

State of Florida



# Public Service Commission

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**DATE:** July 9, 2012  
**TO:** Office of Commission Clerk  
**FROM:** Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 120004-GU  
Company Name: Peoples Gas System  
Company Code: GU608  
Audit Purpose: A3b Gas Conservation Cost Recovery  
Audit Control No: 12-010-2-5

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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 were no confidential work papers associated with this audit.

CJP/lmd

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER - DATE  
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FPSC-COMMISSION CLERK

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 Clause

**Twelve Months Ended December 31, 2011**

Docket No. 120004-GU  
Audit Control No. 12-010-2-5

**June 26, 2012**

Handwritten signature of Simon O. Ojada in black ink.

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Simon O. Ojada  
Audit Manager

Handwritten signature of Linda Hill-Slaughter in black ink.

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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 Economic Regulation in its audit service request dated January 10, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2011 filing for the Gas Conservation Cost Recovery Clause in Docket No. 120004-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 Clause.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual therm sales for the period January 1, 2011, through December 31, 2011, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR.

**Procedures:** We reconciled the 2011 filing to the Utility's monthly Environmental Revenue Reports. We computed the factors by rate code and compared them to the last Commission Order No. PSC-10-0705-FOF-GU. We selected a random sample of residential and commercial customers' bills for the months of April and August 2011 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 schedule CT-2 of the Utility's filing was supported by adequate documentation and that the expenses are 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 for the months of April and August 2011. The source documentation for selected items was reviewed to ensure the expense was charged to the correct accounts and was appropriately recoverable through the GCCR Clause. No exceptions were noted.

## **True-up**

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

**Procedures:** We traced the December 31, 2010, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates, and the 2011 GCCR 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 2011 to 2010 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

PEOPLES GAS SYSTEM  
ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
JANUARY 2011 THROUGH DECEMBER 2011

CONSERVATION REVENUES	JAN 2011	FEB 2011	MAR 2011	APR 2011	MAY 2011	JUN 2011	JUL 2011	AUG 2011	SEP 2011	OCT 2011	NOV 2011	DEC 2011	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>-984,934</u>	<u>-774,984</u>	<u>-626,008</u>	<u>-529,197</u>	<u>-445,547</u>	<u>-395,729</u>	<u>-392,736</u>	<u>-356,587</u>	<u>-364,221</u>	<u>-381,828</u>	<u>-439,918</u>	<u>-558,086</u>	<u>-6,249,774</u>
4. TOTAL REVENUES	<u>-984,934</u>	<u>-774,984</u>	<u>-626,008</u>	<u>-529,197</u>	<u>-445,547</u>	<u>-395,729</u>	<u>-392,736</u>	<u>-356,587</u>	<u>-364,221</u>	<u>-381,828</u>	<u>-439,918</u>	<u>-558,086</u>	<u>-6,249,774</u>
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>-113,046</u>	<u>-113,046</u>	<u>-113,046</u>	<u>-113,046</u>	<u>-113,046</u>	<u>-113,046</u>	<u>-113,046</u>	<u>-113,046</u>	<u>-113,046</u>	<u>-113,046</u>	<u>-113,046</u>	<u>-113,046</u>	<u>-1,356,551</u>
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	<u>-1,097,979</u>	<u>-888,029</u>	<u>-739,054</u>	<u>-642,243</u>	<u>-558,593</u>	<u>-508,775</u>	<u>-505,782</u>	<u>-469,632</u>	<u>-477,267</u>	<u>-494,874</u>	<u>-552,964</u>	<u>-671,132</u>	<u>-7,606,325</u>
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	589,619	556,587	477,704	419,984	503,853	404,079	697,592	613,537	496,511	499,202	857,308	790,692	6,906,668
8. TRUE-UP THIS PERIOD	-508,360	-331,442	-261,350	-222,259	-54,740	-104,696	191,810	143,905	19,244	4,328	304,344	119,560	-699,657
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	-324	-388	-383	-353	-321	-289	-235	-166	-109	-100	-91	-38	-2,795
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	<u>-1,356,551</u>	<u>-1,752,189</u>	<u>-1,970,973</u>	<u>-2,119,661</u>	<u>-2,229,228</u>	<u>-2,171,243</u>	<u>-2,163,182</u>	<u>-1,858,560</u>	<u>-1,601,775</u>	<u>-1,469,594</u>	<u>-1,352,320</u>	<u>-935,021</u>	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	<u>113,046</u>	<u>113,046</u>	<u>113,046</u>	<u>113,046</u>	<u>113,046</u>	<u>113,046</u>	<u>113,046</u>	<u>113,046</u>	<u>113,046</u>	<u>113,046</u>	<u>113,046</u>	<u>113,046</u>	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	<u>-1,752,189</u>	<u>-1,970,973</u>	<u>-2,119,661</u>	<u>-2,229,228</u>	<u>-2,171,243</u>	<u>-2,163,182</u>	<u>-1,858,560</u>	<u>-1,601,775</u>	<u>-1,469,594</u>	<u>-1,352,320</u>	<u>-935,021</u>	<u>-702,452</u>	<u>-702,452</u>