

State of Florida

ORIGINAL



Public Service Commission

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

DATE: May 16, 2002
TO: Division of Competitive Markets and Enforcement (Makin)
FROM: Division of Auditing and Safety (Vandiver)
RE: **Docket #** 020003-GU; St. Joe Natural Gas Company; **Audit Purpose** Purchased Gas Cost Recovery True-up for the period January 2001 December 2001; **Audit Control No.** 02-032-1-2

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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

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

Tallahassee District Office

ST. JOE NATURAL GAS COMPANY, INC.

PURCHASED GAS ADJUSTMENT AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2001

DOCKET NO. 020003-GU
AUDIT CONTROL NO. 02-032-1-2

Handwritten signature of Barry Davis in cursive script.

Barry Davis, Audit Manager

Handwritten signature of Lynn M. Deamer in cursive script.

Lynn M. Deamer, Audit Supervisor

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DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT

April 30, 2002

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 schedule for the twelve month period ended December 31, 2001, for St. Joe Natural Gas Company, Inc. The attached schedule was prepared by the utility as part of its petition for the purchased gas adjustment true-up in Docket No. 020003-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.

SUMMARY OF SIGNIFICANT FINDINGS

The filed report omits a recovery of expense. This item overstate PGA expenses and understates the true up amount.

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-00-2383-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 twelve month period ended December 31, 2001. 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 twelve month period ended December 31, 2001. Recalculated true-up and interest amounts.

EXCEPTIONS

Exception No. 1

Subject: Purchased Gas and Transportation Costs

Statement of Facts: On the August 1, 2001, statement to Arizona Chemical Company, an Operational Flow Order Charge of \$3,736.74 was added to the amount owed. This charge was properly recorded in Account 804.3 on the general ledger as an offset to expense, but was not reflected in the filing. This overstates expense by \$3,736.74.

Recommendation: Expenses in the true up calculation should be reduced by \$3,736.74 in August. After application of interest, the Total True Up for the year ending December 31, 2001, should be \$(81,251) which is \$3,773 greater than the \$(85,023) reported by the utility.

DISCLOSURES

Disclosure No. 1

Subject: Out of Period Expense

Statement of Facts: On February 1, 2001, Orlando CoGen Fuel billed St. Joe Natural Gas for an imbalance purchase of \$10,699.92, which represents 13,860 therms at \$0.772 per therm. The bill was paid and the payment recorded as additional expense in Account 801.1. The PGA expenses for February were increased to include this amount. This imbalance occurred in 2000, making it out of period. The general ledger was adjusted in December, 2000, to include this expense. The utility then reversed the February, 2001, entry on the general ledger. The expense was not included in the 2000 PGA calculations, so the expense remained in the 2001 PGA calculations so that it could be recovered.

Recommendation: This Disclosure is for information purposes only.

Disclosure No. 2

Subject: Gas Research Institute (GRI) Refunds/Adjustments

Statement of Facts: GRI is a non-profit organization managing research and development programs for the gas industry. The Federal Energy Regulatory Commission (FERC) has allowed funding for GRI through a surcharge in the participating pipelines' tariffs since 1993. The surcharge is adjusted based on the GRI budgets and is subject to a true up. This funding mechanism will continue through 2004.

Prior to 2000, the funding provided support for core and non-core programs. Since 2000, only the core programs, those programs designed for the general benefit of the gas consuming public, will be included in the FERC authorized funding. After 2004 the funding will continue on a voluntary basis and will no longer be under FERC oversight. It is not known, at this time, whether Florida Gas Transmission will participate when the funding becomes voluntary and continue passing the charges through to St. Joe Gas.

Although the true up has produced a refund in prior years, none has been ordered by FERC for 2001.

Recommendation: This Disclosure is for information purposes only.

FOR THE PERIOD OF: JANUARY 01 Through DECEMBER 01

	CURRENT MONTH:		DECEMBER 2001		PERIOD TO DATE		DIFFERENCE		
	ACTUAL	ORIGINAL	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION									
1 PURCHASED GAS COST LINE 4	\$87,996	\$83,011	(4,985)	-0.06	\$811,793	\$809,513	(2,280)	-0.00	
2 TRANSPORTATION COST LINE(1+5+6-(7+8+9))	\$11,901	(\$41,914)	(53,815)	1.28	\$136,433	\$81,325	(55,108)	-0.68	
3 TOTAL	\$99,897	\$41,097	(58,800)	-1.43	\$948,225	\$890,838	(57,388)	-0.06	
4 FUEL REVENUES (NET OF REVENUE TAX)	\$48,106	\$41,097	(7,009)	-0.17	\$980,064	\$966,746	(13,318)	-0.01	
5 TRUE-UP(COLLECTED) OR REFUNDED	(\$2,135)	(\$2,135)	0	0.00	(\$25,619)	(\$25,619)	0	0.00	
6 FUEL REVENUE APPLICABLE TO PERIOD • (LINE 4 (+ or -) LINE 5)	\$45,971	\$38,962	(7,009)	-0.18	\$954,445	\$941,127	(13,318)	-0.01	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(\$53,926)	(\$2,135)	51,791	-24.26	\$6,219	\$50,290	44,070	0.88	
8 INTEREST PROVISION-THIS PERIOD (21)	(\$93)	(\$65)	29	-0.45	(\$3,243)	(\$3,185)	58	-0.02	
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(\$33,139)	(\$40,831)	(7,692)	0.19	(\$113,619)	(\$113,619)	0	0.00	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	\$2,135	\$2,135	0	0.00	\$25,619	\$25,619	0	0.00	
10a FLEX RATE REFUND (if applicable)	\$0	\$0	0	ERR	\$0	\$0	0	ERR	
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	(\$85,023)	(\$40,896)	44,128	-1.08	(\$85,023)	(\$40,896)	44,128	-1.08	
INTEREST PROVISION									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(33,139)	(40,831)	(7,692)	0.19					
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	(84,930)	(40,831)	44,099	-1.08					
14 TOTAL (12+13)	(118,069)	(81,662)	36,407	-0.45					
15 AVERAGE (50% OF 14)	(59,034)	(40,831)	18,204	-0.45					
16 INTEREST RATE - FIRST DAY OF MONTH	2.04	2.04	0.00	0.00					
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.76	1.76	0.00	0.00					
18 TOTAL (16+17)	3.80	3.80	0.00	0.00					
19 AVERAGE (50% OF 18)	1.90	1.90	0.00	0.00					
20 MONTHLY AVERAGE (19/12 Months)	0.16	0.16	0.00	0.00					
21 INTEREST PROVISION (15x20)	(93)	(65)	29	-0.45					

• If line 5 is a refund add to line 4
If line 5 is a collection () subtract from line 4

St. Joe Natural Gas Company, Inc.
PGA Audit
For the 12 month period ended 12/31/00
Schedule of True-up and Interest Provision

Exhibit 1
Docket No. 020003-GU
Date: 04/30/2002

TRUE-UP CALCULATION	Jan 2001	Feb 2001	March 2001	April 2001	May 2001	June 2001	July 2001	August 2001	September 2001	October 2001	November 2001	December 2001	Total
1. Purchased Gas Cost	310,870	150,539	32,008	(8,624)	36,348	30,122	27,140	27,512	40,785	33,829	43,267	87,996	811,793
2. Transportation Cost	<u>10,401</u>	<u>29,415</u>	<u>28,268</u>	<u>28,806</u>	<u>4,603</u>	<u>4,675</u>	<u>4,713</u>	<u>4,713</u>	<u>313</u>	<u>4,191</u>	<u>4,433</u>	<u>11,901</u>	<u>136,433</u>
3. Total	<u>321,272</u>	<u>179,954</u>	<u>60,276</u>	<u>20,182</u>	<u>40,951</u>	<u>34,796</u>	<u>31,853</u>	<u>32,225</u>	<u>41,098</u>	<u>38,021</u>	<u>47,700</u>	<u>99,897</u>	<u>948,225</u>
4. Fuel revenues (Net of Revenue Tax)**	256,425	222,338	89,638	80,543	40,084	34,029	41,524	32,838	28,572	47,002	58,965	48,106	980,064
5. True-Up (Collected) or refunded	<u>(2,135)</u>	<u>(2,135)</u>	<u>(2,135)</u>	<u>(2,135)</u>	<u>(2,135)</u>	<u>(2,135)</u>	<u>(2,135)</u>	<u>(2,135)</u>	<u>(2,135)</u>	<u>(2,135)</u>	<u>(2,135)</u>	<u>(2,135)</u>	<u>(25,619)</u>
6. Fuel Revenue Applicable To Period (L4 +/- L5)	254,290	220,203	87,503	78,408	37,949	31,894	39,389	30,703	26,437	44,868	56,830	45,971	954,445
7. True-Up Provision - This Period (L6 - L3)	(66,982)	40,249	27,227	58,226	(3,002)	(2,902)	7,536	(1,523)	(14,660)	6,847	9,130	(53,926)	6,219
8. Interest Provision - This Period (L21)	(730)	(700)	(520)	(306)	(170)	(161)	(144)	(123)	(120)	(99)	(69)	(93)	(3,233)
9. Beginning Of Period True-Up & Interest	(113,619)	(179,196)	(137,520)	(108,678)	(48,623)	(49,660)	(50,588)	(41,062)	(40,572)	(53,217)	(44,335)	(33,139)	(113,619)
10. True-up (Refunded) or Collected -(reverse of L5)	<u>2,135</u>	<u>2,135</u>	<u>2,135</u>	<u>2,135</u>	<u>2,135</u>	<u>2,135</u>	<u>2,135</u>	<u>2,135</u>	<u>2,135</u>	<u>2,135</u>	<u>2,135</u>	<u>2,135</u>	<u>25,619</u>
11. Total Est./Actual True-Up (L7+L8+L9+L10)	<u>(179,196)</u>	<u>(137,512)</u>	<u>(108,678)</u>	<u>(48,623)</u>	<u>(49,660)</u>	<u>(50,588)</u>	<u>(41,062)</u>	<u>(40,572)</u>	<u>(53,217)</u>	<u>(44,335)</u>	<u>(33,139)</u>	<u>(85,023)</u>	<u>(85,013)</u>
12. Total Est./Actual True-Up per Audit (WP 40-1)	<u>(179,199)</u>	<u>(126,795)</u>	<u>(97,908)</u>	<u>(37,811)</u>	<u>(38,810)</u>	<u>(39,704)</u>	<u>(30,143)</u>	<u>(25,878)</u>	<u>(38,485)</u>	<u>(29,573)</u>	<u>(18,351)</u>	<u>(70,212)</u>	<u>(70,212)</u>
13. Difference	<u>2</u>	<u>(10,717)</u>	<u>(10,770)</u>	<u>(10,811)</u>	<u>(10,849)</u>	<u>(10,884)</u>	<u>(10,919)</u>	<u>(14,695)</u>	<u>(14,732)</u>	<u>(14,762)</u>	<u>(14,787)</u>	<u>(14,811)</u>	<u>(14,801)</u>

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INTEREST PROVISION													
12. Beginning True-Up & Interest Provision (L9)	(113,619)	(179,196)	(137,520)	(108,678)	(48,623)	(49,660)	(50,588)	(41,062)	(40,572)	(53,217)	(44,335)	(33,139)	
13. Ending True-up Before Interest (L12 +L 7- L5)	<u>(178,466)</u>	<u>(136,812)</u>	<u>(108,158)</u>	<u>(48,317)</u>	<u>(49,490)</u>	<u>(50,427)</u>	<u>(40,917)</u>	<u>(40,450)</u>	<u>(53,097)</u>	<u>(44,233)</u>	<u>(33,070)</u>	<u>(84,930)</u>	
14. Total (L12 + L13)	(292,085)	(316,009)	(245,677)	(156,995)	(98,112)	(100,086)	(91,505)	(81,512)	(93,670)	(97,453)	(77,405)	(118,068)	
15. Average (50% of L14)	(146,044)	(158,004)	(122,839)	(78,498)	(49,056)	(50,043)	(45,752)	(40,756)	(46,835)	(48,726)	(38,703)	(59,034)	
16. Interest Rate 1st. Day of Month	6.500	5.550	5.150	5.000	4.370	3.940	3.800	3.750	3.470	2.670	2.200	2.040	
17. Interest Rate 1st. Day of Subsequent Month	<u>5.550</u>	<u>5.150</u>	<u>5.000</u>	<u>4.370</u>	<u>3.940</u>	<u>3.800</u>	<u>3.750</u>	<u>3.470</u>	<u>2.670</u>	<u>2.200</u>	<u>2.040</u>	<u>1.780</u>	
18. Total (L16 + L17)	12.050	10.700	10.150	9.370	8.310	7.740	7.550	7.220	6.140	4.870	4.240	3.820	
19. Average (50% of L18)	6.025	5.350	5.075	4.685	4.155	3.870	3.775	3.610	3.070	2.435	2.120	1.910	
20. Monthly Average (L19/12)	0.502	0.446	0.423	0.390	0.346	0.323	0.315	0.301	0.256	0.203	0.177	0.159	
21. Interest Provision (L15 x L20)	<u>(730)</u>	<u>(700)</u>	<u>(520)</u>	<u>(306)</u>	<u>(170)</u>	<u>(161)</u>	<u>(144)</u>	<u>(123)</u>	<u>(120)</u>	<u>(99)</u>	<u>(69)</u>	<u>(93)</u>	

** if L5 is a refund add to L4
if L5 is a Collection () Subtract from L4

Auditor's Notes:

A In Order No. PSC-00-2383-FOF-GU, Issued on December 12, 2000, the Commission found the total purchased gas adjustment true-up to be: (25,619) / 12 = (2,135) /month

Source: Company's filing

EXHIBIT