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

DATE: May 7, 2008
TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *DNV*
RE: Docket No: 080004-GU; Company Name: St. Joe Natural Gas Company;
Audit Purpose: 2007 Gas Conservation; Audit Control No: 08-037-1-2;

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
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

Mr. Charles A. Costin
Costin and Costin Law Firm
P.O. Box 98
Port St. Joe, FL 32457-0098

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tallahassee District Office

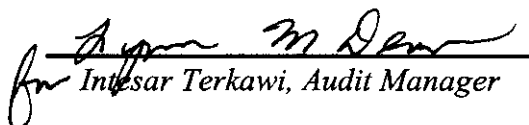
ST. JOE NATURAL GAS COMPANY

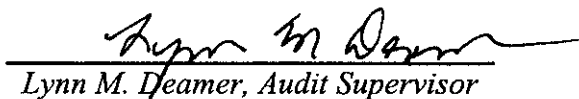
NATURAL GAS CONSERVATION COST RECOVERY CLAUSE AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2007

DOCKET NO. 080004-GU

AUDIT CONTROL NO. 08-037-1-2


Intisar Terkawi, Audit Manager


Lynn M. Deamer, Audit Supervisor

DOCUMENT NUMBER-DATE

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

April 15, 2008

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. 080004-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 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 match the amounts confirmed on the company's general ledger.

Procedures: - Matched reported amounts for expenses on schedule CT-3 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 2007 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 2007, and verify incentives offered to builder match the company's conservation programs.

Procedures: - Traced incentives paid to program descriptions.

Objective: - To verify tankless water heater rebates were given in 2007, and they were equal to currently approved rebates for standard natural gas water heaters.

Procedures: - Traced tankless water heater rebates to the approved rebates for standard natural gas water heaters.

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

Procedures: - Company did not include advertising expense in its 2007 cost recovery expenses.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2007 THROUGH DECEMBER 2007

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	(727)	(1,062)	(878)	(659)	(379)	(362)	(276)	(324)	(252)	(259)	(368)	(722)	(8,267)
4. TOTAL REVENUES	(727)	(1,062)	(878)	(659)	(379)	(362)	(276)	(324)	(252)	(259)	(368)	(722)	(8,267)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(368)	(368)	(368)	(368)	(368)	(368)	(368)	(368)	(368)	(368)	(368)	(368)	(4,416)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(1,095)	(1,430)	(1,246)	(1,027)	(747)	(730)	(644)	(592)	(620)	(627)	(736)	(1,090)	(10,683)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	625	575	5,400	575	525	5,725	7,674	6,899	11,799	8,700	10,725	13,950	73,171
8. TRUE-UP THIS PERIOD	(470)	(855)	4,154	(452)	(222)	4,995	7,030	6,206	11,179	8,073	9,989	12,860	62,488
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(20)	(21)	(12)	(3)	(2)	10	38	71	110	142	175	228	716
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(4,416)	(4,537)	(5,045)	(535)	(622)	(478)	4,895	12,330	18,975	30,632	39,215	49,748	
11. PRIOR TRUE-UP COLLECTED(REFUNDED)	368	368	368	368	368	368	368	368	368	368	368	368	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	(4,537)	(5,045)	(535)	(622)	(478)	4,895	12,330	18,975	30,632	39,215	49,748	63,204	63,204

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2007 THROUGH DECEMBER 2007

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	(4,416)	(4,537)	(5,045)	(535)	(622)	(478)	4,895	12,330	18,975	30,632	39,216	48,748	
2. ENDING TRUE-UP BEFORE INTEREST	(4,518)	(5,024)	(523)	(819)	(475)	4,885	12,293	18,904	30,522	39,073	48,572	62,876	
3. TOTAL BEGINNING & ENDING TRUE-UP	(8,934)	(9,561)	(5,568)	(1,154)	(1,097)	4,408	17,187	31,235	49,497	69,706	88,788	112,723	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(4,467)	(4,780)	(2,784)	(577)	(548)	2,204	8,594	15,617	24,749	34,853	44,394	56,382	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	5.270%	5.260%	5.260%	5.260%	5.260%	5.260%	5.280%	5.240%	5.620%	5.050%	4.720%	4.750%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	5.260%	5.280%	5.260%	5.260%	5.260%	5.280%	5.240%	5.620%	5.050%	4.720%	4.750%	4.980%	
7. TOTAL (SUM LINES 5 & 6)	10.530%	10.520%	10.520%	10.520%	10.520%	10.540%	10.520%	10.860%	10.670%	9.770%	9.470%	9.730%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	5.265%	5.260%	5.260%	5.260%	5.260%	5.270%	5.260%	5.430%	5.335%	4.885%	4.735%	4.885%	
9. MONTHLY AVG INTEREST RATE	0.439%	0.438%	0.438%	0.438%	0.438%	0.439%	0.438%	0.453%	0.445%	0.407%	0.395%	0.405%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(20)	(21)	(12)	(3)	(2)	10	38	71	110	142	175	228	716