

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: February 14, 2020

TO: Office of Commission Clerk

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

RE: Docket No.: 20190109-GU
Company Name: Peoples Gas System
Company Code: GU608
Audit Purpose: A19: Storm Restoration for Hurricane Michael
Audit Control No.: 2019-354-2-1

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
Recovery of Revenues for Storm Restoration
Hurricane Michael

As of December 31, 2019

Docket No. 20190109-GU
Audit Control No. 2019-354-2-1
February 10, 2020

Handwritten signature of Intesar Terkawi in cursive script.

Intesar Terkawi
Audit Manager

Handwritten signature of Linda Hill in cursive script.

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 Accounting and Finance in its audit service request dated December 19, 2019. We have applied these procedures to the attached Exhibit in support of Peoples Gas System's filing in Docket No. 20190109-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Peoples Gas or Utility refers to the Peoples Gas System.

Surcharge Revenues are revenues for storm restoration in connection with Hurricane Michael

Background

On April 25, 2019, Peoples Gas System filed a petition for recovery of costs associated with Hurricane Michael and to replenish its storm reserve. On its petition, Peoples Gas requested recovery of a total \$3,382,482 from customers. Order PSC-2019-0310-PCO-GU dated July 29, 2019, approved an interim storm costs recovery surcharge to be collected from customers from August 2019 through December 2019. Peoples Gas System collected total revenue of \$3,421,631 with an overrecovery of \$186,149 as shown on Exhibit 1 of this report.

The Auditor's Report (Docket 20190109-GU, Audit Control Number 2019-253-2-1) issued on November 7, 2019 discusses the Storm Restoration Costs that were audited.

Utility Books and Records

Objective: The objective was to determine whether the storm cost recovery surcharges are supported by the Utility's books and records.

Procedure: We reconciled to the Utility's books and records to the interim storm surcharge revenues from August 2019 through December 2019.

Revenues

Objectives: The objectives were to determine whether revenues collected through storm surcharge were properly stated and accurately recovered under this docket.

Procedures: We reconciled the billing register to the general ledger for each month from August 2019 through December 2019. We recalculated revenues for the months of August to December 2019 using terms used and the temporary storm recovery surcharge factors set forth in Order No. PSC-2019-0310-PCO-GU dated July 29, 2019. We selected two customer bills for each rate class from the months of August and December 2019 to verify that the Utility used the correct surcharge factors recommended in the Order. No exceptions were noted.

Interest on Unamortized Costs

Objectives: The objectives were to determine whether the interest on unamortized costs was properly stated, recoded in the period incurred, and related to Hurricane Michael.

Procedures: We requested support for the interest amount of \$53,721 collected by Peoples Gas System. We recalculated the interest amount using the interest rates used by the Utility and the

average outstanding balance per month. The interest rate used by the Utility was the Utility's Proxy interest rate. No further work was performed.

Audit Findings

None

Exhibits

Exhibit 1: Storm Response and Restoration Costs Related to Hurricane Michael

Storm Response and Restoration Costs
Related to Hurricane Michael
Adjusted Recoverable Storm Amount

Line No.		Original Petition	Adjustments	Final Amount
1	Regular Payroll and Related Costs	\$ 470,960	\$ -	\$ 470,960
2	Overtime Labor	789,630	-	789,630
3	Affiliated Payroll and Related Costs	221,827	-	221,827
4	Outside Services - Contractors	470,478	(3,248)	467,230
5	Logistics	1,577,230	(484)	1,576,746
6	Vehicle & Fuel	51,730	(72)	51,658
7	Materials & Supply	213,387	(284)	213,093
8	Safety Public Service Announcements	50,200	-	50,200
9	Uncollectible Amounts	27,255	(27,255)	0
10	Total Storm-Related Costs	\$ 3,872,698	\$ (31,353)	\$ 3,841,345
11	Non-Incremental Costs (per FAC Rule 25-8.0143)	(355,093)	-	(355,093)
12	Capital Costs	(205,553)	(115,867)	(321,420)
13	Recoverable Storm Response and Restoration Costs	3,312,052	(147,220)	3,164,832
14	Interest on Unamortized Costs	53,720	-	53,720
15	Adjusted Recoverable Storm Response and Restoration Costs	3,365,772	(147,220)	3,218,552
16	Regulatory Assessment Fee	16,930	0	16,930
17	Total System Storm to be Recovered from Customers ("Recoverable Storm Amount")	\$ 3,382,702	\$ (147,220)	\$ 3,235,482
18	Less: Revenue Collected through Temporary Storm Surcharge			
19	August 2019			\$ 577,394
20	September 2019			603,495
21	October 2019			604,053
22	November 2019			683,939
23	December 2019			952,749
24	Amount Collected Pursuant to the Interim Storm Restoration Recovery Charge			\$ 3,421,631
25	Over Recovery Amount			\$ 186,149