

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-**

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**DATE:** June 1, 2016  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 160003-GU  
Company Name: St. Joe Natural Gas Company  
Company Code: GU610  
Audit Purpose: Purchased Gas Cost Recovery Clause  
Audit Control No: 16-021-1-2

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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 are no confidential work papers associated with this audit.

LMD/cm

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.  
Purchased Gas Cost Recovery Clause

**Twelve Months Ended December 31, 2015**

Docket No. 160003-GU  
Audit Control No. 16-021-1-2  
**May 31, 2016**

Handwritten signature of Hymavathi Vedula in black ink.

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Hymavathi Vedula  
Audit Manager

Handwritten signature of Marisa N. Glover in blue ink.

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Marisa N. Glover  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report set forth by the Division of Economics in its audit service request dated January 19, 2016. We have applied these procedures to the attached revised summary exhibit and to several related schedules prepared by St. Joe Natural Gas Company, Inc. in support of its 2015 filing for the Purchased Gas Cost Recovery Clause in Docket No. 160003-GU.

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

## Objectives and Procedures

### **General**

#### Definition

Utility refers to the St. Joe Natural Gas Company, Inc.  
PGA refers to the Purchased Gas Cost Recovery Clause.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

**Procedures:** We traced revenues reported on the 2015 filing to the Utility's general ledger and the monthly revenue reports. We selected a random sample of residential and commercial customers' bills from January, March, May, July, September and November and recalculated them to verify that the correct tariff rates were used. No exceptions were noted.

### **Expense**

#### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether the operation and maintenance (O&M) expenses listed on Schedule A-2 of the Utility's filing were supported by sufficient documentation and that the expenses are appropriately recoverable through the PGA.

**Procedures:** We traced expenses reported on the filing to the general ledger. We traced a sample of O&M expenses to source documentation to ensure the expenses were supported by sufficient documentation and that the expenses were appropriately recoverable through the PGA. No exceptions were noted.

### **True-up**

**Objective:** The objective was to determine if the True-Up and Interest Provision as filed on Schedule A-2 was properly calculated.

**Procedures:** We traced the December 31, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the Commission approved beginning balance as of December 31, 2014, the Non-Financial Commercial Paper rates, and the 2015 PGA revenues and costs. No exceptions were noted.

## **Analytical Review**

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

**Procedures:** We compared 2015 to 2014 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**

**REVISED**

COMPANY: ST JOE NATURAL GAS CO		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2				
FOR THE PERIOD OF:		JANUARY 2015		Through		DECEMBER 2015				
		CURRENT MONTH:		DECEMBER		PERIOD TO DATE				
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
				AMOUNT	%			AMOUNT	%	
<b>TRUE-UP CALCULATION</b>										
1	PURCHASED GAS COST	LINE 4, A/1	\$22,505	\$24,955	2,450	0.098165	\$391,008	\$387,515	-3,494	-0.00902
2	TRANSPORTATION COST	(LINE(1+5+6-(7+8+9	\$12,213	\$32,170	19,957	0.620366	\$119,784	\$154,270	34,486	0.223544
3	TOTAL		\$34,718	\$57,125	22,407	0.392243	\$510,793	\$541,785	30,992	0.057204
4	FUEL REVENUES	(NET OF REVENUE TAX)	\$38,859	\$57,125	18,266	0.319761	\$509,993	\$541,785	31,792	0.058679
5	TRUE-UP(COLLECTED) OR REFUNDED		-\$237	-\$237	0	0	-\$2,840	-\$2,840	0	0
6	FUEL REVENUE APPLICABLE TO PERIOD	(LINE 4 (+ or -) LINE 5)	\$38,622	\$56,889	18,266	0.321091	\$507,153	\$538,945	31,792	0.058989
7	TRUE-UP PROVISION - THIS PERIOD	(LINE 6 - LINE 3)	\$3,904	-\$237	-4,141	17.49549	-\$3,639	-\$2,840	799	-0.28143
8	INTEREST PROVISION-THIS PERIOD (21)		-\$9	-\$12	-3	0.271115	-\$40	-\$61	-21	0.345808
9	BEGINNING OF PERIOD TRUE-UP AND		-\$45,549	(\$59,651)	-14,102	0.236408	-\$40,578	(\$59,602)	-19,024	0.319184
10	TRUE-UP COLLECTED OR (REFUNDED)	(REVERSE OF LINE 5)	237	237	0	0	2,840	2,840	0	0
10a	FLEX RATE REFUND (if applicable)		\$0	\$0	0	0	\$0	\$0	0	0
11	TOTAL ESTIMATED/ACTUAL TRUE-UP	(7+8+9+10+10a)	-\$41,417	-\$59,663	-18,246	0.305815	-\$41,417	-\$59,663	-18,246	0.305815
<b>INTEREST PROVISION</b>										
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9)		(45,549)	(59,651)	(14,102)	0.236408				
13	ENDING TRUE-UP BEFORE INTEREST (12+7-5)		(41,409)	(59,651)	(18,243)	0.305822				
14	TOTAL (12+13)		(86,958)	(119,302)	(32,345)	0.271115				
15	AVERAGE (50% OF 14)		(43,479)	(59,651)	(16,172)	0.271115				
16	INTEREST RATE - FIRST DAY OF MONTH		0.13	0.13	0	0				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.34	0.34	0	0				
18	TOTAL (16+17)		0.47	0.47	0	0				
19	AVERAGE (50% OF 18)		0.24	0.24	0	0				
20	MONTHLY AVERAGE (19/12 Months)		0.01958	0.01958	0	0				
21	INTEREST PROVISION (15x20)		-9	-12	-3	0.271115				

If line 5 is a refund add to line 4  
If line 5 is a collection ( ) subtract from line 4