

MEMORANDUM

November 18, 1998

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 980002-EG -- ST. JOE NATURAL GAS COMPANY
CONSERVATION AUDIT REPORT - PERIOD ENDED MARCH 31, 1998
AUDIT CONTROL NO. 98-162-1-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

St. Joe Natural Gas Company, Inc.
Stuart L. Shoaf
P. O. Box 549
Port St. Joe, FL 32457-0549

DNV/sp

Attachment

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Jacobs
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Lowery/Brown)
Tallahassee District Office (Hicks)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

13155 NOV 20 88

FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING

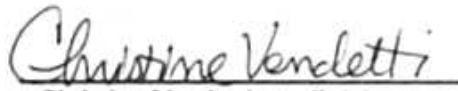
Tallahassee District Office

ST. JOE NATURAL GAS COMPANY

ENERGY CONSERVATION COST RECOVERY

6 MONTHS ENDED MARCH 31, 1998

DOCKET NO. 980002-EG
AUDIT CONTROL NO. 98-162-1-1


Christine Vendetti, Audit Manager

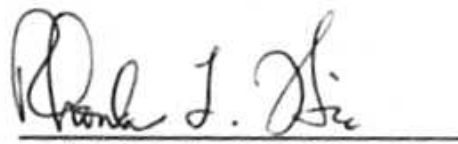

Rhonda Hicks, Audit Supervisor

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

November 9, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report and have recalculated the true-up and interest exhibits filed by St. Joe Natural Gas Company in support of Docket No. 980002-EG for the six months ended March 31, 1998, to determine that the exhibits represent the utility's books and records and that those books and records are maintained in compliance with Commission directives and that facts which may influence the Commission's decision process are disclosed. There is no confidential information associated with this audit.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

In our opinion, the ECCR exhibits for the six months ended March 31, 1998, present fairly, in all material respects, the utility's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and other matters which were noted during our examination.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

Conservation Revenues: Compiled the conservation revenues and determined that the company has used the approved ECCR factors as set forth in Commission Order No. PSC-97-0291-FOF-EG, obtained a sample of bills and recalculated conservation revenues for each rate class for the six months ended March 31, 1998; obtained company's therm count and recalculated total conservation revenues for each rate class for the six months ended March 31, 1998.

Conservation Expenses: Compiled conservation program expenses; performed a physical invoice count for incentive expenses; verified that conservation rebate programs have been excluded from conservation cost.

Other: Recalculated Company true-up and interest provision; verified the correct beginning true-up; verified that the interest rates applied to under/over recovery amounts for the six months ended March 31, 1998 were correct.

DISCLOSURES

Disclosure No. 1

Subject: Conservation Revenues

Statement of Fact: Total conservation revenues per general ledger does not agree with total conservation revenues per schedule CT-3.

Total Conservation Revenues Per Schedule CT-3	Total Conservation Revenues Per General Ledger	Variance
\$14,390.00	\$14,646.49	(\$256.49)

St. Joe Natural Gas Company billed Eagle Recycle under the conservation program as a large commercial customer. Eagle Recycle is an interruptible customer and should not be billed as a large commercial customer under the conservation program. As a result, Eagle Recycle was overcharged by \$256.49 for the 6 month period ended March 31, 1998. The auditor verified the company made the adjustment in April 1998 to reflect a credit of \$256.49.

Recommendation: St. Joe Natural Gas Co. should not bill Eagle Recycle as a large commercial customer. Eagle Recycle is an interruptible customer. The auditor contacted Eagle Recycle and verified the refund was made in April 1998.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST
OCTOBER 1997 THROUGH MARCH 1998

CONSERVATION REVENUES	OCT 1997	NOV 1997	DEC 1997	JAN 1998	FEB 1998	MAR 1998	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	(925)	(1,932)	(2,814)	(3,314)	(2,858)	(2,547)	(14,390)
4. TOTAL REVENUES	(925)	(1,932)	(2,814)	(3,314)	(2,858)	(2,547)	(14,390)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	227	227	227	227	227	227	1,362
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(698)	(1,705)	(2,587)	(3,087)	(2,631)	(2,320)	(13,028)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	3,950	625	2,250	1,525	2,850	3,675	14,875
8. TRUE-UP THIS PERIOD	3,252	(1,080)	(337)	(1,562)	219	1,355	1,847
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	13	17	13	8	4	6	62
10 TRUE-UP & INTER. PROV. BEGINNING OF MONTH	1,362	4,400	3,111	2,560	779	774	
11 PRIOR TRUE-UP COLLECTED/(REFUNDED)	(227)	(227)	(227)	(227)	(227)	(227)	
12 TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	4,400	3,111	2,560	779	774	1,909	1,909

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYÓ
DIRECTOR
(850) 413-6770

Public Service Commission

November 23, 1998

Stuart L. Shoaf
St. Joe Natural Gas Company, Inc.
Post Office Box 549
Port St. Joe, Florida 32457-0549

Re: Docket No. 980002 - EG - St. Joe Natural Gas Company
Audit Report - Conservation - Period Ended March 31, 1998
Audit Control # 98-162-1-1

Dear Mr. Shoaf:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above case will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn, Chief
Bureau of Records

KF/abf
Enclosure
cc: Division of Audit and Financial Analysis