



# 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:** June 9, 2010

**TO:** Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation

**FROM:** Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CP*

**RE:** Docket No.: 100004-GU  
 Company Name: St. Joe Natural Gas Company  
 Company Code: GU610  
 Audit Purpose: Gas Conservation Cost Recovery  
 Audit Control No: 09-350-1-4

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 Commission Clerk. There were no confidential work papers associated with this audit.

CP/ip  
 Attachment: Audit Report

RECEIVED-FPSC  
 JUN 10 PM 12:15  
 COMMISSION  
 CLERK

cc: (With Attachment)  
 Office of Auditing and Performance Analysis (Mailhot, File Folder)  
 Office of Commission Clerk  
 Office of the General Counsel

(Without Attachment)  
 Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER: DATE  
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STATE OF FLORIDA



FLORIDA PUBLIC SERVICE COMMISSION  
OFFICE OF AUDITING AND PERFORMANCE ANALYSIS  
BUREAU OF AUDITING

Tallahassee District Office

ST. JOE NATURAL GAS COMPANY  
NATURAL GAS CONSERVATION COST RECOVERY CLAUSE AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2009

DOCKET NO. 100004-GU

AUDIT CONTROL NO. 09-350-1-4

A handwritten signature in cursive script that reads "Donna L. Brown".

Donna Brown, Audit Manager

RECEIVED NUMBER-DATE

4807 JUN 10 09

FPSC-COMMISSION CLERK

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS  
AUDITOR'S REPORT**

**May 20, 2010**

**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. 100004-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.

## **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. Audit staff traced the recalculated revenue to the general ledger.

*Objective:* To verify that the utility has applied the approved Natural Gas Conservation Cost Recovery Clause (GCCR) adjustment factors to therm sales during the period.

*Procedures:* The audit staff recalculated a judgmental sample of customer bills to verify that the utility used the appropriate billing factor.

### **EXPENSES**

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

*Procedures:* Audit staff obtained the Energy Conservation Allowance Program report for each month of 2009 and reconciled them to the schedules CT-3. The audit staff traced the allowance amounts to the general ledger.

### **TRUE-UP**

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

*Procedures:* Audit staff recalculated the true-up from the utility filing, and reconciled the beginning true-up and interest provision to the 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**

The audit staff traced the Energy Conservation Allowance Program amounts per month, to the general ledger.

*Objective:* To verify that 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 2009 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, 2009.

*Procedures:* Audit staff compared copies of the utility customer Accounts Payable vouchers providing rebates for tankless water heaters to the amounts allowed in the FPSC Order PSC-07-0495-PAA-EG, issued June 11, 2007. No exceptions noted.

III. EXHIBITS

EXHIBIT NO. 1 - Schedule C-3

SCHEDULE C - 3		COMPANY: ST JOE NATURAL GAS COMPANY										
PAGE 4 OF 5		ENERGY CONSERVATION ADJUSTMENT JANUARY 2009 THROUGH DECEMBER 2009										
	JAN 2009	FEB 2009	MAR 2009	APR 2009	MAY 2009	JUN 2009	JUL 2009	AUG 2009	SEP 2009	OCT 2009	NOV 2009	
CONSERVATION REVS.												
RCS AUDIT FEES												
a. OTHER PROG. REV.												
b.												
c.	-16,619	-17,032	-14,892	-8,304	-8,843	-8,709	-6,136	-4,427	-4,295	-5,484	-8,048	
CONSERV. ADJ REV. (NET OF REV. TAXES)												
TOTAL REVENUES	-16,619	-17,032	-14,892	-8,304	-8,843	-8,709	-6,136	-4,427	-4,295	-5,484	-8,048	
PRIOR PERIOD TRUE-UP NOT APPLIC. TO PERIOD	7,857	7,857	7,857	7,857	7,857	7,857	7,857	7,857	7,857	7,857	7,857	
CONSERVATION REVS. APPLIC. TO PERIOD	-8,762	-9,175	-7,035	-447	-987	1,148	1,721	3,430	3,582	2,373	-191	
CONSERVATION EXPS. (FORM C-3, PAGE 3)	8,150	10,250	8,250	13,550	13,376	8,025	7,850	12,125	5,000	5,000	5,000	
TRUE-UP THIS PERIOD	-612	1,075	1,215	13,103	12,388	9,173	9,371	16,655	8,562	7,373	4,809	
INTEREST THIS PERIOD (C-3, PAGE 5)	50	53	41	30	23	22	23	20	19	19	19	
TRUE-UP & INT. BEG. OF MONTH	94,282	85,863	78,135	72,534	77,810	82,365	83,703	85,241	92,959	93,684	93,220	
PRIOR TRUE-UP COLLECT. (REFUND.)	-7,857	-7,857	-7,857	-7,857	-7,857	-7,857	-7,857	-7,857	-7,857	-7,857	-7,857	
END OF PERIOD TOTAL NET TRUE-UP	85,863	79,135	72,534	77,810	82,365	83,703	85,241	92,959	93,684	93,220	90,191	

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
JANUARY 2009 THROUGH DECEMBER 2009

	JAN 2009	FEB 2009	MAR 2009	APR 2009	MAY 2009	JUN 2009	JUL 2009	AUG 2009	SEP 2009	OCT 2009	NOV 2009	DEC 2009
INTEREST PROVISION												
BEGINNING TRUE-UP	94,282	85,863	79,135	72,534	77,810	82,385	83,703	85,241	92,859	93,684	93,220	9
END. T-UP BEFORE INT.	85,813	79,082	72,493	77,780	82,342	83,681	85,218	92,939	93,665	93,200	90,172	8
TOT. BEG. & END. T-UP	180,095	164,945	151,628	150,314	160,152	166,046	168,921	178,179	186,524	186,884	183,392	17
AVERAGE TRUE-UP	90,048	82,473	75,814	75,157	80,076	83,023	84,461	89,090	93,312	93,442	91,696	8
INT. RATE-FIRST DAY OF REPORTING BUS. MTH	0.54%	0.79%	0.75%	0.55%	0.40%	0.30%	0.35%	0.30%	0.25%	0.25%	0.25%	(
INT. RATE-FIRST DAY OF SUBSEQUENT BUS. MTH	0.79%	0.75%	0.55%	0.40%	0.30%	0.35%	0.30%	0.25%	0.25%	0.25%	0.25%	(
TOTAL	1.33%	1.54%	1.30%	0.95%	0.70%	0.65%	0.65%	0.55%	0.50%	0.50%	0.50%	(
AVG INTEREST RATE	0.87%	0.77%	0.65%	0.48%	0.35%	0.33%	0.33%	0.28%	0.25%	0.25%	0.25%	(
MONTHLY AVG. RATE	0.08%	0.06%	0.05%	0.04%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%	0.02%	(
INTEREST PROVISION	\$50	\$63	\$41	\$30	\$23	\$22	\$23	\$20	\$19	\$19	\$19	

EXHIBIT NO. 2 - Schedule C-3