

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 12, 2019

TO: Office of Commission Clerk

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

RE: Docket No.: 20190003-GU
Company Name: People Gas System
Company Code: GU608
Audit Purpose: A3c: Purchased Gas Adjustment
Audit Control No.: 2019-023-2-1

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

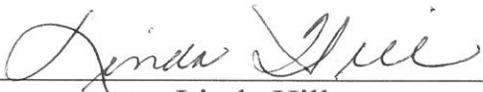
Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

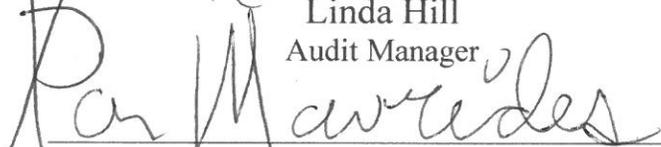
Peoples Gas System
Purchased Gas Cost Recovery Clause

Twelve Months Ended December 31, 2018

Docket No. 20190003-GU
Audit Control No. 2019-023-2-1
June 3, 2019



Linda Hill
Audit Manager



Ron Mavrides
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 22, 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 Purchased Gas Cost Recovery Clause in Docket No. 20190003-GU.

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, 2018, through December 31, 2018, and whether the Utility applied the Commission approved cost recovery factor to actual therms sales.

Procedures: We traced revenues reported on the 2018 filing to the Utility's general ledger and the monthly revenue reports. We selected a sample of residential and commercial customers' bills and verified 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 O&M expenses for the months of March, May, and September 2018. We traced each 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, 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 Non-Financial Commercial Paper rates, and the 2018 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 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

COMPANY: PEOPLES GAS SYSTEM		CALCULATION OF TRUE-UP AND INTEREST PROVISION						SCHEDULE A-2	
FOR THE PERIOD OF:		January-18 Through December-18				Page 1 of 1			
	CURRENT MONTH		DECEMBER 2018		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)	\$11,583,536	1,267,549	(\$10,315,986)	(\$8,13853)	\$112,551,703	\$17,355,628	(\$95,196,075)	(\$5,68503)
2	TRANSPORTATION COST (A-1, LINES 1+2+3+5+6-7-8-9)	\$6,787,891	7,287,891	500,099	\$0.00862	\$62,895,601	\$70,334,891	\$6,439,290	0.09155
3	TOTAL	\$18,371,427	8,555,441	(\$9,815,986)	(\$1,14733)	\$176,447,304	\$87,690,519	(\$88,756,795)	(1,01216)
4	FUEL REVENUES (NET OF REVENUE TAX)	15,126,667	8,555,441	(6,570,226)	(\$0.76796)	\$176,647,547	\$87,690,509	(\$88,957,038)	(1,01444)
5	TRUE-UP REFUND/(COLLECTION)	(292,029)	(292,032)	(3)	\$0.00001	(\$3,504,381)	(\$3,504,384)	(\$3)	0.00000
6	FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ or -) LINE 5)	14,834,638	8,263,409	(6,570,229)	(\$0.79510)	\$173,143,166	\$84,186,125	(\$88,957,041)	(1,05667)
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 5)	(3,537,699)	(292,032)	3,245,667	(\$11.11408)	(\$3,304,133)	(\$3,504,384)	(\$200,251)	0.05714
8	INTEREST PROVISION-THIS PERIOD (2*1)	(1,549)	4,338	5,887	\$1.35712	\$121,542	\$120,078	(\$1,464)	(0.00554)
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	834,981	2,205,522	1,370,541	\$0.62141	\$88,088,720	\$71,499,368	(\$16,589,352)	(0.13029)
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	292,029	292,032	3	\$0.00001	\$3,504,381	\$3,504,384	\$3	0.00000
10a	OVER EARNINGS REFUND	0	0	0	\$0.00000	\$0	\$0	\$0	0.00000
11	TOTAL ESTIAC TRUE-UP (7+8+9+10+10a)	(2,412,238)	2,209,839	4,622,077	\$2.09158	\$61,146,584	\$71,619,430	(\$9,521,073)	(0.13294)
11a	REFUNDS FROM PIPELINE	60	0	(60)	\$0.00000	\$98,784	\$0	(\$98,784)	0.00000
12	ADJ TOTAL ESTIAC TRUE-UP (11+11a)	(\$2,412,177)	2,209,839	4,622,037	2.09155	\$61,231,208	\$71,619,430	(\$9,611,778)	(0.13421)
INTEREST PROVISION									
13	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	834,981	2,205,522	1,370,541	0.62141				
14	ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	(2,410,628)	2,205,522	4,616,150	2.09300				
15	TOTAL (13+14)	(1,575,647)	4,411,044	5,986,691	1.35721				
16	AVERAGE (50% OF 15)	(787,824)	2,205,522	2,993,345	1.35721				
17	INTEREST RATE - FIRST DAY OF MONTH	2.30	2.30	0	0.00000				
18	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	2.42	2.42	0	0.00000				
19	TOTAL (17+18)	4.72	4.72	0	0.00000				
20	AVERAGE (50% OF 19)	2.36	2.36	0	0.00000				
21	MONTHLY AVERAGE (20/12 Months)	0.19667	0.19667	(0)	(0.00002)				
22	INTEREST PROVISION (16x21)	(\$1,549)	\$4,338	\$5,887	\$1.35712				