

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 22, 2020

TO: Office of Commission Clerk

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

RE: Docket No.: 20200004-GU
Company Name: Peoples Gas System
Company Code: GU608
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery
Audit Control No.: 2020-029-2-1

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

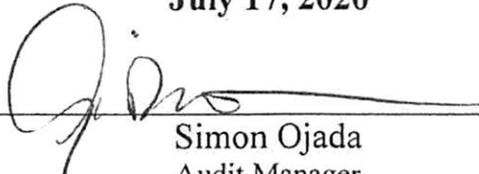
Auditor's Report

Peoples Gas System
Gas Conservation Cost Recovery Clause

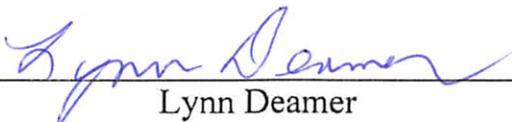
Twelve Months Ended December 31, 2019

Docket No. 202000004-GU
Audit Control No. 2020-029-2-1

July 17, 2020



Simon Ojada
Audit Manager



Lynn Deamer
Reviewer

Table of Contents

Purpose 1

Objectives and Procedures.....2

Audit Findings

 None.....4

Exhibit

 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 28, 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 Gas Conservation Cost Recovery Clause in Docket No. 202000004-GU.

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, 2019, through December 31, 2019, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR.

Procedures: We reconciled GCCR Revenues reported in the 2019 filing to the Utility's monthly revenue reports and the general ledger. We computed revenues by multiplying therms sold by the Commission approved factors and compared them to the filing and the general ledger. We selected a sample of residential and commercial customers' bills by rate class and verified that the correct tariff rates were 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, 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 Financial Commercial Paper rates, and the 2019 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 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

SCHEDULE CT-3
PAGE 2 OF 3

PEOPLES GAS SYSTEM
Energy Conservation Adjustment
Calculation of True-up and Interest Provision
For Months January 2019 through December 2019

CONSERVATION REVENUES	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
2. CONSERV. ADJ REVS	2,089,840	2,114,742	1,727,079	1,612,991	1,426,900	1,214,040	1,145,227	1,126,014	1,157,081	1,157,449	1,310,430	1,821,343	17,802,936
3. TOTAL REVENUES	2,089,840	2,114,742	1,727,079	1,612,991	1,426,900	1,214,040	1,145,227	1,126,014	1,157,081	1,157,449	1,310,430	1,821,343	17,802,936
4. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(119,556)	(119,556)	(119,556)	(119,556)	(119,556)	(119,556)	(119,556)	(119,556)	(119,556)	(119,556)	(119,556)	(119,556)	(1,434,671)
5. CONSERVATION REVS APPLICABLE TO THE PERIOD	1,970,084	1,995,186	1,607,523	1,493,435	1,307,344	1,094,484	1,025,671	1,006,458	1,037,525	1,037,893	1,190,874	1,701,788	16,468,265
6. CONSERVATION EXPS (FROM CT-3, PAGE 1)	1,682,827	783,426	1,059,598	1,383,500	1,061,024	1,772,348	2,123,810	1,362,601	955,487	1,600,939	1,400,856	1,452,939	16,619,336
7. TRUE-UP THIS PERIOD	287,256	1,211,760	547,925	129,936	246,320	(677,865)	(1,098,139)	(356,143)	62,058	(563,048)	(209,982)	248,849	(151,071)
8. INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(8,289)	(6,559)	(4,632)	(3,724)	(3,040)	(3,159)	(4,368)	(5,182)	(5,071)	(4,748)	(4,648)	(4,529)	(57,966)
9. TRUE-UP & INT. PROV. BEGINNING OF MONTH	(4,327,501)	(3,928,978)	(2,604,222)	(1,941,372)	(1,695,605)	(1,332,769)	(1,894,237)	(2,877,206)	(3,118,975)	(2,922,432)	(3,370,670)	(3,485,742)	
10. PRIOR TRUE-UP COLLECTED/(REFUNDED)	119,556	119,556	119,556	119,556	119,556	119,556	119,556	119,556	119,556	119,556	119,556	119,556	
11. TOTAL NET TRUE-UP (SUM LINES 6+9+10+11)	<u>(3,928,978)</u>	<u>(2,604,222)</u>	<u>(1,941,372)</u>	<u>(1,695,605)</u>	<u>(1,332,769)</u>	<u>(1,894,237)</u>	<u>(2,877,206)</u>	<u>(3,116,975)</u>	<u>(2,922,432)</u>	<u>(3,370,670)</u>	<u>(3,485,742)</u>	<u>(3,101,667)</u>	<u>(209,037)</u>
Expenses	1,682,827	783,426	1,059,598	1,383,500	1,061,024	1,772,348	2,123,810	1,362,601	955,487	1,600,939	1,400,856	1,452,939	16,619,336
Deferred Expenses	406,812	1,331,316	867,481	249,491	119,556	(558,309)	119,556	119,556	119,556	(443,490)	(90,426)	368,404	2,409,503
Revenues	(2,089,840)	(2,114,742)	(1,727,079)	(1,612,991)	(1,426,900)	(1,214,040)	(1,145,227)	(1,126,014)	(1,157,081)	(1,157,449)	(1,310,430)	(1,821,343)	(17,802,936)
Deferred Revenues					(246,320)		1,098,139	356,143	(82,058)				1,125,904