

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 8, 2017
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 170004-GU
Company Name: St. Joe Natural Gas
Company Code: GU610
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery
Audit Control No: 17-024-1-6

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.
Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2016

Docket No. 170004
Audit Control No. 17-024-1-6
May 4, 2017

Joan Hudson

Joan Hudson
Audit Staff

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Lynn Deamer

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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 24, 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 Gas Conservation Cost Recovery Clause in Docket No. 170004.

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..
GCCR refers to the Gas Conservation 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 GCCR.

Procedures: We recomputed revenues using the factors in Order No. PSC-15-0541-FOF-GU issued November 23, 2015, and actual therm sales from the Conservation Revenues report and reconciled them to the general ledger and the GCCR filing. We selected a random sample of residential and commercial customer bills for the period and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Schedule CT-3 of the Utility's GCCR filing was supported by adequate documentation and that the expenses were appropriately recoverable through the GCCR.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was related to the GCCR. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A 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 GCCR revenues and costs.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's GCCR 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

SCHEDULE CT-3
PAGE 2 OF 3

St Joe Natural Gas
Docket No. 170004-GU
Exhibit# DKS-1
2016 Conservation True-Up
April 28, 2017

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISIONS
FOR MONTHS: JANUARY 2016 THROUGH DECEMBER 2016

CONSERVATION REVENUES	MONTH NO 1	MONTH NO 2	MONTH NO 3	MONTH NO 4	MONTH NO 5	MONTH NO 6	MONTH NO 7	MONTH NO 8	MONTH NO 9	MONTH NO 10	MONTH NO 11	MONTH NO 12	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	-22,084	-24,530	-17,863	-14,270	-9,036	-8,197	-9,276	-7,545	-8,515	-7,297	-9,387	-14,185	-152,205
4. TOTAL REVENUES	-22,084	-24,530	-17,863	-14,278	-9,036	-8,197	-9,276	-7,545	-8,515	-7,297	-9,387	-14,185	-152,205
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	5,112	5,112	5,112	5,112	5,112	5,112	5,112	5,112	5,112	5,112	5,112	5,112	61,344
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	-10,972	-10,418	-12,751	-9,167	-3,924	-3,085	-4,164	-2,433	-3,403	-2,185	-4,275	-9,083	-80,661
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	8,475	15,400	13,575	16,000	9,425	16,800	12,925	24,875	12,125	6,425	10,975	13,775	160,775
8. TRUE-UP THIS PERIOD	-8,497	-4,018	824	6,833	5,501	13,715	8,761	22,442	8,722	4,240	6,700	4,892	69,914
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	15	12	10	10	11	13	14	19	23	24	26	32	210
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	61,344	47,760	38,632	34,254	36,065	36,485	45,101	48,753	68,112	69,745	68,897	70,511	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	-6,112	-5,112	-5,112	-5,112	-5,112	-5,112	-5,112	-5,112	-5,112	-5,112	-5,112	-5,112	
12. TOTAL NET TRUE UP (SUM LINES 8+9+10+11)	47,750	38,632	34,354	36,085	36,485	45,101	48,763	68,112	69,745	68,897	70,511	70,123	70,123

CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS JANUARY 2016 THROUGH DECEMBER 2016

	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
1 BEGINNING TRUE-UP	61,344	47,750	38,632	34,354	30,085	26,485	23,101	19,763	16,112	12,745	9,897	7,511	
2 ENDING TRUE-UP BEFORE INTEREST	47,735	38,620	34,344	30,075	26,474	23,068	19,740	16,083	12,722	9,873	7,485	5,091	
3 TOTAL BEGINNING & ENDING TRUE-UP	109,079	86,371	72,977	64,429	56,559	49,553	42,850	35,856	28,834	22,619	17,382	12,602	
4 AVERAGE TRUE-UP (LINE 3 TIMES 50%)	54,540	43,185	36,488	32,215	28,279	24,786	21,425	17,928	14,417	11,309	8,691	6,301	
5 INTER. RATE - 1ST DAY OF REPORTING MONTH	0.340%	0.340%	0.350%	0.320%	0.360%	0.380%	0.360%	0.350%	0.430%	0.390%	0.430%	0.470%	
6 INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	0.340%	0.350%	0.320%	0.360%	0.360%	0.360%	0.350%	0.430%	0.390%	0.430%	0.470%	0.530%	
7 TOTAL (SUM LINES 5 & 6)	0.680%	0.690%	0.670%	0.680%	0.740%	0.740%	0.710%	0.780%	0.820%	0.820%	0.900%	1.00%	
8 AVG INTEREST RATE (LINE 7 TIMES 50%)	0.340%	0.345%	0.335%	0.340%	0.370%	0.370%	0.355%	0.390%	0.410%	0.410%	0.450%	0.500%	
9 MONTHLY AVG INTEREST RATE	0.028%	0.029%	0.028%	0.028%	0.031%	0.031%	0.030%	0.033%	0.034%	0.034%	0.038%	0.046%	
10 INTEREST PROVISION (LINE 4 TIMES LINE 9)	15	12	10	10	11	13	14	10	23	24	20	32	210