

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** May 8, 2017

**TO:** Office of Commission Clerk

**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

**RE:** Docket No.: 170003-GU  
Company Name: St. Joe Natural Gas Company, Inc.  
Company Code: GU610  
Audit Purpose: A3c: Purchased Gas Adjustment  
Audit Control No.: 17-020-1-3

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

LMD/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, 2016**

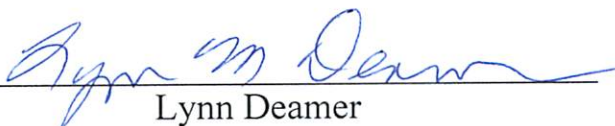
Docket No. 170003-GU  
Audit Control No. 17-020-1-3  
**May 4, 2017**



Joan Hudson  
Audit Staff



Marisa Glover  
Audit Manager



Lynn 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 objectives set forth by the Division of Economics in its audit service request dated January 18, 2017. 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 2016 filing for the Purchased Gas Cost Recovery Clause in Docket No. 170003-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. 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 Clause.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual therms sold for the period January 1, 2016, through December 31, 2016, 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 2016 filing to the Utility's general ledger and the monthly revenue reports. We selected a random sample of residential and commercial customer bills from January, March, April, June, 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) Expense listed on Schedule A-2 of the Utility's filing were supported by adequate documentation and that the expenses are appropriately recoverable through the PGA clause.

**Procedures:** We traced expenses 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.

### **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, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission-approved beginning balance as of December 31, 2015, the Non-financial Commercial Paper rates, and the 2016 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 2016 to 2015 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 2016		Through		DECEMBER 2016			
	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	\$33,347	\$30,363	5.016	0.130754	\$246,723	\$254,037	7,314	0.028791
2 TRANSPORTATION COST	(LINE 1+5+6-17+8-)	\$13,439	\$13,464	25	0.001857	\$127,151	\$237,625	110,475	0.464912
3 TOTAL		\$46,786	\$51,827	5.041	0.087268	\$373,874	\$491,663	117,789	0.239573
4 FUEL REVENUES	(NET OF REVENUE TAX)	\$40,964	\$51,827	10,863	0.209609	\$479,092	\$481,863	12,571	0.025588
5 TRUE-UP(COLLECTED) OR REFUNDED		-\$3,289	-\$3,289	0	0	-\$39,472	-\$39,472	0	0
6 FUEL REVENUE APPLICABLE TO PERIOD	(LINE 4 (+ or -) LINE 5)	\$37,674	\$48,538	10,863	0.229813	\$439,620	\$442,191	12,571	0.0276
7 TRUE-UP PROVISION - THIS PERIOD	(LINE 6 - LINE 3)	-\$9,112	-\$3,289	5,822	-1.77004	\$65,746	-\$39,472	-105,218	2.66564
8 INTEREST PROVISION-THIS PERIOD (21)		631	-\$271	-56	2.117332	\$211	-\$232	-443	1.98668
9 BEGINNING OF PERIOD TRUE-UP AND		\$69,803	(\$59,868)	-129,671	2.165958	-\$41,417	(\$59,863)	-18,246	0.305616
10 TRUE-UP COLLECTED OR (REFUNDED)	(REVERSE OF LINE 5)	3,289	3,289	0	0	39,472	39,472	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)	\$64,012	-\$59,868	-123,907	2.088729	\$64,012	-\$59,868	-123,907	2.068729
<b>INTEREST PROVISION</b>									
12 BEGINNING TRUE-UP AND	INTEREST PROVISION (9)	69,803	(\$9,868)	(129,671)	2.165958	If line 8 is a refund add to line 4 If line 8 is a collection ( ) subtract from line 4			
13 ENDING TRUE-UP BEFORE	INTEREST (12+7-5)	63,961	(\$9,868)	(123,849)	2.068706				
14 TOTAL (12+13)		133,765	(119,736)	(253,521)	2.117332				
15 AVERAGE (50% OF 14)		66,892	(\$59,868)	(126,760)	2.117332				
16 INTEREST RATE - FIRST	DAY OF MONTH	0.47	0.47	0	0				
17 INTEREST RATE - FIRST	DAY OF SUBSEQUENT MONTH	0.63	0.63	0	0				
18 TOTAL (16+17)		1.10	1.10	0	0				
19 AVERAGE (50% OF 18)		0.55	0.55	0	0				
20 MONTHLY AVERAGE (18/12 Months)		0.04583	0.04583	0	0				
21 INTEREST PROVISION (15x20)		31	-27	-56	2.117332				