

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 15, 2025

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

FROM: Lynn Deamer, Bureau Chief, Office of Auditing & Performance Analysis 

RE: Docket No.: 20250003-GU
Company Name: Peoples Gas System
Company Code: GU608
Audit Purpose: A3c: Purchased Gas Cost Recovery Clause (PGA)
Audit Control No.: 2025-016-1-2

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

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

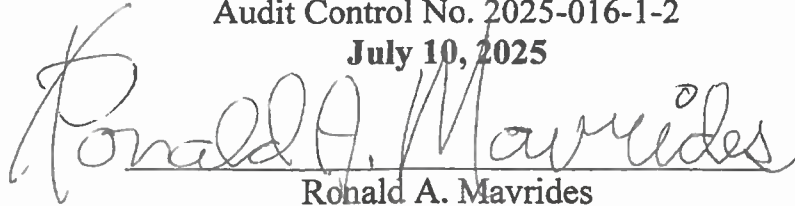
Auditor's Report

Peoples Gas System, Inc.
Purchased Gas Cost Recovery Clause

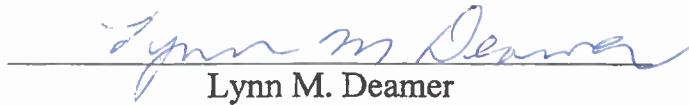
Twelve Months Ended December 31, 2024

Docket No. 20250003-GU
Audit Control No. 2025-016-1-2

July 10, 2025

A handwritten signature in black ink, reading "Ronald A. Mavrides", written over a horizontal line.

Ronald A. Mavrides
Audit Manager

A handwritten signature in blue ink, reading "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer
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 Accounting & Finance in its audit service request dated January 8, 2025. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System, Inc. in support of its 2025 filing for the Purchased Gas Cost Recovery Clause in Docket No. 20250003-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Peoples Gas System, Inc..

PGA refers to the Purchased Gas Cost Recovery Clause.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's PGA Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2024 Purchased Gas and Transportation Costs to those same costs in 2023. There were not any significant variances. Further follow-up was not required.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therms sold for the period January 1, 2024, through December 31, 2024, and whether the Utility applied the Commission-approved cost recovery factor to actual therm sales for the PGA.

Procedures: We reconciled the Utility's revenues and reconciled them to the Utility's filing. A sample of residential and commercial customer bill tests were performed by rate class, to verify that the correct tariff rate was used. No exceptions were notes.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the PGA.

Procedures: We traced expenses in the filing to the general ledger. We selected a sample of O&M Expenses for testing for 2024. The source documentation for selected items was reviewed to ensure the expense was related to the PGA, was the proper amount, in the proper period, and was supported by adequate documentation. See Finding 1.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A was properly calculated.

Procedures: We traced the December 31, 2023, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2024, using the Commission-approved beginning balance as of December 31, 2023, the Financial Commercial Paper rates, and the PGA revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: Legal Fees

Audit Analysis: As part of Audit Staff's sample, we reviewed an invoice in the amount of \$18,630.71 pertaining to legal fees incurred by the Utility in a Florida Gas Transmission rate case before the Federal Energy Regulatory Commission in 2024. The Utility indicated to staff that a total of \$133,710.10 was included in the PGA.

Effect on the General Ledger: None

Effect on the Filing: Audit staff requests technical staff to determine if this cost is appropriate to recover through the PGA.

Exhibit

Exhibit 1: True Up

COMPANY: PEOPLES GAS SYSTEM		CALCULATION OF TRUE-UP AND INTEREST PROVISION						SCHEDULE A-3	
FOR THE PERIOD OF:		JANUARY 24 through DECEMBER 31				Page 1 of 1			
		CURRENT MONTH DECEMBER 2024				PERIOD TO DATE			
		ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
				AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION									
1	PURCHASE GAS COST (A-1, LINES 4-13)	\$2,442,452	\$1,817,620	(\$624,832)	(25.96117)	\$2,428,082	\$23,183,771	(\$21,755,689)	(900.000)
2	TRANSPORTATION COST (A-1, LINES 1+2+3+5+6+7+8+9)	\$2,734,728	\$2,788,439	(\$54,711)	(2.00000)	\$2,734,728	\$28,888,813	(\$26,154,085)	(957.500)
3	TOTAL	\$5,177,180	\$4,606,059	(\$571,121)	(11.03117)	\$5,162,810	\$52,072,584	(\$46,909,774)	(907.500)
4	FUEL REVENUES	\$14,813,047	\$13,917,433	(\$895,614)	(6.04517)	\$14,813,047	\$104,043,704	(\$89,230,657)	(6.02223)
5	(NET OF REVENUE TAX)					\$0	\$0		
6	TRUE-UP REFUND COLLECTION	\$27,301	\$27,301	\$0	0.00000	\$1,087,612	\$1,087,612	\$0	0.00000
7	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 * 0.1 LINE 5)	\$14,812,943	\$13,890,132	(\$922,811)	(6.22913)	\$14,812,943	\$103,214,330	(\$88,391,387)	(6.02223)
8	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 5)	(\$2,087,230)	\$27,301	\$2,354,531	112.76706	\$2,087,612	\$1,087,612	(\$1,000,000)	(1.22043)
9	INTEREST PROVISION - THIS PERIOD (21)	\$23,294	\$23,294	\$0	0.00000	\$23,294	\$23,294	\$0	0.00000
10	REVENUE OF PERIOD TRUE-UP AND INTEREST	\$7,010,973	\$9,038,776	(\$2,027,803)	(29.03111)	\$7,010,973	\$120,040,326	(\$113,029,353)	(0.94143)
11	TRUE-UP COLLECTED OR (RE)FUNDED (REVENUE OF LINE 5)	(\$27,301)	(\$27,301)	\$0	0.00000	(\$1,087,612)	(\$1,087,612)	\$0	0.00000
12	OVER EARNINGS REFUND	\$0	\$0	\$0	0.00000	\$0	\$0	\$0	0.00000
13	TOTAL ESTIMATE TRUE-UP (1+2+3+4+5+6+7+8+9+10+11+12)	\$3,348,348	\$2,801,830	(\$546,518)	(16.32313)	\$1,087,612	\$121,000,267	(\$119,912,655)	(0.99999)
14	ADJ TOTAL ESTIMATE TRUE-UP (1+13)	\$3,348,348	\$2,801,830	(\$546,518)	(16.32313)	\$1,087,612	\$121,000,267	(\$119,912,655)	(0.99999)
INTEREST PROVISION									
15	REVENUE TRUE-UP AND INTEREST PROVISION (5)	7,010,973	8,053,776	(\$1,042,803)	(14.88888)				
16	ENDING TRUE-UP BEFORE INTEREST (13+14-15+16)	3,222,444	8,053,776	(\$4,831,332)	(149.99999)				
17	TOTAL (13+14)	12,033,420	17,317,597	(\$5,284,177)	(43.91111)				
18	AVERAGE (5% OF 15)	8,416,759	8,053,776	362,983	4.31111				
19	INTEREST RATE - FIRST DAY OF MONTH	4.35	4.35	0	0.00000				
20	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.35	4.35	0	0.00000				
21	TOTAL (17+18)	8,340	8,340	0	0.00000				
22	AVERAGE (5% OF 18)	4,470	4,470	0	0.00000				
23	MONTHLY AVERAGE (22/12 Months)	0.37250	0.37250	0	0.00000				
24	INTEREST PROVISION (18x21)	\$23,294	\$23,294	\$0	0.00000				