

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-**

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**DATE:** July 19, 2006  
**TO:** Catherine S. Beard, Regulatory Analyst I, Division of Competitive Markets & Enforcement  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance  
**RE:** **Docket No:** 060003-GU; **Company Name:** St. Joe Natural Gas Company  
**Audit Purpose:** Audit Purchased Gas Filings  
**Audit Control No:** 06-076-1-1

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

DNV:bj  
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)  
Division of Commission Clerk & 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, Inc.  
P.O. Box 549  
Port St. Joe, FL 32457-0549

DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION  
DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
BUREAU OF AUDITING

Tallahassee District Office

ST. JOE NATURAL GAS COMPANY, INC.

PURCHASED GAS ADJUSTMENT AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2005

DOCKET NO. 060003-GU

AUDIT CONTROL NO. 06-076-1-1

Handwritten signature of Gennarro Jackson II.

*Gennarro Jackson, Audit Staff*

Handwritten signature of Lynn M. Deamer.

*Lynn M. Deamer, Audit Supervisor*

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
AUDITOR'S REPORT**

**June 20, 2006**

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

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Competitive Markets and Enforcement in its audit service request. We have applied these procedures to the attached schedules prepared by St. Joe Natural Gas Company in support of its filing for Purchased Gas Adjustment, Docket No. 060003-GU.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

## **OBJECTIVES and PROCEDURES**

### **REVENUES**

**Objective:** - To determine if the amounts reported as purchased gas revenue and the billing factors applied are supported by the Company's books and records for the period of January 2005 – December 2005.

**Procedures:** - Auditor recalculated and scheduled PGA therm sales revenue using approved PGA factors. Calculated PGA factors expanded for tax. Ensured that the Company's PGA factors did not exceed the authorized gas recovery cap ordered in FPSC Order No. PSC-04-1182-FOF-GU, issued December 1, 2004. Traced total therms to company's billing register and primary customer invoices. Traced revenue amounts to the general ledger. Disclosure No. 1 addresses this issue further.

### **EXPENSES**

**Objective:** - To determine if the amounts reported as purchased gas costs and transportation costs are supported by the company's books and records for the period of January 2005 – December 2005.

**Procedures:** - Auditor recalculated and scheduled PGA gas and transportation costs. Traced handbills and supporting documents to the general ledger. Traced PGA gas and transportation costs reported in the Company's filing to general ledger.

### **TRUE-UP**

**Objective:** - To determine if the PGA true-up and interest provision amounts reported are supported by the Company's books and records for the period of January 2005 – December 2005.

**Procedures:** - Auditor recalculated and scheduled PGA true-up and interest provision for the period January 2005 – December 2005. Verified beginning and ending true-up balances on company's schedule A-2. Insured proper 30 day commercial paper rate was used in determining true-up amount. Traced PGA true-up and interest amounts to the general ledger.

## **Disclosure No. 1**

**Subject:** Understatement of Total Actual Fuel Revenues for the Period

**Statement of Facts:** Staff found November's revenues per books did not agree with the PGA filing. Documentation was provided by the Company supporting November revenues in the amount of \$42,865.43 instead of \$42,469, as reported in the filing, for a difference of \$396.43. The Total Actual Fuel Revenues for the period (revenues and true-up collected) is \$1,057,748 instead of \$1,057,352 as filed in the PGA. In addition, the amount over recovered should be adjusted to \$157,747 instead of the \$157,350 reported by the Company on the December's Schedule A-7.

**Recommendation:** Staff recommends that the Final 2005 PGA True-up include an adjustment to increase revenues by \$396.43.

FOR THE PERIOD OF: JANUARY 05 Through DECEMBER 05

	CURRENT MONTH:		APRIL		PERIOD TO DATE				
	ACTUAL	ORIGINAL	DIFFERENCE		ACTUAL	ORIGINAL	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
<b>TRUE-UP CALCULATION</b>									
1 PURCHASED GAS COST	LINE 4	\$22,415	\$57,000	34,585	0.61	\$291,830	\$423,998	132,168	0.31
2 TRANSPORTATION COST	LINE(1+5+6-(7+8+9))	\$11,107	\$11,386	279	0.02	\$43,751	\$61,797	18,046	0.29
3 TOTAL		\$33,522	\$68,386	34,864	0.51	\$335,582	\$485,796	150,214	0.31
4 FUEL REVENUES		\$64,885	\$68,321	3,436	0.05	\$469,484	\$485,540	16,055	0.03
(NET OF REVENUE TAX)									
5 TRUE-UP(COLLECTED) OR REFUNDED		\$7,164	\$7,164	0	0.00	\$28,656	\$28,656	0	0.00
6 FUEL REVENUE APPLICABLE TO PERIOD *		\$72,049	\$75,485	3,436	0.05	\$498,141	\$514,196	16,055	0.03
(LINE 4 (+ or -) LINE 5)									
7 TRUE-UP PROVISION - THIS PERIOD		\$38,527	\$7,099	(31,428)	-4.43	\$162,559	\$28,400	(134,159)	-4.72
(LINE 6 - LINE 3)									
8 INTEREST PROVISION-THIS PERIOD (21)		\$594	(\$121)	(715)	5.92	\$1,970	(\$442)	(2,412)	5.46
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST		\$231,790	(\$50,289)	(282,079)	5.61	\$127,874	(\$49,777)	(177,651)	3.57
10 TRUE-UP COLLECTED OR (REFUNDED)		(\$7,164)	(\$7,164)	0	0.00	(\$28,656)	(\$28,656)	0	0.00
(REVERSE OF LINE 5)									
10a FLEX RATE REFUND (if applicable)		\$0	\$0	0	ERR	\$0	\$0	0	ERR
11 TOTAL ESTIMATED/ACTUAL TRUE-UP		\$263,747	(\$50,475)	(314,221)	6.23	\$263,747	(\$50,475)	(314,221)	6.23
(7+8+9+10+10a)									
<b>INTEREST PROVISION</b>									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)		231,790	(50,289)	(282,079)	5.61	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)		263,153	(50,354)	(313,507)	6.23				
14 TOTAL (12+13)		494,942	(100,643)	(595,585)	5.92				
15 AVERAGE (50% OF 14)		247,471	(50,321)	(297,793)	5.92				
16 INTEREST RATE - FIRST DAY OF MONTH		2.78	2.78	0.00	0.00				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		2.98	2.98	0.00	0.00				
18 TOTAL (16+17)		5.76	5.76	0.00	0.00				
19 AVERAGE (50% OF 18)		2.88	2.88	0.00	0.00				
20 MONTHLY AVERAGE (19/12 Months)		0.24	0.24	0.00	0.00				
21 INTEREST PROVISION (15x20)		594	(121)	(715)	5.92				

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**COMPANY:** St. Joe Natural Gas Company, Inc.  
**AUDIT :** Purchased Gas Adjustment  
**DOCKET:** 060003-GU  
**DESCRIPTION:** Schedule of True-up and Interest Provision per Audit

**DATE:** 5/4/2006  
**PERIOD:** 12/31/2005  
**AUDIT CONTROL:** 06-076-1-1  
**PREPARED BY:** Gennarro Jackson II

TRUE-UP CALCULATION	SOURCE	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Total
1. Purchased Gas Cost	(WP 43-1)	57,373	96,574	115,467	22,415	48,889	37,659	53,115	42,152	35,506	33,474	37,976	250,624	831,225
2. Transportation Cost	(WP 43-1)	<u>9,256</u>	<u>11,614</u>	<u>11,774</u>	<u>11,107</u>	<u>5,027</u>	<u>4,855</u>	<u>4,513</u>	<u>(17,842)</u>	<u>7,462</u>	<u>148</u>	<u>11,372</u>	<u>9,490</u>	<u>68,777</u>
3. Total	(L1+L2)	66,630	108,189	127,241	33,522	53,916	42,515	57,628	24,310	42,968	33,622	49,348	260,114	900,001
4. Fuel revenues (Net of Revenue Tax)**	(WP 41-1)	152,565	138,800	113,235	64,885	76,278	51,508	35,785	29,853	27,202	57,219	42,469	181,586	971,383
5. True-Up (Collected) or refunded	A	7,164	7,164	7,164	7,164	7,164	7,164	7,164	7,164	7,164	7,164	7,164	7,164	85,969
6. Fuel Revenue Applicable To Period	(L6 +/-L5)	159,729	145,964	120,399	72,049	83,442	58,672	42,949	37,017	34,366	64,383	49,633	188,750	1,057,352
7. True-Up Provision-This Period	(L6-L3)	93,099	37,775	(6,843)	38,527	29,526	16,157	(14,679)	12,708	(8,602)	30,761	285	(71,364)	157,350
8. Interest Provision-This Period	(L21)	345	492	539	594	692	768	797	820	848	908	989	873	8,666
9. Beginning of Period True-Up & Interest	PY	127,874	214,154	245,257	231,790	263,747	286,801	296,562	275,516	281,879	266,961	291,467	285,576	127,874
10. True-Up (Refunded) or Collected	(-L5)	(7,164)	(7,164)	(7,164)	(7,164)	(7,164)	(7,164)	(7,164)	(7,164)	(7,164)	(7,164)	(7,164)	(7,164)	(85,969)
11. Total Actual True-Up	(L7+L8+L9+L10)	214,154	245,257	231,790	263,747	286,801	296,562	275,516	281,879	266,961	291,467	285,576	207,922	207,922
12. Total Est./Actual True-Up per Filing	(WP 2)	214,153	245,257	231,790	263,747	286,800	296,562	275,516	281,879	266,962	291,467	285,576	207,922	207,922
13. Difference	(L11-L12)	1	0	(0)	0	1	0	(0)	0	(1)	(0)	0	(0)	(0)
<b>INTEREST PROVISION</b>														
12. Beginning True-Up & Interest Provision	(L9)	127,874	214,154	245,257	231,790	263,747	286,801	296,562	275,516	281,879	266,961	291,467	285,576	
13. Ending True-up Before Interest	(L12 +L7-L5)	<u>213,809</u>	<u>244,765</u>	<u>231,251</u>	<u>263,153</u>	<u>286,109</u>	<u>295,794</u>	<u>274,719</u>	<u>281,059</u>	<u>266,113</u>	<u>290,558</u>	<u>284,587</u>	<u>207,048</u>	
14. Total	(L12+L13)	341,683	458,919	476,508	494,943	549,856	582,595	571,281	556,575	547,993	557,520	576,054	492,624	
15. Average	(50%of L14)	170,842	229,459	238,254	247,472	274,928	291,297	285,640	278,288	273,996	278,760	288,027	246,312	
16. Interest Rate 1st Day of Month	B	2.340	2.500	2.650	2.780	2.980	3.060	3.270	3.430	3.640	3.790	4.030	4.210	
17. Interest Rate 1st. Day of Subsequent Month	B	<u>2.500</u>	<u>2.650</u>	<u>2.780</u>	<u>2.980</u>	<u>3.060</u>	<u>3.270</u>	<u>3.430</u>	<u>3.640</u>	<u>3.790</u>	<u>4.030</u>	<u>4.210</u>	<u>4.300</u>	
18. Total	(L16+L17)	4.840	5.150	5.430	5.760	6.040	6.330	6.700	7.070	7.430	7.820	8.240	8.510	
19. Average	(50% of L18)	2.420	2.575	2.715	2.880	3.020	3.165	3.350	3.535	3.715	3.910	4.120	4.255	
20. Monthly Average	(L19/12)	0.20167	0.21458	0.22625	0.24000	0.25167	0.26375	0.27917	0.29458	0.30958	0.32583	0.34333	0.35458	
21. Interest Provision	(L15 x L20)	345	492	539	594	692	768	797	820	848	908	989	873	
** if L5 is a refund add to L4 if L5 is a collection, subtract from L4														

**Auditor's Notes:**

A In Order No. PSC-04-1182-FOF-GU, Issued on December 1, 2004, the Commission found the total purchased gas adjustment true-up refunded in 2005 to be:  
2003 Final True-up \$40,749/12= 3,396  
2004 Est'd True-up \$45,220/12 = 3,768  
2005 Total Refnd \$85,969/12 = 7,164

B Wall Street Journal