

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:** July 28, 2023

**TO:** Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

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

**RE:** Docket No.: 20230003-GU  
Company Name: St. Joe Natural Gas Company, Inc.  
Company Code: GU610  
Audit Purpose: A3c: Purchased Gas Cost Recovery Clause  
Audit Control No.: 2023-018-1-5

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

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

### Auditor's Report

St. Joe Natural Gas Company, Inc.  
Purchased Gas Cost Recovery Clause

**Twelve Months Ended December 31, 2022**

Docket No. 20230003-GU  
Audit Control No. 2023-018-1-5  
**July 24, 2023**

A handwritten signature in cursive script, appearing to read "Tony Nguyen".

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Tony Nguyen  
Audit Manager

A handwritten signature in cursive script, appearing to read "Donna D. Brown".

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Donna D. Brown  
Reviewer

## Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	4
Exhibit	
1: True-Up and Interest Provision.....	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 18, 2023. 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 2022 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20230003-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.

### **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 2022 to 2021 revenues and expenses. We determined that there was an 86.44% increase in Residential revenues (RS-1, RS-2, and RS-3) from 2021 to 2022. There was a 121.15% increase in Commercial revenues (GS-1), a 95.34% increase in Commercial Large revenues (GS-2), and a 415.91% increase in VL Commercial revenues (GS-4) from 2021 to 2022. There was a 163.93% increase in GCI Revenues from 2021 to 2022, and a 178.32% increase in Company usage from 2021 to 2022. All increases in revenues were due to the cost of gas rising as high as \$1.25 per therm charged to customers in 2022. Purchased Gas Costs and Transportation Costs for Gas South, Interconn Resources, and Reedy Creek increased by 2717.33%, 100%, and 100% respectively, between 2021 and 2022. The increased costs for Gas South and Interconn Resources were due to the companies becoming new vendors in December 2021 and October 2022, respectively. Reedy Creek was a temporary one-time vendor in December 2022.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2022, through December 31, 2022, 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 2022 filing to the Utility's general ledger and monthly revenue reports. We examined a 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 examined a sample of O&M Expenses and reconciled them 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, 2022, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2022, using the Commission-approved beginning balance as of December 31, 2021, the Non-financial Commercial Paper rates, and the 2022 PGA revenues and costs. No exceptions were noted.

Audit Findings

**None**

# Exhibit

## Exhibit 1: True-Up and Interest Provision

COMPANY: ST JOE NATURAL GAS CO      CALCULATION OF TRUE-UP AND INTEREST PROVISION      SCHEDULE A-2									
FOR THE PERIOD OF-      JANUARY 2022      Through      DECEMBER 2022									
	CURRENT MONTH:				PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
<b>TRUE-UP CALCULATION</b>									
1 PURCHASED GAS COST      LINE 4, A1	\$85,378	\$72,522	-10,857	-12.46%	\$840,907	\$808,340	-42,563	-5.07%	
2 TRANSPORTATION COST (LINE(1)+5+(7)+8+9)	\$3,247	\$80,476	83,231	2562.45%	\$122,717	\$155,490	33,773	27.58%	
3 TOTAL:	\$88,625	\$159,000	72,374	81.55%	\$771,625	\$762,838	-8,787	-1.14%	
4 FUEL REVENUES (NET OF REVENUE TAX)	\$145,865	\$159,000	13,234	9.18%	\$763,877	\$762,838	-1,039	-0.14%	
5 TRUE-UP COLLECTED OR REFUNDED	\$3,759	\$3,759	0	0%	\$45,103	\$45,103	0	0%	
6 FUEL REVENUE APPLICABLE TO PERIOD (LINE 4) + (+ or -) LINE 5	\$149,584	\$162,759	13,234	8.92%	\$808,980	\$807,941	-1,039	-0.13%	
7 TRUE-UP PROVISION THIS PERIOD (LINE 6 - LINE 3)	\$60,959	\$3,759	-56,399	-92.52%	\$37,359	\$45,103	7,744	20.74%	
8 INTEREST PROVISION THIS PERIOD (21)	-\$505	-\$220	286	-129.92%	-\$2,958	-\$1,110	1,848	-168.42%	
9 BEGINNING OF PERIOD TRUE-UP AND	-\$177,459	(\$94,275)	113,183	-176.02%	-\$107,920	(\$63,385)	44,535	-70.26%	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(3,759)	(3,759)	0	0%	(45,103)	(45,103)	0	0%	
10a FLEX RATE REFUND (if applicable)	\$0	\$0	0	0%	\$0	\$0	0	0%	
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7-8+10+10a)	-\$118,625	-\$84,485	34,130	-28.92%	-\$110,625	-\$64,495	46,130	-41.52%	
<b>INTEREST PROVISION</b>									
12 BEGINNING TRUE-UP AND INTEREST PROVISION (3)	(177,459)	(\$94,275)	113,183	-176.02%	if line 5 is a refund add to line 4				
13 ENDING TRUE-UP BEFORE INTEREST (12+7+5)	(118,119)	(\$4,275)	53,844	-45.57%	if line 5 is a collection ( ) subtract from line 4				
14 TOTAL (12+13)	(295,577)	(128,550)	167,027	-129.92%					
15 AVERAGE (50% OF 14)	(147,789)	(\$64,275)	83,514	-129.92%					
16 INTEREST RATE - FIRST DAY OF MONTH	3.0%	3.8%	0	0%					
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.25%	4.25%	0	0%					
18 TOTAL (16+17)	8.22%	8.22%	0	0%					
19 AVERAGE (50% OF 18)	4.11%	4.11%	0	0%					
20 MONTHLY AVERAGE (19/12 Months)	0.3425%	0.3425%	0	0%					
21 INTEREST PROVISION (15x20)	-\$505	-\$220	286	-129.92%					