

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: May 20, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150003-GU
Company Name: Peoples Gas System
Company Code: GU608
Audit Purpose: Purchased Gas Cost Recovery Clause
Audit Control No: 15-014-2-3

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 Commission Clerk. There is confidential work papers associated with this audit.

LMD/cp

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

Twelve Months Ended December 31, 2014

Docket No. 150003-GU
Audit Control No. 15-014-2-3

April 14, 2015

A handwritten signature in black ink that reads "Ron Mavrides".

Ron Mavrides
Audit Manager

A handwritten signature in blue ink that reads "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 6, 2015. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2014 filing for the Purchased Gas Cost Recovery Clause in Docket No. 150003-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, 2014, through December 31, 2014, and whether the Utility applied the Commission approved cost recovery factor to actual therms sales.

Procedures: We traced revenues reported on the 2014 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 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 February, May, and September 2014 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, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Non-Financial Commercial Paper rates, and the 2014 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 2014 to 2013, 2012 and 2011 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-14 Through December-14				Page 1 of 1									
	CURRENT MONTH: DECEMBER 2014				PERIOD TO DATE										
	ACTUAL		ESTIMATE		DIFFERENCE				ACTUAL		ESTIMATE		DIFFERENCE		
					AMOUNT		%						AMOUNT		%
TRUE-UP CALCULATION															
1	PURCHASED GAS COST (A-1, LINES 4-13)	\$6,591,694	2,612,950	(\$3,978,944)	(\$1,52278)	\$83,535,517	\$40,209,956	(\$43,325,551)	(\$1,07748)						
2	TRANSPORTATION COST (A-1, LINES 1+2+3+5+6+7+8+9)	4,786,261	5,353,126	576,865	0.10756	\$49,990,176.70	\$48,050,919.00	(1,939,258)	(0.04036)						
3	TOTAL	11,378,155	7,976,076	(3,402,079)	(0.42654)	\$133,525,693.76	\$88,260,885.00	(45,264,808)	(0.51285)						
4	FUEL REVENUES (NET OF REVENUE TAX)	13,817,696	7,976,076	(5,841,620)	(0.73238)	\$135,639,809.06	\$88,260,885.00	(47,378,924)	(0.53681)						
5	TRUE-UP REFUND/COLLECTION	603	603	0	0.00000	\$7,236	\$7,236	0	0.00000						
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	13,818,299	7,976,679	(5,841,620)	(0.73234)	\$133,647,045.06	\$88,268,121.00	(45,378,924)	(0.53676)						
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	2,440,144	603	(2,439,541)	(4.04567362)	\$2,121,351.30	\$7,236.00	(2,114,115)	(292.16629)						
8	INTEREST PROVISION-THIS PERIOD (21)	(153)	(36)	118	(3.29608)	\$1,109.93	(\$322.89)	(1,431)	4.45890						
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	(3,262,108)	(400,660)	2,861,448	(7.14184)	(\$3,228,973)	(\$400,660)	2,828,313	(6.55596)						
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(603)	(603)	0	0.00000	(\$7,236)	(\$7,236)	0	0.00000						
10a	OVER EARNINGS REFUND	0	0	0	0.00000	\$2.61	\$0.00	(3)	0.00000						
11	TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	(822,720)	(400,696)	422,024	(1.05323)	(\$913,745)	(\$400,681)	512,764	(1.27877)						
11a	REFUNDS FROM PIPELINE	0	0	0	0.00000	\$91,025.60	\$0.00	(91,026)	0.00000						
12	ADJ TOTAL EST/ACT TRUE-UP (11+11a)	(822,720)	(400,696)	422,024	(1.05323)	(\$822,720)	(\$400,696)	\$422,024	(1.05323)						
INTEREST PROVISION															
13	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(3,262,108)	(400,660)	2,861,448	(7.14184)										
14	ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	(822,567)	(400,660)	421,907	(1.05303)										
15	TOTAL (13+14)	(4,084,675)	(950,791)	3,133,884	(3.29608)										
16	AVERAGE (50% OF 15)	(2,042,337)	(475,395)	1,566,942	(3.29608)										
17	INTEREST RATE - FIRST DAY OF MONTH	0.08	0.08	0	0.00000										
18	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.10	0.10	0	0.00000										
19	TOTAL (17+18)	0.180	0.180	0	0.00000										
20	AVERAGE (50% OF 19)	0.090	0.090	0	0.00000										
21	MONTHLY AVERAGE (20x12 Months)	0.00750	0.00750	0	0.00000										
22	INTEREST PROVISION (16x21)	(\$153)	(\$36)	\$118	(3.29608)										

* If line 5 is a refund add to line 4
 If line 5 is a collection () subtract from line 4