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 2, 2026

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.: 20260011-GU
Company Name: Peoples Gas System, Inc.
Company Code: GU608
Audit Purpose: A3h: Natural Gas Facilities Relocation Cost Recovery Clause
Audit Control No.: 2026-100-1-1

Attached is the final audit report for the Utility stated above, I am sending the Utility a copy of this memo and audit report. If the Utility desired 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.

Attachement: Audit Report

Cc: Office of Audit & Performance Analysis

State of Florida

Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Peoples Gas System, Inc.
Natural Gas Facilities Relocation Cost Recovery Clause

For the Period July 1, 2024, to July 31, 2025

Docket No. 20260011-GU
Audit Control No. 2026-100-1-1
June 2, 2026

Kathryn Guan
Audit Manager

Gabrielle Dearmond
Audit Staff

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 Office of Industry Development & Market Analysis in its audit service request dated April 30, 2026. 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 Natural Gas Facilities Relocation Cost Recovery Clause in Docket No. 20260011-GU.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

PGSI/Company refers to the Peoples Gas System, Inc.
NGFRCRC refers to the Natural Gas Facilities Relocation Cost Recovery Clause.

Background

On March 31, 2026, PGSI filed support for its Natural Gas Facilities Relocation Cost Recovery Clause, for the period July 1, 2024, to December 31, 2025. Based on the Audit Service Request, audit staff reviewed the period from July 1, 2024 through July 31, 2025.

Rate Base

CWIP and Qualified Investment Activities

Objectives: The objectives were to reconcile the general ledger of CWIP and Qualified Investment Activities of NGFRCRC of the Company to the filing and verify that the costs charged to NGFRCRC are in compliance with Rule 25-7.150, F.A.C.

Procedures: We recalculated the qualified investment and revenue requirements from the general ledger and supporting documentation for the period July 1, 2024, to July 31, 2025, and traced to Form 4A. We traced the project and work order details to Form 1X. We also confirmed the costs are in compliance with Rule 25-7.150, F.A.C. We judgmentally selected the qualified investment activities sample from the Company and traced them to the supporting documentation. There was an approximately $343 variance between our recalculation of total return on average net qualified investment of equity and debt components for 2024 of Form 4A 2024. The company disclosed the amounts for July 2024 under the monthly data, but the formula totaling these amounts for the period did not contain the monthly data. We told the Company of our variances, and they indicated that they may file a revised Form 4A 2024. However, auditor notes that this has not been done as of the date of this report.

Accumulated Depreciation

Objectives: The objective was to verify that the accumulated depreciation of NGFRCRC of the Company was properly recorded and reflected in the filing for the testing period.

Procedures: We recalculated the accumulated depreciation from July 1, 2024, to July 31, 2025, using the rates approved in Order No. PSC-2023-0388-FOF-64, and traced to Form 4A. No exceptions were noted.

True-up and Interest Provision

Objective: The objective was to verify that the true-up amount, including the interest calculation, is correctly reflected on the filing.

Procedures: We recalculated the True-Up and Interest Provision amounts as of July 31, 2025, using the Financial Commercial Paper rates, revenues and costs, and traced to Forms 2A and 3A. No exceptions were noted.

Net Operating Income

Clause Revenues

Objectives: The objectives were to verify that the revenues of NGFRCRC of the Company were properly recorded in the general ledger and reflected in the filing, and whether the Company applied the Commission-approved cost recovery factor to actual kWh sales.

Procedures: The Commission had not determined a cost recovery factor for the audited period. We confirmed there was no clause revenue booked in the general ledger or reflected in filing for the period July 1, 2024, to July 31, 2025. No exceptions were noted.

Expenses

Objectives: The objective was to verify that the NGFRCRC costs of the Company were properly recorded and reflected in the filing for the testing period.

Procedures: We traced the breakdown of cost estimated for each project to Form 1X. No exceptions were noted.

Depreciation Expenses

Objectives: The objective was to verify that the depreciation expenses of NGFRCRC of the Company were properly recorded in the general ledger and reflected in the filing.

Procedures: We recalculated the depreciation expenses for the period July 1, 2024, to July 31, 2025, using Commission-Approved Depreciation Rates ordered in Commission Order No. PSC-2023-0388-FOF-GU, Docket No.20230023-GU, and traced these to Form 4A. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-up - 2025

PEOPLES GAS SYSTEM, INC.
Natural Gas Facilities Relocation Cost Recovery Clause
Calculation of Projected Revenue Requirements
Prior Period: January through December 2025

NGFRCRC Form 4A 2025
Page 1 of 1

Item	Beginning Balance	*Actual* Jan	*Actual* Feb	*Actual* Mar	*Actual* Apr	*Actual* May	*Actual* Jun	*Actual* Jul	*Actual* Aug	*Actual* Sep	*Actual* Oct	*Actual* Nov	*Actual* Dec	Year End Total/Balance
Qualified Investment														
Qualified Investment - Mains Steel - Current Year 1070 Activity		19,237,698	1,274,314	1,567,683	838,530	459,684	637,128	1,676,489	1,163,466	813,689	780,755	1,673,986	1,619,572	31,747,994
Qualified Investment - Mains Steel - Closed 1070 Activity to Plant		(19,047,887)	(1,037,166)	(1,902,657)	(623,086)	(102,837)	(413,891)	(1,008,781)	(688,816)	(674,033)	(2,132,862)	(254,755)	(386,709)	(28,273,479)
Qualified Investment - Mains Steel - Current 1010 Activity		19,047,887	1,037,166	1,902,657	623,086	102,837	413,891	1,008,781	688,816	674,033	2,132,862	254,755	386,709	28,273,479
Total Qualified Investment - Mains Steel 1070	580,331	770,143	1,007,291	672,317	887,761	1,244,608	1,467,846	2,135,554	2,615,203	2,754,859	1,402,752	2,821,983	4,054,846	4,054,846
Total Qualified Investment - Mains Steel 1010	1,512,548	20,560,435	21,597,600	23,500,257	24,123,343	24,226,180	24,640,071	25,648,851	26,337,668	27,011,700	29,144,563	29,399,318	29,786,027	29,786,027
Total Qualified Investment	2,092,879	21,330,577	22,604,891	24,172,574	25,011,104	25,470,788	26,107,916	27,784,405	28,952,871	29,766,560	30,547,315	32,221,301	33,840,873	33,840,873
Less: Accumulated Depreciation	(2,951)	(5,976)	(46,819)	(89,679)	(135,918)	(183,198)	(230,683)	(278,990)	(329,312)	(381,012)	(434,059)	(491,321)	(549,091)	(549,091)
Net Book Value	2,089,928	21,324,602	22,558,072	24,082,895	24,875,186	25,287,590	25,877,233	27,505,415	28,623,559	29,385,548	30,113,256	31,729,980	33,291,781	33,291,781
Average Net Qualified Investment		11,707,265	21,941,337	23,320,483	24,479,040	25,081,388	25,582,412	26,691,324	28,064,487	29,004,553	29,749,402	30,921,618	32,510,881	
Depreciation Rates														
Approved Depreciation Rate-Mains Plastic		1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	
Approved Depreciation Rate-Services		3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	
Approved Depreciation Rate - Mains Steel		2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	
Return on Average Net Qualified Investment														
Equity - Cost of Capital, inclusive of Income Tax Gross-up		6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	
Debt - Cost of Capital		1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	1.84%	
Equity Component - inclusive of Income Tax Gross-up		63,188	118,425	125,868	132,122	135,373	138,077	144,062	151,473	156,547	160,567	166,894	175,472	1,668,068
Debt Component		17,977	33,691	35,809	37,588	38,512	39,282	40,985	43,093	44,536	45,680	47,480	49,920	474,552
Return Requirement		81,165	152,116	161,677	169,710	173,885	177,359	185,047	194,566	201,083	206,247	214,374	225,392	2,142,620
Investment Expenses														
Depreciation Expense - Mains Plastic		-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Savings - Mains Plastic		-	(209)	(245)	(245)	(322)	(322)	(328)	(328)	(328)	(328)	(328)	(328)	(3,311)
Depreciation Expense - Mains Steel		3,025	41,121	43,195	47,001	48,247	48,452	49,280	51,298	52,675	54,023	58,289	58,799	555,405
Depreciation Savings - Mains Steel		-	(69)	(89)	(516)	(645)	(645)	(645)	(648)	(648)	(648)	(700)	(700)	(5,953)
Property Taxes		1,972	1,972	1,972	1,972	1,972	1,972	1,972	1,972	1,972	1,972	1,972	1,972	23,664
Common Costs		-	-	-	-	-	-	14,509	5,836	1,348	1,348	2,643	2,534	28,217
Total Investment Expense		4,997	42,816	44,832	48,211	49,252	49,457	64,788	58,129	55,020	56,368	61,876	62,276	598,022
Total Revenue Requirements		86,162	194,931	206,509	217,921	223,137	226,816	249,835	252,695	256,103	262,615	276,250	287,668	2,740,642
Revenue														
Relocation Surcharge Revenues Collected Month		-	-	-	-	-	-	-	-	-	-	-	-	
Regulatory Assessment Fees		1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	
Net Relocation Surcharge Revenue Collected		-	-	-	-	-	-	-	-	-	-	-	-	
Beginning True-Up														41,420
(Over) and Under Recovery for the Month	41,420	86,162	194,931	206,509	217,921	223,137	226,816	249,835	252,695	256,103	262,615	276,250	287,668	2,740,642
Monthly Interest (Expense)/Income		307	818	1,541	2,294	3,108	3,941	4,802	5,692	6,438	7,088	7,823	8,449	52,301
Ending (Over) and Under Recovery		127,888	323,637	531,688	751,902	978,147	1,208,904	1,463,541	1,721,929	1,984,469	2,254,172	2,538,245	2,834,363	2,834,363

Exhibit 2: True-up - 2024

PEOPLES GAS SYSTEM, INC.
Natural Gas Facilities Relocation Cost Recovery Clause
Calculation of Projected Revenue Requirements
Prior Period: January through December 2024

Item	Beginning Balance	*Actual* Jan	*Actual* Feb	*Actual* Mar	*Actual* Apr	*Actual* May	*Actual* Jun	*Actual* Jul	*Actual* Aug	*Actual* Sep	*Actual* Oct	*Actual* Nov	*Actual* Dec	Year End Total/Balance
Qualified Investment														
Qualified Investment - Mains Steel - Current Year 1070 Activity		-	-	-	-	-	-	105,080	325,953	409,872	708,416	338,873	204,685	2,092,879
Qualified Investment - Mains Steel - Closed 1070 Activity to Plant		-	-	-	-	-	-	-	-	(247,580)	(263,398)	(205,792)	(795,778)	(1,512,548)
Qualified Investment - Mains Steel - Current 1010 Activity		-	-	-	-	-	-	-	-	247,580	263,398	205,792	795,778	1,512,548
Total Qualified Investment - Mains Steel 1070	-	-	-	-	-	-	-	105,080	431,034	593,326	1,038,344	1,171,424	580,331	580,331
Total Qualified Investment - Mains Steel 1010	-	-	-	-	-	-	-	-	-	247,580	510,977	716,770	1,512,548	1,512,548
Total Qualified Investment	-	-	-	-	-	-	-	105,080	431,034	840,906	1,549,322	1,888,194	2,092,879	2,092,879
Less: Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-	(495)	(1,517)	(2,951)	(2,951)
Net Book Value	-	-	-	-	-	-	-	105,080	431,034	840,906	1,548,826	1,886,677	2,089,928	2,089,928
Average Net Qualified Investment		-	-	-	-	-	-	52,540	268,057	635,970	1,194,866	1,717,752	1,988,303	
Depreciation Rates														
Approved Depreciation Rate-Mains Plastic 1.8%		1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	
Approved Depreciation Rate-Services		3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	3.10%	
Approved Depreciation Rate - Mains Steel		2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	
Return on Average Net Qualified Investment:														
Equity - Cost of Capital, inclusive of Income Tax Gross-up		6.41%	6.41%	6.41%	6.41%	6.41%	6.41%	6.41%	6.41%	6.41%	6.41%	6.41%	6.41%	
Debt - Cost of Capital		1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	1.42%	
Equity Component - inclusive of Income Tax Gross-up		-	-	-	-	-	-	281	1,431	3,396	6,380	9,172	10,616	30,995
Debt Component		-	-	-	-	-	-	62	317	751	1,411	2,029	2,349	6,857
Return Requirement		-	-	-	-	-	-	343	1,748	4,147	7,791	11,201	12,965	37,852
Investment Expenses														
Depreciation Expense - Mains Plastic		-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Savings - Mains Plastic		-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Expense - Mains Steel		-	-	-	-	-	-	-	-	-	495	1,022	1,434	2,951
Depreciation Savings - Mains Steel		-	-	-	-	-	-	-	-	-	-	-	-	-
Property Taxes		-	-	-	-	-	-	-	-	-	-	-	-	-
Common Costs		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Investment Expense		-	-	-	-	-	-	-	-	-	495	1,022	1,434	2,951
Total Revenue Requirements		-	-	-	-	-	-	343	1,748	4,147	8,286	12,223	14,399	40,803
Revenue														
Relocation Surcharge Revenues Collected Month		-	-	-	-	-	-	-	-	-	-	-	-	
Regulatory Assessment Fees		1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	1.00500	
Net Relocation Surcharge Revenue Collected		-	-	-	-	-	-	-	-	-	-	-	-	
Beginning True-Up	0													-
(Over) and Under Recovery for the Month		-	-	-	-	-	-	343	1,748	4,147	8,286	12,223	14,399	41,146
Monthly Interest (Expense)/Income		-	-	-	-	-	-	1	5	18	42	81	127	274
Ending (Over) and Under Recovery		-	-	-	-	-	-	344	2,097	6,262	14,590	26,894	41,420	41,420