

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 21, 2022

TO: Office of the Commission Clerk

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis

*TMB
TMB*

RE: Docket No.: 20220003-GU
Company Name: St. Joe Natural Gas Company, Inc.
Company Code: GU610
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 2022-011-1-2

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

TMB/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, 2021

Docket No. 20220003-GU
Audit Control No. 2022-011-1-2
July 20, 2022

A handwritten signature in cursive script, reading "Demetrius Jones", written over a horizontal line.

Demetrius Jones
Audit Manager

A handwritten signature in cursive script, reading "Marisa N. Glover", written over a horizontal line.

Marisa N. Glover
Reviewer

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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 11, 2022. 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 2021 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20220003-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to 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, 2021, through December 31, 2021, 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 2021 filing to the Utility's general ledger and monthly revenue reports. We selected a random sample of residential and commercial customer bills 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 are 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, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2021, using the Commission-approved beginning balance as of December 31, 2020, the Non-financial Commercial Paper rates, and the 2021 PGA revenues and costs. The Utility submitted the incorrect amount for Transportation Cost in the month of April. See Finding 1 for an explanation of the variance.

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 2021 to 2020 revenues and expenses. There was a 39.72% increase in Commercial (GS-1) revenues and a 58.33% decrease in VL Commercial (GS-4) Revenues, respectively, from 2020 to 2021. There was a 169.60% increase in GCI Revenues from 2020 to 2021, and a 107.28% increase in Company usage from 2020 to 2021. Purchased Gas Costs and Transportation Costs for Prior Energy and Gulf Correctional Institution (GCI) increased by 106.41% and 96.38%, respectively, between 2020 and 2021.

The 39.72% increase in Commercial Revenues was due to small businesses reopening and residential home usage returning to levels that existed prior to Hurricane Michael. The 58.33% decrease in VL Commercial revenues was primarily due to a meter malfunction for one customer (Hospital) that was not discovered until 2022. The adjustment has been made and will show up in 2022. The 169.60% increase in GCI Revenues was due to a bypass valve being left open, allowing unmetered gas to flow for several months. The 107.28% was due to the company installing a new larger furnace and a backup generator that runs weekly tests. The 106.41% increase in Purchased Gas Costs and Transportation Costs for Prior Energy was due to the price per MMBtu (one million British thermal units) jumping from \$2.96 in 2020 to \$5.51 in 2021. The 96.38% increase in Purchased Gas Costs and Transportation Costs was a combination of three different months of GCI buying excess gas in February, March, and May, for \$146.99, \$117.99, and \$109.99, respectively.

Audit Findings

Finding 1: True-Up and Interest Provision

Audit Analysis: The Utility revised its true-up for the months of January and August 2021 for the true-up. Audit staff recalculated the unrevised filings which determined a variance of (\$11,516), or 11%. We also recalculated the revised filings and determined a variance of \$2,003, or 2%. The difference was traced to April 2021, where the utility submitted \$8,652 for Transportation Cost and later stated it should have been \$10,652.

Effect on the General Ledger: The Utility should determine the effect on the General Ledger.

Effect on the Filing: Audit staff determined the true-up to be \$105,917 for the test year ended December 31, 2021. An adjustment of \$2,003 should be made to decrease the true-up for the test year ended December 31, 2021.

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 2021 Through DECEMBER 2021									
	CURRENT MONTH:				PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION									
1 PURCHASED GAS COST LINE 4, A/1	\$52,123	\$59,530	7,406	0.124413	\$359,033	\$360,483	1,450	0.004022	
2 TRANSPORTATION COST (LINE 1+5+6-(7+8+9))	\$17,502	\$15,880	-1,622	-0.10217	\$160,458	\$157,024	-3,432	-0.02186	
3 TOTAL	\$69,626	\$75,409	5,784	0.076899	\$519,491	\$517,507	-1,982	-0.00383	
4 FUEL REVENUES (NET OF REVENUE TAX)	\$36,232	\$75,409	39,177	0.519523	\$341,614	\$517,507	175,893	0.339885	
5 TRUE-UP(COLLECTED) OR REFUNDED	\$9,059	\$9,059	0	0	\$108,712	\$108,712	0	0	
6 FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ or -) LINE 5)	\$45,292	\$84,469	39,177	0.463804	\$450,326	\$626,219	175,893	0.28088	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	-\$24,334	\$9,059	33,393	3.686048	-\$59,163	\$108,712	177,875	1.636205	
8 INTEREST PROVISION THIS PERIOD (21)	-\$5	-\$3	1	-0.43921	\$13	-\$34	-46	1.374839	
9 BEGINNING OF PERIOD TRUE-UP AND	-\$74,523	(\$83,382)	11,141	-0.17578	\$69,942	(\$83,351)	-133,293	2.104039	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(9,059)	(9,059)	0	0	(108,712)	(108,712)	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)	-\$107,920	-\$83,385	44,536	-0.70262	-\$107,920	-\$83,385	44,536	-0.70262	
INTEREST PROVISION									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(74,523)	(63,382)	11,141	-0.17578	if line 5 is a refund add to line 4				
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	(107,916)	(63,382)	44,534	-0.70264	if line 5 is a collection () subtract from line 4				
14 TOTAL (12+13)	(182,439)	(126,763)	55,675	-0.43921					
15 AVERAGE (50% OF 14)	(91,219)	(63,382)	27,838	-0.43921					
16 INTEREST RATE - FIRST DAY OF MONTH	0.07	0.07	0	0					
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.05	0.05	0	0					
18 TOTAL (16+17)	0.12	0.12	0	0					
19 AVERAGE (50% OF 18)	0.06	0.06	0	0					
20 MONTHLY AVERAGE (19/12 Months)	0.00500	0.00500	0	0					
21 INTEREST PROVISION (15x20)	-5	-3	1	-0.43921					