

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

**Twelve Months Ended December 31, 2012**

Docket No. 130003-GU  
Audit Control No. 13-014-2-1  
**July 29, 2013**

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Tomer Kopelovich  
Audit Manager

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Linda Hill-Slaughter  
Reviewer

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## 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 Economic Regulation in its audit service request dated January 10, 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 Purchased Gas Cost Recovery in Docket No. 130003-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.

PGA refers to the Purchased Gas Cost Recovery .

### **Revenues**

#### Operating Revenues

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

**Procedures:** We compiled PGA Revenues from the general ledger and tied these amounts to the Utility's filing. We recomputed the monthly PGA Revenues from the general ledger and tied these amounts to the PGA filing using the proper net of tax revenue factor and traced to the monthly filing. A random sample of residential and commercial customers' bills was done in the Gas Cost Recovery Clause audit in Docket No. 130004-GU to verify the correct tariff rates was used. We traced unbilled revenues to revenue summary report. No exceptions were noted.

### **Expenses**

#### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on the Schedule A-2 of the Utility's filing was supported by adequate documentation and that the expenses are appropriately recovered through the PGA.

**Procedures:** We reconciled expenses from the general ledger to the filing. We traced selected or gas purchases to invoices for the months of March, June and September 2012. We verified the utility use amounts and that these amounts were removed from the cost of gas. 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, 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 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 year.

**Procedures:** We compared 2012 to 2011 revenues and expenses. We requested explanations from the Utility for variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

**None**

# Exhibit

## Exhibit 1: True Up

COMPANY: PEOPLES GAS SYSTEM	SCHEDULE A-2							
FOR THE PERIOD OF:	January-12 Through December-12				Page 1 of 1			
	CURRENT MONTH: December-12				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
<b>TRUE-UP CALCULATION</b>								
1 PURCHASED GAS COST (A-1, LINES 4-13)	\$11,219,779	3,978,067	(\$7,241,722)	(61.82042)	\$114,153,487	\$51,918,388	(\$62,235,099)	(51.19871)
2 TRANSPORTATION COST (A-1, LINES 1+2+3+4+6+7+8+9)	4,377,941	4,491,784	113,823	0.02634	\$43,198,718	\$41,168,093	(2,030,625)	(4.04936)
3 TOTAL	15,597,720	8,469,821	(7,127,899)	(45.8156)	\$157,363,175	\$93,086,481	(\$64,268,695)	(40.89040)
4 FUEL REVENUES (NET OF REVENUE TAX)	15,078,035	8,469,821	(6,608,214)	(43.82021)	\$154,844,368	\$93,086,481	(\$61,757,886)	(40.56345)
5 TRUE-UP REFUND(COLLECTION)	197,268	197,272	4	0.00002	\$2,367,260	\$2,367,264	4	0.00000
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	15,275,303	8,667,093	(6,608,210)	(43.26245)	\$157,211,626	\$95,453,745	(\$61,757,881)	(39.28699)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(322,417)	197,272	519,689	2.63438	(\$141,550)	\$2,367,264	2,508,814	1.06979
8 INTEREST PROVISION-THIS PERIOD (21)	(132)	(42)	91	(2.18438)	\$1,080	(\$42)	(1,132)	27.08111
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(1,254,007)	2,713,566	3,967,572	1.46213	\$899,797	\$2,713,566	2,013,769	0.74211
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(197,268)	(197,272)	(4)	0.00002	(\$2,367,260)	(\$2,367,264)	(4)	0.00000
10a OVER EARNINGS REFUND	16	0	(16)	0.00000	(\$329)	80	329	0.00000
11 TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	(1,773,809)	2,713,523	4,487,332	1.65369	(\$1,808,252)	\$2,713,523	4,521,775	1.66639
11a REFUNDS FROM PIPELINE	0	0	0	0.00000	\$34,442	80	(\$4,442)	0.00000
12 ADJ TOTAL EST/ACT TRUE-UP (11+11a)	(1,773,809)	2,713,523	4,487,332	1.65369	(\$1,773,810)	\$2,713,523	\$4,487,333	\$1.65369
<b>INTEREST PROVISION</b>								
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(1,254,007)	2,713,566	3,967,572	1.46213	* If line 5 is a refund add to line 4 If line 5 is a collection ( ) subtract from line 4			
14 ENDING TRUE-UP BEFORE INTEREST (13+7+8+10+11a)	(1,773,876)	2,713,566	4,487,241	1.65363				
15 TOTAL (13+14)	(3,027,883)	(960,791)	2,076,892	(2.18438)				
16 AVERAGE (50% OF 15)	(1,513,942)	(475,396)	1,038,446	(2.18438)				
17 INTEREST RATE - FIRST DAY OF MONTH	0.16	0.16	0	0.00000				
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.05	0.05	0	0.00000				
19 TOTAL (17+18)	0.210	0.210	0	0.00000				
20 AVERAGE (50% OF 19)	0.105	0.105	0	0.00000				
21 MONTHLY AVERAGE (20/12 Months)	0.00875	0.00875	0	0.00000				
22 INTEREST PROVISION (16&21)	(\$132)	(\$42)	\$91	(2.18438)				