

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 19, 2018

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, ^{LD}Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20180004-GU
Company Name: Peoples Gas System
Company Code: GU608
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery
Audit Control No.: 2018-016-2-1

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

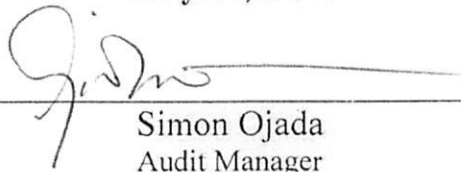
Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Peoples Gas System
Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2017

Docket No. 20180004-GU
Audit Control No. 2018-016-2-1
May 24, 2018


Simon Ojada
Audit Manager


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 16, 2018. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2017 filing for the Gas Conservation Cost Recovery Clause in Docket No. 20180004-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 Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therm sales for the period January 1, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR.

Procedures: We reconciled the 2017 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, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Financial Commercial Paper rates, and the 2017 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 2017 to 2016 and 2015 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 2017 THROUGH DECEMBER 2017												SCH CT-3, PAGE 2 OF 3 DOCKET NO. 20180004-GU	
CONSERVATION REVENUES	JAN 2017	FEB 2017	MAR 2017	APR 2017	MAY 2017	JUN 2017	JUL 2017	AUG 2017	SEP 2017	OCT 2017	NOV 2017	DEC 2017	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	(1,348,016)	(1,266,415)	(1,184,675)	(1,151,187)	(1,006,057)	(877,961)	(808,505)	(781,210)	(870,712)	(784,133)	(963,086)	(1,194,601)	(12,236,560)
4. TOTAL REVENUES	(1,348,016)	(1,266,415)	(1,184,675)	(1,151,187)	(1,006,057)	(877,961)	(808,505)	(781,210)	(870,712)	(784,133)	(963,086)	(1,194,601)	(12,236,560)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	15,802	15,802	15,802	15,802	15,802	15,802	15,802	15,802	15,802	15,802	15,802	15,802	189,620
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(1,332,214)	(1,250,614)	(1,168,873)	(1,135,385)	(990,255)	(862,160)	(792,704)	(765,408)	(854,911)	(768,331)	(947,285)	(1,178,800)	(12,046,940)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	386,723	721,418	888,434	867,950	1,444,351	1,502,585	1,464,893	1,807,800	1,269,739	1,982,089	1,355,161	1,052,411	14,543,555
8. TRUE-UP THIS PERIOD	(945,491)	(529,196)	(280,439)	(267,435)	454,095	640,425	672,190	842,392	414,828	1,213,758	407,876	(126,388)	2,496,616
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(178)	(606)	(967)	(1,317)	(1,260)	(977)	(470)	210	633	1,281	2,439	3,028	1,817
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	189,620	(771,850)	(1,317,453)	(1,614,661)	(1,899,215)	(1,462,182)	(838,536)	(182,617)	644,183	1,043,842	2,243,080	2,637,594	
11. PRIOR TRUE-UP COLLECTED(REFUNDED)	(15,802)	(15,802)	(15,802)	(15,802)	(15,802)	(15,802)	(15,802)	(15,802)	(15,802)	(15,802)	(15,802)	(15,802)	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	(771,850)	(1,317,453)	(1,614,661)	(1,899,215)	(1,462,182)	(838,536)	(182,617)	644,183	1,043,842	2,243,080	2,637,594	2,498,433	2,498,433