

State of Florida



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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: April 17, 2008
TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: **Docket No: 080003-GU; Company Name: Florida Public Utilities Co.;**
Audit Purpose: Audit 2007 PGA; Company Code: GU603;
Audit Control No: 08-037-4-6:

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 the response to the Division of Commission Clerk. There are no confidential work papers associated with this audit.

DNV:bj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Mehrdad Khojasteh
Florida Public Utilities Company
P.O. Box 3395
West Palm Beach, FL 33402-3395

Norman H. Horton, Jr.
Messer Law Firm
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Tallahassee, FL 32317

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FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA PUBLIC UTILITIES COMPANY
PURCHASED GAS ADJUSTMENT

Twelve Months Ended December 31, 2007

Docket No. 080003-GU

Audit Control No. 08-037-4-6

A handwritten signature in cursive script, reading "Kathy L. Welch".

Kathy L. Welch
Audit Manager

A handwritten signature in cursive script, reading "Iliana Piedra".

Iliana Piedra
Professional Accountant Specialist

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TABLE OF CONTENTS

	Page
I. Purpose	1
II. Objectives and Procedures	2
III. Exhibits	3

DOCUMENT NUMBER-DATE

03049 APR 17 88

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

April 14, 2008

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED
PARTIES**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules, prepared by Florida Public Utilities Company, in support of its purchased gas adjustment filing, docket 080003-GU.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Objective: To determine if the revenue recorded in the filing agrees with the ledger reported revenue and to determine if the customers were billed according to the utility billing schedule. And, to determine that the billing schedules were under the cap authorized by the Commission.

Procedure: We verified that the revenues contained in the Company's General Ledger are reflected on Schedule A-2. We verified these revenues to the billing registers.

We tested a sample of customer bills to verify that the appropriate PGA factor was charged.

Objective: To determine that the cost of gas in the filing agreed with the ledger and could be traced to source documentation.

Procedures: We traced the filing to the ledger. We traced the ledger detail to the transfers from inventory and traced a sample of the inventory account to invoices.

Objective: To determine that the calculation of the true up was correct and calculated using the appropriate interest rates and was properly recorded in the ledger.

Procedures: We recomputed the true-up for the period. We verified that the beginning true-up amount and interest rates as stated by the Company on the January A-2 filing were approved by the Florida Public Service Commission. The monthly true-up amounts, as recorded on Schedule A-2, were reconciled to the General Ledger.

We recomputed the final true-up filing, Schedule A7. The amounts on A-7 were agreed to the December cumulative A-2 and to appropriate Commission orders.

EXHIBITS

Company Schedule A-2

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY			CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2			
FOR THE PERIOD OF: JANUARY 2007 THROUGH DECEMBER 2007										
CURRENT MONTH: DECEMBER										
YEAR-TO-DATE: 2007										
			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	2,885,670.03	2,802,513.00	(83,157.03)	(3.0)	28,131,978.04	30,565,221.00	2,433,242.96	8.0
2	TRANSPORTATION COST	Sch. A-1 Lines 1, 2, 3, 5, 6	551,805.30	492,714.00	(59,091.30)	(12.0)	4,187,783.75	3,809,311.00	(378,472.75)	(9.9)
3	TOTAL COST		3,437,475.33	3,295,227.00	(142,248.33)	(4.3)	32,319,761.79	34,374,532.00	2,054,770.21	6.0
4	FUEL REVENUES (NET OF REVENUE TAX)		2,677,493.02	3,287,327.00	609,833.98	18.6	29,867,226.73	34,293,232.00	4,426,005.27	12.9
5	TRUE-UP - (COLLECTED) OR REFUNDED *		201,182.00	201,182.00	-	0.0	2,414,184.00	2,414,184.00	-	0.0
6	FUEL REVENUE APPLICABLE TO PERIOD	Add Lines 4 + 5	2,878,675.02	3,488,509.00	609,833.98	17.5	32,281,410.73	36,707,416.00	4,426,005.27	12.1
7	TRUE-UP - OVER(UNDER) - THIS PERIOD	Line 6 - Line 3	(558,800.31)	193,282.00	752,082.31	389.1	(38,351.06)	2,332,884.00	2,371,235.06	101.6
8	INTEREST PROVISION -THIS PERIOD	Line 21	7,099.54	79,315.38	72,215.84	91.1	174,792.96	990,069.79	815,276.83	82.4
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST: over/(under)		2,131,161.67	19,567,867.41	17,436,705.74	89.1	3,656,021.00	18,730,513.00	15,074,492.00	80.5
10	TRUE-UP COLLECTED OR (REFUNDED)	Reverse of Line 5	(201,182.00)	(201,182.00)	-	0.0	(2,414,184.00)	(2,414,184.00)	-	0.0
10a	FLEX RATE REFUND (if applicable)		-	-	-	0.0	-	-	-	0.0
11	TOTAL ACTUAL/ESTIMATED TRUE-UP: over/(under)	Add Lines 7 + 8 + 9 + 10 + 10a	1,378,278.90	19,639,282.79	18,261,003.89	93.0	1,378,278.90	19,639,282.79	18,261,003.89	93.0
INTEREST PROVISION										
12	BEGINNING TRUE-UP AND INTEREST	Line 9	2,131,161.67	19,567,867.41	17,436,705.74	89.1				
13	ENDING TRUE-UP BEFORE INTEREST	Add Lines 12 + 7 + 5	1,371,179.36	19,559,967.41	18,188,788.05	93.0				
14	TOTAL (12+13)	Add Lines 12 + 13	3,502,341.03	39,127,834.82	35,625,493.79	91.1				
15	AVERAGE	50% of Line 14	1,751,170.52	19,563,917.41	17,812,746.89	91.1				
16	INTEREST RATE - FIRST DAY OF MONTH		0.04750	0.04750	-	0.0				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.04980	0.04980	-	0.0				
18	TOTAL	Add Lines 16 + 17	0.09730	0.09730	-	0.0				
19	AVERAGE	50% of Line 18	0.04865	0.04865	-	0.0				
20	MONTHLY AVERAGE	Line 19 / 12 mos.	0.00405	0.00405	-	0.0				
21	INTEREST PROVISION	Line 15 x Line 20	7,099.54	79,315.38	72,215.84	91.1				

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.