

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: August 22, 2007
TO: Shevie B. Brown, Regulatory Analyst III, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 070004-GU; Company Name: St. Joe Natural Gas Company;
Audit Purpose: Gas Conservation Cost Recovery Audit;
Audit Control No: 07-074-1-1

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

NATURAL GAS CONSERVATION COST RECOVERY CLAUSE AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2006

DOCKET NO. 070004-GU

AUDIT CONTROL NO. 07-022-1-2

A handwritten signature in cursive script that reads "Robert Moore".

Robert Moore, Audit Manager

A handwritten signature in cursive script that reads "Lynn M. Deamer".

Lynn M. Deamer, Audit Supervisor

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

July 26, 2007

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 Economic Regulation 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 Natural Gas Conservation Cost Recovery, Docket No. 070004-GU.

This audit was 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 verify the company has applied the approved ECCR adjustment factors to therm sales during the period.

Procedures: - Recalculated revenues from therms. Compared computed revenues to recorded revenues.

Objective: - To verify revenues recorded on schedule CT-3 page one and two match the amounts confirmed on the company's general ledger.

Procedures: - Compared revenues on CT-3 to general ledger revenue account 495.03, Other Gas Revenues – Conservation.

EXPENSES

Objective: - To verify expenses recorded on schedule CT-3 page one and two match the amounts confirmed on the company's general ledger.

Procedures: - Matched reported amounts for expenses on CT-3 page one to individual entries in account 908.

TRUE-UP

Objective: - To determine if the utility true-up and interest provision filed with the FPSC were computed correctly.

Procedures: - Recalculated the 2006 true-up and interest schedules using FPSC approved recoverable true-up computations, interest rates, and jurisdictional separation factor.

OTHER

Objective: - To review all builder agreements entered into during 2006, and verify incentives offered to builder match the company's conservation programs.

Procedures: - Traced incentives paid to program descriptions. Scanned 29 of 31 customer allowance forms and all monthly summary forms.

Objective: - To verify any advertising follows Rule 25-17.015(5).

Procedures: - Company did not include advertising expense in its 2006 cost recovery expenses.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2006 THROUGH DECEMBER 2006

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	(1,282)	(1,008)	(851)	(1,022)	(390)	(417)	(340)	(324)	(408)	(341)	(673)	(1,006)	(8,060)
4. TOTAL REVENUES	(1,282)	(1,008)	(851)	(1,022)	(390)	(417)	(340)	(324)	(408)	(341)	(673)	(1,006)	(8,060)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(446)	(446)	(446)	(446)	(446)	(446)	(446)	(446)	(446)	(446)	(446)	(446)	(5,348)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(1,727)	(1,453)	(1,297)	(1,467)	(835)	(863)	(785)	(770)	(854)	(786)	(1,119)	(1,451)	(13,408)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	3,025	1,300	2,150	700	0	0	0	0	0	0	350	1,650	9,175
8. TRUE-UP THIS PERIOD	1,298	(153)	853	(767)	(835)	(863)	(785)	(770)	(854)	(786)	(769)	199	(4,233)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(16)	(13)	(10)	(9)	(11)	(13)	(15)	(17)	(18)	(20)	(21)	(21)	(184)
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(5,348)	(3,621)	(3,342)	(2,053)	(2,384)	(2,784)	(3,214)	(3,569)	(3,909)	(4,336)	(4,696)	(5,040)	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	446	446	446	446	446	446	446	446	446	446	446	446	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	(3,621)	(3,342)	(2,053)	(2,384)	(2,784)	(3,214)	(3,569)	(3,909)	(4,336)	(4,696)	(5,040)	(4,416)	(4,416)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2006 THROUGH DECEMBER 2006

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	(5,348)	(3,621)	(3,342)	(2,053)	(2,384)	(2,784)	(3,214)	(3,569)	(3,909)	(4,336)	(4,696)	(5,040)	
2. ENDING TRUE-UP BEFORE INTEREST	(3,605)	(3,329)	(2,043)	(2,375)	(2,774)	(3,201)	(3,554)	(3,893)	(4,318)	(4,676)	(5,019)	(4,396)	
3. TOTAL BEGINNING & ENDING TRUE-UP	(8,953)	(6,950)	(5,385)	(4,428)	(5,157)	(5,985)	(6,768)	(7,462)	(8,227)	(9,012)	(9,715)	(9,436)	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(4,476)	(3,475)	(2,692)	(2,214)	(2,579)	(2,993)	(3,384)	(3,731)	(4,114)	(4,506)	(4,857)	(4,718)	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	4.300%	4.510%	4.530%	4.780%	4.960%	5.010%	5.290%	5.360%	5.270%	5.260%	5.270%	5.250%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	4.510%	4.530%	4.780%	4.960%	5.010%	5.290%	5.360%	5.270%	5.260%	5.270%	5.250%	5.270%	
7. TOTAL (SUM LINES 5 & 6)	8.810%	9.040%	9.310%	9.740%	9.970%	10.300%	10.650%	10.630%	10.530%	10.530%	10.520%	10.520%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	4.405%	4.520%	4.655%	4.870%	4.985%	5.150%	5.325%	5.315%	5.265%	5.265%	5.260%	5.260%	
9. MONTHLY AVG INTEREST RATE	0.367%	0.377%	0.388%	0.406%	0.415%	0.429%	0.444%	0.443%	0.439%	0.439%	0.438%	0.438%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(16)	(13)	(10)	(9)	(11)	(13)	(15)	(17)	(18)	(20)	(21)	(21)	(184)