

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BLVD. EAST
TALLAHASSEE, FLORIDA 32399-0850

RECEIVED-FPSC

JUN 8 PM 3:21

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

COMMISSION
CLERK

DATE: June 8, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*
RE: Docket No.: 110004-GU
Company Name: St. Joe Natural Gas Company, Inc.
Company Code: GU610
Audit Purpose: Gas Conservation Cost Recovery Clause
Audit Control No: 11-005-1-4

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 were no confidential work papers associated with this audit.

CJP/ir

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-CAT

03970 JUN -8 =

FPSC-COMMISSION CLERK

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.
Gas Conservation Cost Recovery

For the 12 Months Ended December 31, 2010

Docket No. 110004
Audit Control No. 11-005-1-4

June 8, 2011

V. Hymavathi

Hymavathi Vedula
Audit Manager

Lynn M. Deamer

Lynn M. Deamer
Reviewer

DOCUMENT NUMBER-DATE

03970 JUN-8 =

FPSC-COMMISSION CLERK

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

 None..... 3

Exhibits

 1: Schedule – CT-3 – Calculation of True-up and Interest Provision..... 4

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 5, 2011. We have applied these procedures to the attached summary exhibit prepared by St. Joe Natural Gas Company, Inc. (Utility) and to several of its related schedules in support of its filing for the Energy (Gas) Conservation Cost (ECCR) in Docket No. 110004-GU.

This audit was performed following general standards and fieldwork standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

Revenue

Objectives: Our objectives were to verify that ECCR revenues and terms sold as filed agreed with the amounts that were recorded on the books of the Utility and that these amounts were completely and properly recorded.

Procedures: We compiled ECCR revenues from the Utility's books and records and traced them to the filing. We recomputed ECCR revenues using approved Florida Public Service Commission (FPSC) rate factors. We recalculated the energy charge on customer bills selected from various rate classes and determined that the Utility used the rates approved by the Commission. There were no exceptions.

Expense

Objectives: Our objectives were to verify that ECCR costs reconcile to the general ledger and to other utility documentation.

Procedures: We compiled ECCR expenses from the Utility's books and records and reconciled them to the filing. We verified that expenses were ECCR recoverable by sampling selected expenses from all the programs. The utility did not include any advertising expense in its 2010 cost recovery expenses. We obtained copies of the utility customer accounts payable vouchers providing rebates for tankless water heaters and reconciled the amounts shown on the vouchers to the amounts allowed in the FPSC Orders. There were no exceptions.

True-up

Objectives: Our objective was to verify that the true-up and interest provision amount at December 31, 2010 was properly calculated.

Procedures: We recalculated the true-up and interest provision amount as of December 31, 2010 using the Commission approved beginning balance as of December 31, 2009, the Commercial paper rates, and the 2010 ECCR Revenues and Costs. There were no exceptions.

Audit Findings

None

Exhibit 1: Schedule - CT-3 - Calculation of True-up and Interest Provision

SCHEDULE CT-3 PAGE 2 OF 3		COMPANY- ST JOE NATURAL GAS EXHIBIT #DKS-1											
ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION FOR MONTHS JANUARY 2010 THROUGH DECEMBER 2010													
CONSERVATION REVENUES	MONTH NO 1	MONTH NO 2	MONTH NO 3	MONTH NO 4	MONTH NO 5	MONTH NO 6	MONTH NO 7	MONTH NO 8	MONTH NO 9	MONTH NO 10	MONTH NO 11	MONTH NO 12	TOTAL
1 RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2 OTHER PROGRAM REVS 12/09 Adjustment for GS4	0	0	0	0	0	0	0	0	0	0	0	0	(72)
3 CONSERV ADJ REVS	(43,423)	(32,812)	(31,902)	(29,425)	(19,100)	(8,467)	(9,724)	(8,164)	(7,320)	(9,658)	(12,218)	(22,745)	(216,976)
4 TOTAL REVENUES	(43,496)	(32,812)	(31,902)	(29,425)	(19,100)	(8,467)	(9,724)	(8,164)	(7,320)	(9,658)	(12,218)	(22,745)	(217,551)
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	10,211	10,211	10,211	10,211	10,211	10,211	10,211	10,211	10,211	10,211	10,211	10,211	122,532
6 CONSERVATION REVS APPLICABLE TO THE PERIOD	(33,285)	(22,601)	(21,691)	(19,215)	112	1,724	487	2,046	2,891	553	(2,007)	(12,534)	(84,521)
7 CONSERVATION EXPS (FROM CT-3, PAGE 1)	20,700	14,250	19,550	14,225	16,575	11,675	19,674	19,575	7,225	18,425	5,700	11,700	170,374
8 TRUE-UP THIS PERIOD	(12,585)	(9,351)	(2,641)	4,310	15,885	13,389	11,161	21,621	10,116	18,978	3,693	(634)	75,853
9 INTER PROV THIS PERIOD (FROM CT-3, PAGE 3)	12	15	13	12	16	20	18	18	19	19	19	17	206
10 TRUE-UP & INTER PROV BEGINNING OF MONTH	122,530	93,753	81,206	68,968	62,778	69,276	72,478	73,447	84,876	84,500	93,585	87,088	
11 PRIOR TRUE-UP COLLECTED (REFUNDED)	(10,211)	(10,211)	(10,211)	(10,211)	(10,211)	(10,211)	(10,211)	(10,211)	(10,211)	(10,211)	(10,211)	(10,211)	
12 TOTAL NET TRUE-UP (SUM LINES 8+9-10+11)	99,753	81,206	68,968	62,779	69,276	72,478	73,447	84,876	84,800	93,586	87,088	76,059	75,059

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS JANUARY 2010 THROUGH DECEMBER 2010

	MONTH NO 1	MONTH NO 2	MONTH NO 3	MONTH NO 4	MONTH NO 5	MONTH NO 6	MONTH NO 7	MONTH NO 8	MONTH NO 9	MONTH NO 10	MONTH NO 11	MONTH NO 12	TOTAL
1 BEGINNING TRUE-UP	122,530	99,753	81,206	68,999	62,778	69,270	72,478	73,443	84,576	84,890	93,586	87,988	
2 ENDING TRUE-UP BEFORE INTEREST	<u>59,734</u>	<u>81,191</u>	<u>68,955</u>	<u>52,767</u>	<u>69,254</u>	<u>72,458</u>	<u>73,428</u>	<u>84,858</u>	<u>84,782</u>	<u>93,568</u>	<u>87,069</u>	<u>75,042</u>	
3 TOTAL BEGINNING & ENDING TRUE-UP	222,264	180,944	150,161	131,735	132,033	141,727	145,906	158,305	169,558	178,368	189,655	163,130	
4 AVERAGE TRUE-UP (LINE 3 TIMES 50%)	<u>111,132</u>	<u>90,472</u>	<u>75,081</u>	<u>65,868</u>	<u>66,017</u>	<u>70,864</u>	<u>72,953</u>	<u>79,153</u>	<u>84,829</u>	<u>89,184</u>	<u>90,328</u>	<u>81,565</u>	
5 INTER RATE - 1ST DAY OF REPORTING MONTH	0.200%	0.200%	0.210%	0.210%	0.230%	0.340%	0.350%	0.280%	0.280%	0.250%	0.250%	0.250%	
6 INTER RATE - 1ST DAY OF SUBSEQUENT MONTH	0.200%	0.210%	0.210%	0.230%	0.340%	0.350%	0.280%	0.280%	0.250%	0.250%	0.250%	0.250%	
7 TOTAL (SUM LINES 5 & 6)	0.400%	0.410%	0.420%	0.440%	0.570%	0.690%	0.630%	0.560%	0.530%	0.500%	0.500%	0.500%	
8 AVG INTEREST RATE (LINE 7 TIMES 50%)	0.200%	0.205%	0.210%	0.220%	0.285%	0.345%	0.315%	0.280%	0.265%	0.250%	0.250%	0.250%	
9 MONTHLY AVG INTEREST RATE	0.017%	0.017%	0.018%	0.018%	0.024%	0.029%	0.026%	0.023%	0.022%	0.021%	0.021%	0.021%	
10 INTEREST PROVISION (LINE 4 TIMES LINE 9)	<u>19</u>	<u>15</u>	<u>13</u>	<u>12</u>	<u>16</u>	<u>20</u>	<u>19</u>	<u>18</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>17</u>	295

5