

State of Florida



## Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** May 31, 2016  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 160004-GU  
Company Name: Peoples Gas System  
Company Code: GU617  
Audit Purpose: Natural Gas Conservation Cost Recovery Clause  
Audit Control No: 16-019-2-1

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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 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  
Gas Conservation Cost Recovery Clause

**Twelve Months Ended December 31, 2015**

Docket No. 160004-GU  
Audit Control No. 16-019-2-1  
**May 18, 2016**

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

Simon Ojada  
Audit Manager

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

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 Gas Conservation Cost Recovery Clause in Docket No. 160004-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.  
GCCR refers to the Gas Conservation Cost Recovery.

### **Revenue**

#### Operating Revenues

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

**Procedures:** We reconciled the 2015 filing to the Utility's General Ledger. We computed revenues by multiplying therms sold by the Commission approved factors by rate code and compared them to the filing. A random sample of residential and commercial customers' bills test was performed by rate class to verify that the correct tariff rate was used. No exceptions were noted.

### **Expense**

#### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on Schedule CT-3 of the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the GCCR Clause.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample from each of the conservation programs for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, charged to the correct accounts and appropriately recoverable through the GCCR clause. Incentive cash payments were reviewed and traced to source documentation. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

## **True-Up**

**Objective:** The objective was to determine whether the True-Up and Interest Provision as filed on Schedule CT-3 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 Financial Commercial Paper rates, and the 2015 GCCR filing revenues and expenses. 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 2015 to 2014 and 2013 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 CALCULATION OF TRUE-UP AND INTEREST PROVISION JANUARY 2015 THROUGH DECEMBER 2015													
INTEREST PROVISION	JAN 2015	FEB 2015	MAR 2015	APR 2015	MAY 2015	JUN 2015	JUL 2015	AUG 2015	SEPT 2015	OCT 2015	NOV 2015	DEC 2015	TOTAL
1. BEGINNING TRUE-UP	(309,546)	1,351,906	535,752	(30,063)	(453,953)	(363,119)	(401,696)	(356,134)	(121,387)	(5,096)	401,112	247,717	
2. ENDING TRUE-UP BEFORE INTEREST	<u>1,351,863</u>	<u>535,678</u>	<u>(30,082)</u>	<u>(453,938)</u>	<u>(363,092)</u>	<u>(401,667)</u>	<u>(356,104)</u>	<u>(121,355)</u>	<u>(5,090)</u>	<u>401,092</u>	<u>247,681</u>	<u>(122,913)</u>	
3. TOTAL BEGINNING & ENDING TRUE-UP	1,042,317	1,887,584	505,671	(484,000)	(817,045)	(764,787)	(757,800)	(477,500)	(126,477)	395,995	648,793	124,804	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	<u>521,159</u>	<u>943,792</u>	<u>252,835</u>	<u>(242,000)</u>	<u>(408,522)</u>	<u>(382,393)</u>	<u>(378,900)</u>	<u>(238,750)</u>	<u>(63,239)</u>	<u>197,998</u>	<u>324,397</u>	<u>62,402</u>	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	0.100%	0.100%	0.090%	0.090%	0.060%	0.100%	0.080%	0.110%	0.110%	0.130%	0.120%	0.150%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	<u>0.100%</u>	<u>0.090%</u>	<u>0.090%</u>	<u>0.060%</u>	<u>0.100%</u>	<u>0.080%</u>	<u>0.110%</u>	<u>0.110%</u>	<u>0.130%</u>	<u>0.120%</u>	<u>0.150%</u>	<u>0.400%</u>	
7. TOTAL (SUM LINES 5 & 6)	0.200%	0.190%	0.180%	0.150%	0.160%	0.180%	0.190%	0.220%	0.240%	0.250%	0.270%	0.550%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	0.100%	0.095%	0.090%	0.075%	0.080%	0.090%	0.095%	0.110%	0.120%	0.125%	0.135%	0.275%	
9. MONTHLY AVG INTEREST RATE	0.008%	0.008%	0.008%	0.006%	0.007%	0.008%	0.008%	0.009%	0.010%	0.010%	0.011%	0.023%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	<u>43</u>	<u>75</u>	<u>19</u>	<u>(15)</u>	<u>(27)</u>	<u>(29)</u>	<u>(30)</u>	<u>(22)</u>	<u>(6)</u>	<u>21</u>	<u>35</u>	<u>14</u>	<u>79</u>