

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: June 15, 2018

TO: Office of Commission Clerk

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

RE: Docket No.: 20180003-GU
Company Name: People Gas System
Company Code: GU608
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 2018-011-2-1

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 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
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2017

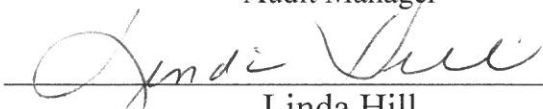
Docket No. 20180003-GU
Audit Control No. 2018-011-2-1

June 11, 2018



Ron Mavrides

Audit Manager



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 10, 2018. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2017 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20180003-GU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to the Peoples Gas System.

PGA refers to the Purchased Gas Cost Recovery Clause.

Revenues

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual therms sales.

Procedures: We traced revenues reported on the 2017 filing to the Utility's general ledger and the monthly revenue reports. A random sample of residential and commercial customers' bills was performed by rate class in the Gas Conservation Cost Recovery Clause audit in Docket No. 20180003-GU to verify that the correct tariff rates were used. We traced unbilled revenues to the revenue summary report. No exceptions were noted.

Expenses

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expenses listed on Schedule A-2 of the Utility's filing were supported by sufficient documentation and that the expenses are appropriately recovered through the PGA.

Procedures: We traced expenses reported from the filing to the general ledger. We selected a sample of 16 O&M expenses for the months of March, June, and September 2017 and traced these to source documentation to ensure that the expenses were supported by sufficient documentation and that the expenses were appropriately recoverable through the PGA. No exceptions were noted.

True-Up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule A-2 was properly calculated.

Procedures: We traced the December 31, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Non-Financial Commercial Paper rates, and the 2017 PGA revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's PGA revenues and expenses to determine whether there were any material changes or inconsistencies from the prior years.

Procedures: We compared 2017 to 2016, and 2015 revenues and expenses. Variances were insignificant. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

COMPANY: PEOPLES GAS SYSTEM		CALCULATION OF TRUE-UP AND INTEREST PROVISION						SCHEDULE A-2	
FOR THE PERIOD OF:		January-17 Through December-17				Page 1 of 1			
		CURRENT MONTH:		NOVEMBER 2017		PERIOD TO DATE		PERIOD TO DATE	
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION									
1	PURCHASED GAS COST (A-1, LINES 4-13)	\$6,626,738	282,232	(\$6,344,506)	(\$22,47974)	\$85,191,963	\$17,596,681	(\$67,595,282)	(\$3,841107)
2	TRANSPORTATION COST (A-1, LINES 1+2+3+5+6+7+8+9)	\$6,315,519	6,281,927	(33,592)	(\$0,00535)	\$54,130,359	\$53,245,462	(884,898)	(0,01662)
3	TOTAL	12,942,257	6,564,159	(6,378,098)	(\$0,971165)	\$139,322,323	\$70,842,142	(68,480,181)	(0,96666)
4	FUEL REVENUES (NET OF REVENUE TAX)	11,732,773	6,564,159	(5,168,614)	(\$0,78740)	\$133,605,491	\$70,842,142	(62,764,349)	(0,88597)
5	TRUE-UP REFUND(COLLECTION)	90,557	90,557	0	\$0,00000	\$996,127	\$996,127	0	0,00000
6	FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ or -) LINE 5)	11,823,330	6,654,716	(5,168,614)	(\$0,77668)	\$134,602,618	\$71,838,269	(62,764,349)	(0,87369)
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(1,118,927)	90,557	1,209,484	\$13,36605	(\$4,719,706)	\$996,127	5,715,833	5,73806
8	INTEREST PROVISION-THIS PERIOD (21)	(2,886)	(749)	2,137	(\$2,85323)	\$12,591	\$16,102	3,511	0,21803
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	(2,293,438)	(752,116)	1,541,322	(\$2,04832)	\$2,176,669	\$2,858,150	681,481	0,23843
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(90,557)	(90,557)	0	\$0,00000	(\$996,127)	(\$996,127)	0	0,00000
10a	OVER EARNINGS REFUND	0	0	0	\$0,00000	\$0	\$0	0	0,00000
11	TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	(3,505,808)	(752,865)	2,752,943	(\$3,85662)	(\$3,526,573)	\$2,874,252	6,400,824	2,22695
11a	REFUNDS FROM PIPELINE	0	0	0	\$0,00000	\$20,766	\$0	(20,766)	0,00000
12	ADJ TOTAL EST/ACT TRUE-UP (11+11a)	(\$3,505,808)	(752,865)	2,752,943	(3,85662)	(\$3,505,808)	\$2,874,252	\$2,752,943	\$0,95779
INTEREST PROVISION									
13	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(2,293,438)	(752,116)	1,541,322	(2,04532)				
14	ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	(3,502,922)	(752,116)	2,750,906	(3,65742)				
15	TOTAL (13+14)	(5,796,359)	(1,504,231)	4,292,128	(2,85337)				
16	AVERAGE (50% OF 15)	(2,898,180)	(752,116)	2,146,064	(2,85337)				
17	INTEREST RATE - FIRST DAY OF MONTH	1.14	1.14	0	0,00000				
18	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.25	1.25	0	0,00000				
19	TOTAL (17+18)	2,390	2,390	0	0,00000				
20	AVERAGE (50% OF 19)	1,195	1,195	0	0,00000				
21	MONTHLY AVERAGE (20/12 Months)	0,09958	0,09958	0	0,00000				
22	INTEREST PROVISION (16X21)	(\$2,886)	(\$749)	\$2,137	(\$2,85323)				