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# Public Service Commission

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**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** May 7, 2008  
**TO:** Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *DNV*  
**RE:** Docket No: 080003-GU; Company Name: St. Joe Natural Gas Company;  
Audit Purpose: 2007 PGA; Audit Control No: 08-037-1-3;

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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 the response to the Division of Commission Clerk. There are no confidential work papers associated with this audit.

DNV:bj  
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)  
Division of Commission Clerk  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

Mr. Stuart L. Shoaf  
St. Joe Natural Gas Co., Inc.  
P.O. Box 549  
Port St. Joe, FL 32457

Mr. Charles A. Costin  
Costin and Costin Law Firm  
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Port St. Joe, FL 32457-0098

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
BUREAU OF AUDITING

*Tallahassee District Office*

ST. JOE NATURAL GAS COMPANY, INC.

PURCHASED GAS ADJUSTMENT AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2007

DOCKET NO. 080003-GU

AUDIT CONTROL NO. 08-037-1-3

*V. Hymavathi*

*Hymavathi Vedula, Audit Staff*

*Lynn M. Deamer*

*Lynn M. Deamer, Audit Supervisor*

DOCUMENT NUMBER-DATE

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
AUDITOR'S REPORT**

**April 15, 2008**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED  
PARTIES**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by St. Joe Natural Gas Company in support of its filing for Purchased Gas Adjustment, Docket No. 080003-GU.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

## **OBJECTIVES and PROCEDURES**

### **REVENUES**

**Objective:** - To determine if the amounts reported as purchased gas revenue and the billing factors applied are supported by the Company's books and records for the period of January 2007 – December 2007.

**Procedures:** - Auditor recalculated and scheduled PGA therm sales revenue using approved PGA factors. Calculated PGA factors expanded for tax. Ensured that the Company's PGA factors did not exceed the authorized gas recovery cap ordered in FPSC order No. PSC-06-0995-FOF-GU, issued November 30, 2006. Traced total therms to company's billing register and primary customer invoices. Traced revenue amounts to the general ledger.

### **EXPENSES**

**Objective:** - To determine if the amounts reported as purchased gas costs and transportation costs are supported by the company's books and records for the period of January 2007 – December 2007.

**Procedures:** - Auditor recalculated and scheduled PGA gas and transportation costs. Traced handbills and supporting documents to the general ledger. Traced PGA gas and transportation costs reported in the Company's filing to general ledger.

### **TRUE-UP**

**Objective:** - To determine if the PGA true-up and interest provision amounts reported are supported by the Company's books and records for the period of January 2007 – December 2007.

**Procedures:** - Auditor recalculated and scheduled PGA true-up and interest provision for the period January 2007 – December 2007. Verified beginning and ending true-up balances on company's schedule A-2. Insured proper 30 day commercial paper rate was used in determining true-up amount. Traced PGA true-up and interest amounts to the general ledger.

COMPANY: ST JOE NATURAL GAS CO		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2			
FOR THE PERIOD OF:		JANUARY 07		Through		DECEMBER 07			
		CURRENT MONTH:		DECEMBER		PERIOD TO DATE			
		ACTUAL	ORIGINAL	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
<b>TRUE-UP CALCULATION</b>									
1	PURCHASED GAS COST LINE 4	\$108,034	\$127,002	18,967	0.15	\$686,892	\$741,091	54,099	0.07
2	TRANSPORTATION COST LINE(1+5+6-(7+8+9))	\$10,858	-\$37,755	-48,613	1.29	\$59,654	\$169,871	110,217	0.65
3	TOTAL	\$118,893	\$89,247	-29,646	-0.33	\$746,546	\$910,962	164,316	0.18
4	FUEL REVENUES (NET OF REVENUE TAX)	\$71,341	\$89,247	17,906	0.20	\$953,221	\$910,962	257,741	0.28
5	TRUE-UP(COLLECTED) OR REFUNDED	\$17,948	\$17,948	0	0.00	\$215,373	\$215,373	0	0.00
6	FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ or -) LINE 5)	\$86,288	\$107,194	17,906	0.17	\$668,594	\$1,126,335	257,741	0.23
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	-\$29,604	\$17,948	47,552	2.65	\$121,949	\$215,373	93,424	0.43
8	INTEREST PROVISION-THIS PERIOD (21)	\$674	-\$232	-905	3.91	\$11,325	-\$2,867	-14,211	4.92
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	\$189,967	-\$57,119	-247,087	4.33	\$225,189	-\$54,464	-279,653	5.13
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	-\$17,948	-\$17,948	0	0.00	-\$215,373	-\$215,373	0	0.00
10a	FLEX RATE REFUND (if applicable)	\$0	\$0	0	#DIV/0!	\$0	\$0	0	#DIV/0!
11	TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	\$143,089	-\$57,351	-200,440	3.49	\$143,089	-\$57,351	-200,440	3.49
<b>INTEREST PROVISION</b>									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	189,967	-57,119	-247,087	4.33	Add to line 4			
13	ENDING TRUE-UP BEFORE INTEREST (12+7-5)	142,416	-57,119	-199,535	3.49	If line 5 is a collection ( ) subtract from line 4			
14	TOTAL (12+13)	332,383	-114,238	-446,621	3.91				
15	AVERAGE (50% OF 14)	166,192	-57,119	-223,311	3.91				
16	INTEREST RATE - FIRST DAY OF MONTH	4.75	4.75	0.00	0.00				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.98	4.98	0.00	0.00				
18	TOTAL (16+17)	9.73	9.73	0.00	0.00				
19	AVERAGE (50% OF 18)	4.87	4.87	0.00	0.00				
20	MONTHLY AVERAGE (19/12 Months)	0.41	0.41	0.00	0.00				
21	INTEREST PROVISION (19x20)	674	-232	-905	3.91				