

State of Florida



Public Service Commission

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

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

DATE: May 23, 2019

TO: Office of Commission Clerk

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

RE: Docket No.: 20190003-GU
Company Name: St. Joe Natural Gas Company, Inc.
Company Code: GU610
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 2019-023-1-2

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, 2018

Docket No. 20190003-GU
Audit Control No. 2019-023-1-2
May 16, 2019

A handwritten signature in blue ink, appearing to read "V. Hymavathi".

Hymavathi Vedula
Audit Manager

A handwritten signature in blue ink, appearing to read "Marisa N. Glover".

Marisa N. Glover
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 22, 2019. 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 2018 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20190003-GU.

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 therm sales for the period January 1, 2018, through December 31, 2018, 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 2018 filing to the Utility's general ledger and monthly revenue reports. We selected a random sample of residential and commercial customer bill 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 sufficient documentation and that the expenses are appropriately recoverable through the PGA.

Procedures: We traced expenses from 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. 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, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the Commission approved beginning balance as of December 31, 2017, the Non-financial Commercial Paper rates, and the 2018 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 2018 to 2017 revenues and expenses. There were no significant variances. 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 2018		Through		DECEMBER 2018			
		CURRENT MONTH:				PERIOD TO DATE			
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION									
1	PURCHASED GAS COST LINE 4, A/1	\$40,774	\$35,705	-5,069	-0.14197	\$306,564	\$299,372	-7,192	-0.02402
2	TRANSPORTATION COST (LINE 1+5+6-(7+8+9))	\$15,003	\$8,122	-6,881	-0.84715	\$133,551	\$215,706	82,155	0.380865
3	TOTAL	\$55,777	\$43,827	-11,950	-0.27266	\$440,115	\$515,078	74,963	0.145537
4	FUEL REVENUES (NET OF REVENUE TAX)	\$35,872	\$43,827	7,956	0.181523	\$477,625	\$515,078	37,453	0.072714
5	TRUE-UP(COLLECTED) OR REFUNDED	\$7,060	\$7,060	0	0	\$84,722	\$84,722	0	0
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	\$42,932	\$50,887	7,956	0.156338	\$562,347	\$599,800	37,453	0.062443
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	-\$12,845	\$7,060	19,905	2.819406	\$122,232	\$84,722	-37,510	-0.44274
8	INTEREST PROVISION-THIS PERIOD (21)	\$258	-\$122	-380	3.110109	\$2,524	-\$1,190	-3,714	3.121691
9	BEGINNING OF PERIOD TRUE-UP AND	\$139,787	(\$61,530)	-201,316	3.271865	\$80,105	(\$60,462)	-140,567	2.324882
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(7,060)	(7,060)	0	0	(84,722)	(84,722)	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)	\$120,139	-\$61,652	-181,791	2.948675	\$120,139	-\$61,652	-181,791	2.948675
INTEREST PROVISION									
12	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	139,787	(61,530)	(201,316)	3.271865	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)	119,881	(61,530)	(181,411)	2.948354				
14	TOTAL (12+13)	259,668	(123,059)	(382,727)	3.110109				
15	AVERAGE (50% OF 14)	129,834	(61,530)	(191,364)	3.110109				
16	INTEREST RATE - FIRST DAY OF MONTH	2.27	2.27	0	0				
17	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	2.50	2.50	0	0				
18	TOTAL (16+17)	4.77	4.77	0	0				
19	AVERAGE (50% OF 18)	2.39	2.39	0	0				
20	MONTHLY AVERAGE (19/12 Months)	0.19875	0.19875	0	0				
21	INTEREST PROVISION (15x20)	258	-122	-380	3.110109				