

**FLORIDA PUBLIC SERVICE COMMISSION**

**AUDIT REPORT**

**12 MONTHS ENDED SEPTEMBER 30, 1996**

**Field Work Completed**

**December 2, 1996**

**PEOPLES GAS SYSTEM, INC.**

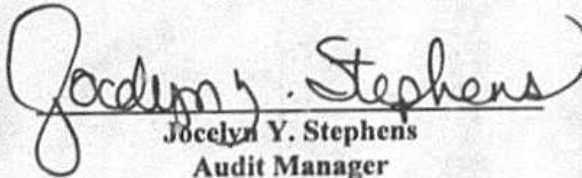
**Tampa, Florida**

**Hillsborough County**

**Purchased Gas Adjustment Audit**

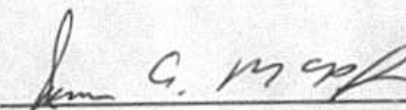
**Docket Number 960003-GU**

**Audit Control Number 96-151-2-1**

  
Jocelyn Y. Stephens  
Audit Manager

**Audit Staff**  
**Joe Rohrbacher**

**Minority Opinion**  
Yes  No  *JR by (YS)*

  
James A. McPherson  
Regulatory Analyst Supervisor

DOCUMENT NUMBER-DATE

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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, 1996 and September 30, 1996 prepared by Peoples Gas System, Inc. in support of Docket 960003-GU.

**Scope Limitation:** An exit conference was held on December 2, 1996. This report is partially based on confidential information which is filed separately with the Commission Clerk.

**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 statements for public use.

**Opinion:** Schedules A-2 for the six month period ending March 31, 1996 and September 30, 1996 represent Peoples Gas System'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:** Utility charged and subsequently refunded a portion of an Operational Flow Order Penalty, that resulted from unauthorized overrun volumes of gas.

II.. **Audit Scope:**

The opinions contained in this report are based on the audit work described below. When used in this report, the following definitions shall apply.

**COMPILED** - The audit staff reconciled exhibit amounts with the general ledger visually, scanned accounts for error or inconsistency, disclosed any unresolved error, irregularity, or inconsistency, and except as 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, 1996 and September 30, 1996. 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 including the tracing of positive End-User sales to customer invoices.

**Gas Revenues:** Compiled PGA Revenues. Recomputed PGA Revenues based upon the FPSC approved rate and Company supplies sales reports . Recomputed the Company's calculation of unbilled revenues. Traced negative cash-out revenues (from End-Users) to customer invoices. Reconciled Fuel Revenues to the General Ledger. Tested customer bills for proper PGA and True-up factors.

**Calculation of True-Up:** Recomputed monthly Adjusted Total True-up. Recomputed the monthly interest provision using the FPSC approved interest rates. Documented Flex Rate Adjustment and FGT refund.

**Other:** Performed an analytic review comparing selected current year operating information to the same data from the prior year and investigated any inconsistencies.



## Audit Disclosure No. 1

### Subject: Curtailment Penalty

#### Statement of Fact:

For the month of February, 1996, Peoples Gas System, Inc. (PGS) recorded \$368,794 in its March 1996 General Ledger (G/L), for Operational Flow Order Penalties, charged to both the Interruptible Transportation Customers and the Interruptible Sales Customers.

For the Interruptible Transportation Customers, penalties were the result of unauthorized overrun volumes during the February 3 through 6, 1996 allocation period, and the purchase amount of natural gas bought by PGS during the curtailment period of February 4 and 5, 1996.

For the Interruptible Sales Customers, penalties were imposed due to unauthorized overrun volumes taken at their facilities during the curtailment period of February 4 and 5, 1996.

All penalties were charged in accordance with the PGS Gas Tariff at a rate of 1.50 per therm plus any applicable taxes.

During the months of April and May, 1996, PGS "determined that it is in the long term best interest of all of our customers to reverse those penalties imposed due to allocation overruns by our transportation customers." Penalty debits were reversed for those customers who were put on allocations for the gas days of February 3 through February 6, 1996.

In cases where customers were curtailed on February 4 and 5, 1996 and who also used unauthorized overrun gas on those curtailment days, there was no reversal of unauthorized overrun charges.

The summary of penalties and reversals is shown below:

	Transport Customers	Sales Customers	Total
Total penalties charged	\$ 353,599	\$15,195	\$368,794
Total Penalties reversed	( 312,330)	( 11,130)	( 323,460)
Net Amount	<u>\$ 41,269</u>	<u>\$ 4,065</u>	<u>\$ 45,334</u>

**Audit Opinion:** This disclosure is presented for informational purposes only.

FOR THE PERIOD OF: APRIL 95 Through MARCH 96

Page 1 of 1

	CURRENT MONTH: MARCH 96				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
<b>TRUE-UP CALCULATION</b>								
1 PURCHASED GAS COST (A-1, LINES 3+4-9-13)	\$10,854,822	\$9,843,782	(\$1,010,840)	(8.09313)	\$79,235,044	\$71,629,636	(\$7,605,408)	(8.09599)
2 TRANSPORTATION COST (A-1, LINES 1+2+5+6-7-8)	2,715,220	2,961,811	246,391	0.09074	31,079,271	\$30,760,265	(319,006)	(0.01026)
3 TOTAL	13,569,842	12,805,393	(784,449)	(0.05633)	110,314,315	\$102,389,901	(7,924,414)	(0.07183)
4 FUEL REVENUES (NET OF REVENUE TAX)	13,212,218	12,805,392	(406,824)	(0.03079)	102,703,518	\$97,239,464	(5,464,054)	(0.05320)
5 TRUE-UP REFUND(COLLECTION)	28,630	28,630	0	0.00000	343,560	343,560	0	0.00000
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	13,240,848	12,834,022	(406,824)	(0.03072)	103,047,078	\$97,583,024	(5,464,054)	(0.05302)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(328,996)	28,620	357,625	(1.08702)	(7,267,237)	(4,806,877)	2,460,361	(0.33856)
8 INTEREST PROVISION-THIS PERIOD (21)	(9,303)	1,143	10,446	(1.12283)	73,141	118,885	45,723	0.62513
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(1,882,849)	253,244	2,136,093	(1.13450)	4,716,347	4,716,347	0	0.00000
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(28,630)	(28,630)	0	0.00000	(343,560)	(343,560)	0	0.00000
10a FLEX RATE ADJUSTMENT	0	0	0	0.00000	(71,183)	(71,183)	0	0.00000
11 TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	(2,249,778)	254,386	2,504,164	(1.11307)	(2,892,492)	(386,408)	2,506,084	(0.86641)
11a FGT REFUND	0	0	0	-0.00000	647,714	640,794	(6,920)	0.00000
12ADJ TOTAL EST/ACT TRUE-UP (11+11a)	(2,249,778)	254,386	2,504,164	(1.11307)	(2,249,778)	254,386	2,504,164	(1.11307)

**INTEREST PROVISION**

13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(1,882,849)	253,244	2,136,093	(1.13450)
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5)	(2,240,475)	253,243	2,493,718	(1.11303)
15 TOTAL (13+14)	(4,123,324)	506,487	4,629,811	(1.12283)
16 AVERAGE (50% OF 15)	(2,061,662)	253,244	2,314,906	(1.12283)
17 INTEREST RATE - FIRST DAY OF MONTH	5.33	5.33	0	0.00000
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.50	5.50	0	0.00000
19 TOTAL (17+18)	10.830	10.830	0	0.00000
20 AVERAGE (50% OF 19)	5.415	5.415	0	0.00000
21 MONTHLY AVERAGE (20/12 Months)	0.451	0.451	0	0.00000
22 INTEREST PROVISION (18x21)	(19,302)	\$1,143	\$10,446	(1.12283)

\* 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 88 Through MARCH 87

	CURRENT MONTH: SEPTEMBER 88				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
<b>TRUE-UP CALCULATION</b>								
1 PURCHASED GAS COST (A-1, LINES 3+4-8-13)	\$3,748,064	\$6,151,797	\$1,402,733	0.37416	\$33,683,566	\$38,009,177	\$4,325,611	\$0.12842
2 TRANSPORTATION COST (A-1, LINES 1+2+5+6-7-8)	1,774,859	1,612,068	137,229	0.07732	\$13,063,479	\$12,255,996	(807,483)	(0.06181)
3 TOTAL	5,522,923	7,063,865	1,538,942	0.27878	\$46,747,045	\$50,265,173	3,518,128	0.07628
4 FUEL REVENUES (NET OF REVENUE TAX)	7,444,734	7,053,885	(380,849)	(0.05116)	\$52,213,916	\$50,265,174	(1,948,741)	(0.03732)
5 TRUE-UP REFUND(COLLECTION)	(126,499)	(126,499)	0	0.00000	(\$758,994)	(\$758,994)	0	0.00000
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	7,318,235	6,927,386	(380,849)	(0.05204)	\$61,454,921	\$49,506,180	(1,948,741)	(0.03187)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	1,784,312	(126,499)	(1,820,811)	(1.07080)	\$4,707,856	(\$758,993)	(\$4,466,849)	(1.16122)
8 INTEREST PROVISION-THIS PERIOD (21)	13,406	1,175	(12,230)	(0.91233)	\$40,713	\$8,988	(33,716)	(0.82813)
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	2,007,622	260,210	(1,747,412)	(0.87039)	(2,348,778)	264,366	2,604,164	(1.11307)
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	126,499	126,499	0	0.00000	\$758,994	\$758,994	0	0.00000
10a FLEX RATE ADJUSTMENT	0	0	0	0.00000	\$0	\$0	0	0.00000
11 TOTAL ESTIAC TRUE-UP (7+8+9+10+10a)	3,941,839	261,385	(3,680,454)	(0.93369)	3,257,785	261,365	(2,996,400)	(0.91977)
11a REFUNDS FROM PIPELINE	0	0	0	0.00000	\$684,063	\$0	(684,063)	0.00000
12 ADJ TOTAL ESTIAC TRUE-UP (11+11a)	3,941,839	261,385	(3,680,454)	(0.93369)	3,941,839	261,365	(3,680,454)	(0.93369)
<b>INTEREST PROVISION</b>								
13 BEGINNING TRUE-UP AND INTEREST PROVISION (8)	2,007,622	260,210	(1,747,412)	(0.87039)				
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5+11a)	3,928,433	260,210	(3,668,223)	(0.93376)				
15 TOTAL (13+14)	5,936,055	520,420	(5,415,635)	(0.91233)				
16 AVERAGE (50% OF 15)	2,968,028	260,210	(2,707,818)	(0.91233)				
17 INTEREST RATE - FIRST DAY OF MONTH	5.40	5.40	0	0.00000				
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.44	5.44	0	0.00000				
19 TOTAL (17+18)	10.840	10.840	0	0.00000				
20 AVERAGE (50% OF 19)	5.420	5.420	0	0.00000				
21 MONTHLY AVERAGE (20/12 Months)	0.452	0.452	0	0.00000				
22 INTEREST PROVISION (16x21)	\$13,406	\$1,175	(\$12,230)	(0.91233)				

\*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



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## Public Service Commission

December 16, 1996

Mr. Jack Uhl  
Peoples Gas Systems, Inc.  
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Tampa, Florida 33601-2462

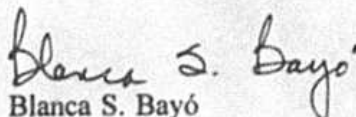
RE: Docket No. 960003-GU -- Peoples Gas Systems, Inc.  
PGA Audit Report - Period September 30, 1996  
Audit Control # 95-151-2-1

Dear Mr. Uhl:

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.

Thank you for your cooperation.

Sincerely,

  
Blanca S. Bayo

BSB/clc  
Enclosure  
cc: Public Counsel  
McFarlane Ausley Law Firm