

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: April 18, 2001
TO: Division of Competitive Services (Makin)
FROM: Division of Regulatory Oversight (Vandiver)
RE: Docket No. 010003-GU; Tampa Electric Company; PGA for Period Ended December 31, 2000; Audit Control No. 01-064-2-1

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of Records and Reporting. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of Records and Reporting
Division of Legal Services

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FPSC-RECORDS REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

TAMPA DISTRICT OFFICE


**PEOPLES GAS SYSTEM
(A Division of Tampa Electric Company)**

PURCHASED GAS ADJUSTMENT AUDIT

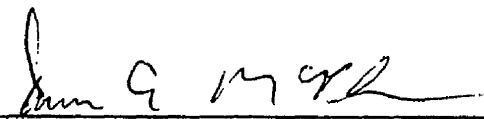
TWELVE MONTHS ENDED DECEMBER 31, 2000

Docket 010003-GU

Audit Control Number 01-064-2-1



Joseph W. Rohrbacher, Audit Manager



James A. McPherson, Tampa District Supervisor

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT**

April 2, 2001

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the appended Purchased Gas Adjustment Schedule A-2 (True-Up Calculation and Interest Provision) for the twelve months period ending December 31, 2000 prepared by Peoples Gas System, in support of Docket No. 010003-GU. There is no confidential information associated with this audit and there are no minority opinions.

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.

SUMMARY OF SIGNIFICANT PROCEDURES:

Our audit was performed by examining on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

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 twelve month period ending December 31, 2000. Traced dollars and associated therms of purchased gas to vendor invoices. Agreed cost of Company Use Gas to the associated general ledger account. Reconciled Purchased Gas Adjustment (PGA) gas cost for End Use Sales between Sch A-1 and Sch A-3. Analyzed Legal and Administrative Costs charged to PGA filing.

GAS REVENUES: Compiled PGA Revenues. Recomputed PGA Revenues based upon the FPSC approved rate and Company supplied sales reports. Recomputed the Company's calculation of unbilled revenues. Traced negative cash-out revenues (from End-Users) to customer invoices. Reconciled fuel revenues on the PGA A-2 schedule 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. Verified that the correct beginning true-up balance was used.

OTHER: Reviewed company contracts on natural gas futures transactions.

DISCLOSURES

Disclosure No. 1

Subject: Hedging Contracts

Peoples Gas System (PGS) entered into various contracts with Morgan Stanley Capital Group Inc. (MSCG) for the purchase and sale of natural gas futures. These contracts were settled between October 1999 through March 2000.

PGS committed to buy a certain quantity of natural gas futures at a fixed price and, according to the terms of the contracts, later sold the futures to MSCG at a floating price based on a market index. The market indexes used were:

1) The first business days relevant price for the Florida Gas Transmission Co., Zone 2 Index for the first nearby delivery date. or

2) The first business days relevant price for "Southern Natural Gas Co., Louisiana" Index for the applicable first nearby delivery date.

Monthly net gains or losses were passed through the PGA filings as follows:

Gains / (Losses)			
Oct. 1999	\$ 1,308	Jan. 2000	\$(120,283)
Nov.	92,340	Feb.	21,009
Dec.	(449,686)	Mar.	<u>43,400</u>
Total 1999	\$(356,038)	Total 2000	\$(55,874)

This disclosure is provided for analyst information.

FOR THE PERIOD OF: JANUARY 00 Through DECEMBER 00

	CURRENT MONTH: DECEMBER 00				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (A-1, LINES 3+4-9-13)	\$29,984,489	\$9,171,481	(\$20,813,028)	(\$2.26933)	\$134,995,396	\$78,019,137	(\$56,976,259)	(\$0.73029)
2 TRANSPORTATION COST (A-1, LINES 1+2+3+6-7-8)	3,349,171	2,951,050	(398,121)	(0.13491)	\$31,565,688	\$29,681,284	(1,884,404)	(0.06349)
3 TOTAL	33,333,660	12,122,511	(21,211,149)	(1.74973)	\$166,561,084	\$107,700,421	(58,860,663)	(0.54652)
4 FUEL REVENUES (NET OF REVENUE TAX)	20,344,694	12,122,511	(8,222,183)	(0.67828)	\$149,674,107	\$107,700,419	(41,973,688)	(0.38973)
5 TRUE-UP REFUND/(COLLECTION)	23,472	23,472	0	0.00000	\$281,664	\$281,664	0	0.00000
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	20,368,166	12,145,983	(8,222,183)	(0.67695)	\$149,955,771	\$107,982,083	(41,973,688)	(0.38871)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(12,965,494)	23,472	12,988,966	553.38132	(\$16,605,312)	\$281,662	16,886,974	59.95475
8 INTEREST PROVISION-THIS PERIOD (21)	(59,795)	11,500	71,295	6.19950	\$4,635	\$128,640	124,005	0.96397
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(4,418,874)	2,098,884	6,517,558	3.10525	(585,094)	1,981,746	2,566,840	1.29524
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(23,472)	(23,472)	0	0.00000	(\$281,664)	(\$281,664)	0	0.00000
10a ENVIRONMENTAL REFUND	0	0	0	0.00000	\$0	\$0	0	0.00000
11 TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	(17,467,435)	2,110,384	19,577,819	9.27890	(17,467,435)	2,110,384	19,577,819	9.27690
11a REFUNDS FROM PIPELINE	0	0	0	0.00000	\$0	\$0	0	0.00000
12 ADJ TOTAL EST/ACT TRUE-UP (11+11a)	(17,467,435)	2,110,384	19,577,819	9.27890	(\$17,467,435)	\$2,110,384	\$19,577,819	\$9.27690
INTEREST PROVISION								
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(4,418,874)	2,098,884	6,517,558	3.10525	* 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+7-3+10a+11a)	(17,407,640)	2,098,884	19,506,524	9.29376				
15 TOTAL (13+14)	(21,826,314)	4,197,769	26,024,082	6.19950				
16 AVERAGE (50% OF 15)	(10,913,157)	2,098,884	13,012,041	6.19950				
17 INTEREST RATE - FIRST DAY OF MONTH	6.65	6.65	0	0.00000				
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	6.50	6.50	0	0.00000				
19 TOTAL (17+18)	13.150	13.150	0	0.00000				
20 AVERAGE (50% OF 19)	6.575	6.575	0	0.00000				
21 MONTHLY AVERAGE (20/12 Months)	0.548	0.548	0	0.00000				
22 INTEREST PROVISION (16x21)	(\$59,795)	\$11,500	\$71,295	\$6.19950				

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