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cc: JG

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DEC 11 2020

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KEAN MILLER LLP  
ATTORNEYS AT LAW

LA Public Service Commission

December 11, 2020

Ms. Terri Lemoine  
Records and Recording  
Louisiana Public Service Commission  
602 North 5<sup>th</sup> Street  
Baton Rouge, Louisiana 70821

VIA HAND DELIVERY

Re: Rate Stabilization Adjustment  
KM File No. 20225-3

Dear Terri:

We have enclosed an original and three (3) copies of Pierre Part Natural Gas Company, Inc.'s audited financial statements, to be filed as a supplement to the Rate Stabilization Plan ("RSP") filing on October 1, 2020, as well as revised Exhibits 1 - 4 and 13 to the RSP filing based on the audited financial statements. Please file an original and two copies into the record and return a date-stamped copy to my office in accordance with normal procedures.

If you have any questions, please do not hesitate to contact us. Thank you for your assistance.

Very truly yours,



Randy Young

JRY/mac

Enclosures

cc: H. Barlow Holley (via electronic mail)  
Official Service List (via electronic mail)

ROUTE TO	ROUTE FROM
DEPT. <u>Records</u> DATE <u>12/14</u>	DEPT. _____
DEPT. _____ DATE _____	DEPT. _____
DEPT. _____ DATE _____	DEPT. _____
DEPT. _____ DATE _____	DEPT. _____

# RECEIVED

Pierre Part Natural Gas  
Proforma Income Statement  
For the year ended June 30, 2020  
Docket No. U-35038

Revised

EXHIBIT 1 DEC 11 2020 12/03/2020

LA Public Service Commission

	Year Ended 2020	Pierre Part Adjustments	Pierre Part Proforma Statement with Adjustments
Sales	\$ 358,337		1 \$ 358,337
Adjusted Sales	358,337	-	358,337
Less Cost of Gas Sold	77,634		2 77,634
Gross Profit on Sales	280,703	-	280,703
Penalties Collected on Gas Accounts	2,021		2,021
Miscellaneous Service Revenues	150		150
Recoveries of Bad Debts	588		588
Gross Income from Gas Operations	283,462	-	283,462
Gas Operating Expenses:			
Advertising	482		482
Amortization - Regulatory liability	-		-
Bad debts	532		532
Computer expenses	3,329		3,329
Customer records and collection expense	68,051		68,051
Customer services	-		-
Depreciation	53,630		53,630
Directors' fees	6,421		6,421
Donations	200	200 3	-
Dues and subscriptions	65		65
Electricity and water	363		363
Freight	-		-
Gasoline and oil	2,131		2,131
General expense	1,141		1,141
Insurance	8,556		2 8,556
Maintenance - gas lines	35,286		35,286
Maintenance - other equipment	1,723		1,723
Maintenance - industrial	-		2 -
Meter reading expense	9,589		9,589
Meter station expense	2,335		2,335
Office expense	3,044		3,044
Operating expense	19,552		3 19,552
Operating salaries	-		-
Penalties	-		-
Postage	4,891		4,891
Professional services	8,574		8,574
Profit sharing plan	-		-
Promotion	-		3 -
Social security and unemployment taxes	10,338		10,338
Taxes and licenses - general	15,605		15,605
Telephone Expenses	609		609
Tires and tubes	45		45
Rent	350		350
Traveling	-		3 -
Total operating expenses	\$ 256,842	\$ 200	\$ 256,642

Pierre Part Natural Gas  
Proforma Income Statement  
For the year ended June 30, 2020  
**Docket No. U-35038**

Revised

EXHIBIT 1 (cont)

12/3/2020

	Year Ended 2020	Pierre Part Adjustments	Pierre Part Proforma Statement with Adjustments
Net Income from Operations (Total Gas Operating Revenues)	\$ 26,620	\$ (200)	\$ 26,820
Other Utility Operating Income:			
Cash Discounts			-
Gain on sale of assets			-
Miscellaneous	718		718
Total Other Utility Operating Income	718	- 2	718
Interest Charges:			
Interest on Meter Deposits	1,073		1,073
Other Interest	1,416		1,416
Total Interest Charges	2,489	-	2,489
Net Income from Utility Operations	24,849	(200)	25,049
Non-Utility Income:			
Gain on disposal of assets	-		-
Interest Earned	-	-	-
Net Non-Utility Income	-	-	-
Subtotal	24,849	(200)	25,049
Federal and State Income Taxes	2,357	(19)	2,376
Net Income	22,492	(181)	22,673

1) Nonjurisdictional gas sales

2) Nonjurisdictional gas purchases, maintenance and depreciation expenses  
(expenses associated with nonjurisdictional customers)

3) Expenses previously not allowed

Pierre Part Natural Gas  
 Calculations to bring Roe to authorized 10%  
 For the year ended June 30, 2020  
 Docket No. U-35038

Revised

EXHIBIT 2

12/03/2020

	Year Ended 2020	Pierre Part Adjustments	Proforma with Pierre Part Adjustments	Sales Required for 10% ROE at 21% rate
<b><u>Operating Revenue</u></b>				
Sales	\$ 358,337	\$ -	\$ 358,337	\$ 391,015
Other Income	3,477	-	3,477	3,477
	<u>361,814</u>	<u>-</u>	<u>361,814</u>	<u>394,492</u>
<b><u>Operating Expenses:</u></b>				
Total Operation & Maintenance	280,846	200	280,646	280,646
Additional Operating Expenses			-	-
Total Operating & Maintenance Expense	<u>280,846</u>	<u>200</u>	<u>280,646</u>	<u>280,646</u>
Add Depreciation	53,630	-	53,630	53,630
Total Operating Expenses	<u>334,476</u>	<u>200</u>	<u>334,276</u>	<u>334,276</u>
Operating Income/(Loss)	27,338	(200)	27,538	60,216
Less Interest	2,489	-	2,489	2,489
Net Income/(Loss)	<u>24,849</u>	<u>(200)</u>	<u>25,049</u>	<u>57,727</u>
Less Taxes	2,357	(19)	2,376	5,476
Income After Taxes	<u>22,492</u>	<u>(181)</u>	<u>22,673</u>	<u>52,251</u>
 <b><u>Rate Base Calculations:</u></b>				
Plant in Service	1,949,365		1,949,365	1,949,365
Less Accumulated Depreciation	<u>(1,006,619)</u>	<u>-</u>	<u>(1,006,619)</u>	<u>(1,006,619)</u>
Net Plant in Service	942,746	-	942,746	942,746
Plant Under Construction	-	-	-	-
Total Plant	<u>942,746</u>	<u>-</u>	<u>942,746</u>	<u>942,746</u>
 <b><u>Additions:</u></b>				
Materials & Supplies	-	-	-	-
Prepayments			-	-
Working Capital	22,159	25	22,134	22,134
Total Additions	<u>22,159</u>	<u>25</u>	<u>22,134</u>	<u>22,134</u>
 <b><u>Deductions</u></b>				
Customer Deposits	21,220		21,220	21,220
Contributions in Aid of Construction	105,369		105,369	105,369
Deferred Income Taxes	34,425		34,425	34,425
Regulatory Liability		-	-	-
Total Deductions	<u>161,014</u>	<u>-</u>	<u>161,014</u>	<u>161,014</u>
 Net Rate Base	803,890	25	803,865	803,865
Net Operating Income	22,492		22,673	52,251
Rate of Return	2.80%		2.82%	6.50%

Actual Equity Ratio

<b>Return on Equity:</b>		
Net Operating Income	22,673	52,251
Divide by Net Rate Base	803,865	803,865
Multiply by Equity Ratio	65.00%	65.00%
<b>RETURN ON EQUITY</b>	<u>4.339%</u>	<u>10.000%</u>

Pierre Part Natural Gas  
Rate Base Components  
For the year ended June 30, 2020  
Docket No. U-35038

Revised

EXHIBIT 3

12/03/2020

	Year Ended 2020	Pierre Part Adjustments	Proforma with Pierre Part Adjustments
<b><u>Operating Revenue</u></b>			
Sales	\$ 358,337	\$ -	\$ 358,337
Other Income	3,477	-	3,477
	<u>361,814</u>	<u>-</u>	<u>361,814</u>
<b><u>Operating Expenses:</u></b>			
Total Operation & Maintenance	280,846	200	280,646
Additional Operating Expenses	-	-	-
Total Operating & Maintenance Expens	<u>280,846</u>	<u>200</u>	<u>280,646</u>
Add Depreciation	53,630	-	53,630
Total Operating Expenses	<u>334,476</u>	<u>200</u>	<u>334,276</u>
Operating Income/(Loss)	27,338	(200)	27,538
Less Interest	2,489	-	2,489
Net Income/(Loss)	<u>24,849</u>	<u>(200)</u>	<u>25,049</u>
Less Taxes	2,357	-	2,376
Income After Taxes	<u>22,492</u>	<u>(200)</u>	<u>22,673</u>
 <b><u>Rate Base Calculations:</u></b>			
Plant in Service	1,949,365	66,793	1,882,572
Less Accumulated Depreciation	<u>(1,006,619)</u>	<u>(66,793)</u>	<u>(939,826)</u>
Net Plant in Service	942,746	-	942,746
Plant Under Construction	-	-	-
Total Plant	<u>942,746</u>	<u>-</u>	<u>942,746</u>
<b><u>Additions:</u></b>			
Materials & Supplies	-	-	-
Prepayments	-	-	-
Working Capital	22,159	25	22,134
Total Additions	<u>22,159</u>	<u>25</u>	<u>22,134</u>
<b><u>Deductions</u></b>			
Customer Deposits	21,220	-	21,220
Contributions in Aid of Construction	105,369	-	105,369
Deferred Income Taxes	34,425	-	34,425
Regulatory Liability	-	-	-
Total Deductions	<u>161,014</u>	<u>-</u>	<u>161,014</u>
Net Rate Base	803,890	25	803,865
Net Operating Income	22,492	-	22,673
Rate of Return	2.80%	-	2.82%

Actual Equity Ratio

<b>Return on Equity:</b>	
Net Operating Income	22,673
<b>Divide by Net Rate Base</b>	803,865
<b>Multiply by Equity Ratio</b>	<u>65.00%</u>
<b>RETURN ON EQUITY</b>	<b>4.339%</b>

Pierre Part Natural Gas

Revised

EXHIBIT 4

12/03/2020

**Calculations to Adjust Rate**

Jurisdictional sales

\$ 358,337

Jurisdictional sales required for 10% ROE

391,015

Jurisdictional sales (over)/under 10%

**32,678.00**

Average Mcf sold last three years

33,484

**RSP ADJUSTMENT PER MCF**

\$ 0.9759

Pierre Part Natural Gas  
Workpaper for Revised Tariff Sheet  
For the year ended June 30, 2020  
**Docket No. U-35038**

**EXHIBIT 13**

12/03/2020

Additional revenue/(decrease) to get back to 10% ROE \$ 32,678

Average Mcf sold last three years 33,484

RSP ADJUSTMENT PER MCF \$ 0.9759

**REVISED RESIDENTIAL RATES**

Commodity charge \$ 2.5554

RSP adjustment 0.9759

New commodity charge \$ 3.5313

**REVISED SMALL COMMERCIAL RATES**

Commodity charge \$ 4.3887

RSP adjustment 0.9759

New commodity charge \$ 5.3646

**Pierre Part Natural Gas Company, Inc.**

**Financial Statements**

**Years Ended June 30, 2020 And 2019**

## Table Of Contents

	Page
<b>Report of Certified Public Accountants</b>	1
<b>Financial Statements</b>	
Balance Sheets	3
Statements Of Income And Expenses	5
Statements Of Retained Earnings	6
Statements Of Cash Flows	7
Notes To Financial Statements	8
<b>Supplementary Information</b>	
Utility Plant, Property And Equipment	17
Schedules Of Gas Operating Expenses	19

# PEDELAHORE & CO., LLP

*Certified Public Accountants*

## Independent Auditor's Report

To the Board of Directors  
Pierre Part Natural Gas Company, Inc.  
Raceland, Louisiana

We have audited the accompanying financial statements of Pierre Part Natural Gas Company, Inc. (a Louisiana corporation and wholly owned subsidiary of South Coast Gas Company, Inc.), which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pierre Part Natural Gas Company, Inc. as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report On Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Utility Plant, Property and Equipment, and Gas Operating Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Pdclshore & Co, LLP*

Metairie, Louisiana  
December 11, 2020

**Pierre Part Natural Gas Co., Inc.**

**Balance Sheets**  
**June 30, 2020 And 2019**

	<u><b>Assets</b></u>	
	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Utility Plant, Property And Equipment</b>		
Cost	<b>\$ 1,949,365</b>	<b>\$ 1,873,306</b>
Less accumulated depreciation	<u><b>1,006,619</b></u>	<u><b>952,989</b></u>
Book value	<u><b>942,746</b></u>	<u><b>920,317</b></u>
<b>Current Assets</b>		
Cash in banks and on hand	<b>135,823</b>	<b>37,820</b>
Accounts receivable, customers:		
Gas accounts	<b>23,836</b>	<b>24,100</b>
Prepaid expenses	<b>200</b>	<b>-</b>
Prepaid taxes	<u><b>1,087</b></u>	<u><b>2,115</b></u>
Total current assets	<u><b>160,946</b></u>	<u><b>64,035</b></u>
	<u><b>\$ 1,103,692</b></u>	<u><b>\$ 984,352</b></u>

**Capitalization And Liabilities**

	<u>2020</u>	<u>2019</u>
<b>Capitalization</b>		
Capital stock	\$ 24,000	\$ 24,000
Cost of 120 shares of common stock held by the Company	(180,000)	(180,000)
Retained earnings	719,054	696,562
Contributions in aid of construction	<u>105,369</u>	<u>96,451</u>
 Total capitalization	 <u>668,423</u>	 <u>637,013</u>
 <b>Current Liabilities</b>		
Current maturities of long term debt	10,415	13,909
Accounts payable	706	2,990
Accruals	11,807	12,526
Deferred gas costs	<u>7,049</u>	<u>6,372</u>
 Total current liabilities	 <u>29,977</u>	 <u>35,797</u>
 <b>Long-term Liabilities</b>		
Notes payable	11,878	22,293
Customers' meter deposits	21,220	21,760
Accrued interest on meter deposits	<u>383</u>	<u>393</u>
 Total long-term liabilities	 <u>33,481</u>	 <u>44,446</u>
 <b>Deferred Credits and Other Liabilities</b>		
Due to parent	338,866	236,653
Deferred income taxes	<u>32,945</u>	<u>30,443</u>
 Total deferred credits and other liabilities	 <u>371,811</u>	 <u>267,096</u>
	 <u>\$ 1,103,692</u>	 <u>\$ 984,352</u>

The Notes To Financial Statements are an integral part of these statements.

**Pierre Part Natural Gas Co., Inc.**  
**Statements Of Income And Expenses**  
**Years Ended June 30, 2020 And 2019**

	<u>2020</u>	<u>2019</u>
<b>Gas Operating Revenues</b>		
Sales	\$ 358,337	\$ 372,148
Less cost of gas sold	<u>77,634</u>	<u>120,382</u>
Gross profit on sales	280,703	251,766
Penalties collected on gas accounts	2,021	2,227
Miscellaneous service revenues	<u>738</u>	<u>245</u>
Gross income from gas operations	283,462	254,238
Gas operating expenses	<u>256,842</u>	<u>343,346</u>
Total gas operating revenues (expenses)	26,620	(89,108)
Other utility operating income		
Miscellaneous	<u>718</u>	<u>3</u>
Net income (loss) from utility operations before interest charges	<u>27,338</u>	<u>(89,105)</u>
Interest charges on meter deposits	1,073	1,009
Other interest	<u>1,416</u>	<u>2,120</u>
	2,489	3,129
Net income (loss) before provision for income taxes	24,849	(92,234)
Income tax expense (benefit)	<u>2,357</u>	<u>(2,879)</u>
<b>Net Income (Loss)</b>	<u>\$ 22,492</u>	<u>\$ (89,355)</u>
Earnings per share of common stock, based on shares outstanding at June 30	<u>\$ 187.43</u>	<u>\$ (744.62)</u>

The Notes To Financial Statements are an integral part of these statements.

**Pierre Part Natural Gas Co., Inc.**  
**Statements Of Retained Earnings**  
**Years Ended June 30, 2020 And 2019**

	<u>2020</u>	<u>2019</u>
<b>Balance, Beginning</b>	<b><u>\$ 696,562</u></b>	<b><u>\$ 785,917</u></b>
Additions		
Net income (loss)	<u>22,492</u>	<u>(89,355)</u>
Net increase (decrease) for the year	<u>22,492</u>	<u>(89,355)</u>
<b>Balance, Ending</b>	<b><u>\$ 719,054</u></b>	<b><u>\$ 696,562</u></b>

The Notes To Financial Statements are an integral part of these statements.

**Pierre Part Natural Gas Co., Inc.**

**Statements Of Cash Flows**

Years Ended June 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ 22,492	\$ (89,355)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	53,631	54,079
Deferred income taxes	2,502	(3,019)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivables	264	(950)
Prepaid expenses	(200)	300
Prepaid taxes	1,028	385
Increase (decrease) in:		
Accounts payable	(2,283)	2,778
Accruals	(720)	110
Deferred gas costs	677	2,970
Customers' meter deposits	(540)	80
Accrued interest on meter deposits	(10)	12
Due to parent	102,213	160,048
Contributions in aid of construction	<u>8,918</u>	<u>4,283</u>
Net cash provided (used) by operating activities	<u>187,972</u>	<u>131,721</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of fixed assets	<u>(76,060)</u>	<u>(143,671)</u>
Net cash provided (used) by investing activities	<u>(76,060)</u>	<u>(143,671)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on note payable	<u>(13,909)</u>	<u>(14,046)</u>
Net cash provided (used) by financing activities	<u>(13,909)</u>	<u>(14,046)</u>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	\$ 98,003	\$ (25,996)
Cash and cash equivalents at beginning of year	<u>37,820</u>	<u>63,816</u>
Cash and cash equivalents at end of year	<u>\$ 135,823</u>	<u>\$ 37,820</u>

The Notes To Financial Statements are an integral part of these statements.

**Pierre Part Natural Gas Company, Inc.**  
**Notes To Financial Statements**  
**Years Ended June 30, 2020 And 2019**

**Note 1. Significant Accounting Policies**

**Nature of Operations**

Pierre Part Natural Gas Company, Inc. (the Company) was incorporated in 1955 in Louisiana. The Company is a natural gas distribution company that serves residential, commercial and industrial customers in Assumption Parish in Louisiana.

**Regulation**

The Company operates under the jurisdiction of the Louisiana Public Service Commission (LPSC), which sets rates for residential and commercial customers. Rates established by the regulatory authority include fixed rate factors and gas adjustment clauses, which allow either current recovery in billings to customers or deferral of gas costs until costs are billed to customers. Additionally, certain costs that would normally be expensed under accounting principles generally accepted in the United States are permitted to be capitalized or deferred on the balance sheet because it is probable they can be recovered through rates.

**Revenue**

Sales are recognized upon delivery of natural gas and are billed to customers on a monthly cyclical basis. Often, the billing cycle for certain customers may not coincide with financial reporting periods; accordingly, the Company accrues an estimate of revenue for that particular cycle billing.

Additionally, rates established by regulatory authority are adjusted for increases and decreases in purchased gas costs through purchased gas adjustment mechanisms, which provide a method of recovering purchased gas costs on an ongoing basis. There is no gross profit generated through purchased gas adjustments, but they provide a dollar-for-dollar offset to increases or decreases in natural gas costs. The effects of these purchased gas adjustment mechanisms are recorded as deferred gas costs on the balance sheet.

**Financial Reporting**

The accrual basis of accounting is used for financial statement reporting purposes.

**Pierre Part Natural Gas Company, Inc.**

**Notes To Financial Statements**

**Years Ended June 30, 2020 And 2019**

**Note 1. Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

The accounts receivable arise in the normal course of business of selling gas to local customers. An allowance for doubtful accounts has not been established since management is of the opinion that all accounts receivable at year-end are ultimately collectible. Actual bad debts incurred totaled \$532 and \$1,095 for 2020 and 2019, respectively. Related bad debt recoveries were \$588 and \$-0- for June 30, 2020 and 2019, respectively.

**Utility Plant, Property and Equipment**

Utility plant, property and equipment are stated at cost. Depreciation is computed principally by the straight-line method based upon the following estimated useful lives:

Gas distribution lines	25 years
Trucks, machinery and equipment	4 -5 years

Maintenance and repairs of property are charged to operations, and major improvements are capitalized. Also, for income tax purposes, the Company uses accelerated methods as permitted by the Internal Revenue Code.

**Income Taxes**

The Company uses the asset and liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

On December 22, 2017, President Trump signed into law comprehensive tax reform legislation called the Tax Cuts and Job Acts, or TCJA, which resulted in significant changes to federal tax laws effective January 1, 2018. See Note 7 for further discussion of the impacts of tax reform implantation.

**Pierre Part Natural Gas Company, Inc.**

**Notes To Financial Statements**

**Years Ended June 30, 2020 And 2019**

**Note 1. Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Standards**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which may change current revenue recognition guidance for all entities. In August 2015, the FASB issued Accounting Standards Update No. 2015-14, which delayed the effective date of the new standard, and in June 2020, the effective date was further extended for all nonpublic entities to annual reporting periods beginning after December 15, 2019, or for the Company's fiscal year beginning July 1, 2020. The American Gas Association has been working with a special AICPA task force to evaluate this new standard's impact on the utility industry. The results of that study did not reveal any issues of significance to the Company. Except for drafting and inserting expanded revenue disclosures in its financial statements, the Company does not anticipate any significant changes upon implementation of the new standard. Accordingly, the Company intends to adopt the new standard in fiscal year beginning July 1, 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 provides a new lease accounting model, which entails recognizing lease assets and liabilities and includes disclosure of key information concerning the leasing arrangements.

**Pierre Part Natural Gas Company, Inc.**

**Notes To Financial Statements**

**Years Ended June 30, 2020 And 2019**

**Note 1. Significant Accounting Policies (continued)**

Additionally, in January 2018, the FASB issued ASU No. 2018-01, *Leases (Topic 842)*, as an amendment to address concerns about the costs and complexity of compliance with the new standard particularly involving existing and expired land easements. Both the standard and amendment are effective for non-public companies for fiscal years beginning after December 15, 2019, with early adoption permitted. However, FASB has issued ASU 2020-05 to defer the effective date until fiscal years beginning after December 15, 2021. The Company is presently evaluating the available provisions and is continuing to assess the impact that the new standard may have on its financial statements. At this time, the Company expects to adopt the new lease standard in fiscal year beginning July 1, 2022.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*. This ASU provides guidance on accounting for credit losses on applicable instruments, in particular trade receivables. This ASU is effective for fiscal years beginning after December 15, 2020. However, as in the above ASU for Leases, the proposed accounting standards update would defer the effective date until fiscal years beginning after December 15, 2022.

**Note 2. Cash Flow Information**

Interest and income taxes paid for the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Interest	\$ 2,489	\$ 3,129
Income taxes (net of refunds)	-	-

**Note 3. Utility Plant, Property And Equipment**

At June 30, 2020 and 2019, utility plant, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Gas distribution lines	\$ 1,920,737	\$ 1,844,678
Trucks, machinery and equipment	<u>28,628</u>	<u>28,628</u>
	<u>\$ 1,949,365</u>	<u>\$ 1,873,306</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$53,631 and \$54,079, respectively.

**Pierre Part Natural Gas Company, Inc.**  
**Notes To Financial Statements**  
**Years Ended June 30, 2020 And 2019**

**Note 4. Common Stock**

	<u>2020</u>		<u>2019</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Authorized @ \$100 par value	1,000	\$100,000	1,000	\$100,000
Unissued	760	76,000	760	76,000
Issued	240	<u>\$ 24,000</u>	240	<u>\$ 24,000</u>
Held by the Company	120		120	
Issued and outstanding	<u>120</u>		<u>120</u>	

**Note 5. Accruals**

Accruals consist of the following:

	<u>2020</u>	<u>2019</u>
Property taxes	\$ 6,807	\$ 7,179
Sales taxes	-	347
Professional services	<u>5,000</u>	<u>5,000</u>
	<u>\$ 11,807</u>	<u>\$ 12,526</u>

**Note 6. Notes Payable**

Notes payable consist of the following as of June 30, 2020 and 2019:

Long-term:

	<u>2020</u>	<u>2019</u>
Note payable to Ford Motor Credit with interest at 6.39%, payable in monthly installments of \$412.53, including principal and interest, with the balance due April 8, 2020; secured.	\$ -	\$ 3,961
Note payable to Capital One Bank with interest at 4.5%, payable in monthly installments of \$934.75, including principal and interest, with the balance due July 5, 2022; secured.	<u>22,293</u>	<u>32,241</u>
	<u>22,293</u>	<u>36,202</u>
Less current maturities	<u>10,415</u>	<u>13,909</u>
	<u>\$ 11,878</u>	<u>\$ 22,293</u>

**Pierre Part Natural Gas Company, Inc.**

**Notes To Financial Statements**

**Years Ended June 30, 2020 And 2019**

**Note 6. Notes Payable (continued)**

Aggregate maturities or payments required on principal under long term debt obligations for each of the succeeding years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2021	\$ 10,415
2022	10,901
2023	977

Interest charged to operations for fiscal year ending June 30, 2020 and 2019 was \$2,489 and \$3,129, respectively, including interest charges on meter deposits.

**Note 7. Income Taxes**

The difference between depreciation shown in the financial statements and depreciation for income tax purposes results in a deferral of federal and state income taxes. Deferred income taxes are also computed annually for differences between the financial statements and tax basis of deferred gas costs that will result in taxable or deductible amounts in the future.

The Tax Cuts and Jobs Act of 2017, or TCJA, was signed into law on December 22, 2017, and contained significant changes to Federal tax laws effective January 1, 2018. The new law contains several key provisions the more significant of which reduces the U.S. corporate tax rate from essentially 35% to 21%.

Accounting principles ASC 740 requires that deferred tax balances be adjusted in the period of enactment to the rate in which those deferred taxes will reverse. As a result of the enactment of the TCJA, in 2018 the Company recorded a deferred tax benefit of \$23,539 due to a remeasurement of deferred tax assets and liabilities as of and subsequent to the enactment date. Also, as further described in Note 9., the Company was required to refund approximately \$745 to customers.

**Pierre Part Natural Gas Company, Inc.**

**Notes To Financial Statements**

**Years Ended June 30, 2020 And 2019**

**Note 7. Income Taxes (continued)**

"Income taxes" shown in the Statement of Income and Expenses is composed of the following amounts:

	<u>2020</u>	<u>2019</u>
Income taxes currently payable	\$ (145)	\$ 140
Income taxes currently deferred	<u>2,502</u>	<u>(3,019)</u>
Income tax expense (benefit)	<u>\$ 2,357</u>	<u>\$ (2,879)</u>
Cumulative deferred income taxes:		
Balance, beginning of year	\$ 30,443	\$ 33,462
Current deferral	<u>2,502</u>	<u>(3,019)</u>
Balance, end of year - net liability	<u>\$ 32,945</u>	<u>\$ 30,443</u>

The Company's taxable income is included in a consolidated federal income tax return filed by its parent company, South Coast Gas Company, Inc. The income tax data shown above includes the Company's allocated share of the total consolidated federal income tax liability.

**Uncertain Tax Positions**

Management believes that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Company's tax returns remain open for three years for federal and state income tax examination.

**Note 8. Concentration Of Credit Risk**

The Company maintains cash balances at several financial institutions. All transaction accounts are insured by the Federal Deposit Insurance Corporation insured up to \$250,000. At June 30, 2020 the Company had no uninsured cash balances. The Company believes it is not exposed to any significant credit risk to cash or financial instruments with off balance sheet risk.

**Pierre Part Natural Gas Company, Inc.**  
**Notes To Financial Statements**  
**Years Ended June 30, 2020 And 2019**

**Note 9. Regulatory Matters And Accounting**

**Deferrals And Accruals**

The effects of purchased gas adjustment mechanisms are recorded as deferred gas costs on the balance sheet. Deferred gas costs asset (liability) of \$(7,049) and \$(6,372) as of June 30, 2020 and 2019, respectively, represent under collected or (over collected) gas cost that will be collected from or (refunded to) customers during the twelve-month period beginning September 1 following the fiscal year end. Related deferred income taxes on the above deferrals as of June 30, 2020 and 2019, were \$1,480 and \$1,338, respectively.

**Filings With The LPSC**

On October 12, 2018, the Company filed an application with the LPSC requesting an increase in its gas service rates (due to increased operating costs) and approval of a rate stabilization plan (RSP), which would allow the Company to more timely account for changes in operating expenses and to increase the efficiency of its ratemaking proceedings.

As a result of the filing, on August 7, 2019 the LPSC authorized the Company to increase its service rates and establish a RSP for three (3) years with annual filings and test period beginning in 2020. In addition, the Company was required to refund approximately \$745 to customers as a one-time credit no later than August 2019 billings due to tax changes of the "TCJA."

**Note 10. Subsequent Events And Management's Review**

The Company has evaluated events or transactions occurring after the balance sheet date through December 11, 2020, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**Pierre Part Natural Gas Co., Inc.**  
**Utility Plant, Property And Equipment**  
June 30, 2020

<b>Description</b>	<b>Ledger Value</b>	<b>Accumulated Depreciation</b>	<b>Residual Value</b>
Line No. 1 - Pierre Part	\$ 1,659,636	\$ 885,772	\$ 773,864
Line No. 2 - Belle River	261,101	130,356	130,745
Truck, 84 Chevy van	21,079	21,079	-
Air compressor	658	658	-
Monroe copying machine	1,245	1,245	-
Cable hound	347	347	-
Heath F.I. Portafed	2,590	2,590	-
Heath comb. gas indicator	521	521	-
Metro-tech line locator	1,935	1,935	-
Recording pressure gauge	253	253	-
Unallocated contributions - reserve	-	(38,137)	38,137
	<u>\$ 1,949,365</u>	<u>\$ 1,006,619</u>	<u>\$ 942,746</u>

**Pierre Part Natural Gas Co., Inc.**  
**Utility Plant, Property And Equipment**  
June 30, 2019

Description	Ledger Value	Accumulated Depreciation	Residual Value
Line No. 1 - Pierre Part	\$ 1,591,263	\$ 838,343	\$ 752,920
Line No. 2 - Belle River	253,415	120,118	133,297
Truck, 84 Chevy van	21,079	21,079	-
Air compressor	658	658	-
Monroe copying machine	1,245	1,245	-
Cable hound	347	347	-
Heath F.I. Portafed	2,590	2,590	-
Heath comb. gas indicator	521	521	-
Metro-tech line locator	1,935	1,935	-
Recording pressure gauge	253	253	-
Unallocated contributions - reserve	-	(34,100)	34,100
	<u>\$ 1,873,306</u>	<u>\$ 952,989</u>	<u>\$ 920,317</u>

**Pierre Part Natural Gas Co., Inc.**  
**Schedules Of Gas Operating Expenses**  
**Years Ended June 30, 2020 And 2019**

	<u>2020</u>	<u>2019</u>
Advertising	\$ 482	\$ 459
Bad debts	532	1,095
Customer records and collection expense	68,051	78,288
Depreciation	53,631	54,079
Directors' fees	6,421	6,398
Donations	200	-
Dues and subscriptions	65	142
Electricity and water	363	356
Gasoline and oil	2,131	3,190
General	1,140	785
IBM	3,329	525
Insurance	8,556	15,936
Maintenance - gas lines	35,286	72,447
Maintenance - other equipment	1,723	1,522
Meter reading expense	9,589	8,082
Meter station expense	2,335	2,865
Office expense	3,044	1,759
Operating expense	19,552	27,196
Postage	4,891	5,600
Professional services	8,574	27,013
Rent	350	1,650
Social security and unemployment taxes	10,338	16,240
Taxes and licenses - general	15,605	17,719
Telephone and telegrams	609	-
Tires and tubes	45	-
	<u>\$ 256,842</u>	<u>\$ 343,346</u>