

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 11, 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.: 20240004-GU
Company Name: People's Gas System
Company Code: GU608
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery Clause (GCCR)
Audit Control No.: 2024-031-1-8

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.
Natural Gas Conservation Cost Recovery

Twelve Months Ended December 31, 2023

Docket No. 20240004-GU
Audit Control No. 2024-031-1-8

July 10, 2024

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

Kathryn Guan
Audit Manager

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

 None..... 4

Exhibit

 1: True Up 5

 2: Interest Provision 6

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 15, 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 Natural Gas Conservation Cost Recovery in Docket No. 20240004-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Peoples Gas System, Inc.

GCCR refers to the Natural Gas Conservation Cost Recovery.

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 2023 to 2022 revenues and expenses. Audit staff determined there was a 29.79% decrease in revenues, and a 33.43% increase in expenses. We requested detailed explanations by categories and programs from the Utility for significant variances. Explanations provided by the Utility were sufficient. Further follow-up was not required.

Revenue

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 GCCR.

Procedures: We computed revenues using the factors by rate codes and compared them to Commission Order No. PSC-PSC-2023-0346-FOF-GU. We reconciled the revenues of the Utility's GCCR filing to the general ledger. We sampled customer bills from each rate class for the months of February and October, and tested them to determine whether the correct tariff rate was used. No exceptions were noted.

Expense

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

Procedures: We traced expenses in the filing to the general ledger. We statistically selected a sample of O&M Expenses to test for the current period, charged to the correct accounts, and appropriately related to the GCCR. We traced cash incentive payments to allowances approved in Order No. PSC-2023-0346-FOF-GU, issued November 16, 2023. Advertising expenses were reviewed for compliance with Rule 25-17.015, Florida Administrative code. No exceptions were noted.

True-up and Interest Provision

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, 2022, True-Up Provision to Commission Order No. PSC-2023-0346-FOF-GU. 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 GCCR revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True Up

PEOPLES GAS SYSTEM
Energy Conservation Adjustment
Calculation of True-up and Interest Provision
For Months January 2023 through December 2023

CONSERVATION REVENUES	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. OTHER PROGRAM REVS	-	-	-	-	-	-	-	-	-	-	-	-	-
2. CONSERV. ADJ REVS	2,184,994	1,782,003	1,647,417	1,623,314	1,351,939	1,265,216	1,129,241	1,092,993	1,132,118	1,176,093	1,376,571	1,744,209	17,506,108
3. TOTAL REVENUES	2,184,994	1,782,003	1,647,417	1,623,314	1,351,939	1,265,216	1,129,241	1,092,993	1,132,118	1,176,093	1,376,571	1,744,209	17,506,108
4. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	295,216	295,216	295,216	295,216	295,216	295,216	295,216	295,216	295,216	295,216	295,216	295,212	3,542,588
5. CONSERVATION REVS APPLICABLE TO THE PERIOD	2,480,210	2,077,219	1,942,633	1,918,530	1,647,155	1,560,432	1,424,457	1,388,209	1,427,334	1,471,309	1,671,787	2,039,421	21,048,696
6. CONSERVATION EXPS (FROM CT-3, PAGE 1)	2,272,147	2,518,118	2,236,135	3,228,367	2,278,325	3,949,237	2,049,468	2,337,084	2,462,701	2,386,693	2,750,311	1,956,436	30,425,021
7. TRUE-UP THIS PERIOD	208,063	(440,899)	(293,501)	(1,309,837)	(631,170)	(2,388,805)	(625,011)	(948,875)	(1,035,367)	(915,384)	(1,078,524)	82,985	(9,376,325)
8. REGULATORY ADJUSTMENTS													-
9. INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	5,715	4,332	1,848	(2,567)	(7,938)	(15,888)	(24,223)	(29,732)	(35,474)	(41,392)	(47,458)	(50,880)	(243,657)
10. TRUE-UP & INT. PROV. BEGINNING OF MONTH	1,571,783	1,490,345	758,562	171,693	(1,435,927)	(2,370,251)	(5,070,160)	(6,014,610)	(7,288,433)	(8,654,490)	(9,906,482)	(11,327,680)	1,571,783
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	(295,216)	(295,216)	(295,216)	(295,216)	(295,216)	(295,216)	(295,216)	(295,216)	(295,216)	(295,216)	(295,216)	(295,212)	(3,542,588)
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	1,490,345	758,562	171,693	(1,435,927)	(2,370,251)	(5,070,160)	(6,014,610)	(7,288,433)	(8,654,490)	(9,906,482)	(11,327,680)	(11,590,787)	(11,590,787)
Expenses	2,272,147	2,518,118	2,236,135	3,228,367	2,278,325	3,949,237	2,049,468	2,337,084	2,462,701	2,386,693	2,750,311	1,956,436	30,425,021
Deferred Expenses	208,063	-	-	-	-	-	-	-	-	-	-	82,985	291,048
Revenues	(2,184,994)	(1,782,003)	(1,647,417)	(1,623,314)	(1,351,939)	(1,265,216)	(1,129,241)	(1,092,993)	(1,132,118)	(1,176,093)	(1,376,571)	(1,744,209)	(17,506,108)
Deferred Revenues	-	(440,899)	(293,501)	(1,309,837)	(631,170)	(2,388,805)	(625,011)	(948,875)	(1,035,545)	(915,206)	(1,078,524)	-	(9,667,373)

Exhibit 2: Interest Provision

PEOPLES GAS SYSTEM
Energy Conservation Adjustment
Calculation of True-up and Interest Provision
For Months January 2023 through December 2023

	January	February	March	April	May	June	July	August	September	October	November	December	Total
INTEREST PROVISION													
1. BEGINNING TRUE-UP	1,571,783	1,480,345	758,582	171,893	(1,435,927)	(2,370,251)	(5,070,180)	(8,014,810)	(7,288,433)	(8,854,490)	(8,808,482)	(11,327,880)	
2. ENDING TRUE-UP BEFORE INTEREST	1,484,830	754,230	169,945	(1,433,360)	(2,362,313)	(5,054,272)	(5,990,387)	(7,258,701)	(8,619,016)	(9,865,090)	(11,280,222)	(11,539,907)	
3. TOTAL BEGINNING & ENDING TRUE-UP	<u>3,056,413</u>	<u>2,244,575</u>	<u>928,407</u>	<u>(1,261,667)</u>	<u>(3,798,240)</u>	<u>(7,424,523)</u>	<u>(11,060,547)</u>	<u>(13,273,311)</u>	<u>(15,907,448)</u>	<u>(18,519,580)</u>	<u>(21,188,704)</u>	<u>(22,867,587)</u>	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	<u>1,528,207</u>	<u>1,122,288</u>	<u>464,204</u>	<u>(630,834)</u>	<u>(1,899,120)</u>	<u>(3,712,262)</u>	<u>(5,530,274)</u>	<u>(6,636,656)</u>	<u>(7,953,725)</u>	<u>(9,259,780)</u>	<u>(10,583,352)</u>	<u>(11,433,794)</u>	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	4.370%	4.610%	4.660%	4.880%	4.880%	5.140%	5.130%	5.370%	5.370%	5.330%	5.400%	5.340%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	4.610%	4.660%	4.880%	4.880%	5.140%	5.130%	5.370%	5.370%	5.330%	5.400%	5.340%	5.340%	
7. TOTAL (SUM LINES 5 & 6)	8.980%	9.270%	9.540%	9.770%	10.030%	10.270%	10.500%	10.740%	10.700%	10.730%	10.740%	10.680%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	4.480%	4.635%	4.770%	4.885%	5.015%	5.135%	5.250%	5.370%	5.350%	5.365%	5.370%	5.340%	
9. MONTHLY AVG INTEREST RATE	0.37400%	0.386%	0.398%	0.407%	0.418%	0.428%	0.438%	0.448%	0.446%	0.447%	0.448%	0.445%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9) (exp)/inc)	5,715	4,332	1,948	(2,567)	(7,938)	(15,888)	(24,223)	(29,732)	(35,474)	(41,392)	(47,458)	(50,880)	(243,857)