



ORIGINAL

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: August 6, 2007

TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance

RE: Docket No: 070003-GU; Company Name: St. Joe Natural Gas Co., Inc.
Audit Purpose: Purchased Gas Filings;
Audit Control No: 07-067-1-1

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 the response to the Division of Commission Clerk. 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 (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Stuart L. Shoaf
St. Joe Natural Gas Co., Inc.
P.O. Box 549
Port St. Joe, FL 32457

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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

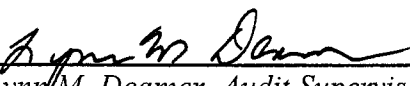
TWELVE MONTH PERIOD ENDED DECEMBER 31, 2006

DOCKET NO. 070003-GU

AUDIT CONTROL NO. 07-067-1-1



Intesar Terkawi, Audit Staff



Lynn M. Deamer, Audit Supervisor

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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 2006 – December 2006.

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-05-1183-FOF-GU, issued December 1, 2005. Traced total therms to company's billing register and primary customer invoices. Traced revenue amounts to the general ledger.

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 2006 – December 2006.

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 2006 – December 2006.

Procedures: - Auditor recalculated and scheduled PGA true-up and interest provision for the period January 2006 – December 2006. 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.

COMPANY: ST JOE NATURAL GAS CO		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2			
FOR THE PERIOD OF-		JANUARY 05 Through				DECEMBER 05			
		CURRENT MONTH:				PERIOD TO DATE			
		ACTUAL	ORIGINAL	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION									
1	PURCHASED GAS COST LINE 4	\$250,624	\$124,699	(125,930)	-1.01	\$831,224	\$829,274	(1,951)	-0.00
2	TRANSPORTATION COST LINE(1+5+6-(7+8+9))	\$9,490	\$11,659	2,169	0.19	\$68,776	\$65,619	(13,157)	-0.24
3	TOTAL	\$260,113	\$136,352	(123,761)	-0.91	\$900,000	\$894,893	(15,108)	-0.02
4	FUEL REVENUES (NET OF REVENUE TAX)	\$181,586	\$136,352	(45,233)	-0.33	\$971,382	\$894,548	(86,835)	-0.10
5	TRUE-UP(COLLECTED) OR REFUNDED	\$7,164	\$7,164	0	0.00	\$85,969	\$85,969	0	0.00
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	\$188,750	\$143,516	(45,233)	-0.32	\$1,057,351	\$970,517	(86,835)	-0.08
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(\$71,364)	\$7,164	78,528	10.96	\$157,351	\$85,624	(71,727)	-0.84
8	INTEREST PROVISION-THIS PERIOD (21)	\$873	(\$183)	(1,056)	5.77	\$8,666	(\$1,679)	(10,346)	6.16
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	\$285,576	(\$51,618)	(337,195)	6.53	\$127,874	(\$49,777)	(177,651)	3.57
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(\$7,164)	(\$7,164)	0	0.00	(\$85,969)	(\$85,969)	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)	\$207,922	(\$51,801)	(259,723)	5.01	\$207,922	(\$51,801)	(259,723)	5.01
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	285,576	(\$51,618)	(337,195)	6.53	* 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)	207,048	(\$51,818)	(258,867)	5.01				
14	TOTAL (12+13)	492,626	(103,237)	(595,862)	5.77				
15	AVERAGE (50% OF 14)	246,312	(\$51,618)	(297,931)	5.77				
16	INTEREST RATE - FIRST DAY OF MONTH	4.21	4.21	0.00	0.00				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.30	4.30	0.00	0.00				
18	TOTAL (16+17)	8.51	8.51	0.00	0.00				
19	AVERAGE (50% OF 18)	4.26	4.26	0.00	0.00				
20	MONTHLY AVERAGE (19/12 Months)	0.35	0.35	0.00	0.00				
21	INTEREST PROVISION (15x20)	873	(183)	(1,056)	5.77				

COMPANY:
AUDIT :
DOCKET:
DESCRIPTION:

St. Joe Natural Gas Company, Inc.
Purchased Gas Adjustment
070003-GU
Schedule of True-up and Interest Provision per Audit

DATE: 6/1/2007
PERIOD: 12/31/2006
AUDIT CONTROL: 07-067-1-1
PREPARED BY: Intesar Terkawi

TRUE-UP CALCULATION	SOURCE	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Total
1. Purchased Gas Cost	(WP 43-1)	70,486	127,722	48,390	48,858	38,737	28,490	27,623	39,055	35,115	40,725	60,950	100,419	666,570
2. Transportation Cost	(WP 43-1)	(15,915)	(3,298)	28,701	11,219	(4,069)	12,372	369	5,250	4,521	14,034	16,471	10,373	80,028
3. Total	(L1+L2)	54,571	124,424	77,091	60,077	34,668	40,862	27,992	44,305	39,636	54,759	77,421	110,792	746,598
4. Fuel revenues (Net of Revenue Tax)**	(WP 41-1)	99,471	155,495	66,298	82,646	36,810	33,615	28,779	34,380	40,291	35,328	58,314	78,432	749,859
5. True-Up (Collected) or refunded	A	16,815	16,815	16,815	16,815	16,815	16,815	16,815	16,815	16,815	16,815	16,815	16,815	201,780
6. Fuel Revenue Applicable To Period	(L4 +/-L5)	116,286	172,310	83,113	99,461	53,625	50,430	45,594	51,195	57,106	52,143	75,129	95,247	951,639
7. True-Up Provision-This Period	(L6-L3)	61,715	47,886	6,022	39,384	18,957	9,568	17,602	6,890	17,470	(2,616)	(2,292)	(15,545)	205,041
8. Interest Provision-This Period	(L21)	846	1,014	1,088	1,166	1,250	1,286	1,321	1,304	1,277	1,241	1,161	1,053	14,007
9. Beginning of Period True-Up & Interest	PY	207,922	253,668	285,753	276,048	299,783	303,175	297,214	299,322	290,701	292,633	274,443	256,497	207,922
10. True-Up (Refunded) or Collected	(-L5)	(16,815)	(16,815)	(16,815)	(16,815)	(16,815)	(16,815)	(16,815)	(16,815)	(16,815)	(16,815)	(16,815)	(16,815)	(201,780)
11. Total Actual True-Up	(L7+L8+L9+L10)	253,668	285,753	276,048	299,783	303,175	297,214	299,322	290,701	292,633	274,443	256,497	225,190	225,190
12. Total Est./Actual True-Up per Filing	(WP 2)	253,668	285,753	276,047	299,783	303,174	297,213	299,320	290,699	292,630	274,441	256,495	225,189	225,189
13. Difference	(L11-L12)	0	0	1	0	1	1	2	2	3	2	2	1	1
INTEREST PROVISION														
12. Beginning True-Up & Interest Provision	(L9)	207,922	253,668	285,753	276,048	299,783	303,175	297,214	299,322	290,701	292,633	274,443	256,497	
13. Ending True-up Before Interest	(L12 +L7-L5)	252,822	284,739	274,960	298,617	301,925	295,928	298,001	289,397	291,356	273,202	255,336	224,137	
14. Total	(L12+L13)	460,744	538,407	560,713	574,665	601,708	599,103	595,215	588,719	582,057	565,835	529,779	480,634	
15. Average	(50%of L14)	230,372	269,204	280,357	287,333	300,854	299,552	297,608	294,360	291,029	282,918	264,890	240,317	
16. Interest Rate 1st Day of Month	B	4.300	4.510	4.530	4.780	4.960	5.010	5.290	5.360	5.270	5.260	5.270	5.250	
17. Interest Rate 1st. Day of Subsequent Month	B	4.510	4.530	4.780	4.960	5.010	5.290	5.360	5.270	5.260	5.270	5.250	5.270	
18. Total	(L16+L17)	8.810	9.040	9.310	9.740	9.970	10.300	10.650	10.630	10.530	10.530	10.520	10.520	
19. Average	(50% of L18)	4.405	4.520	4.655	4.870	4.985	5.150	5.325	5.315	5.265	5.265	5.260	5.260	
20. Monthly Average	(L19/12)	0.36708	0.37667	0.38792	0.40583	0.41542	0.42917	0.44375	0.44292	0.43875	0.43875	0.43833	0.43833	
21. Interest Provision	(L15 x L20)	846	1,014	1,088	1,166	1,250	1,286	1,321	1,304	1,277	1,241	1,161	1,053	
** if L5 is a refund add to L4 if L5 is a collection, subtract from L4														

Auditor's Notes:

A In Order No. PSC-05-1183-POF-GU, issued on November 30, 2006, the Commission found the total purchased gas adjustment true-up refunded in 2006 to be:
2004 Final True-up \$41,904/12= 3,492
2005 Est'd True-up \$159,782/12= 13,315
2006 Total Refund \$201,686/12= 16,807

B Wall Street Journal

Immaterial difference due to rounding