

MEMORANDUM

September 21, 1998

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 980003-GU -- ST. JOE NATURAL GAS COMPANY, INC.
AUDIT REPORT - PGA - SIX-MONTH PERIOD ENDED MARCH 31, 1998
AUDIT CONTROL NO. 98-160-1-1

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The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

St. Joe Natural Gas Company, Inc.
Stuart L. Shoaf
P. O. Box 549
Port St. Joe, FL 32457-0549

DNV/sp

Attachment

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Jacobs
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Makin)
Tallahassee District Office (Hicks)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING

Tallahassee District Office

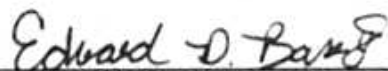
ST. JOE NATURAL GAS COMPANY, INC.

PURCHASED GAS ADJUSTMENT AUDIT


SIX MONTH PERIOD ENDED MARCH 31, 1998

DOCKET NO. 980003-GU

AUDIT CONTROL NO. 98-160-1-1



Edward Bass II, Audit Manager



Rhonda Hicks, Audit Supervisor

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

September 14, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying purchased gas adjustment schedules for the six month period ended March 31, 1998, for St. Joe Natural Gas Company, Inc. These schedules were prepared by the utility as part of its petition for purchased gas adjustment true-up in Docket No. 980003-GU. There is no confidential information associated with this audit.

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.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain 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 substantiating documentation was examined.

REVENUES: Compiled Purchased Gas Adjustment (PGA) revenues and PGA therms from billing documents, and traced revenues to the utility's PGA filing. Researched the utility's rates and compared them to FPSC's approved PGA factors including taxes as set forth in Commission Order No. PSC-97-0292-FOF-GU. Recalculated PGA revenues.

EXPENSES: Compiled PGA costs from each invoice to the utility's books and records. Traced costs to the utility's PGA filing. Verified Florida Gas Transmission refunds for the period ended March 31, 1998. Recalculated PGA expenses.

OTHER: Traced true-up and interest amounts to the general ledger. Verified the correct beginning balance of true-up. Verified that the correct interest rates were applied to under/over recovered amounts for the six month period ended March 31, 1998. Recalculated true-up and interest amounts.

Schedule of True-Up and Interest Provision

Prepared By: Edward Bass II

TRUE-UP CALCULATION		October 1997	November 1997	December 1997	January 1998	February 1998	March 1998	Total
1.	Purchased Gas Cost	31,532	56,410	88,064	65,923	43,456	25,266	310,650
2.	Transportation Cost	14,527	55,965	18,996	56,416	50,050	56,541	252,490
3.	Total	46,054	112,375	107,060	122,339	93,506	81,807	563,140
4.	Fuel revenues (Net of Revenue Tax)**	58,072	133,972	125,690	169,081	140,572	78,572	705,959
5.	True-Up (Collected) or refunded	(29,896)	(29,896)	(29,896)	(29,896)	(29,896)	(29,896)	(179,376)
6.	Fuel Revenue Applicable To Period (L4 - L5)	28,176	104,076	95,794	139,185	110,676	48,676	526,583
7.	True-Up Provision - This Period (L6 - L3)	(17,878)	(8,299)	(11,266)	16,846	17,170	(33,131)	(36,557)
8.	Interest Provision - This Period (L21)	(114)	(37)	57	210	422	527	1,065
9.	Beginning Of Period True-Up & Interest	(30,739)	(18,835)	2,725	21,412	68,364	115,853	158,780
10.	True-up (Refunded) or Collected -(reverse of L5)	29,896	29,896	29,896	29,896	29,896	29,896	179,376
11.	Total Est./Actual True-Up (7+8+9+10)	(18,835)	2,725	21,412	68,364	115,853	113,145	302,665

INTEREST PROVISION							
12.	Beginning True-Up & Interest Provision (L9)	(30,739)	(18,835)	2,725	21,412	68,364	115,853
13.	Ending True-up Before Interest (L12 + L7 - L5)	(18,721)	2,762	21,355	68,154	115,430	112,618
14.	Total (L12 + L13)	(49,460)	(16,073)	24,080	89,567	183,795	228,470
15.	Average (50% of L14)	(24,730)	(8,036)	12,040	44,783	91,897	114,235
16.	Interest Rate 1st Day of Month	0.05530	0.05530	0.05600	0.05750	0.05500	0.05530
17.	Interest Rate 1st Day of Subsequent Month	0.05530	0.05600	0.05750	0.05500	0.05530	0.05550
18.	Total (L16 + L17)	0.11060	0.11130	0.11350	0.11250	0.11030	0.11080
19.	Average (50% of L18)	0.05530	0.05565	0.05675	0.05625	0.05515	0.05540
20.	Monthly Average (L19/12)	0.00461	0.00464	0.00473	0.00469	0.00460	0.00462
21.	Interest Provision (L15 x L20)	(114)	(37)	57	210	422	527

** if L5 is a refund add to L4

if L5 is a Collection () Subtract from L4

Recalculated by Auditor

Source: Company's filing

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

September 23, 1998

Stuart L. Shoaf
St. Joe Natural Gas Company, Inc.
Post Office Box 549
Port St. Joe, Florida 32457-0549

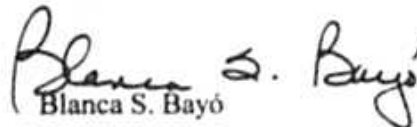
Re: Docket No. 980003 - GU - St. Joe Natural Gas Company, Inc.
Audit Report - PGA - Six-month Period Ended March 31, 1998
Audit Control # 98-160-1-1

Dear Mr. Shoaf:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above case will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/abf
Enclosure
cc: Public Counsel
Division of Audit and Financial Analysis