

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 8, 2024

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Donna Brown, Bureau Chief, Office of Auditing & Performance Analysis *DB*

RE: Docket No.: 20240003-GU
Company Name: People's Gas
Company Code: GU608
Audit Purpose: A3c: Purchased Gas Adjustment Cost Recovery Clause (PGA)
Audit Control No.: 2024-031-1-4

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 the Commission Clerk. There are no confidential work papers associated with this audit.

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Peoples Gas System, Inc.
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2023

Docket No. 20040003-GU
Audit Control No. 2024-031-1-4

July 8, 2024

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

Kathryn Guan
Audit Manager

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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 19, 2024. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System, Inc. in support of its 2023 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20040003-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Peoples Gas System, Inc.
PGA refers to the Purchased Gas Cost Recovery Clause.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's PGA Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We scheduled the True-up and Interest Provision, purchased gas revenues, purchased gas, and transportation costs from 2019 to 2023. We compared 2023 to 2022 revenues and expenses, and requested explanations from the Utility for significant variances. Explanations provided by the Utility were sufficient. Further follow-up was not required.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2023, through December 31, 2023, and to determine whether the Utility applied the Commission-approved cost recovery factor to actual therm sales for the PGA.

Procedures: We recalculated the purchased gas revenues for 2023 and reconciled them to the Utility's filing. We also reconciled the unbilled revenues to monthly schedules. A sample of residential and commercial customer bills were tested to determine whether the correct tariff rates were used. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the PGA.

Procedures: We recalculated the purchased gas and transportation costs and traced them in the filing to the general ledger. We statistically selected O&M Expenses for testing for 2023. The source documentation for selected items was reviewed to ensure the expense was related to the PGA, was the proper amount, in the proper period, and was supported by adequate documentation. No exceptions were noted.

True-up and Interest Provision

Objective: The objective was to determine if the True-Up and Interest Provision, as filed on Form A-2 was properly calculated.

Procedures: We traced the December 31, 2023, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2023, using the Commission-approved beginning balance as of December 31, 2022, the Financial Commercial Paper Rates, and the 2023 PGA revenues and costs. Finding 1 discusses our recommended changes.

Audit Findings

Finding 1: Interest Rate

Audit Analysis: Audit staff recalculated the interest provision and noted that for the last day of April and the first day of May, the Utility used an interest rate of 4.89%. However, the 30-day Financial Commercial Paper rate provided by the Commission used the interest rate of 4.88%. We determined that the interest provision should be \$31,186 for April and \$40,125 for May, as shown in Tables 1-1 and 1-2.

Table 1-1

Interest Provision for April 2023	Per Utility	Variance	Per Audit
1 Beginning True-up and Interest Provision	\$ 5,850,103	\$ -	\$ 5,850,103
2 Ending True-up and Interest Provision	\$ 9,487,349	\$ -	\$ 9,487,349
3 TOTAL (1+2)	\$ 15,337,452	\$ -	\$ 15,337,452
4 Average (50% of 3)	\$ 7,668,726	\$ -	\$ 7,668,726
5 Interest Rate - First Day of Month	4.88%	0.00%	4.88%
6 Interest Rate -First Day of Subsequent Month	4.89%	-0.01%	4.88%
7 TOTAL (5+6)	9.77%	-0.01%	9.76%
8 Average (50% of 7)	4.89%	-0.01%	4.88%
9 Monthly Average (8/12)	0.41%	0.00%	0.41%
10 Interest Provision (4×9)	\$ 31,218	\$ (32)	\$ 31,186

Table 1-2

Interest Provision for May 2023	Per Utility	Variance	Per Audit
1 Beginning True-up and Interest Provision	\$ 9,518,567	\$ -	\$ 9,518,567
2 Ending True-up and Interest Provision	\$ 9,702,916	\$ -	\$ 9,702,916
3 TOTAL (1+2)	\$ 19,221,483	\$ -	\$ 19,221,483
4 Average (50% of 3)	\$ 9,610,742	\$ -	\$ 9,610,742
5 Interest Rate - First Day of Month	4.89%	-0.01%	4.88%
6 Interest Rate -First Day of Subsequent Month	5.14%	0.00%	5.14%
7 TOTAL (5+6)	10.03%	-0.01%	10.02%
8 Average (50% of 7)	5.02%	0.00%	5.01%
9 Monthly Average (8/12)	0.42%	0.00%	0.42%
10 Interest Provision (4×9)	\$ 40,165	\$ (40)	\$ 40,125

Effect on the General Ledger: The Utility should determine the effect on the general ledger.

Effect on the Filing: Audit staff determined that the interest provision should be decreased by \$32 for April and \$40 for May. The interest provision should be \$31,186 for April and \$40,125 for May 2023.

Exhibit

Exhibit 1: True Up and Interest Provision

COMPANY: PEOPLES GAS SYSTEM	CALCULATION OF TRUE-UP AND INTEREST PROVISION				SCHEDULE A-2				
FOR THE PERIOD OF:	JANUARY 23 through DECEMBER 23				Page 1 of 1				
	CURRENT MONTH: DECEMBER 2023				PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION									
1 PURCHASED GAS COST (A-1, LINES 4-13)	\$6,988,970	\$2,480,310	(\$4,508,660)	(\$1.81778)	\$69,339,236	\$45,876,042	(\$23,663,193)	(0.61807)	
2 TRANSPORTATION COST (A-1, LINES 1+2+3+6+6-7-8-9)	\$8,275,810	\$8,221,351	(\$54,459)	(\$0.00662)	\$72,822,874	\$77,369,327	\$4,536,653	0.05884	
3 TOTAL	\$15,264,780	\$10,701,661	(\$4,563,119)	(\$0.42639)	\$142,161,910	\$123,035,369	(\$19,126,540)	(0.16549)	
4 FUEL REVENUES (NET OF REVENUE TAX)	\$14,234,983	\$10,701,661	(\$3,533,322)	(\$0.33017)	\$146,981,088	\$123,035,369	(\$23,945,719)	(0.19462)	
5 TRUE-UP REFUND/(COLLECTION)	\$28	\$28	\$0	\$0.00000	\$292	\$292	\$0	0.00000	
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	\$14,235,011	\$10,701,689	(\$3,533,322)	(\$0.33016)	\$146,981,380	\$123,035,661	(\$23,945,719)	(0.19462)	
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	-\$1,029,769	\$28	\$1,029,797	\$38,778.48429	\$4,819,469	\$292	(\$4,819,177)	(16,504.03082)	
8 INTEREST PROVISION-THIS PERIOD (21)	\$16,688	\$25,028	\$8,440	\$0.33725	\$402,420	\$427,422	\$25,002	0.05849	
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	\$4,242,170	\$5,623,790	\$1,381,620	\$0.24567	\$91,112,022	\$99,129,241	\$8,017,220	0.08098	
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	-\$28	-\$28	\$0	\$0.00000	(\$292)	(\$292)	\$0	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)	\$3,228,969	\$5,648,816	\$2,419,857	\$0.42838	\$86,333,819	\$99,566,663	\$3,223,045	0.03237	
11a REFUNDS FROM PIPELINE	\$0	\$0	\$0	\$0.00000	\$89,255	\$0	(\$89,255)	0.00000	
12 ADJ TOTAL ESTIACT TRUE-UP (11+11a)	\$3,228,969	\$5,648,816	\$2,419,857	0.42838	\$86,422,873	\$99,566,663	\$3,133,790	0.03148	
INTEREST PROVISION									
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	4,242,170	5,623,790	1,381,620	0.24567	* If line 5 is a refund add to line 4 If line 5 is a collection () subtract from line 4				
14 ENDING TRUE-UP BEFORE INTEREST (13+7-6+10a+11a)	3,212,373	5,623,790	2,411,417	0.42879					
15 TOTAL (13+14)	7,454,543	11,247,580	3,793,037	0.33723					
16 AVERAGE (50% OF 15)	3,727,272	5,623,790	1,896,519	0.33723					
17 INTEREST RATE - FIRST DAY OF MONTH	5.34	5.34	0	0.00000					
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.34	5.34	0	0.00000					
19 TOTAL (17+18)	10.680	10.680	0	0.00000					
20 AVERAGE (50% OF 19)	5.340	5.340	0	0.00000					
21 MONTHLY AVERAGE (20/12 Months)	0.44500	0.44500	0	0.00000					
22 INTEREST PROVISION (16x21)	\$16,688	\$25,028	\$8,440	0.33725					