

State of Florida



Public Service Commission

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

Auditor's Report

Peoples Gas System
Gas Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2012

Docket No. 130004-GU
Audit Control No. 13-004-2-1

June 18, 2013

A blue ink signature of Simon O. Ojada, written in a cursive style, positioned above a horizontal line.

Simon O. Ojada
Audit Manager

A blue ink signature of Linda Hill-Slaughter, written in a cursive style, positioned above a horizontal line.

Linda Hill-Slaughter
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

 None..... 4

Exhibit

 1: Peoples Gas System True Up Calculation 5

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economics in its audit service request dated January 3, 2013. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Peoples Gas System in support of its 2012 filing for the Gas Conservation Cost Recovery Clause in Docket No. 130004-GU.

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

Objectives and Procedures

General

Definitions

Utility refers to the Peoples Gas System.

GCCR refers to the Gas Conservation Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual therm sales for the period January 1, 2012, through December 31, 2012, and whether the Utility applied the Commission approved cost recovery factor to actual therm sales for the GCCR Clause.

Procedures: We reconciled the 2012 filing to the Utility's General Ledger. We computed revenues by multiplying therms sold by the Commission approved factors by rate code and compared them to the filing. We selected a random sample of residential and commercial customers' bills for the months of April and September 2012 and recalculated each to verify the use of the correct tariff rate to the last Commission Order No. PSC-11-0523-FOF-GU. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on schedule CT-2 of the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the GCCR Clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of Residential Appliance Retention Program incentives for testing. The source documentation for selected items was reviewed to ensure the expense was charged to the correct accounts and was appropriately recoverable through the GCCR Clause. No exceptions were noted.

True-up

Objective: The objective was to determine whether the True-Up and Interest Provision as filed on schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2011, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2012, using the Commission approved beginning balance as of December 31, 2011, the Financial Commercial Paper rates, and the 2012 GCCR revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2012 to 2011 revenues and expenses. There were no significant variances. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: Peoples Gas System True Up Calculation

CALCULATION OF TRUE-UP AND INTEREST PROVISION JANUARY 2012 THROUGH DECEMBER 2012

	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEPT 2012	OCT 2012	NOV 2012	DEC 2012	TOTAL
INTEREST PROVISION													
1. BEGINNING TRUE-UP	-702,452	-719,748	-687,381	-672,461	-610,769	-486,741	-321,631	-60,691	277,042	389,997	676,560	1,173,699	
2. ENDING TRUE-UP BEFORE INTEREST	-719,704	-697,294	-672,424	-610,732	-486,663	-321,607	-40,678	277,027	389,868	676,605	1,172,971	1,239,144	
3. TOTAL BEGINNING & ENDING TRUE-UP	-1,422,156	-1,417,042	-1,349,768	-1,283,213	-1,109,471	-788,338	-362,309	236,436	666,910	1,267,502	2,051,531	2,612,344	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	-711,078	-708,521	-674,893	-641,607	-554,736	-394,169	-181,155	118,218	333,005	633,751	1,025,766	1,256,122	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	0.030%	0.120%	0.110%	0.090%	0.120%	0.130%	0.100%	0.150%	0.140%	0.070%	0.140%	0.160%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	0.120%	0.110%	0.090%	0.120%	0.130%	0.100%	0.150%	0.140%	0.070%	0.140%	0.160%	0.020%	
7. TOTAL (SUM LINES 5 & 6)	0.150%	0.230%	0.200%	0.210%	0.250%	0.230%	0.250%	0.290%	0.210%	0.210%	0.300%	0.210%	
8. AVG INTEREST RATE (LINE 7 TIMES 60%)	0.070%	0.118%	0.100%	0.108%	0.125%	0.118%	0.128%	0.146%	0.108%	0.108%	0.160%	0.108%	
9. MONTHLY AVG INTEREST RATE	0.008%	0.010%	0.008%	0.008%	0.010%	0.010%	0.010%	0.012%	0.009%	0.009%	0.013%	0.009%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	-44	-68	-57	-68	-58	-35	-14	14	29	68	128	110	8

DOCKET NO. 130004-GU
 ECCR 2012 TRUE-UP
 EXHIBIT KMF-1, SCHEDULE CT-3, PAGE 3 OF 3