

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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CLERK

DATE: June 8, 2012

TO: Office of Commission Clerk

FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 120003-GU
 Company Name: St. Joe Natural Gas Company, Inc.
 Company Code: GU610
 Audit Purpose: A3c Purchased Gas Cost Recovery Clause
 Audit Control No: 12-012-1-1

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 were no confidential work papers associated with this audit.

CJP/klh

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

3752 JUN-8 2012
FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

St. Joe Natural Gas Company, Inc.
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2011

Docket No. 120003-GU
Audit Control No. 12-012-1-1
June 8, 2012

Handwritten signature of Intesar Terkawi in cursive script.

Intesar Terkawi
Audit Manager

Handwritten signature of Lynn M. Deamer in cursive script.

Lynn M. Deamer
Reviewer

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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 Economic Regulation in its audit service request dated January 12, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by St. Joe Natural Gas Company, Inc., in support of its 2011 filing for the Purchased Gas Cost Recovery Clause in Docket No.120003-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 St. Joe Natural Gas Company, Inc.
PGA refers to Purchased Gas Cost Recovery.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2011 through December 31, 2011, and whether the Utility applied the Commission approved cost recovery factor to actual therms sales for the PGA.

Procedures: We reconciled the 2011 filing to the Utility's monthly PGA Revenue Reports. We selected a random sample of residential and commercial customers' bills for the months of January, April, July, September, and November 2011 and recalculated each to verify use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Form A-2 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the PGA.

Procedures: We traced expenses in the filing to the general ledger. We reviewed all O&M Expenses to ensure that the expenses were related to the PGA and that the expenses were charged to the correct accounts. No exceptions were noted.

True-up

Objective: The objective was to determine if the PGA True-up and Interest Provision as filed on Form A-2 was properly calculated.

Procedures: We traced the December 31, 2010 True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates, and the 2011 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 of inconsistencies from the prior year.

Procedures: We compare 2011 to 2010 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

Exhibit

Exhibit 1: True Up

COMPANY:	ST JOE NATURAL GAS				CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2				
FOR THE PERIOD OF:		JANUARY		Through		DECEMBER		2011					
	CURRENT MONTH:				PERIOD TO DATE								
	ACTUAL	ORIGINAL	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE						
			AMOUNT	%			AMOUNT	%					
TRUE-UP CALCULATION													
1 PURCHASED GAS COS LINE 4	\$49,041	\$57,266	8,225	0.14	\$541,300	\$566,587	25,287	0.04					
2 TRANSPORTATION COST LINE(1+5+6-(7+8+9))	\$14,793	\$52,654	37,861	0.72	\$147,657	\$273,185	125,528	0.46					
3 TOTAL	\$63,834	\$109,919	46,085	0.42	\$688,957	\$839,772	150,815	0.18					
4 FUEL REVENUES (NET OF REVENUE TAX)	\$63,105	\$109,919	46,815	0.43	\$712,162	\$839,772	127,609	0.15					
5 TRUE-UP(COLLECTED) OR REFUNDED	\$6,806	\$6,806	0	0.00	\$81,674	\$81,674	0	0.00					
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+or-) LINE 5)	\$69,911	\$116,726	46,815	0.40	\$793,836	\$921,446	127,609	0.14					
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	\$6,077	\$6,806	730	0.11	\$104,880	\$81,674	-23,206	-0.28					
8 INTEREST PROVISION-THIS PERIOD (21)	-\$2	-\$4	-2	0.51	-\$50	-\$88	-38	0.43					
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	-\$29,032	-\$59,444	-30,412	0.51	-\$52,919	-\$59,360	-6,441	0.11					
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	-\$6,806	-\$6,806	0	0.00	-\$81,674	-\$81,674	0	0.00					
10a FLEX RATE REFUND (if applicable)	\$0	\$0	0	0.00	\$0	\$0	0	0.00					
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	-\$29,764	-\$59,448	-29,684	0.50	-\$29,764	-\$59,448	-29,684	0.50					
INTEREST PROVISION													
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	-29,032	-59,444	-30,412	0.51	* If line 5 is a refund add to line 4 * If line 5 is a collection () subtract from line 4								
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	-29,762	-59,444	-29,682	0.50									
14 TOTAL (12+13)	-58,794	-118,888	-60,094	0.51									
15 AVERAGE (50% OF 14)	-29,397	-59,444	-30,047	0.51									
16 INTEREST RATE - FIRST DAY OF MONTH	0.09	0.09	0.00	0.00									
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.07	0.07	0.00	0.00									
18 TOTAL (16+17)	0.16	0.16	0.00	0.00									
19 AVERAGE (50% OF 18)	0.08	0.08	0.00	0.00									
20 MONTHLY AVERAGE (19/12 Months)	0.01	0.01	0.00	0.00									
21 INTEREST PROVISION (15x20)	-2	-4	-2	0.51									