other Fuel Costs	3,679,572	3,682,049	3,263,204	2,926,698	3,500,106	4,224,053	4,737,762	5,088,699	4,971,222	4,916,636	4,571,702	3,917,015	49,477,917
True-up Provision for the Period	684,146	(1,074,789)	(715,716)	178,087	(354,353)	(227,385)	(354,150)	(523,748)	(837,941)	(1,261,294)	(1,886,897)	(783,977)	(6,841,425)
Interest Provision for the Period	279	179	114	60	67	68	64	81	22	(26)	(116)	(172)	600
Beginning of Period True-up and Interest Provision	3,236,074	4,194,733	3,096,362	2,354,993	2,500,396	2,129,348	1,877,257	1,496,368	947,330	65,258	(1,200,828)	(3,094,005)	3,236,074
True-up Collected or (True-up)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(24,784)	(307,188)
Overcollected Interest Provision													112,005
End of Period, Net True-up and Int. Prov.	4,194,733	3,096,362	2,354,993	2,500,396	2,129,348	1,877,257	1,496,368	947,330	65,258	(1,200,828)	(3,094,005)	(3,700,314)	(3,700,314)
Beginning True-up Amount	3,236,074	4,194,733	3,096,362	2,354,993	2,500,396	2,129,348	1,877,257	1,496,368	947,330	65,258	(1,200,828)	(3,094,005)	(3,700,314)
Ending True-up Amount Before Interest	4,194,456	3,096,183	2,354,879	2,500,316	2,129,279	1,877,190	1,496,334	947,688	85,234	(1,200,802)	(3,094,409)	(3,700,142)	(3,700,142)
Total Beginning and Ending True-up	7,429,530	7,292,916	5,450,241	4,863,309	4,637,675	4,006,544	3,375,591	2,444,256	1,033,173	(1,115,548)	(4,296,317)	(6,894,747)	(6,894,747)
Average True-up Amount	3,714,765	3,646,458	2,725,120	2,431,655	2,318,837	2,003,272	1,687,796	1,222,143	516,586	(557,774)	(2,147,659)	(3,442,374)	(3,442,374)
Average Annual Interest Rate	0.0900%	0.0850%	0.0900%	0.0900%	0.0900%	0.0900%	0.0900%	0.0900%	0.0900%	0.0900%	0.0900%	0.0900%	0.0900%
Interest Provision	279	179	114	60	67	68	64	81	22	(26)	(116)	(172)	600

Exhibit No. DOCKET NO. 20220001-EI
 Florida Public Utilities Company
 (CDY - 1)
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