

MEMORANDUM

December 5, 1995

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *ON*

RE: DOCKET NO. 950003-GU - PEOPLES GAS SYSTEM, INC.
PGA AUDIT REPORT - PERIOD ENDED SEPTEMBER 30, 1995
AUDIT CONTROL NO. 95-233-2-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Peoples Gas System, Inc.
Jack E. Uhl
Post Office Box 2562
Tampa, FL 33601-2562

DNV/sp
Attachment

cc: Chairman Clark
Commissioner Deason
Commissioner Johnson
Commissioner Kiesling
Commissioner Garcia
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Makin)
Tampa District Office (Bouckaert)

Office of Public Counsel

DOCUMENT NUMBER-DATE

12191 DEC-6 95

FPSC-RECORDS/REPORTING

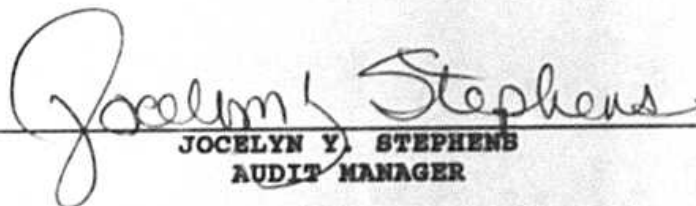
FLORIDA PUBLIC SERVICE COMMISSION
AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1995


FIELD WORK COMPLETED
NOVEMBER 6, 1995

PEOPLES GAS SYSTEM, INC.
TAMPA, FLORIDA
HILLSBOROUGH COUNTY
PURCHASED GAS ADJUSTMENT AUDIT

DOCKET 950003-GU
AUDIT CONTROL NUMBER 95-233-2-1



JOCELYN Y. STEPHENS
AUDIT MANAGER



ANN BOUCKAERT
PUBLIC UTILITIES SUPERVISOR
TAMPA

DOCUMENT NUMBER-DATE
12191 DEC-68
FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

Audit Purpose: We have applied the procedures described in Section II of this report to audit the appended Purchased Gas Adjustment Exhibits Schedule A-2 (True-up Calculation and Interest Provision) for the six month periods ending March 31, 1995 and September 30, 1995 prepared by Peoples Gas System, Inc. in support of Docket 950003-GU.

Scope Limitation: An exit conference was not held. This report is partially based on confidential information which is filed separately with the Commission Clerk. The start of the 21-day filing period for confidential and proprietary information began on November 27, 1995.

Disclaim Public Use: This is an internal accounting report prepared after performing a limited scope audit, accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statement for public use.

Opinion: Schedules A-2 for the six month period ending March 31, 1995 and September 30, 1995 represent Peoples Gas System, Inc.'s books and records maintained in substantial compliance with Commission directives. The expressed opinions extend only to the scope of work described in Section II of this report.

Summary Findings:

Company increased its Administrative Costs, charged to the PGA filing, by \$261,967 between FY94 and FY95.

II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this report COMPILED means that audit work includes:

COMPILED - Means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error inconsistency; disclosed any unresolved error, irregularity or inconsistency; and, except as otherwise noted performed no other audit work.

Cost of Purchased Gas - Compiled total Pipeline and Transportation Costs less End Use Contract amounts. Verified the mathematical accuracy of Schedule A-1 Cost of Purchased Gas for the six month periods ending March 31, 1995 and September 30, 1995. Traced dollars and associated therms of purchased gas to vendor invoices. Agreed cost of Company Use gas to associated g/l account. Reconciled PGA gas cost for End Use Sales between Sch A-1 and Sch A-3. Performed Analysis of Administrative Costs charged to PGA filing.

Gas Revenues - Compiled PGA Revenues. Recomputed PGA revenues based upon the PSC approved rate and Company supplied sales reports (FRS - F265 Report). Recomputed the Company's calculation of unbilled revenues. Traced negative cash-out revenues (from End-Users) to customer invoices.

Calculation of True-Up - Recomputed monthly Adjusted Total True-Up. Recomputed the monthly interest provision using the FPSC approved interest rates.

Other - Performed an analytic review comparing selected current year operating information to the same data from the prior year and investigated any inconsistencies noted. Traced positive End-User sales to customer invoices.

AUDIT DISCLOSURE NO. 1

SUBJECT: ADMINISTRATIVE COSTS CHARGED TO PGA EXPENSE

STATEMENT OF FACT: During FY95, Company charged \$803,014 of administrative costs through the PGA filing. During FY94, Company charged \$541,046 of administrative costs through the PGA filing.

A comparison of administrative costs between FY94 and FY95 follows:

<u>TYPE</u>	<u>DEPT</u>	<u>AMT-FY94</u>	<u>AMT-FY95</u>	<u>INCR(DEC)</u>
Salaries & Wages	260	\$ 73,169	\$ 74,347	\$ 1,178
Salaries & Wages*	320	251,739	284,159	32,420
TIPS	320	0	900	900
Mtls & Supplies	260	168	259	91
Mtls & Supplies	320	8,971	3,508	(5,463)
Employee Expenses	260	3,284	2,739	(545)
Employee Expenses	320	39,788	26,790	(12,998)
Equipment Use	320	6,237	6,162	(75)
Outside Services*	320	22,701	38,069	15,368
Utility Expenses*	320	0	292,683	292,683
Allocated Expenses*	320	129,300	68,832	(60,468)
Other Expenses	320	5,689	4,566	(1,123)
		-----	-----	
TOTAL ADMIN. COST		\$541,046	\$803,014	\$261,968
		=====	=====	=====

Note: Dept 260 - Gas Accounting
 Dept 320 - Gas Transportation and Rates

* - See Company provided explanations below

Salaries & Wages

This increase is the result of "an increase in the Dept.'s average number of full-time permanent employees as shown below:"

Average # of Employees FY95	8.42
Average # of Employees FY94	7.17

Increase in # of Employees	1.25
	=====

Outside Services

This increase is the result of \$8,361.22 of "Metretek Utility charges that should have been charged to expense code #60 [Utilities Expense]..." and \$8,575 expenses for "Western Corp. of America".

"Beginning FY95, the Western Corp. of America provides a weather service to Peoples Gas System, Inc. for the months April through October at a cost of \$1,125 per month."

Utilities Expense

This increase is the result of \$266,977 for "GOFR Utility Expenses" from "Intermedia Communication".

"GOFR is a gas management system to balance on a real time day-to-day basis the physical molecules of gas delivered to Peoples Gas System, Inc. gate stations by the Florida Gas Transmission and Southern Natural Gas Interstate pipelines."

This increase is also the result of "Metretek Utility Expenses" from "United Telephone, Southern Bell and GTE" totalling \$25,706.

"Metretek is a data acquisition system to collect and calculate the daily volumes of gas taken at the burner tip by Peoples Gas System, Inc. transportation customers."

"Peoples Gas System, Inc. began feeding the Metretek numbers into the GOFR system during FY94. At this time it was determined that the GOFR and Metretek utility costs represented a significant amount that related to gas acquisition expense. Beginning with FY 95, the utility expense budget for Dept. 320, expense code 60, included these charges. Actual costs during FY95 were booked accordingly."

Allocated Expense

This increase is explained below:

FY94			
	Gas Transportation Info System@	\$ 64,488	
	Gas Online Flow Report System (GOFR)	64,812	
		-----	\$129,300
FY95			
	Gas Online Flow Report System (GOFR)	\$ 52,020	
	T-gas Contract Administration@	16,812	
		-----	\$ 68,832
		Difference	<u>(\$ 60,468)</u>

@ = "This item represents data processing expenses allocated for the development and modification of systems used to handle the administration of contracts and the tracking of nominations related to the purchase and transportation of natural gas."

COMPANY COMMENT: Company may respond at a later date.

FOR THE PERIOD OF: APRIL 94 Through MARCH 95

Page 1 of 1

	CURRENT MONTH		PERIOD TO DATE	
	ACTUAL	ESTIMATE	ACTUAL	ESTIMATE
TRUE-UP CALCULATION				
1 PURCHASSED GAS COST	\$4,063,666	\$5,320,264	\$1,256,578	\$0,309,272
2 TRANSPORTATION COST	5,107,873	3,028,708	(2,078,165)	(0,407,803)
3 TOTAL	9,171,539	8,348,972	(822,567)	(0,088,877)
4 FUEL REVENUES (NET OF REVENUE TAX)	7,455,860	8,348,872	893,012	0,119,718
5 TRUE-UP REFUND(COLLECTION)	28,872	28,878	4	0,000,015
6 FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ or -) LINE 5)	7,482,832	8,375,948	893,098	0,119,833
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(1,888,588)	28,878	1,215,482	(1,015,867)
8 INTEREST PROVISION-THIS PERIOD (21)	26,123	15,853	(10,270)	(0,426,000)
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	8,427,703	3,128,328	(5,299,375)	(0,511,780)
10 TRUE-UP COLLECTED OR (PREFUNDED) (REVERSE OF LINE 5)	0	0	0	0,000,000
10a FLEX RATE REFUND (if applicable)	4,718,347	3,142,180	(1,574,167)	(0,333,272)
11 TOTAL ESTACT TRUE-UP (7+8+9+10+10a)	0	0	0	0,000,000
11a FGT REFUND	4,718,347	3,142,180	(1,574,167)	(0,333,272)
12 ADD TOTAL ESTACT TRUE-UP (11+11a)				
INTEREST PROVISION				
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	8,403,703	3,128,328	(5,275,375)	(0,511,780)
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5)	4,688,225	3,128,328	(1,561,897)	(0,333,150)
15 TOTAL (13+14)	11,091,928	6,256,656	(4,835,272)	(0,438,290)
16 AVERAGE (50% OF 15)	5,545,964	3,128,328	(2,418,637)	(0,438,290)
17 INTEREST RATE - FIRST DAY OF MONTH	6.03	6.03	0	0,000,000
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	6.12	6.12	0	0,000,000
19 TOTAL (17+18)	12.170	12.170	0	0,000,000
20 AVERAGE (50% OF 19)	8.085	8.085	0	0,000,000
21 MONTHLY AVERAGE (20/12 Months)	0.597	0.597	0	0,000,000
22 INTEREST PROVISION (18x21)	\$28,123	\$19,853	(\$8,270)	(\$0,438,290)

* If line 5 is a refund add to line 4
If line 5 is a collection (-) subtract from line 4

FOR THE PERIOD OF APRIL 95 THROUGH MARCH 96

Page 1 of 1

	CURRENT MONTH - SEPTEMBER 95		PERIOD TO DATE	
	ACTUAL	ESTIMATE	ACTUAL	ESTIMATE
TRUE-UP CALCULATION				
1 PURCHASED GAS COST (A-1, LINES 3+4-B-13)	\$3,815,281	\$3,410,889	(\$404,392)	(\$10,10599)
2 TRANSPORTATION COST (A-1, LINES 1+2+6+7-4)	2,175,904	1,994,908	(180,996)	(10,08778)
3 TOTAL	5,991,185	5,395,777	(595,388)	(10,098287)
4 FUEL REVENUES (NET OF REVENUE TAX)	5,794,125	5,289,777	(504,348)	(10,05408)
5 TRUE-UP REFUND(COLLECTION)	28,830	28,830	0	0.00000
6 FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+) or (-) LINE 5)	5,765,295	5,424,407	(340,848)	(10,05379)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 5)	(28,830)	28,830	287,940	(1,11079)
8 INTEREST PROVISION - THIS PERIOD (21)	12,580	15,813	3,233	0.25900
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	2,702,482	3,221,736	519,253	0.19214
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 9)	(28,830)	(28,830)	0	0.00000
10a FLEX RATE REFUND (if applicable)	0	0	0	0.00000
11 TOTAL ESTACT TRUE-UP (7+8+9+10-10a)	2,428,003	3,221,548	809,546	0.33342
11a FGT REFUND	0	0	0	0.00000
12 ADJ TOTAL ESTACT TRUE-UP (11+11a)	2,428,003	3,221,548	809,546	0.33342
INTEREST PROVISION				
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	2,702,482	3,221,736	519,253	0.19214
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5)	2,415,443	3,221,736	806,293	0.33381
15 TOTAL (13+14)	5,117,925	6,443,471	1,325,546	0.25900
16 AVERAGE (50% OF 15)	2,558,963	3,221,736	662,773	0.25900
17 INTEREST RATE - FIRST DAY OF MONTH	5.84	5.84	0	0.00000
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.94	5.94	0	0.00000
19 TOTAL (17+18)	11,760	11,760	0	0.00000
20 AVERAGE (50% OF 19)	5.890	5.890	0	0.00000
21 MONTHLY AVERAGE (20/12 Months)	0.481	0.481	0	0.00000
22 INTEREST PROVISION (18x21)	\$12,580	\$15,813	\$3,233	\$0.25900

* If line 5 is a refund add to line 4
If line 5 is a collection (-) subtract from line 4

State of Florida

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

December 6, 1995

Peoples Gas System, Inc.
Attn: Jack E. Uhl
Post Office Box 2562
Tampa, Florida 33601-2562

Dear Mr. Uhl:

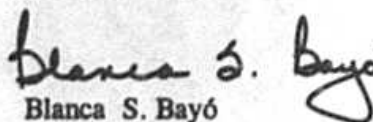
RE: Docket No. 950003-GU -- Peoples Gas System, Inc.
PGA Audit Report - Period Ended September 30, 1995
Audit Control #95-233-2-1

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

The Division of Records and Reporting is holding the workpapers for which you requested confidential treatment. You have 21 days from the audit exit conference, or December 19, 1995 to file a formal request for Confidential Classification with the Division of Records and Reporting.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/mas
Enclosure
cc: Public Counsel
Macfarlane Ausley Law Firm