

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: July 6, 2020

TO: Office of Commission Clerk

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

RE: Docket No.: 20200003-GU
Company Name: People Gas System
Company Code: GU608
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 2020-022-2-1

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
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2019

Docket No. 20200003-GU
Audit Control No. 2020-022-2-1

May 26, 2020

A handwritten signature in black ink, appearing to read "Ron Mavrides", written over a horizontal line.

Ron Mavrides
Audit Manager

A handwritten signature in black ink, appearing to read "Lynn Deamer", written over a horizontal line.

Lynn Deamer
Reviewer

Table of Contents

Purpose	1
Objectives and Procedures.....	2
Audit Findings	
None.....	4
Exhibit	
Exhibit 1: True-Up.....	5

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 21, 2020. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2019 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20200003-GU.

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 Clause.

Revenues

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2019, through December 31, 2019, and whether the Utility applied the Commission approved cost recovery factor to actual therms sales.

Procedures: We traced revenues reported on the 2019 filing to the Utility's general ledger and the monthly revenue reports. We selected a sample of residential and commercial customers' bills and verified 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.

Procedures: We traced expenses reported from the filing to the general ledger. We selected a sample of O&M expenses for the months of February, May, and October 2019. We traced each to source documentation to ensure that the expenses were supported by sufficient documentation and that the expenses were appropriately recoverable through the PGA. 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, 2018, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2019, using the Commission approved beginning balance as of December 31, 2018, the Non-Financial Commercial Paper rates, and the 2019 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 2019 to 2018 and 2017 revenues and expenses. There were no significant variances. 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-3				
FOR THE PERIOD OF:	January-18		Through		December-18		Page 1 of 1		
	CURRENT MONTH: December 2018				PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION									
1 PURCHASED GAS COST (A-1, LINES 4-13)	\$8,787,384	-\$18,090	(\$8,782,480)	\$449,28511	\$81,068,060	\$32,121,819	(\$48,889,431)	(1.62192)	
2 TRANSPORTATION COST (A-1, LINES 1+2+3+6+8-7-8-9)	\$8,122,637	\$8,373,643	\$251,076	\$0.03939	\$80,607,814	\$84,690,288	\$3,882,874	0.04802	
3 TOTAL	\$12,889,902	\$6,389,548	(\$6,531,354)	(\$1.02719)	\$141,816,464	\$98,811,904	(\$46,903,760)	(0.46468)	
4 FUEL REVENUES (NET OF REVENUE TAX)	\$13,988,922	\$8,388,516	(\$7,627,306)	(\$1.19954)	\$149,659,966	\$96,811,904	(\$52,748,062)	(0.34486)	
5 TRUE-UP REFUND(COLLECTION)	\$188,844	\$188,849	\$5	\$0.00003	\$2,266,183	\$2,266,188	\$6	0.00000	
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	\$14,174,686	\$8,547,346	(\$7,827,301)	(\$1.19494)	\$151,828,149	\$99,078,092	(\$52,748,057)	(0.53239)	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	\$1,284,764	\$188,849	(\$1,095,915)	(\$8.60313)	\$10,010,484	\$2,266,188	(\$7,744,296)	(3.41732)	
8 INTEREST PROVISION-THIS PERIOD (21)	\$6,973	\$5,878	(\$1,095)	(\$0.18828)	\$129,722	\$122,881	(\$6,741)	(0.05482)	
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	\$4,507,607	\$4,262,117	(\$245,490)	(\$0.05780)	\$89,680,373	\$70,938,146	\$1,084,873	0.01487	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 6)	-\$188,844	-\$188,849	(\$5)	\$0.00003	(\$2,266,183)	(\$2,266,188)	(\$6)	0.00000	
10a OVER EARNINGS REFUND	\$0	\$0	\$0	\$0.00000	\$0	\$0	\$0	0.00000	
11 TOTAL ESTIACT TRUE-UP (7+8+9+10+10a)	\$5,810,590	\$4,297,895	(\$1,342,504)	(\$0.31658)	\$77,764,396	\$71,068,127	(\$6,696,169)	(0.09424)	
11a REFUNDS FROM PIPELINE	\$0	\$0	\$0	\$0.00000	\$148,684	\$0	(\$148,684)	0.00000	
12 ADJ TOTAL ESTIACT TRUE-UP (11+11a)	\$5,810,590	\$4,297,895	(\$1,342,504)	(0.31658)	\$77,902,960	\$71,068,127	(\$6,844,823)	(0.09633)	
INTEREST PROVISION									
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	4,607,607	4,262,117	(245,490)	(0.05780)	* If line 6 is a refund add to line 4				
14 ENDING TRUE-UP BEFORE INTEREST (13+7-8+10a+11a)	5,603,627	4,262,117	(1,341,490)	(0.31473)	* If line 6 is a collection () subtract from line 4				
15 TOTAL (13+14)	10,111,133	8,524,235	(1,586,898)	(0.18816)					
16 AVERAGE (50% OF 15)	6,065,567	4,262,117	(793,449)	(0.18816)					
17 INTEREST RATE - FIRST DAY OF MONTH	1.80	1.60	0	0.00000					
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.71	1.71	0	0.00000					
19 TOTAL (17+18)	3.310	3.310	0	0.00000					
20 AVERAGE (50% OF 19)	1.656	1.656	0	0.00000					
21 MONTHLY AVERAGE (20*12 Months)	0.13792	0.13792	(0)	(0.00002)					
22 INTEREST PROVISION (18+21)	\$6,973	\$5,878	(\$1,095)	(0.18828)					