

State of Florida



Public Service Commission  
-M-E-M-O-R-A-N-D-U-M-

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**DATE:** July 8, 2003  
**TO:** Division of Competitive Markets and Enforcement (Brown)  
**FROM:** Division of Auditing and Safety (Vandiver) *W*  
**RE:** **Docket No.** 030004-GU; **Company Name:** St. Joe Natural Gas Company; **Audit Purpose:** Gas Conservation Cost Recovery Clause Audit;  
**Audit Control No.** 03-037-1-1

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

DNV/jcp  
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)  
Division of the Commission Clerk and Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

Mr. Stuart L. Shoaf, President  
St. Joe Natural Gas Company  
P. O. Box 549  
Port St. Joe, FL 32456-0549

DOCUMENT NUMBER DATE

06062 JUL-98

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY  
BUREAU OF AUDITING*

*Tallahassee District Office*

ST. JOE NATURAL GAS COMPANY, INC.

GAS CONSERVATION COST RECOVERY CLAUSE AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2002

DOCKET NO. 030004-GU  
AUDIT CONTROL NO. 03-037-1-1

A handwritten signature in cursive script, appearing to read "Barry Davis".

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*Barry Davis, Audit Manager*

A handwritten signature in cursive script, appearing to read "Lynn M. Deamer".

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*Lynn M. Deamer, Audit Supervisor*

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**DIVISION OF AUDITING AND SAFETY  
AUDITOR'S REPORT**

**June 27, 2003**

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

We have applied the procedures described later in this report to audit the accompanying Gas Conservation Cost Recovery Clause Schedule CT-3 for the historical 12-month period ended December 31, 2002, for St. Joe Natural Gas Company, Inc. The attached schedule was prepared by the company as part of its support in Docket No. 030004-GU.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

## SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report.

**Compiled** - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Verify** - The item was tested for accuracy and compared to the substantiating documentation.

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**REVENUE:** Compiled conservation revenues and determined that the company used the approved gas conservation cost recovery clause factors in accordance with Commission Order No. PSC-01-2388-PHO-GU, issued December 11, 2001. Obtained and recalculated a sample of customer bills for each rate class. Recalculated and traced total conservation revenues to the company's general ledger.

**EXPENSE:** Compiled and traced all conservation expenses to supporting invoices. Verified that the company's conservation programs are in accordance with Commission Order No. 15301, issued October 10, 1985. Provided a comparison of planned versus installed appliances for the 12-month period ended December 31, 2002.

**OTHER:** Compiled and recalculated the company's true-up and interest provision. Verified the approved beginning true-up amount to prior year audit. Verified the approved prior year true-up amount to be collected during the current year in accordance with Order No. PSC-02-1737-FOF-GU, issued on December 10, 2002. Verified that the correct interest rates were applied to the over/under recovery amounts for the 12-month period ended December 31, 2002. Traced true-up and interest amounts to the general ledger.

## **DISCLOSURES**

### **Disclosure No. 1**

**Subject:** CONSERVATION BILLING RATES

**Statement of Fact:** The company used the correct conservation billing rates for the conservation filings, but used out of date rates for general ledger entries. This was corrected by a journal entry in April of \$3,552.34.

**Recommendation:** This disclosure is for informational purposes only. The conservation filings are representative of the company's books and records for the 12-month period ended December 31, 2002. The general ledger was corrected in April, 2002, and no further adjustment is necessary.

**ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
SUMMARY OF EXPENSES BY PROGRAM BY MONTH  
FOR MONTHS: JANUARY 2002 THROUGH DECEMBER 2002**

EXPENSES:	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
PROGRAM 1:	700	0	1,600	175	525	350	950	350	525	1,675	875	525	8,250
PROGRAM 2:	900	1,575	1,575	1,350	2,250	2,925	1,125	450	1,125	675	900	900	15,750
PROGRAM 3:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 4:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 5:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 6:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 7:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 8:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 9:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 10:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 11:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 12:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 13:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 14:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 15:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 16:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 17:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 18:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 19:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 20:	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>1,600</b>	<b>1,575</b>	<b>3,175</b>	<b>1,525</b>	<b>2,775</b>	<b>3,275</b>	<b>2,075</b>	<b>800</b>	<b>1,650</b>	<b>2,350</b>	<b>1,775</b>	<b>1,425</b>	<b>24,000</b>
<b>LESS AMOUNT INCLUDED IN RATE BASE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>RECOVERABLE CONSERVATION EXPENSES</b>	<b>1,600</b>	<b>1,575</b>	<b>3,175</b>	<b>1,525</b>	<b>2,775</b>	<b>3,275</b>	<b>2,075</b>	<b>800</b>	<b>1,650</b>	<b>2,350</b>	<b>1,775</b>	<b>1,425</b>	<b>24,000</b>

EXHIBIT 2

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR MONTHS: JANUARY 2002 THROUGH DECEMBER 2002

CONSERVATION REVENUES	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSERV. ADJ REVS	(7,241)	(3,854)	(4,292)	(1,901)	(1,490)	(1,352)	(1,421)	(1,360)	(1,250)	(1,232)	(1,930)	(4,753)	(32,078)
TOTAL REVENUES	(7,241)	(3,854)	(4,292)	(1,901)	(1,490)	(1,352)	(1,421)	(1,360)	(1,250)	(1,232)	(1,930)	(4,753)	(32,078)
PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	690	690	690	690	690	690	690	690	690	690	690	690	8,277
CONSERVATION REVS APPLICABLE TO THE PERIOD	(6,551)	(3,164)	(3,602)	(1,211)	(800)	(663)	(731)	(671)	(560)	(542)	(1,240)	(4,063)	(23,799)
CONSERVATION EXPS (FROM CT-3, PAGE 1)	1,600	1,575	3,175	1,525	2,775	3,275	2,075	800	1,650	2,350	1,775	1,425	24,000
TRUE-UP THIS PERIOD	(4,951)	(1,589)	(427)	314	1,975	2,612	1,344	129	1,090	1,808	535	(2,638)	201
INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	8	2	(0)	(1)	(1)	2	3	4	3	4	4	2	31
TRUE-UP & INTER. PROV. BEGINNING OF MONTH	8,277	2,644	368	(749)	(1,127)	158	2,082	2,740	2,183	2,588	3,709	3,558	
PRIOR TRUE-UP COLLECTED/(REFUNDED)	(690)	(690)	(690)	(690)	(690)	(690)	(690)	(690)	(690)	(690)	(690)	(690)	
TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	2,644	368	(749)	(1,127)	158	2,082	2,740	2,183	2,588	3,709	3,558	232	232



CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR MONTHS: JANUARY 2002 THROUGH DECEMBER 2002

EXHIBIT 3

INTEREST PROVISION	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
1. BEGINNING TRUE-UP	8,277	2,644	368	(749)	(1,127)	158	2,082	2,740	2,183	2,586	3,709	3,558	
2. ENDING TRUE-UP BEFORE INTEREST	2,636	366	(749)	(1,125)	158	2,080	2,736	2,179	2,583	3,704	3,554	230	
3. TOTAL BEGINNING & ENDING TRUE-UP	10,913	3,010	(381)	(1,875)	(969)	2,238	4,818	4,919	4,765	6,290	7,262	3,788	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	5,457	1,505	(191)	(937)	(484)	1,119	2,409	2,459	2,383	3,145	3,631	1,894	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	1.760%	1.770%	1.750%	1.800%	1.750%	1.770%	1.750%	1.730%	1.710%	1.760%	1.650%	1.300%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	1.770%	1.750%	1.800%	1.750%	1.770%	1.750%	1.730%	1.710%	1.760%	1.650%	1.300%	1.290%	
7. TOTAL (SUM LINES 5 & 6)	3.550%	3.520%	3.550%	3.550%	3.520%	3.520%	3.480%	3.440%	3.470%	3.410%	2.950%	2.590%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	1.775%	1.760%	1.775%	1.775%	1.760%	1.760%	1.740%	1.720%	1.735%	1.705%	1.475%	1.295%	
9. MONTHLY AVG INTEREST RATE	0.148%	0.147%	0.148%	0.148%	0.147%	0.147%	0.145%	0.143%	0.145%	0.142%	0.123%	0.108%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	8	2	(0)	(1)	(1)	2	3	4	3	4	4	2	31