

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: August 2, 2023

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

RE: Docket No.: 20230003-GU
Company Name: Peoples Gas System
Company Code: GU608
Audit Purpose: A3c: Purchased Gas Cost Recovery Clause
Audit Control No.: 2023-018-2-3

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 the Commission Clerk. There are no confidential work papers associated with this audit.

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

Auditor's Report

Peoples Gas System, Inc.
Purchased Gas Cost Recovery Clause

Twelve Months Ending December 31, 2022

Docket No. 20230003-GU
Audit Control No. 2023-018-2-3

August 1, 2023

A blue ink signature of Lily Sampson, written in a cursive style, positioned above a horizontal line.

Lily Sampson
Audit Manager

A black ink signature of Hymavathi Vedula, written in a cursive style, positioned above a horizontal line.

Hymavathi Vedula
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 18, 2023. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System, Inc. in support of its 2022 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20230003-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

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

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 2022 to 2021 revenues and expenses. We requested explanations from the Utility for any significant variances. The explanations provided by the utility were sufficient. Further follow-up was not required.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2022, through December 31, 2022, and whether the Utility applied the Commission-approved cost recovery factor to actual therm sales for the PGA.

Procedures: We recalculated the 2022 Utility's revenues and reconciled them to the Utility's filing. A sample of residential and commercial customer bill tests were performed by rate class in Docket No. 20230004-GU, Audit Control Number 2023-018-2-4, to verify that the correct tariff rate was used. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expenses listed on the Utility's filing are supported by adequate documentation and that the expenses are appropriately recoverable through the PGA.

Procedures: We traced expenses reported in the filing to the general ledger. We statistically selected a sample of O&M Expenses for testing for 2022. The source documentation for selected

items was reviewed to ensure the expense was related to the PGA, was of the proper amount, in the proper period, and was supported by adequate documentation. No exceptions were noted.

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, 2021, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2022, using the Commission-approved beginning balance as of December 31, 2021, the Financial Commercial Paper rates, and the 2022 PGA revenues and costs. No exceptions were noted.

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 22 through DECEMBER 22				Page 1 of 1				
	CURRENT MONTH: DECEMBER 2022				PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION									
1 PURCHASED GAS COST (A-1, LINES 4-13)	\$18,750,015	\$5,145,924	(\$13,604,092)	(\$2.64366)	\$183,516,254	\$71,539,040	(\$111,977,214)	(1.56526)	
2 TRANSPORTATION COST (A-1, LINES 1+2+3+5+6-7-8-9)	\$6,259,625	\$7,610,873	\$1,351,248	\$0.17754	\$68,573,117	\$82,992,227	\$14,419,111	0.17374	
3 TOTAL	\$25,009,640	\$12,756,797	(\$12,252,844)	(\$0.96050)	\$252,089,370	\$164,531,267	(\$87,558,103)	(0.63132)	
4 FUEL REVENUES (NET OF REVENUE TAX)	\$19,525,407	\$12,756,797	(\$6,768,610)	(\$0.53059)	\$257,031,672	\$154,531,267	(\$102,500,404)	(0.66330)	
5 TRUE-UP REFUND/(COLLECTION)	-\$644,365	-\$644,365	\$0	\$0.00000	(\$7,732,336)	(\$7,732,336)	\$0	0.00000	
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	\$18,881,042	\$12,112,432	(\$6,768,610)	(\$0.55882)	\$249,299,336	\$146,798,931	(\$102,500,404)	(0.69824)	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	-\$6,128,598	-\$644,365	\$5,484,233	(\$8.51107)	(\$2,790,036)	(\$7,732,336)	(\$4,942,301)	0.63917	
8 INTEREST PROVISION-THIS PERIOD (21)	\$2,297	\$20,039	\$17,742	\$0.88538	\$85,082	\$74,991	(\$10,091)	(0.13457)	
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	\$3,400,043	\$5,739,185	\$2,339,142	\$0.40757	\$12,070,554	(\$3,821,070)	(\$15,891,624)	4.15895	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	\$644,365	\$644,365	\$0	\$0.00000	\$7,732,336	\$7,732,336	\$0	0.00000	
10a OVER EARNINGS REFUND	\$0	\$0	\$0	\$0.00000	\$0	\$0	\$0	0.00000	
11 TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	-\$2,081,893	\$5,759,224	\$7,841,117	1.36149	\$17,097,937	(\$3,746,079)	(\$20,844,017)	5.56422	
11a REFUNDS FROM PIPELINE	\$0	\$0	\$0	\$0.00000	\$4,939,678	\$0	(\$4,939,678)	0.00000	
12 ADJ TOTAL EST/ACT TRUE-UP (11+11a)	-\$2,081,893	\$5,759,224	\$7,841,117	1.36149	\$22,037,616	(\$3,746,079)	(\$25,783,695)	6.88285	
INTEREST PROVISION									
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	3,400,043	5,739,185	2,339,142	0.40757	* If line 6 is a refund add to line 4				
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	(2,084,190)	5,739,185	7,823,375	1.36315	If line 5 is a collection () subtract from line 4				
15 TOTAL (13+14)	1,315,854	11,478,370	10,162,516	0.88536					
16 AVERAGE (50% OF 15)	657,927	5,739,185	5,081,258	0.88536					
17 INTEREST RATE - FIRST DAY OF MONTH	4.01	4.01	0	0.00000					
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.37	4.37	0	0.00000					
19 TOTAL (17+18)	8.380	8.380	0	0.00000					
20 AVERAGE (50% OF 19)	4.190	4.190	0	0.00000					
21 MONTHLY AVERAGE (20/12 Months)	0.34917	0.34917	(0)	(0.00001)					
22 INTEREST PROVISION (16x21)	\$2,297	\$20,039	\$17,742	0.88538					