

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

Twelve Months Ended December 31, 2013

Docket No. 140003-GU
Audit Control No. 14-010-2-3
July 22, 2014

A blue ink signature of Tomer Kopelovich.

Tomer Kopelovich
Audit Manager

A blue ink signature of Linda Hill.

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 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 Purchased Gas Cost Recovery Clause in Docket No. 140003-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.
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, 2013, through December 31, 2013, and whether the Utility applied the Commission approved cost recovery factor to actual therms sales.

Procedures: We traced revenues reported on the 2013 filing to the Utility's general ledger and the monthly revenue reports. A random sample of residential and commercial customers' bills was done in the Gas Conservation Cost Recovery Clause audit in Docket No. 140004-GU 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 on the filing to the general ledger. We traced invoices and contracts for gas purchases to various vendors for the months of March, June, and September 2013 and determined whether 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, 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 Non-Financial Commercial Paper rates, and the 2013 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 2013 to 2012 and 2011 revenues and expenses. We requested explanations from the Utility for variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True Up

COMPANY: PEOPLES GAS SYSTEM	SCHEDULE A-2							
FOR THE PERIOD OF:	January-13	Through	December-13					Page 1 of 1
	CURRENT MONTH: Dec 13				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (A-1, LINES 4-13)	\$5,190,591	3,446,898	(\$1,743,693)	(\$0.50587)	\$93,706,966	\$39,498,579	(\$54,208,387)	(\$1.37241)
2 TRANSPORTATION COST (A-1, LINES 1+2+3+5+6-7-8-9)	4,649,736	4,726,395	76,659	0.01622	\$47,335,170	\$42,867,152	(4,468,018)	(0.10423)
3 TOTAL	9,840,326	8,173,293	(1,667,033)	(0.20396)	\$141,042,136	\$82,365,731	(58,676,405)	(0.71239)
4 FUEL REVENUES (NET OF REVENUE TAX)	9,862,067	8,173,293	(1,688,774)	(0.20662)	\$139,669,648	\$82,365,731	(57,303,917)	(0.69573)
5 TRUE-UP REFUND(COLLECTION)	(181,810)	(181,809)	1	(0.00001)	(\$2,181,709)	(\$2,181,708)	1	(0.00000)
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	9,680,257	7,991,484	(1,688,773)	(0.21132)	\$137,487,939	\$80,184,023	(57,303,916)	(0.71466)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(160,070)	(181,809)	(21,739)	0.11957	(\$3,554,197)	(\$2,181,708)	1,372,489	(0.62909)
8 INTEREST PROVISION-THIS PERIOD (21)	(177)	(28)	150	(5.39397)	\$1,001	(\$28)	(1,029)	37.10592
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(3,050,536)	2,713,565	5,764,101	2.12418	(\$1,773,809)	\$2,713,565	4,487,374	1.65368
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	181,810	181,809	(1)	(0.00001)	\$2,181,709	\$2,181,708	(1)	(0.00000)
10a OVER EARNINGS REFUND	0	0	0	0.00000	\$9	\$0	(9)	0.00000
11 TOTAL ESTIAC TRUE-UP (7+8+9+10+10a)	(3,028,973)	2,713,537	5,742,510	2.11625	(\$3,145,287)	\$2,713,537	5,858,825	2.15911
11a REFUNDS FROM PIPELINE	0	0	0	0.00000	\$116,315	\$0	(116,315)	0.00000
12 ADJ TOTAL ESTIAC TRUE-UP (11+11a)	(3,028,973)	2,713,537	5,742,510	2.11625	(\$3,028,973)	\$2,713,537	\$5,742,510	\$2.11625
INTEREST PROVISION								
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(3,050,536)	2,713,565	5,764,101	2.12418	* If line 5 is a refund add to line 4 If line 5 is a collection () subtract from line 4			
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	(3,028,796)	2,713,565	5,742,361	2.11617				
15 TOTAL (13+14)	(6,079,332)	(950,791)	5,128,541	(5.39397)				
16 AVERAGE (50% OF 15)	(3,039,666)	(475,395)	2,564,270	(5.39397)				
17 INTEREST RATE - FIRST DAY OF MONTH	0.06	0.06	0	0.00000				
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.08	0.08	0	0.00000				
19 TOTAL (17+18)	0.140	0.140	0	0.00000				
20 AVERAGE (50% OF 19)	0.070	0.070	0	0.00000				
21 MONTHLY AVERAGE (20/12 Months)	0.00583	0.00583	0	0.00000				
22 INTEREST PROVISION (16x21)	(\$177)	(\$28)	\$150	(\$5.39397)				