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

DATE: May 11, 2009
TO: Devlin Higgins, Regulatory Analyst II, Division of Economic Regulation
FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DM*
RE: Docket No: 090004-GU; Company Name: St. Joe Natural Gas Company;
Audit Purpose: Conservation Gas Cost Recovery; Company Code: GU610;
Audit Control No: 09-028-1-2;

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 a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

DNM/tbm

Attachment: Audit Report

CC: Division of Regulatory Compliance (Salak, Mailhot, Harvey,
District Offices, File Folder)
Office of Commission Clerk (2)
General Counsel
Office of Public Counsel

Mr. Stuart L. Shoaf
St. Joe Natural Gas Company
Post Office Box 549
Port St. Joe, FL 32457-0549

DOCUMENT NUMBER-DATE

04578 MAY 12 8

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STATE OF FLORIDA



FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING

Tallahassee District Office

ST. JOE NATURAL GAS COMPANY

NATURAL GAS CONSERVATION COST RECOVERY CLAUSE AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2008

DOCKET NO. 090004-GU
AUDIT CONTROL NO. 09-028-1-2

A handwritten signature in cursive script, appearing to read "Debra M. Dobiak".

Debra M. Dobiak, Audit Manager

A handwritten signature in cursive script, appearing to read "Lynn M. Deamer".

Lynn M. Deamer, District Audit Supervisor

DOCUMENT NUMBER-DATE

04578 MAY 12 8

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**DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT**

May 15, 2009

TO: FLORIDA PUBLIC SERVICE COMMISSION

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. 090004-GU.

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

I. OBJECTIVES AND PROCEDURES

REVENUES

Objective: To verify that the revenues recorded on schedule CT-3, page 2, agree with the utility's general ledger.

Procedures: The audit staff recalculated the conservation revenue net of taxes and traced it to the utility filed Schedule CT-3, page 2. We traced the recalculated revenue to the general ledger Account 495.03 - Other Gas Revenues – Conservation in 2008.

Objective: To verify that the utility has applied the approved ECCR adjustment factors to therm sales during the period.

Procedures: The audit staff obtained the utility billing factors and FPSC Order No. PSC-07-0935-FOF-GU, issued November 26, 2007, for the approved ECCR adjustment factors per therm for 2008. We recalculated and scheduled the monthly billing factor for 2008. The audit staff recalculated a judgmental sample of customer bills to verify that the utility is using the appropriate billing factor.

EXPENSES

Objective: To verify the expenses recorded on schedule CT-3, page 1 and 2, match the amounts on the utility's general ledger.

Procedures: We obtained the Energy Conservation Allowance Program report for each month of 2008 and reconciled them to the schedule CT-3. The audit staff traced the allowance amounts to the general ledger account 908 – Customer Assistance and Conservation.

TRUE-UP

Objective: To determine that the utility conservation cost recovery true-up and interest provision filed with the FPSC was calculated correctly.

Procedures: We recalculated the true-up from the utility filing, and reconciled the beginning true-up and interest provision to prior order as well as the end of period and total net true-up. The audit staff traced the interest rates to the 30-day Commercial Paper Rates.

OTHER

Objective: To review all builder agreements entered into during 2008 and verify incentives offered to builders match the utility's conservation programs.

Procedures: The utility does not use builder agreements. Builders, commercial businesses, churches, residential customers, and other customers use the same Energy Conservation

Allowance Form to identify equipment installed and qualify for meeting the utility's criteria. The audit staff traced incentives paid to the program descriptions.

Objective: To verify any advertising (billboard, television, radio, etc.) complies with Rule 25-17.015(5) F.A.C.

Procedures: The utility did not include any advertising expense in its 2008 cost recovery expenses.

Objective: To verify that the utility has given tankless water heater rebates equal to the cash allowances of currently approved standard natural gas water heaters for the year ended December 31, 2008.

Procedures: The audit staff obtained FPSC Order No. PSC-07-0495-PAA-EG , issued June 11, 2007, allowing cash allowances for gas tankless water heaters. We obtained copies of the utility customer Accounts Payable vouchers providing rebates for tankless water heaters and reconciled the amounts shown on the vouchers to the amounts allowed in the FPSC Order noted above.

II. EXHIBITS

EXHIBIT NO. 1 - TRUE-UP

SCHEDULE CT-3 PAGE 2 OF 3		COMPANY: ST. JOE NATURAL GAS											
		Docket No. 090804-GU ENERGY CONSERVATION TRUE-UP EXHIBIT #DKS-1, Pg 6 of 11											
ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION FOR MONTHS: JANUARY 2008 THROUGH DECEMBER 2008													
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	-15,160	-13,620	-9,657	-7,085	-5,060	-3,801	-4,343	-3,356	-3,389	-4,363	-6,230	-10,769	-87,833
4. TOTAL REVENUES	-15,160	-13,620	-9,657	-7,085	-5,060	-3,801	-4,343	-3,356	-3,389	-4,363	-6,230	-10,769	-87,833
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	5,267	5,267	5,267	5,267	5,267	5,267	5,267	5,267	5,267	5,267	5,267	5,267	63,204
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	-9,893	-8,353	-4,390	-1,818	-793	1,466	924	1,911	1,876	904	983	5,502	24,629
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	5,725	15,875	8,350	14,525	8,000	12,575	5,515	12,250	7,400	3,850	10,250	14,600	116,975
8. TRUE-UP THIS PERIOD	-4,168	7,522	1,560	12,707	5,207	14,041	6,499	14,161	9,278	6,754	5,287	9,098	92,346
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	196	147	130	130	133	133	143	154	253	280	163	78	1,936
10. TRUE-UP & INTER. PROV BEGINNING OF MONTH	63,204	62,985	56,382	52,105	60,755	80,829	69,735	71,110	80,158	84,422	86,190	80,373	
11. PRIOR TRUE-UP COLLECTED (REFUNDED)	-5,267	-5,267	-5,267	-5,267	-5,267	-5,267	-5,267	-5,267	-5,267	-5,267	-5,267	-5,267	-5,267
12. TOTAL NET TRUE-UP (SUM LINES 8+9-10+11)	53,965	56,382	53,185	60,755	60,829	59,735	71,110	80,158	84,422	86,190	80,373	54,282	54,282

EXHIBIT NO. 2 - INTEREST PROVISION

SCHEDULE CT-3
PAGE 3 OF 3

COMPANY: ST. JOE NATURAL GAS

Docket No. 090004-GU
ENERGY CONSERVATION TRUE-UP
EXHIBIT #DKS-1, Pg 7 of 11

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2008 THROUGH DECEMBER 2008

	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 INTEREST PROVISION													
1 BEGINNING TRUE-UP	63,204	53,965	56,362	53,165	59,755	60,629	69,735	71,110	80,158	84,422	86,190	90,373	
2 ENDING TRUE-UP BEFORE INTEREST	53,769	50,220	53,054	60,621	60,690	68,602	70,867	80,004	84,169	85,910	90,210	94,204	
3 TOTAL BEGINNING & ENDING TRUE-UP	116,973	110,185	109,416	113,810	121,450	130,451	140,702	151,114	164,327	170,332	178,400	184,577	
4 AVERAGE TRUE-UP (LINE 3 TIMES 50%)	58,486	55,093	54,708	56,905	60,725	65,215	70,351	75,557	82,163	85,166	90,200	92,288	
5 INTER RATE - 1ST DAY OF REPORTING MONTH	4.350%	3.080%	3.090%	2.630%	2.840%	2.430%	2.450%	2.440%	2.430%	4.950%	2.950%	1.490%	
6 INTER RATE - 1ST DAY OF SUBSEQUENT MONTH	3.080%	3.090%	2.630%	2.840%	2.430%	2.450%	2.440%	2.457%	4.950%	2.950%	1.490%	0.540%	
7 TOTAL (SUM LINES 5 & 6)	8.060%	6.170%	5.720%	5.470%	5.270%	4.880%	4.890%	4.890%	7.400%	7.900%	4.440%	2.030%	
8 AVG INTEREST RATE (LINE 7 TIMES 50%)	4.030%	3.085%	2.860%	2.735%	2.635%	2.440%	2.445%	2.445%	3.700%	3.950%	2.220%	1.015%	
9 MONTHLY AVG INTEREST RATE	0.336%	0.257%	0.236%	0.228%	0.223%	0.203%	0.204%	0.204%	0.308%	0.329%	0.181%	0.083%	
10 INTEREST PROVISION (LINE 4 TIMES LINE 9)	196	142	130	130	133	133	143	154	253	280	153	78	1,936

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