

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: May 29, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, ^{AD} Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150004-GU
Company Name: St. Joe Natural Gas Company
Company Code: GU610
Audit Purpose: Natural Gas Conservation Cost Recovery Clause
Audit Control No: 15-012-1-5

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 is no confidential work papers associated with this audit.

LMD/cp

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

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 Clause

Twelve Months Ended December 31, 2014

Docket No. 150004-GU
Audit Control No. 15-012-1-5
May 28, 2015

Hymavathi Vedula

Hymavathi Vedula
Audit Manager

Lynn M. Deamer

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 Economics in its audit service request dated January 13, 2015. 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 2014 filing for the Gas Conservation Cost Recovery Clause in Docket No. 150004-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 the St. Joe Natural Gas Company, Inc.
GCCR refers to the Gas Conservation Cost Recovery.

Revenue

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2014, through December 31, 2014, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

Procedures: We computed revenues using the factors in Order No. PSC-13-0613-FOF-GU, issued November 20, 2013 and actual therm sales from the Gross Margin Report and reconciled them to the general ledger and the GCCR filing. We selected a random sample of residential and commercial customers' bills for the period and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Schedule CT-3 of the Utility's GCCR filing was supported by adequate documentation and that the expenses are appropriately recoverable through the GCCR clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, was charged to the correct accounts and was appropriately recoverable through the GCCR clause. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

True-up

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

Procedures: We traced the December 31, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Non-Financial Commercial Paper rates, and the 2014 GCCR filing revenues and costs. The Company has filed a revised filing on May 15, 2015 correcting the interest rates which were reported incorrectly in the original filing. The revised filing is incorporated into this audit report. 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 years.

Procedures: We compared 2014 to 2013 through 2009 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: Revised True-Up as of May 15, 2015

SCHEDULE CT-3
PAGE 2 OF 3

REVISED

St Joe Natural Gas
Docket No. 150004-GU
Exhibit# DKS-1
2014 Conservation True-Up
Filed: May 4, 2015

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS JANUARY 2014 THROUGH DECEMBER 2014

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	-22,327	-21,525	-14,374	-10,444	-7,505	-7,158	-5,582	-6,568	-6,176	-5,357	-11,070	-15,102	-132,188
4. TOTAL REVENUES	-22,327	-21,525	-14,374	-10,444	-7,505	-7,158	-5,582	-6,568	-5,176	-5,357	-11,070	-15,102	-132,188
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	4,403	4,403	4,403	4,403	4,403	4,403	4,403	4,403	4,403	4,403	4,403	4,403	52,833
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	-17,924	-17,123	-9,971	-6,041	-3,102	-2,756	-1,179	-2,166	-773	-954	-6,668	-10,700	-79,355
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	11,150	8,275	11,650	9,950	9,175	2,200	20,125	11,375	9,625	9,975	10,875	13,425	128,000
8. TRUE-UP THIS PERIOD	-8,774	-8,848	1,679	3,909	6,073	-556	18,948	9,209	9,052	9,021	4,207	2,725	48,645
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	2	1	1	1	1	1	2	2	2	2	3	3	21
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	52,833	41,657	28,409	25,686	25,194	26,865	21,908	36,453	41,262	45,912	50,533	50,340	
11. PRIOR TRUE-UP COLLECTED(REFUNDED)	-4,403	-4,403	-4,403	-4,403	-4,403	-4,403	-4,403	-4,403	-4,403	-4,403	-4,403	-4,403	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	41,657	28,409	25,686	25,194	26,865	21,908	36,453	41,262	45,912	50,533	50,340	48,668	48,668

REVISED

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS: JANUARY 2014 THROUGH DECEMBER 2014

	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	52,833	41,657	28,409	25,686	25,194	26,885	21,908	36,453	41,262	45,912	50,533	50,340	
2. ENDING TRUE-UP BEFORE INTEREST	<u>41,856</u>	<u>28,407</u>	<u>25,685</u>	<u>25,192</u>	<u>26,864</u>	<u>21,907</u>	<u>36,451</u>	<u>41,260</u>	<u>45,911</u>	<u>50,531</u>	<u>50,337</u>	<u>48,663</u>	
3. TOTAL BEGINNING & ENDING TRUE-UP	94,489	70,065	54,093	50,878	52,057	48,772	58,359	77,712	87,172	96,443	100,870	99,003	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	<u>47,244</u>	<u>35,032</u>	<u>27,047</u>	<u>25,439</u>	<u>26,029</u>	<u>24,386</u>	<u>29,180</u>	<u>38,856</u>	<u>43,586</u>	<u>48,221</u>	<u>50,435</u>	<u>49,501</u>	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	0.030%	0.050%	0.050%	0.060%	0.050%	0.050%	0.060%	0.070%	0.060%	0.040%	0.060%	0.070%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	<u>0.050%</u>	<u>0.050%</u>	<u>0.060%</u>	<u>0.050%</u>	<u>0.050%</u>	<u>0.060%</u>	<u>0.070%</u>	<u>0.060%</u>	<u>0.040%</u>	<u>0.060%</u>	<u>0.070%</u>	<u>0.080%</u>	
7. TOTAL (SUM LINES 5 & 6)	0.080%	0.100%	0.110%	0.110%	0.100%	0.110%	0.130%	0.130%	0.100%	0.100%	0.130%	0.150%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.040%	0.050%	0.055%	0.055%	0.050%	0.055%	0.065%	0.065%	0.050%	0.050%	0.065%	0.075%	
9. MONTHLY AVG INTEREST RATE	0.003%	0.004%	0.005%	0.005%	0.004%	0.005%	0.005%	0.005%	0.004%	0.004%	0.005%	0.006%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	21