

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 5, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150004-GU
Company Name: Peoples Gas System
Company Code: GU617
Audit Purpose: Natural Gas Conservation Cost Recovery Clause
Audit Control No: 15-012-2-1

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 is no confidential work papers associated with this audit.

LMD/cp

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, 2014

Docket No. 150004-GU
Audit Control No. 15-012-2-1
May 28, 2015

A blue ink signature of Tomer Kopelovich.

Tomer Kopelovich
Audit Manager

A blue ink signature of Linda Hill.

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 agreed-upon objectives set forth by the Division of Economics in its audit service request dated January 12, 2015. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2014 filing for the Gas Conservation Cost Recovery Clause in Docket No. 150004-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. 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.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therm sales for the period January 1, 2014, through December 31, 2014, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR.

Procedures: We reconciled the 2014 filing to the Utility's General Ledger. We computed revenues by multiplying therms sold by the Commission approved factors by rate code and compared them to the filing. We selected a random sample of residential and commercial customers' bills for the month of April 2014 and recalculated each using the correct tariff rate in Order No. PSC-13-0613-FOF-GU. 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 Clause.

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 clause. 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, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Financial Commercial Paper rates, and the 2014 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 2014 to 2013 and 2012 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION JANUARY 2014 THROUGH DECEMBER 2014													
CONSERVATION REVENUES	JAN 2014	FEB 2014	MAR 2014	APR 2014	MAY 2014	JUN 2014	JUL 2014	AUG 2014	SEP 2014	OCT 2014	NOV 2014	DEC 2014	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	<u>(1,549,250)</u>	<u>(1,623,260)</u>	<u>(1,335,215)</u>	<u>(1,188,737)</u>	<u>(976,795)</u>	<u>(932,785)</u>	<u>(847,463)</u>	<u>(775,060)</u>	<u>(831,360)</u>	<u>(869,635)</u>	<u>(995,788)</u>	<u>(1,315,196)</u>	<u>(13,240,546)</u>
4. TOTAL REVENUES	(1,549,250)	(1,623,260)	(1,335,215)	(1,188,737)	(976,795)	(932,785)	(847,463)	(775,060)	(831,360)	(869,635)	(995,788)	(1,315,196)	(13,240,546)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>141,813</u>	<u>141,813</u>	<u>141,813</u>	<u>141,813</u>	<u>141,813</u>	<u>141,813</u>	<u>141,813</u>	<u>141,813</u>	<u>141,813</u>	<u>141,813</u>	<u>141,813</u>	<u>141,817</u>	<u>1,701,760</u>
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	<u>(1,407,437)</u>	<u>(1,481,447)</u>	<u>(1,193,402)</u>	<u>(1,046,924)</u>	<u>(834,982)</u>	<u>(790,972)</u>	<u>(705,650)</u>	<u>(633,247)</u>	<u>(689,547)</u>	<u>(727,822)</u>	<u>(853,975)</u>	<u>(1,173,379)</u>	<u>(11,538,786)</u>
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	1,045,099	798,410	720,743	828,407	840,109	830,010	1,359,474	977,985	1,122,942	977,921	965,710	762,401	11,229,211
8. TRUE-UP THIS PERIOD	(362,339)	(683,037)	(472,660)	(218,517)	5,127	39,037	653,824	344,738	433,395	250,098	111,735	(410,977)	(309,575)
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	91	43	4	(26)	(34)	(33)	(29)	(12)	1	12	16	(2)	29
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	1,701,760	1,197,699	372,892	(241,577)	(601,934)	(738,653)	(841,462)	(329,480)	(126,567)	165,016	273,313	243,251	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	<u>(141,813)</u>	<u>(141,813)</u>	<u>(141,813)</u>	<u>(141,813)</u>	<u>(141,813)</u>	<u>(141,813)</u>	<u>(141,813)</u>	<u>(141,813)</u>	<u>(141,813)</u>	<u>(141,813)</u>	<u>(141,813)</u>	<u>(141,817)</u>	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	<u>1,197,699</u>	<u>372,892</u>	<u>(241,577)</u>	<u>(601,934)</u>	<u>(738,653)</u>	<u>(841,462)</u>	<u>(329,480)</u>	<u>(126,567)</u>	<u>165,016</u>	<u>273,313</u>	<u>243,251</u>	<u>(309,648)</u>	<u>(309,546)</u>