

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 10, 2024

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

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

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

Attached is the final *revised* 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

Revised

Peoples Gas System, Inc.
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2023

Docket No. 20240003-GU
Audit Control No. 2024-031-1-4

July 10, 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 Revised Peoples Gas System, Inc. in support of its 2023 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20240003-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 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 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. No exceptions were noted.

Audit Findings

None

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)	\$6,989,970	\$2,480,310	(\$4,509,660)	(\$1.81778)	\$69,339,236	\$45,676,042	(\$23,663,193)	(0.51807)
2	TRANSPORTATION COST (A-1, LINES 1+2+3+6+7-8-9)	\$9,275,810	\$9,221,361	(\$54,469)	(\$0.00662)	\$72,822,674	\$77,369,327	\$4,536,653	0.05864
3	TOTAL	\$16,264,780	\$10,701,661	(\$4,563,119)	(\$0.42639)	\$142,161,910	\$123,035,369	(\$19,126,540)	(0.16546)
4	FUEL REVENUES (NET OF REVENUE TAX)	\$14,234,963	\$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	\$10,701,669	(\$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	\$38,778.48428	\$4,819,489	\$292	(\$4,819,177)	(18,504.03082)
8	INTEREST PROVISION-THIS PERIOD (21)	\$18,588	\$25,026	\$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	0.08088
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 ESTI/ACT TRUE-UP (7+8+9+10+10a)	\$3,228,959	\$5,648,916	\$2,419,857	\$0.42838	\$86,333,619	\$99,556,663	\$3,223,045	0.03237
11a	REFUNDS FROM PIPELINE	\$0	\$0	\$0	\$0.00000	\$89,266	\$0	(\$89,266)	0.00000
12	ADJ TOTAL ESTI/ACT TRUE-UP (11+11a)	\$3,228,959	\$5,648,916	\$2,419,857	0.42838	\$86,422,873	\$99,556,663	\$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)	\$18,588	\$25,026	\$8,440	0.33725				