

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: June 30, 2025

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

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis 210

RE: Docket No.: 20250029-GU
Company Name: Peoples Gas System, Inc.
Company Code: GU608
Audit Purpose: A1a: File and Suspend Rate Case
Audit Control No.: 2025-105-2-1

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 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.
Rate Case Audit

Historical Test Year Ended December 31, 2024

Docket No. 20250029-GU
Audit Control No. 2025-105-2-1

June 27, 2025

Handwritten signature of Wesley Thurmond in black ink.

Wesley Thurmond
Audit Manager

Handwritten signature of Kathryn Guan in black ink.

Kathryn Guan
Audit Staff

Handwritten signature of Gabrielle Dearmond in black ink.

Gabrielle Dearmond
Audit Staff

Handwritten signature of Sai Rashmitha Kolli in black ink.

Sai Rashmitha Kolli
Audit Staff

Handwritten signature of Troy Florvil in black ink, with the words "for Troy Florvil" written next to it.

Troy Florvil
Audit Staff

Handwritten signature of Eduard Dukov in black ink.

Eduard Dukov
Audit Staff

Handwritten signature of Lynn M. Deamer in black ink.

Lynn M. Deamer
Reviewer

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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 Accounting and Finance in its audit service request dated April 14, 2025. We have applied these procedures to the attached schedules prepared by Peoples Gas System, Inc. in support of its filing for rate relief in Docket No. 20250029-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

PGS/Company refers to Peoples Gas System, Inc.

FERC refers to the Federal Energy Regulatory Commission.

USoA refers to the FERC Uniform System of Accounts as adopted by Commission Rule 25-7.014 – Records and Reports in General, Florida Administrative Code. (F.A.C.)

MFR refers to Minimum Filing Requirement.

Background

Peoples Gas System, Inc. is a natural gas distribution company providing sales and transportation of natural gas. The Company serves over 500,000 residential, commercial, industrial, and power generation customers across 43 of Florida's 67 counties. PGS is a subsidiary of Emera Incorporated and is an affiliate of Tampa Electric Company.

The Company's last Rate Case was granted in Docket No. 20230023-GU, in Commission Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023. In that case, the Auditor's Report was issued on July 20, 2023, with Audit Control No. 2023-101-1-1.

Objectives: The objectives in this proceeding were to determine whether the Company's filing for the historical test year ended December 31, 2024 in Docket No. 20250029-GU is consistent and in compliance with Sections 366.04, 366.06, and 366.076, Florida Statutes, and Rules 25-7.039 and 25-7.042, Florida Administrative Code. (F.A.C.)

Procedures: We performed the following specific objectives and procedures to satisfy the overall objectives identified above.

Rate Base

Utility Plant in Service

Objectives: The objectives were to determine whether the Utility Plant in Service (UPIS) 1) Consists of property that exists and is owned by the Company, 2) Additions are authentic, recorded at original cost, and properly classified as a capital item in compliance with Commission Rules and FERC USoA, 3) Retirements are made when replacement item is put into service, 4) UPIS balances are properly stated based on Commission adjustments in the prior rate case and to determine the 13-month average balance for UPIS as of December 31, 2024.

Procedures: We reconciled the plant balances for historical test year ended December 31, 2024, from the MFR to the general ledger. We recalculated the 13-month average balance for the twelve months ended December 31, 2024. We judgmentally selected the sample for plant from 2023 to 2024, and traced to the supporting documentation. No exceptions were noted.

Land & Land Rights

Objectives: The objectives were to determine whether the utility land was recorded at original cost is used for utility operations, and was owned or secured under a long-term lease.

Procedures: We reconciled the land balances for historical test year ended December 31, 2024, from the MFR to the general ledger. We obtained all the purchases and sales of land for years 2023 to 2024. We traced a sample of the purchases of land to the deeds. We recalculated the 13-month average balance for the twelve months ended December 31, 2024. See Finding 1 for our discussion related to additions to Account 304- Land and Land Rights.

Construction Work in Progress

Objectives: The objectives were to determine the nature and purpose of utility projects recorded as Construction Work in Progress (CWIP), and whether CWIP was properly stated and authorized.

Procedures: We recalculated the monthly balance and 13-month average of CWIP for the historical test year ended December 31, 2024, from general ledger. We reconciled the 13-month average to the balance sheet, and traced to MFR Schedule B-8. We judgmentally selected the sample of CWIP from 2023 to 2024, and traced to the supporting documentation. We also reconciled the ending balances of CWIP from 2023 to 2024 to supporting documentation. No exception were noted.

Accumulated Depreciation

Objectives: The objectives were to determine whether: 1) Accruals to accumulated depreciation are properly recorded in compliance with Commission rules and the FERC USoA, 2) Depreciation accruals are calculated using the Commission's authorized rates and that retirements are properly recorded, 3) Adjustments required in the Company's last rate case proceeding were recorded in its books and records, and 4) Where accruals to accumulated depreciation were allocated from the corporate offices, the basis of the allocation is reviewed.

Procedures: We reconciled the accumulated depreciation balances of the historical test year ended December 31, 2024, from the MFR to the general ledger. We recalculated the 13-month average balance for the twelve months ended December 31, 2024. We judgmentally selected the sample of accumulated depreciation from 2023 to 2024, and traced to the supporting documentation. No exceptions were noted.

Working Capital

Objectives: The objectives were to determine whether: 1) Working capital calculation is consistent with Commission orders, 2) Working capital accounts are interest-bearing, 3) Transactions in working capital were properly recorded, 4) Non-utility items are included in the working capital accounts, 5) Purchased fuel-over recoveries are included and the under-recoveries are excluded from working capital.

Procedures: We recalculated the monthly balances and 13-month average of working capital allowance for the historical test year ended December 31, 2024, from general ledger. We reconciled the 13-month average to the balance sheet, and traced to MFR Schedules B-1, B-13,

B-14 and B-15. We judgmentally sampled the transactions in clearing accounts, prepayments, miscellaneous deferred debits, other deferred credits, accrued liabilities, and all other accounts of assets and liabilities in working capital, and traced to the supporting documentation. We confirmed the interest-bearing accounts in working capital were removed. We verified the purchased fuel-over recoveries were included, and the under-recoveries were excluded from working capital. See Finding 2 for our discussion related to our adjustment.

Capital Structure

Common Equity

Objectives: The objectives were to determine whether equity balances were representative of actual equity, and whether the equity was properly recorded in compliance with USoA for the test year ended December 31, 2024.

Procedures: We obtained the balance sheet of the common equity, traced it to MFR Schedule D-1 and the supporting documentation. We also traced the Return on Equity (ROE) to the Commission Order No. PSC-2023-0388-FOF-GU. No exceptions were noted.

Long-Term Debt

Objectives: The objectives were to determine whether Long-Term Debt (LTD) balances were representative of the actual obligations of the Company, and whether they were properly recorded in compliance with USoA for the test year ended December 31, 2024.

Procedures: We obtained the long-term debt notes from the Company and traced them to MFR Schedule D-2. We also recalculated the 13-month average of the long-term debt and traced it to MFR Schedule D-1. No exceptions were noted.

Short-Term Debt

Objectives: The objectives were to determine whether Short-Term Debt (STD) balances were representative of the actual obligations of the Company, and whether they were properly recorded in compliance with USoA for the test year ended December 31, 2024.

Procedures: We obtained the short-term notes from the Company, and traced the short-term debt balance to MFR Schedule D-3. No exceptions were noted.

Customer Deposits

Objectives: The objectives were to determine whether customer deposit balances represented actual obligations of the Company, and to verify whether customer deposits were properly recorded and reflected on MFR Schedule D-6.

Procedures: We scheduled the customer deposits and reconciled the deposits to MFR Schedule D-6. We judgmentally selected a sample from the customer deposits and traced the sample to supporting documentation. No exceptions were noted.

Accumulated Deferred Income Taxes

Objectives: The objectives were to determine whether Accumulated Deferred Income Taxes (ADIT) represented actual obligations of the Company, and to verify whether accumulated deferred income taxes were properly recorded and reflected on MFR Schedule B-18.

Procedures: We recalculated the 13-month accumulated deferred income taxes for 2024 and traced them to MFR Schedule B-18. No exceptions were noted.

Net Operating Income

Operating Revenue

Objectives: The objective was to determine whether the revenues, billing determinants, and customers was properly booked and recorded for the test year ended December 31, 2024.

Procedures: We reconciled and recalculated the monthly revenues in the MFRs to the Company's books. We traced and recalculated the unbilled revenue for the historical test year to the MFRs and the general ledger. No exceptions were noted.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether: 1) Operation and Maintenance (O&M) expenses were properly recorded in compliance with Commission Rules, 2) Costs are appropriately allocated to non-utility, and 3) Appear to be reasonable for ongoing utility operations.

Procedures: We recalculated and reconciled the O&M expenses reported in the MFR to the general ledger. For the selected sample, we traced the transaction(s) to supporting documentation. No exceptions were noted.

Depreciation and Amortization Expense

Objectives: The objective was to determine whether depreciation expense for UPIS was properly recorded in compliance with Commission Rules, and that it accurately represented the depreciation of UPIS assets for ongoing utility operations.

Procedures: We reconciled the depreciation expense from the MFR to the general ledger and obtained the September 2024 detail depreciation expense for testing. We traced the rates of the depreciation expense to the orders and appropriate supporting documentation and randomly recalculated some of the depreciation expense. No exceptions were noted.

Taxes Other Than Income

Objectives: The objective was to determine the appropriate amounts for Taxes Other Than Income tax (TOTI) for the historical test year ended December 31, 2024.

Procedures: We recalculated the gross receipts tax, and reconciled to MFR Schedule C-30. We obtained the supporting documentation of Federal unemployment rate, State unemployment rate and FICA rate from the Company, and traced to MFR Schedule C-30. We reconciled the

property tax, and traced to MFR Schedule C-30. We recalculated the regulatory assessment fees, and reconciled to MFR Schedule C-30. No exceptions were noted.

Federal and State Income Taxes

Objectives: The objective was to determine whether the test year income taxes were properly recorded in compliance with the USoA.

Procedures: We scheduled the Federal and State Income Tax and the deferred income tax from the Company, and trace to MFR Schedule C-22. We obtained the supporting documentation of interest in tax expense calculation from the Company, and traced to MFR Schedule C-24. We requested the Federal and State Income Tax Filings from the Company; however, the Company requested and was granted an extension to file its 2024 Federal and State Income Tax Return by October 15, 2025. No exceptions were noted.

Other

Affiliate Transactions

Objectives: The objectives were to review intercompany charges to and from divisions, affiliated companies, and non-regulated operations, to determine if costs were allocated pursuant to Commission Rules, and to determine the original amounts allocated, whether the methodology was reasonable, and to check for accuracy and consistent application.

Procedures: Audit staff reviewed the Company 's policies and procedures relating to the recording of affiliate transactions and the cost/allocation manual for employees. During the review of rate base and net operating income, we examined items that were allocated as per the Company 's policies and procedures. No exceptions were noted.

Audit Findings

Finding 1: Land

Audit Analysis: There was a net \$10,523,726 increase in FERC Account 304 - Land & Land Rights between January 1, 2023 and December 31, 2024. Audit staff asked for, and was provided, a detailed summary of the change in land balance for this period as noted in Table 1. Per the Company, this change was due to six work orders that are largely associated with improvements to the land and/or property. Based on the responses from the company, audit staff is not able to discern if these improvements should be booked in Account 304 or should be booked to a depreciable plant account.

Table 1

act_work_order_description	act_work_order_number	NET activity_cost
Capper Station Relocation	D0056823	\$ 35,157
Wildwood-Sabal Gate	D0057205	(309,136)
Sumterville/Dade Connect Construct	D0073366	11,172,628
Baldwin Compressor Station	D0073541	(472,837)
Improvements to Miami Dade Operation	D0098205	81,118
New Asphalt and seal parking lot	D0102346	16,796
	Total Change	\$ 10,523,726

Effect on the General Ledger: To be determined by the Company.

Effect on the Filing: Audit staff requests technical staff to determine the disposition of this concern and the effect on the filing.

Finding 2: Other Deferred Credits

Audit Analysis: MFR Schedule B-15 shows a \$0 13-month average balance in Account 254-Other Regulatory Liabilities. However, the general ledger shows an ending balance of (\$556,819) in this account. The 13-month average balance for this account would be (\$556,819). Including this amount would result in a 13-month average of Other Deferred Credits of (\$3,058,112). The amount is included in the respective balances on MFR Schedules B-1 and B-13. The Company indicated plans to revise MFR Schedule B-15.

Effect on the General Ledger: None.

Effect on the Filing: This is an informational finding.

Exhibits

Exhibit 1: Rate Base

SCHEDULE B-2		RATE BASE - 13 MONTH AVERAGE		PAGE 1 OF 1
FLORIDA PUBLIC SERVICE COMMISSION		EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13-MONTH AVERAGE RATE BASE AS ADJUSTED FOR THE HISTORIC BASE YEAR.		TYPE OF DATA SHOWN:
COMPANY: PEOPLES GAS SYSTEM, INC.				HISTORIC BASE YEAR DATA: 12/31/24
DOCKET NO.: 20250029-GU				WITNESS: A. NICHOLS
LINE NO.	UTILITY PLANT	AVERAGE PER BOOKS	ADJUSTMENT	ADJUSTED AVERAGE
1	PLANT IN SERVICE	\$3,236,117,849	(\$263,715)	\$3,235,854,134
2	COMMON PLANT ALLOCATED	\$0	(\$1,194,826)	(\$1,194,826)
3	ACQUISITION ADJUSTMENT	\$0	\$0	\$0
4	PROPERTY HELD FOR FUTURE USE	\$1,939,552	(\$1,939,552)	\$0
5	CONSTRUCTION WORK IN PROGRESS	\$160,616,539	(\$59,466,383)	\$101,150,156
6	TOTAL PLANT	\$3,398,673,940	(\$62,864,476)	\$3,335,809,464
DEDUCTIONS				
7	CUSTOMER ADVANCES FOR CONST.	(\$27,265,436)	\$0	(\$27,265,436)
8	ACCUM. DEPR. - UTILITY PLANT	(\$905,917,064)	(\$141,725)	(\$906,058,788)
9	ACCUM. DEPR. - COMMON PLANT	\$0	\$477,377	\$477,377
10	ACCUM. AMORT - ACQ. ADJ.	\$0	\$0	\$0
11	ACCUM. AMORT. - LEASEHOLD/OTHER	(\$35,203,180)	\$0	(\$35,203,180)
12				\$0
13				\$0
14	TOTAL DEDUCTIONS	(\$968,385,680)	\$335,653	(\$968,050,027)
15	PLANT NET	\$2,430,288,260	(\$62,528,823)	\$2,367,759,437
ALLOWANCE FOR WORKING CAPITAL				
16	BALANCE SHEET METHOD	\$47,559,410	(\$38,661,689)	\$8,897,722
17	TOTAL RATE BASE	\$2,477,847,670	(\$101,190,511)	\$2,376,657,159
18	NET OPERATING INCOME	\$168,827,176	\$2,176,059	\$171,003,235
19	RATE OF RETURN	6.81%		7.20%

Exhibit 2: Capital Structure

SCHEDULE D-1

COST OF CAPITAL - 13-MONTH AVERAGE

PAGE 1 OF 2

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE THE COMPANY'S 13-MONTH AVERAGE RECONCILED JURISDICTIONAL CAPITAL STRUCTURE AND COST RATES FOR EACH CLASS OF CAPITAL FOR THE HISTORIC BASE YEAR OF THE CURRENT CASE AND THE HISTORIC BASE YEAR OR TEST YEAR OF THE LAST RATE CASE.

TYPE OF DATA SHOWN:
PRIOR HISTORIC BASE YEAR: 12/31/22
HISTORIC BASE YEAR DATA: 12/31/24
WITNESS: A. NICHOLS

COMPANY: PEOPLES GAS SYSTEM, INC.

DOCKET NO.: 20250029-GU

LAST RATE CASE - HISTORIC BASE YEAR ENDED 12/31/2022*						PRESENT RATE CASE - HISTORIC BASE YEAR ENDED 12/31/2024						
LINE NO.	CLASS OF CAPITAL (1)	DOLLARS (2)	RATIO (3)	COST RATE (4)	WEIGHTED COST (5)	AMOUNT PER BOOKS (6)	ADJUSTMENTS		NET (9)	RATIO (10)	COST RATE (11)	WEIGHTED COST (12)
							SPECIFIC (7)	PRORATA (8)				
1	COMMON EQUITY	\$813,065,986	46.60%	9.90%	4.64%	\$1,171,971,167	(\$1,816,818)	(\$43,383,359)	\$1,126,770,989	47.41%	10.16%	4.81%
2	LONG TERM DEBT	514,050,251	29.65%	3.97%	1.18%	925,000,000	(2,523,679)	(34,200,720)	888,275,601	37.37%	5.68%	2.12%
3	SHORT TERM DEBT	159,284,242	9.19%	2.20%	0.20%	56,846,154	(5,341,046)	(1,909,547)	49,595,561	2.09%	6.08%	0.13%
4	CUSTOMER DEPOSITS	26,701,839	1.54%	2.48%	0.04%	29,409,836	0	(884,618)	28,725,218	1.21%	2.48%	0.03%
5	DEFERRED INCOME TAXES	220,848,247	12.74%	0.00%	0.00%	294,620,514	(4,578,980)	(6,751,744)	283,289,790	11.92%	0.00%	0.00%
6	TAX CREDITS	0	0.00%	0.00%	0.00%	0	0	0	0	0.00%	0.00%	0.00%
7	TOTAL	\$1,733,959,366	100.00%		6.06%	\$2,477,847,670	(\$14,260,523)	(\$86,929,988)	\$2,376,657,159	100.00%		7.09%

Exhibit 3: Net Operating Income

SCHEDULE C-1

NET OPERATING INCOME

PAGE 1 OF 1

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE THE CALCULATION OF NET OPERATING INCOME PER BOOKS FOR THE HISTORIC BASE YEAR AND THE PRIOR YEAR.

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR DATA: 12/31/24
HISTORIC BASE YR - 1: 12/31/23
WITNESS: A. NICHOLS

COMPANY: PEOPLES GAS SYSTEM, INC.

DOCKET NO.: 20250029-GU

NET OPERATING INCOME - HISTORIC BASE YEAR ENDED 12/31/2024

LINE NO.	(1) PRIOR YEAR ENDED TOTAL COMPANY PER BOOKS (BASE YEAR - 1) 12/31/2023	(2) CURRENT HISTORIC BASE YEAR ENDED TOTAL COMPANY PER BOOKS 12/31/2024	(3) ADJUSTMENTS	(4) COMPANY ADJUSTED (2) - (3)	(5) REVENUE ADJUSTMENT	(6) JURISDICTIONAL AMOUNT PROPOSED RATES
1	OPERATING REVENUES	\$ 548,905,786	\$ 698,248,745	\$ (237,068,998)	\$ 461,179,748	\$ -
	OPERATING EXPENSES:					
2	GAS EXPENSE	153,607,060	146,932,672	(146,932,672)	-	-
3	OPERATION & MAINTENANCE	160,063,913	190,774,711	(52,684,933)	138,089,777	138,089,777
4	DEPRECIATION & AMORTIZATION	48,846,774	87,283,744	15,086	87,298,830	87,298,830
5	TAXES OTHER THAN INCOME TAXES	55,906,732	65,242,901	(36,625,992)	28,616,909	28,616,909
	INCOME TAXES:					
6	- FEDERAL	(12,770)	17,463,928	(2,361,940)	15,101,988	15,101,988
7	- STATE	(601,840)	4,828,055	(654,607)	4,173,448	4,173,448
	DEFERRED INCOME TAXES					
8	- FEDERAL	17,253,736	13,139,917	-	13,139,917	13,139,917
9	- STATE	5,163,606	4,286,666	-	4,286,666	4,286,666
10	INVESTMENT TAX CREDIT - NET	-	-	-	-	-
11	GAIN ON SALE OF PROPERTY	(494,836)	(531,024)	-	(531,024)	(531,024)
12	TOTAL OPERATING EXPENSES	\$ 439,732,375	\$ 529,421,569	\$ (239,245,057)	\$ 290,176,512	\$ -
13	OPERATING INCOME	\$ 109,173,411	\$ 168,827,176	\$ 2,176,059	\$ 171,003,235	\$ -