

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: June 2, 2017
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 170004-GU
Company Name: Peoples Gas System
Company Code: GU608
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery
Audit Control No: 17-024-2-3

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 are no confidential work papers associated with this audit.

LMD/cmm

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, 2016

Docket No. 170004-GU
Audit Control No. 17-024-2-3
May 24, 2017

A handwritten signature in cursive script, appearing to read "Simon Ojada", written over a horizontal line.

Simon Ojada
Audit Manager

A handwritten signature in cursive script, appearing to read "Linda Hill", written over a horizontal line.

Linda Hill
Reviewer

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 1: True -Up5

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 24, 2017. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2016 filing for the Gas Conservation Cost Recovery Clause in Docket No. 170004-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, 2016, through December 31, 2016, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR.

Procedures: We reconciled the 2016 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.

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. 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, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission approved beginning balance as of December 31, 2015, the Financial Commercial Paper rates, and the 2016 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 2016 to 2015 and 2014 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

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION JANUARY 2016 THROUGH DECEMBER 2016

CONSERVATION REVENUES	JAN 2016	FEB 2016	MAR 2016	APR 2016	MAY 2016	JUN 2016	JUL 2016	AUG 2016	SEP 2016	OCT 2016	NOV 2016	DEC 2016	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	(1,198,343)	(1,351,333)	(1,165,896)	(994,560)	(867,721)	(775,616)	(723,092)	(667,736)	(709,221)	(711,384)	(835,821)	(1,011,650)	(11,012,375)
4. TOTAL REVENUES	(1,198,343)	(1,351,333)	(1,165,896)	(994,560)	(867,721)	(775,616)	(723,092)	(667,736)	(709,221)	(711,384)	(835,821)	(1,011,650)	(11,012,375)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(178,038)	(178,038)	(178,038)	(178,038)	(178,038)	(178,038)	(178,038)	(178,038)	(178,038)	(178,038)	(178,038)	(178,038)	(2,136,456)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(1,376,381)	(1,529,371)	(1,343,934)	(1,172,598)	(1,045,759)	(953,654)	(901,130)	(845,774)	(887,259)	(889,422)	(1,013,859)	(1,189,688)	(13,148,831)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	1,040,943	942,809	1,031,732	901,161	1,189,948	1,148,668	1,029,314	1,465,582	929,023	1,317,106	857,489	1,491,939	13,345,715
8. TRUE-UP THIS PERIOD	(335,438)	(586,562)	(312,202)	(271,437)	144,189	195,014	128,184	619,807	41,764	427,683	(156,370)	302,251	196,884
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(738)	(854)	(993)	(938)	(889)	(819)	(704)	(537)	(381)	(246)	(121)	(19)	(7,239)
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	(2,136,456)	(2,294,594)	(2,703,972)	(2,839,129)	(2,933,466)	(2,612,128)	(2,239,894)	(1,934,377)	(1,137,069)	(917,648)	(312,172)	(290,625)	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	178,038	178,038	178,038	178,038	178,038	178,038	178,038	178,038	178,038	178,038	178,038	178,038	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	(2,294,594)	(2,703,972)	(2,839,129)	(2,933,466)	(2,612,128)	(2,239,894)	(1,934,377)	(1,137,069)	(917,648)	(312,172)	(290,625)	189,646	189,646