

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

**Twelve Months Ended December 31, 2013**

Docket No. 140003-GU  
Audit Control No. 14-010-1-2  
**June 27, 2014**

  
George Simmons  
Audit Manager

  
Lynn M. Deamer  
Reviewer

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## 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 Economics in its audit service request dated January 9, 2014. 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 2013 filing for the Purchased Gas Cost Recovery Clause in Docket No. 140003-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

### **General**

#### Definition

Utility refers to the St. Joe Natural Gas Company, Inc.  
PGA refers to the Purchased Gas Cost Recovery.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2013, through December 31, 2013, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales.

**Procedures:** We traced revenues reported on the 2013 filing to the Utility's general ledger and the monthly revenue reports. We compared the rates used by the Utility to the rates prescribed in Order No. PSC-12-0612-FOF-GU, issued November 15, 2012. We selected a random sample of residential and commercial customers' bills for February, April, June, August, October, and December; 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) expenses 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 Clause.

**Procedures:** We traced expenses reported on 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 Clause. 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, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Non-Financial Commercial Paper rates, and the 2013 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 2013 to 2012 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

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 2013 Through				DECEMBER 2013				
		CURRENT MONTH:		DECEMBER		PERIOD TO DATE				
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
				AMOUNT	%			AMOUNT	%	
<b>TRUE-UP CALCULATION</b>										
1	PURCHASED GAS COST	LINE 4, A1	\$45,979	\$48,203	2,224	0.046136	\$397,404	\$392,585	-4,818	-0.01227
2	TRANSPORTATION COST	(LINE(1+5+6-(7+8+9))	\$14,029	\$22,025	7,996	0.363031	\$136,312	\$176,738	40,426	0.228736
3	TOTAL		\$60,008	\$70,228	10,220	0.145522	\$533,716	\$569,324	35,608	0.062545
4	FUEL REVENUES		\$52,184	\$70,228	18,044	0.256934	\$532,023	\$569,324	37,301	0.065518
	(NET OF REVENUE TAX)									
5	TRUE-UP(COLLECTED) OR REFUNDED		\$4,107	\$4,107	0	0	\$49,289	\$49,289	0	0
6	FUEL REVENUE APPLICABLE TO PERIOD		\$56,291	\$74,335	18,044	0.242737	\$581,312	\$618,613	37,301	0.060296
	(LINE 4 (+ or -) LINE 5)									
7	TRUE-UP PROVISION - THIS PERIOD		-\$3,717	\$4,107	7,824	1.90491	\$47,596	\$49,289	1,693	0.034347
	(LINE 6 - LINE 3)									
8	INTEREST PROVISION-THIS PERIOD (21)		\$2	-\$3	-5	1.4621	\$30	-\$48	-78	1.629608
9	BEGINNING OF PERIOD TRUE-UP AND		\$31,436	(\$59,563)	-90,999	1.527781	\$25,276	(\$59,518)	-84,794	1.424678
10	TRUE-UP COLLECTED OR (REFUNDED)		(4,107)	(4,107)	0	0	(49,289)	(49,289)	0	0
	(REVERSE OF LINE 5)									
10a	FLEX RATE REFUND (if applicable)		\$0	\$0	0	0	\$0	\$0	0	0
11	TOTAL ESTIMATED/ACTUAL TRUE-UP		\$23,613	-\$59,566	-83,180	1.396423	\$23,813	-\$59,566	-83,180	1.396423
	(7-8+9+10+10a)									
<b>INTEREST PROVISION</b>										
12	BEGINNING TRUE-UP AND		31,436	(59,563)	(90,999)	1.527781	If line 6 is a refund add to line 4 If line 5 is a collection ( ) subtract from line 4			
	INTEREST PROVISION (9)									
13	ENDING TRUE-UP BEFORE		23,612	(59,563)	(83,174)	1.396419				
	INTEREST (12+7-5)									
14	TOTAL (12+13)		55,048	(119,125)	(174,173)	1.4621				
15	AVERAGE (50% OF 14)		27,524	(59,563)	(87,087)	1.4621				
16	INTEREST RATE - FIRST		0.06	0.06	0	0				
	DAY OF MONTH									
17	INTEREST RATE - FIRST		0.08	0.08	0	0				
	DAY OF SUBSEQUENT MONTH									
18	TOTAL (16+17)		0.14	0.14	0	0				
19	AVERAGE (50% OF 18)		0.07	0.07	0	0				
20	MONTHLY AVERAGE (19/12 Months)		0.00583	0.00583	0	0				
21	INTEREST PROVISION (15x20)		2	-3	-5	1.4621				