



September 2, 2020

Mr. Adam J. Teitzman  
Commission Clerk  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**RE: Docket No. 20200051-GU – Application for rate increase by Peoples Gas System**  
**Peoples Gas System/Audit Control No.: 2020-181-2-1**  
**Rate Case Audit – Period Ending December 31, 2019**

Dear Mr. Teitzman:

Please accept this letter as the response of Peoples Gas System (“Peoples” or the “Company”) to the Audit Report mentioned above. The audit was performed with respect to Peoples’ rate case and historic test year – twelve months ended December 31, 2019.

**Audit Finding No. 1**

**Subject: Association Dues and Economic Development Expenses**

**Audit Analysis:** In 2019, the Company incurred \$50,000 of dues to American Gas Distributors of Florida that were related to lobbying activities. Through its review, the Company has found that \$25,000 was directly charged to FERC account 426, a “below-the-line” account not included in the revenue requirement claim and the other \$25,000 was charged to FERC account 930.2. The \$25,000 in FERC account 930.2 was included in the 2019 base year data on MFR Schedule G-2, page 18 and was trended forward at 2.2% inflation to the projected 2021 test year O&M, resulting in \$26,112. The \$26,112 should have been included as an adjustment on MFR Schedule G-2, page 2. Therefore, the \$26,112 was inadvertently included in the Company’s 2021 projected 2021 test year revenue requirement claim.

**Effect on Filing:** Reduce 2019 Operation and Maintenance expenses by \$25,000 and reduce 2021 Operation and Maintenance expenses by \$26,112.

**Peoples’ Response:** Peoples agrees with the audit finding and effect on the filing.

## **Audit Finding No. 2**

### **Subject: Advertising**

**Audit Analysis:** Staff reviewed all print and audio/visual advertisements in 2019 and traced them to supporting documentation.

Staff concluded to remove the following ads for the following reasons:

- \$13,650 from Northeast Florida Builders Association, invoice #18953, which represents a non-utility sponsored event featuring food and a golf tournament.
- \$7,500 from Tampa Bay Builders Association Inc., which represents a non-utility sponsored event.
- \$1,500 from Kiwanis Club of Inverness, which represents a non-utility sponsored event.
- \$426 from Kiwanis Club of Inverness, which represents a non-utility sponsored event.
- \$680 from Business Wire, which represents an image-enhancing advertisement celebrating new customers with prize gifts, and is non-utility in nature.
- \$470 from Business Wire, which represents an image-enhancing advertisement, and is non-utility in nature.
- \$580 from Business Wire, which represents an advertisement related to Hurricane Dorian, and belongs with Hurricane recovery.
- \$450 from Brandmark, which represents a Hurricane Preparedness, and belongs with Hurricane Recovery.
- \$63,000 from Sparks Research that is "Customer Retention Study", not an advertising expense.
- \$197 is a late payment to Data Publishing.

Staff reclassified the following transaction.

- \$605 from Volusia Building Industry Association, which represents association dues and should be reclassified to Account 93.2-Miscellaneous General Expenses.

**Effect on General Ledger:** \$605 should be removed from Account 913.0- Advertising and reclassified to Account 930.2- Miscellaneous General Expenses.

**Effect on the Filing:** The analyst should consider removing \$88,453 from 2019 advertising expense. The reclassification of dues of \$605 has no effect on Operation and Maintenance expenses.

**Peoples' Response:** Peoples agrees with the findings with the exception of removing the \$63,000 related to the Customer Retention Study performed by Sparks Research. Peoples agrees with the conclusion that this item was not an advertising expense. However, Peoples believes that the \$63,000 for the Customer Retention Study was an appropriate above-the-line expense and should have been reclassified to Account 916, Miscellaneous Sales Expense rather than be removed entirely. Peoples' position that a customer retention related expense is an appropriate above-the-line expense is supported by the conclusion reached in Docket No. 20020384-GU, Order No. PSC-03-0038-FOF-GU, page 10, item X., where the following was stated:

"The customer retention program in Account 916, Miscellaneous Sales Expense is appropriate."

Thank you for your consideration of Peoples response to the Audit Report findings.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean P. Hillary", with a long horizontal flourish extending to the right.

Sean P. Hillary  
Controller – Peoples Gas System

cc: Lynn M. Deamer, PSC Chief of Auditing  
Andrew Brown