

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: July 13, 2021

TO: Office of Commission Clerk

FROM: Dale Mailhot, Director, Office of Auditing and Performance Analysis

RE: Docket No.: 20210003-GU
Company Name: St. Joe Natural Gas Company, Inc.
Company Code: GU610
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 2021-021-1-2

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 are no confidential work papers associated with this audit.

DM/cmm

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, 2020

Docket No. 20210003-GU
Audit Control No. 2021-021-1-2
July 8, 2020

Handwritten signature of Demetrius Jones in cursive.

Demetrius Jones
Audit Manager

Handwritten signature of Marisa N. Glover in cursive.

Marisa N. Glover
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

 None..... 4

Exhibit

 1: True-Up..... 5

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Economics in its audit service request dated January 21, 2021. 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 2020 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20210003-GU.

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, 2020, through December 31, 2020, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the PGA.

Procedures: We traced revenues reported on the 2020 filing to the Utility's general ledger and monthly revenue reports. We selected a random sample of residential and commercial customer bill 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) Expense 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 from 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, 2019, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2020, using the Commission approved beginning balance as of December 31, 2019, the Non-financial Commercial Paper rates, and the 2020 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 2020 to 2019 revenues and expenses. There was a 24.35% increase in Commercial (GS-1) Revenues and 14.38% decrease in Commercial Large (GS-2) Revenues, respectively, from 2019 to 2020. A 17.22% decrease in Purchased Gas Costs and Transportation Costs for Prior Energy, respectively, between 2019 and 2020. A 12.37% increase in GCI Revenues, respectively, from 2019 to 2020. The 24.35% increase in Commercial Revenues was due to a warmer weather trend in 2020 and the increase of GS-1 customers following Hurricane Michael in 2018. The 14.38% decrease in Commercial Large Revenues was primarily due to the warmer weather trend for 2020 that impacted Revenues for GS-2. The 17.22% decrease in Purchased Gas Costs and Transportation Costs for Prior Energy was due to temperature, customer count, and customer usage. The loss of customers from Hurricane Michael also contributed to lower customer therm usage. The 12.37% increase in GCI Revenues was due to the GCI not purchasing enough gas which resulted in them having to purchase more from St. Joe Gas. No further work performed.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

COMPANY: ST JOE NATURAL GAS CO CALCULATION OF TRUE-UP AND INTEREST PROVISION										SCHEDULE A-2	
FOR THE PERIOD OF: JANUARY 2020 Through DECEMBER 2020											
	CURRENT MONTH:				DECEMBER		PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE				
			AMOUNT	%			AMOUNT	%			
TRUE-UP CALCULATION											
1 PURCHASED GAS COST LINE 4, A-1	\$33,484	\$32,597	-885	-0.02719	\$188,326	\$171,517	-16,809	-0.098			
2 TRANSPORTATION COST (LINE 1+5+8-(7+9+10))	\$15,180	\$22,727	7,567	0.332937	\$151,488	\$250,975	99,489	0.38641			
3 TOTAL	\$48,664	\$55,324	6,660	0.120748	\$339,812	\$422,492	82,680	0.195696			
4 FUEL REVENUES (NET OF REVENUE TAX)	\$28,646	\$55,324	26,678	0.482212	\$327,582	\$422,492	94,910	0.224645			
5 TRUE-UP/COLLECTED OR REFUNDED	\$8,250	\$8,250	0	0	\$99,077	\$99,077	0	0			
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	\$38,903	\$63,581	26,678	0.419593	\$426,659	\$521,569	94,910	0.181972			
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	-\$11,741	\$8,250	19,991	2.422079	\$88,640	\$99,077	12,237	0.123446			
8 INTEREST PROVISION-THIS PERIOD (21)	\$8	-\$5	-11	2.281884	\$504	-\$354	-857	2.425152			
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST PROVISION	\$89,934	(\$63,346)	-153,280	2.419729	\$81,669	(\$82,997)	-144,566	2.296395			
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(8,256)	(8,256)	0	0	(99,077)	(99,077)	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)	\$89,942	-\$63,351	-133,293	2.104051	\$69,942	-\$63,351	-133,293	2.104051			
INTEREST PROVISION											
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	89,934	(\$63,346)	(153,280)	2.419729	If line 6 is a refund add to line 4 If line 6 is a collection () subtract from line 4						
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	69,936	(\$63,346)	(133,282)	2.104039							
14 TOTAL (12+13)	159,870	(126,692)	(286,562)	2.281884							
15 AVERAGE (50% OF 14)	79,935	(\$63,346)	(143,281)	2.281884							
16 INTEREST RATE - FIRST DAY OF MONTH	0.09	0.09	0	0							
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.09	0.09	0	0							
18 TOTAL (16+17)	0.18	0.18	0	0							
19 AVERAGE (50% OF 18)	0.09	0.09	0	0							
20 MONTHLY AVERAGE (19/12 Months)	0.00750	0.00750	0	0							
21 INTEREST PROVISION (15+20)	8	-\$5	-11	2.281884							