

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 23, 2019

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, ^{AL} Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20190004-GU
Company Name: Peoples Gas System
Company Code: GU608
Audit Purpose: A3e: Natural Gas Conservation Cost Recovery
Audit Control No.: 2019-029-2-1

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

LMD/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File.

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Peoples Gas System
Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2018

Docket No. 20190004-GU
Audit Control No. 2019-029-2-1
• July 16, 2019

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

Simon Ojada
Audit Manager

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

Linda Hill
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 Economics in its audit service request dated January 29, 2019. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2018 filing for the Gas Conservation Cost Recovery Clause in Docket No. 20190004-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to the Peoples Gas System.

GCCR refers to the Gas Conservation Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therm sales for the period January 1, 2018, through December 31, 2018, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR.

Procedures: We reconciled GCCR Revenues reported in the 2018 filing to the Utility's monthly revenue reports and the general ledger. We computed revenues by multiplying therms sold by the Commission approved factors and compared them to the filing and the general ledger. We selected a sample of residential and commercial customers' bills by rate class and verified that the correct tariff rates were used. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on Schedule CT-3 of the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the GCCR.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample from each of the conservation programs for testing. The source documentation for selected items was reviewed to ensure the expense was for the current period, charged to the correct accounts and appropriately recoverable through the GCCR. Incentive cash payments were reviewed and traced to source documentation. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

True-Up

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, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the Commission approved beginning balance as of December 31, 2017, the Financial Commercial Paper rates, and the 2018 GCCR filing revenues and expenses. No exceptions were noted.

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 2018 to 2017 and 2016 revenues and expenses. There were no significant variances. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

SCHEDULE CT-3
PAGE 2 OF 3

PEOPLES GAS SYSTEM
Energy Conservation Adjustment
Calculation of True-up and Interest Provision
For Months January 2018 through December 2018

CONSERVATION REVENUES	January	February	March	April	May	June	July	August	September	October	November	December	Total
1 OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
2 CONSERV ADJ REVS	2221479.552	1945466.547	1555578.289	1615273.592	1279309.144	1206047.204	1074509.851	1025720.945	1124485.473	1038104.836	1156692.905	1592775.224	16835443.56
3 TOTAL REVENUES	2221479.552	1945466.547	1555578.289	1615273.592	1279309.144	1206047.204	1074509.851	1025720.945	1124485.473	1038104.836	1156692.905	1592775.224	16835443.56
4 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	-181164	-181164	-181164	-181164	-181164	-181164	-181164	-181164	-181164	-181164	-181164	-181163	-2173967
5 CONSERVATION REVS APPLICABLE TO THE PERIOD	2040316	1764302.547	1374414.289	1434109.592	1098145.144	1024883.204	893345.8507	844556.9453	943321.4726	856940.8358	975528.9055	1411612.224	14661477.01
6 CONSERVATION EXPS (FROM CT-3, PAGE 1)	1319793.41 0	1576852.44 0	1847294.53 0	2612466.37 0	1025022.12 0	1135987.07 0	2161694.63 0	1557021.87 0	894741.07 0	2074720.49 0	1027197.3 0	1372740.92	18605532.22
7 TRUE-UP THIS PERIOD	720522	187450	-472880	-1178357	73123	-111104	-1268349	-712465	48580	-1217780	-51668	38871	-3944057
8 INT. PROV THIS PERIOD (FROM CT-3, PAGE 3)	-2600.43295 0	-1811.245354 0	-1598.676634 0	-3138.518825 0	-3719 0	-3586 0	-4543 0	-5885 0	-6516 0	-7730 0	-8730 0	-8725	-58982.87376
9 TRUE-UP & INT. PROV BEGINNING OF MONTH	-2498428	-1599342.433	-1232539.678	-1526254.355	-2526585.874	-2276017.874	-2209543.874	-3301271.874	-3838457.874	-3615229.874	-4659575.874	-4538809.874	
10 PRIOR TRUE-UP COLLECTED(REFUNDED)	181164	181164	181164	181164	181164	181164	181164	181164	181164	181164	181164	181163	
11 TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	-1599342.433	-1232539.678	-1526254.355	-2526585.874	-2276017.874	-2209543.874	-3301271.874	-3838457.874	-3615229.874	-4659575.874	-4538809.874	-4327500.874	-4003039.874
Expenses	1319793.41	1576852.44	1847294.53	2612466.37	1025022.12	1135987.07	2161694.63	1557021.87	894741.07	2074720.49	1027197.3	1372740.92	18605532.22
Deferred Expenses	901686	368514	-291716	-997193	181164	70060	181164	181164	181164	-1036616	129496	220034	89021
Revenues	-2221479.552	-1945466.547	-1555578.289	-1615273.592	-1279308.144	-1206047.204	-1074509.851	-1025720.945	-1124485.473	-1038104.836	-1156692.905	-1592775.224	-16835443.56
Deferred Revenues					-73123		1268349	712465	-48580				1859111