

State of Florida



Public Service Commission
CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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11 JUN 09 PM 4:3
RECEIVED-FPSC
COMMISSION CLERK

DATE: June 9, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 110003-GU
Company Name: St. Joe Natural Gas Company, Inc.
Company Code: GU610
Audit Purpose: Purchased Gas Cost Recovery Clause
Audit Control No: 11-005-1-1

CJP

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-DATE

04008 JUN-9 =

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.
Purchased Gas Adjustment

12 Months Ended December 31, 2010

Docket No. 110003-GU
Audit Control No. 11-005-1-1

June 6, 2011

Handwritten signature of Andrew Von Euw in cursive script.

Andrew Von Euw
Audit Manager

Handwritten signature of Lynn M. Deamer in cursive script.

Lynn M. Deamer
Reviewer

DOCUMENT NUMBER-DATE

04008 JUN-9 =

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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 Economic Regulation in its audit service request dated January 7, 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 Purchased Gas Adjustment (PGA), Docket No. 110003-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: The objectives were to determine if the amounts reported by the Utility as purchased gas revenue were supported by its books and records for the period of January 2010 – December 2010, and to determine that the correct PGA factors were used in calculating customer bills.

Procedures: We recalculated sales revenue using approved PGA factors, and ensured that the PGA factors did not exceed the authorized gas recovery cap ordered in FPSC Order No. PSC-09-0732-FOF-GU, issued November 4, 2009. We traced total therms to the Utility's billing register. We traced revenue amounts to the general ledger, and tested a sample of the 2010 customer bills to verify that the correct PGA factors were used.

Expense

Objective: The objective was to determine if the amounts reported by the Utility as purchased gas and transportation costs were supported by its books and records for the period of January 2010 – December 2010.

Procedures: We recalculated PGA gas and transportation costs. We traced PGA gas and transportation costs as reported in the Utility's filing to the general ledger, and sampled transactions from the general ledger to supporting invoices. Audit Finding 1 addresses this issue further.

True-up

Objective: The objective was to determine if the PGA true-up and interest provision amounts reported by the Utility were supported by its books and records for the period of January 2010 – December 2010.

Procedures: We recalculated the PGA true-up and interest provision for the period January 2010 – December 2010, and verified beginning and ending true-up balances on the Utility's Schedule A-2. We verified that the proper 30-day commercial paper rates were used in determining interest. We traced PGA true-up and interest amounts to the general ledger. The Total Actual True-up is understated due to a variance in PGA gas and transportation costs. Audit Finding 1 addresses this issue further.

Audit Findings

Finding 1: Purchased Gas and Transportation Costs

Audit Analysis: We found a variance of \$5,730 between the Utility's general ledger and the filing for 2010. The Utility inadvertently omitted payroll costs in Account 871 - Distribution Load Dispatching, from PGA expenses for the months of January through March 2010. This caused expenses in the filing to be understated by \$5,730. This understatement caused an immaterial overstatement of the interest calculation in the filing.

Effect on the General Ledger: None

Effect on the Filing: The filing amount for Purchased Gas and Transportation Costs should be increased by \$5,730.

COMPANY: ST JOE NATURAL GAS CO		CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2				
FOR THE PERIOD OF:		JANUARY 2010		Through		DECEMBER 2010				
		CURRENT MONTH:		DECEMBER		PERIOD TO DATE				
		ACTUAL	ORIGINAL	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
				AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION										
1	PURCHASED GAS COST	LINE 4	\$115,334	\$81,022	-34,312	-0.42	\$760,346	\$505,334	-255,012	-0.50
2	TRANSPORTATION COST	LINE(1+5+6-(7+8+9))	\$29,067	\$26,957	-2,110	-0.08	\$171,155	\$139,447	-31,708	-0.23
3	TOTAL		\$144,401	\$107,980	-36,421	-0.34	\$931,501	\$644,782	-286,720	-0.44
4	FUEL REVENUES		\$68,663	\$107,980	39,317	0.36	\$770,938	\$644,782	-126,156	-0.20
	(NET OF REVENUE TAX)									
5	TRUE-UP(COLLECTED) OR REFUNDED		\$12,097	\$12,097	0	0.00	\$145,166	\$145,166	0	0.00
6	FUEL REVENUE APPLICABLE TO PERIOD *		\$80,760	\$120,077	39,317	0.33	\$916,104	\$789,948	-126,156	-0.16
	(LINE 4 (+ or -) LINE 5)									
7	TRUE-UP PROVISION - THIS PERIOD		-\$63,641	\$12,097	75,738	6.26	-\$15,398	\$145,166	160,564	1.11
	(LINE 6 - LINE 3)									
8	INTEREST PROVISION-THIS PERIOD (21)		-\$3	-\$12	-9	0.75	\$154	-\$152	-306	2.02
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST		\$22,822	-\$59,348	-82,169	1.38	\$107,490	-\$59,208	-166,698	2.82
10	TRUE-UP COLLECTED OR (REFUNDED)		-\$12,097	-\$12,097	0	0.00	-\$145,166	-\$145,166	0	0.00
	(REVERSE OF LINE 5)									
10a	FLEX RATE REFUND (if applicable)		\$0	\$0	0	#DIV/0!	\$0	\$0	0	#DIV/0!
11	TOTAL ESTIMATED/ACTUAL TRUE-UP		-\$52,919	-\$59,360	-6,441	0.11	-\$52,919	-\$59,360	-6,441	0.11
	(7+8+9+10+10a)									
INTEREST PROVISION										
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9)		22,822	-59,348	-82,169	1.38				* If line 5 is a refund add to line 4 * If line 5 is a collection () subtract from line 4
13	ENDING TRUE-UP BEFORE INTEREST (12+7-5)		-52,916	-59,348	-6,431	0.11				
14	TOTAL (12+13)		-30,094	-118,695	-88,601	0.75				
15	AVERAGE (50% OF 14)		-15,047	-59,348	-44,300	0.75				
16	INTEREST RATE - FIRST DAY OF MONTH		0.25	0.25	0.00	0.00				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH		0.25	0.25	0.00	0.00				
18	TOTAL (16+17)		0.50	0.50	0.00	0.00				
19	AVERAGE (50% OF 18)		0.25	0.25	0.00	0.00				
20	MONTHLY AVERAGE (19/12 Months)		0.02	0.02	0.00	0.00				
21	INTEREST PROVISION (15x20)		-3	-12	-9	0.75				

Exhibit 1: Schedule A-2 - Calculation of True-up and Interest Provision

Exhibits