

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: July 27, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160003-GU
Company Name: Peoples Gas System
Company Code: GU608
Audit Purpose: A3c - Purchased Gas Cost Recovery Clause
Audit Control No: 16-021-2-1

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/cm

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
Tampa District Office

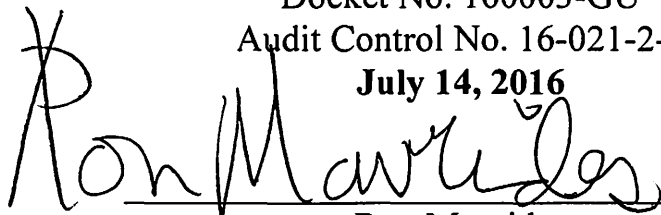
Auditor's Report

Peoples Gas System
Purchased Gas Cost Recovery Clause

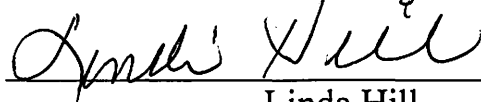
Twelve Months Ended December 31, 2015

Docket No. 160003-GU
Audit Control No. 16-021-2-1

July 14, 2016



Ron Mavrides
Audit Manager



Linda Hill
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 19, 2016. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2015 filing for the Purchased Gas Cost Recovery Clause in Docket No. 160003-GU.

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

Definitions

Utility refers to the Peoples Gas System.
PGA refers to the Purchased Gas Cost Recovery .

Revenues

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual therms sales.

Procedures: We traced revenues reported on the 2015 filing to the Utility's general ledger and the monthly revenue reports. A random sample of residential and commercial customers' bills was performed by rate class in the Gas Conservation Cost Recovery Clause audit in Docket No. 160002-EG to verify that the correct tariff rates were used. We traced unbilled revenues to the revenue summary report. No exceptions were noted.

Expenses

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expenses listed on Schedule A-2 of the Utility's filing were supported by sufficient documentation and that the expenses are appropriately recovered through the PGA Clause.

Procedures: We traced expenses reported from the filing to the general ledger. We traced O&M expenses for the months of March, July, and October 2015 to source documentation to ensure that the expenses were supported by sufficient documentation and that the expenses were appropriately recoverable through the PGA Clause. 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, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the Commission approved beginning balance as of December 31, 2014, the Non-Financial Commercial Paper rates, and the 2015 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 whether there were any material changes or inconsistencies from the prior years.

Procedures: We compared 2015 to 2014, and 2013 revenues and expenses. Variances were insignificant. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

COMPANY: PEOPLES GAS SYSTEM		CALCULATION OF TRUE-UP AND INTEREST PROVISION								SCHEDULE A-2
FOR THE PERIOD OF:		January-15 Through December-15				Page 1 of 1				
	CURRENT MONTH: DECEMBER 2015				PERIOD TO DATE					
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE			
			AMOUNT	%			AMOUNT	%		
TRUE-UP CALCULATION										
1	PURCHASED GAS COST (A-1, LINES 4-13)	\$4,964,980	\$191,947	\$226,967	\$0.04372	\$81,634,116	\$40,928,871	(\$40,705,245)	(\$0.99454)	
2	TRANSPORTATION COST (A-1, LINES 1+2+3+5+6+7+8+9)	\$5,349,866	4,810,183	(539,673)	(\$0.11219)	\$56,905,577	\$50,427,604	(6,477,773)	(0.12846)	
3	TOTAL	10,314,846	10,002,140	(312,705)	(\$0.03128)	\$138,539,694	\$91,356,875	(47,183,019)	(0.51647)	
4	FUEL REVENUES (NET OF REVENUE TAX)	10,064,565	10,002,140	(62,725)	(\$0.00627)	\$134,467,358	\$91,356,876	(43,110,682)	(0.47189)	
5	TRUE-UP REFUND(COLLECTION)	\$1,642	\$1,648	6	\$0.00012	\$619,770	\$619,776	6	0.00001	
6	FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ or -) LINE 5)	10,116,507	10,053,788	(62,719)	(\$0.00624)	\$135,087,128	\$91,976,652	(43,110,676)	(0.46874)	
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(198,358)	\$1,648	249,986	\$4.84019	(\$3,452,587)	\$619,777	4,072,344	6.57066	
8	INTEREST PROVISION-THIS PERIOD (21)	(1,075)	(109)	966	(\$8.86738)	(\$1,509)	(\$550.67)	959	(1.74107)	
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	(4,566,482)	(400,696)	4,165,786	(\$10.39639)	(\$822,725)	(\$400,696)	422,029	(1.05324)	
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 4)	(51,642)	(51,648)	(6)	\$0.00012	(\$619,770)	(\$619,776)	(6)	0.00001	
10a	OVER EARNINGS REFUND	0	0	0	0	\$0.00	\$0.00	0	0.00000	
11	TOTAL ESTIACT TRUE-UP (7+8+9+10+10a)	(4,617,537)	(400,805)	4,416,732	(\$11.01967)	(\$4,896,571)	(\$401,245)	4,495,326	(11.20344)	
11a	REFUNDS FROM PIPELINE	0	0	0	\$0.00000	\$79,034	\$0.00	(79,034)	0.00000	
12	ADJ TOTAL ESTIACT TRUE-UP (11+11a)	(4,617,537)	(400,805)	4,416,732	(\$11.01967)	(\$4,817,537)	(\$400,805)	\$4,416,732	(\$11.01967)	
INTEREST PROVISION										
13	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(4,566,482)	(400,696)	4,165,786	[10.39639]	* If line 5 is a refund add to line 4				
14	ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	(4,616,462)	(400,696)	4,415,766	[11.02025]	If line 5 is a collection subtract from line 4				
15	TOTAL (13+14)	(9,382,944)	(980,791)	8,432,153	(8.86857)					
16	AVERAGE (50% OF 15)	(4,691,472)	(475,395)	4,216,077	(8.86857)					
17	INTEREST RATE - FIRST DAY OF MONTH	0.15	0.15	0	0.00000					
18	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.40	0.40	0	0.00000					
19	TOTAL (17+18)	0.550	0.550	0	0.00000					
20	AVERAGE (50% OF 19)	0.275	0.275	0	0.00000					
21	MONTHLY AVERAGE (20/12 Months)	0.02292	0.02292	0	0.00000					
22	INTEREST PROVISION (16x21)	(51,075)	(5109)	5966	(\$8.86738)					