

State of Florida



Public Service Commission

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COMMISSION
CLERK

DATE: June 27, 2012
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120004-GU
Company Name: St. Joe Natural Gas Company, Inc.
Company Code: GU610
Audit Purpose: A3e Gas Conservation Cost Recovery
Audit Control No: 12-010-1-2

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

CJP/lmd

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

STATEMENT SEARCHED

04249 JUN 27 2012

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

St. Joe Natural Gas Company, Inc.
Gas Conservation Cost Recovery

Twelve Months Ended December 31, 2011

Docket No. 120004-GU
Audit Control No. 12-010-1-2
June 22, 2012

Handwritten signature of Intesar Terkawi in cursive script.

Intesar Terkawi
Audit Manager

Handwritten signature of Lynn M. Deamer in cursive script.

Lynn M. Deamer
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 10, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by St. Joe Natural Gas Company, Inc., in support of its 2011 filing for the Gas Conservation Cost Recovery Clause in Docket No.120004-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to St. Joe Natural Gas Company.
GCCR refers to Gas Conservation Cost Recovery.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual GCCR therms sold for the period January 1, 2011 through December 31, 2011 and whether the Utility applied the Commission approved GCCR factor to actual therms sales for the GCCR.

Procedures: We reconciled the 2011 filing to the Utility's monthly GCCR Revenue Reports. We selected a random sample of residential and commercial customers' bills for the months of January, April, July, September, and November 2011 and recalculated each to verify use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Schedule CT-2 filing was supported by adequate documentation and that the GCCR costs are appropriately recoverable through the GCCR.

Procedures: We traced expenses in the filing to the general ledger. We reviewed all O&M Expenses to ensure that the expenses were related to the GCCR and that the expenses were charged to the correct accounts. No exceptions were noted.

True-up

Objective: The objective was to determine if the GCCR True-up and Interest Provision as filed on Schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2010 True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates, and the 2011 Conservation revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's GCCR Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2011 to 2010 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True Up

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 REV	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	(40,079)	(29,330)	(16,672)	(13,166)	(8,666)	(9,098)	(6,800)	(7,190)	(6,736)	(9,059)	(11,304)	(15,486)	(173,586)
4. TOTAL REVENUES	(40,079)	(29,330)	(16,672)	(13,166)	(8,666)	(9,098)	(6,800)	(7,190)	(6,736)	(9,059)	(11,304)	(15,486)	(173,586)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	6,338	6,338	6,338	6,338	6,338	6,338	6,338	6,338	6,338	6,338	6,338	6,338	76,059
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(33,741)	(22,992)	(10,334)	(6,827)	(2,328)	(2,760)	(461)	(852)	(398)	(2,721)	(4,966)	(9,147)	(97,527)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	16,125	10,400	7,575	9,900	7,350	11,025	5,500	6,000	9,150	9,200	7,025	7,050	106,300
8. TRUE-UP THIS PERIOD	(17,616)	(12,592)	(2,759)	3,073	5,022	8,265	5,039	5,148	8,752	6,479	2,059	(2,097)	8,773
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	13	9	5	4	3	3	2	2	1	1	1	1	45
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	76,059	52,119	33,197	24,105	20,843	19,530	21,460	20,162	18,974	21,389	21,531	17,253	
11. PRIOR TRUE-UP COLLECTED/(REFUND)	(6,338)	(6,338)	(6,338)	(6,338)	(6,338)	(6,338)	(6,338)	(6,338)	(6,338)	(6,338)	(6,338)	(6,338)	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	52,119	33,197	24,105	20,843	19,530	21,460	20,162	18,974	21,389	21,531	17,253	8,819	8,819