

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 19, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160004-GU
Company Name: St. Joe Natural Gas Company
Company Code: GU610
Audit Purpose: Natural Gas Conservation Cost Recovery Clause
Audit Control No: 16-019-1-7

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/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

St. Joe Natural Gas Company, Inc.
Gas Conservation Cost Recovery

Twelve Months Ended December 31, 2015

Docket No. 160004-GU
Audit Control No. 16-019-1-7
May 17, 2016

A handwritten signature in black ink, appearing to read "Hymavathi Vedula".

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 set forth by the Division of Economics in its audit service request dated January 19, 2016. 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 2015 filing for the Gas Conservation Cost Recovery Clause in Docket No. 160004-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 St. Joe Natural Gas Company, Inc.
GCCR refers to the Gas Conservation Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR.

Procedures: We computed revenues using the factors in Order No. PSC-14-0655-FOF-GU, issued November 6, 2014 and actual therm sales from the Gross Margin Report and reconciled them to the general ledger and the GCCR filing. We selected a random sample of residential and commercial customers' bills for the period and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Schedule CT-3 of the Utility's GCCR filing was supported by adequate documentation and that the expenses are appropriately recoverable through the GCCR clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, was charged to the correct accounts and was appropriately recoverable through the GCCR clause. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the

Commission approved beginning balance as of December 31, 2014, the Non-Financial Commercial Paper rates, and the 2015 GCCR filing revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's GCCR Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2015 to 2014 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

SCHEDULE CT-3 PAGE 2 OF 3													St Joe Natural Gas Docket No. 160004-GU Exhibit# DKS-1 2015 Conservation True-Up April 27, 2016	
ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISIONS FOR MONTHS: JANUARY 2015 THROUGH DECEMBER 2015														
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	
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0	
2 OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0	
3 CONSERV. ADJ REVS	<u>-18,449</u>	<u>-17,848</u>	<u>-15,554</u>	<u>-7,750</u>	<u>-7,829</u>	<u>-5,559</u>	<u>-5,179</u>	<u>-8,641</u>	<u>-4,881</u>	<u>-6,572</u>	<u>-6,052</u>	<u>-8,657</u>	<u>-110,771</u>	
4 TOTAL REVENUES	<u>-18,449</u>	<u>-17,848</u>	<u>-15,554</u>	<u>-7,750</u>	<u>-7,829</u>	<u>-5,559</u>	<u>-5,179</u>	<u>-8,641</u>	<u>-4,881</u>	<u>-6,572</u>	<u>-6,052</u>	<u>-8,657</u>	<u>-110,771</u>	
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>4,056</u>	<u>4,056</u>	<u>4,056</u>	<u>4,056</u>	<u>4,056</u>	<u>4,056</u>	<u>4,056</u>	<u>4,056</u>	<u>4,056</u>	<u>4,056</u>	<u>4,056</u>	<u>4,056</u>	<u>48,668</u>	
6 CONSERVATION REVS APPLICABLE TO THE PERIOD	<u>-14,393</u>	<u>-13,792</u>	<u>-11,498</u>	<u>-3,695</u>	<u>-3,574</u>	<u>-1,503</u>	<u>-1,123</u>	<u>-2,585</u>	<u>-825</u>	<u>-2,517</u>	<u>-1,996</u>	<u>-4,602</u>	<u>-82,103</u>	
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	10,975	6,400	13,225	14,325	6,400	14,500	7,425	10,150	6,125	9,375	10,575	11,025	123,400	
8 TRUE-UP THIS PERIOD	<u>-3,416</u>	<u>-7,392</u>	<u>1,727</u>	<u>10,630</u>	<u>2,826</u>	<u>12,897</u>	<u>6,302</u>	<u>7,565</u>	<u>7,300</u>	<u>6,656</u>	<u>6,579</u>	<u>7,323</u>	<u>61,297</u>	
9 INTER PROV THIS PERIOD (FROM CT-3, PAGE 3)	3	3	2	2	2	3	3	3	5	5	6	12	48	
10 TRUE-UP & INTER PROV. BEGINNING OF MONTH	48,668	41,197	29,752	27,425	34,001	32,774	41,718	43,967	47,480	50,729	53,536	58,064		
11 PRIOR TRUE-UP COLLECTED/(REFUNDED)	<u>-4,056</u>	<u>-4,056</u>	<u>-4,056</u>	<u>-4,056</u>	<u>-4,056</u>	<u>-4,056</u>	<u>-4,056</u>	<u>-4,056</u>	<u>-4,056</u>	<u>-4,056</u>	<u>-4,056</u>	<u>-4,056</u>		
12 TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	<u>41,197</u>	<u>29,752</u>	<u>27,425</u>	<u>34,001</u>	<u>32,774</u>	<u>41,718</u>	<u>43,967</u>	<u>47,480</u>	<u>50,729</u>	<u>53,536</u>	<u>58,064</u>	<u>61,344</u>	<u>61,344</u>	

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2015 THROUGH DECEMBER 2015

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	48,666	41,197	29,752	27,425	34,001	32,774	41,718	43,967	47,480	50,729	53,536	58,064	
2. ENDING TRUE-UP BEFORE INTEREST	<u>41,194</u>	<u>29,749</u>	<u>27,423</u>	<u>33,999</u>	<u>32,772</u>	<u>41,718</u>	<u>43,964</u>	<u>47,477</u>	<u>50,724</u>	<u>53,531</u>	<u>58,059</u>	<u>61,332</u>	
3. TOTAL BEGINNING & ENDING TRUE-UP	89,860	70,946	57,175	61,424	66,773	74,490	85,683	91,444	98,205	104,260	111,595	119,397	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	<u>44,930</u>	<u>35,473</u>	<u>28,587</u>	<u>30,712</u>	<u>33,387</u>	<u>37,245</u>	<u>42,841</u>	<u>45,722</u>	<u>49,102</u>	<u>52,130</u>	<u>55,797</u>	<u>59,698</u>	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	0.080%	0.090%	0.080%	0.060%	0.080%	0.090%	0.090%	0.080%	0.100%	0.120%	0.090%	0.150%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	<u>0.090%</u>	<u>0.080%</u>	<u>0.060%</u>	<u>0.080%</u>	<u>0.090%</u>	<u>0.090%</u>	<u>0.080%</u>	<u>0.100%</u>	<u>0.120%</u>	<u>0.090%</u>	<u>0.150%</u>	<u>0.340%</u>	
7. TOTAL (SUM LINES 5 & 6)	0.170%	0.170%	0.140%	0.140%	0.170%	0.180%	0.170%	0.180%	0.220%	0.210%	0.240%	0.490%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.085%	0.085%	0.070%	0.070%	0.085%	0.090%	0.085%	0.090%	0.110%	0.105%	0.120%	0.245%	
9. MONTHLY AVG INTEREST RATE	0.007%	0.007%	0.006%	0.006%	0.007%	0.008%	0.007%	0.008%	0.008%	0.009%	0.010%	0.020%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>12</u>	48