

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: July 01, 2025

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

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

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 are two revised pages from the Auditor's Report (Document Number 05304-2025) issued in this Docket on June 30, 2025. Account 374 - Land and Land Rights was reported in the original pages as Account 304 - Land and Land Rights. The correct account is Account 374 - Land and Land Rights.

Attachment: Revised Page 3 and Page 7 of the Audit Report

Cc: Office of Auditing & Performance Analysis

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 374 - 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,

Audit Findings

Finding 1: Land

Audit Analysis: There was a net \$10,523,726 increase in FERC Account 374 - 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 374 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.