

State of Florida



**Public Service Commission**

Office of Auditing and Performance Analysis  
Bureau of Auditing  
Tampa District Office

**Auditor's Report**

Peoples Gas System  
Gas Conservation Cost Recovery

**Twelve Months Ended December 31, 2013**

Docket No. 140004-GU  
Audit Control No. 14-017-2-3  
**May 29, 2014**

Handwritten signature of Intesar Terkawi in black ink.

Intesar Terkawi  
Audit Manager

Handwritten signature of Linda Hill-Slaughter in blue ink.

Linda Hill-Slaughter  
Reviewer

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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 Economics in its audit service request dated January 9, 2014. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2013 filing for the Gas Conservation Cost Recovery in Docket No. 140004-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

### **General**

#### Definitions

Utility refers to the Peoples Gas System.  
GCCR refers to the Gas Conservation Cost Recovery.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual therm sales for the period January 1, 2013, through December 31, 2013, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR.

**Procedures:** We reconciled the 2013 filing to the Utility's General Ledger. We computed revenues by multiplying therms sold by the Commission approved factors by rate code and compared them to the filing. We selected a random sample of residential and commercial customers' bills for the months of March and October 2013 and recalculated each using the correct tariff rate in Order No. PSC-12-0612-FOF-GU. No exceptions were noted.

### **Expense**

#### Operation and Maintenance Expense

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

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample from each of the conservation programs for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, charged to the correct accounts and appropriately recoverable through the GCCR clause. Incentive cash payments were reviewed and traced to source documentation. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

## **True-up**

**Objective:** The objective was to determine whether the True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

**Procedures:** We traced the December 31, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Financial Commercial Paper rates, and the 2013 GCCR filing revenues and costs. No exceptions were noted.

## **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 2013 to 2012 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

#### ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION JANUARY 2013 THROUGH DECEMBER 2013

| CONSERVATION REVENUES                                 | JAN 2013          | FEB 2013         | MAR 2013          | APR 2013        | MAY 2013        | JUN 2013        | JUL 2013         | AUG 2013         | SEP 2013         | OCT 2013         | NOV 2013         | DEC 2013         | 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                                  | <u>-1,016,864</u> | <u>-921,935</u>  | <u>-1,014,024</u> | <u>-971,100</u> | <u>-705,492</u> | <u>-640,305</u> | <u>-619,476</u>  | <u>-572,485</u>  | <u>-583,685</u>  | <u>-575,578</u>  | <u>-661,662</u>  | <u>-788,270</u>  | <u>-9,070,896</u> |
| 4. TOTAL REVENUES                                     | <u>-1,016,864</u> | <u>-921,935</u>  | <u>-1,014,024</u> | <u>-971,100</u> | <u>-705,492</u> | <u>-640,305</u> | <u>-619,476</u>  | <u>-572,485</u>  | <u>-583,685</u>  | <u>-575,578</u>  | <u>-661,682</u>  | <u>-788,270</u>  | <u>-9,070,896</u> |
| 5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD | <u>111,605</u>    | <u>111,605</u>   | <u>111,605</u>    | <u>111,605</u>  | <u>111,605</u>  | <u>111,605</u>  | <u>111,605</u>   | <u>111,605</u>   | <u>111,605</u>   | <u>111,605</u>   | <u>111,605</u>   | <u>111,605</u>   | <u>1,339,254</u>  |
| 6. CONSERVATION REVS APPLICABLE TO THE PERIOD         | <u>-905,260</u>   | <u>-810,331</u>  | <u>-902,420</u>   | <u>-859,496</u> | <u>-593,888</u> | <u>-528,701</u> | <u>-507,872</u>  | <u>-460,881</u>  | <u>-472,081</u>  | <u>-463,974</u>  | <u>-550,078</u>  | <u>-676,666</u>  | <u>-7,731,642</u> |
| 7. CONSERVATION EXPS (FROM CT-3, PAGE 1)              | 1,035,933         | 748,151          | 790,490           | 752,871         | 860,471         | 687,014         | 819,361          | 731,225          | 888,041          | 869,995          | 641,615          | 607,385          | 9,432,552         |
| 8. TRUE-UP THIS PERIOD                                | 130,674           | -62,179          | -111,929          | -106,625        | 266,584         | 158,313         | 311,489          | 270,344          | 415,960          | 406,021          | 91,538           | -69,281          | 1,700,910         |
| 9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)       | 79                | 101              | 80                | 57              | 51              | 50              | 48               | 56               | 67               | 73               | 87               | 105              | 853               |
| 10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH         | 1,339,254         | 1,358,402        | 1,184,719         | 961,266         | 743,093         | 898,124         | 944,883          | 1,144,815        | 1,303,611        | 1,608,034        | 1,902,524        | 1,682,544        |                   |
| 11. PRIOR TRUE-UP COLLECTED(REFUNDED)                 | <u>-111,605</u>   | <u>-111,605</u>  | <u>-111,605</u>   | <u>-111,605</u> | <u>-111,605</u> | <u>-111,605</u> | <u>-111,605</u>  | <u>-111,605</u>  | <u>-111,605</u>  | <u>-111,605</u>  | <u>-111,605</u>  | <u>-111,605</u>  |                   |
| 12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)           | <u>1,358,402</u>  | <u>1,184,719</u> | <u>961,266</u>    | <u>743,093</u>  | <u>898,124</u>  | <u>944,883</u>  | <u>1,144,815</u> | <u>1,303,611</u> | <u>1,608,034</u> | <u>1,902,524</u> | <u>1,882,544</u> | <u>1,701,763</u> | <u>1,701,763</u>  |