

State of Florida



Public Service Commission

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

DATE: May 24, 2001
TO: Division of Competitive Services (Makin)
FROM: Division of Regulatory Oversight (Vandiver) *W*
RE: Docket No. 010003-GU; Tampa Electric Company d/b/a Peoples Gas System; audit Peoples Gas System and its relationship with TECO Gas Services; Audit Control No. 01-072-2-1

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

Ms. Angela Llewellyn
Tampa Electric Company d/b/a Peoples Gas System
P.O. Box 111
Tampa, Florida 33601-0111

Ausley Law Firm

DOCUMENT NUMBER-DATE

07715 JUN 21 06

FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

TAMPA DISTRICT OFFICE

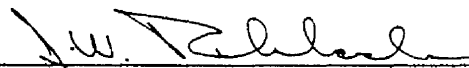
**PEOPLES GAS SYSTEM
(A Division of Tampa Electric Company)**

AFFILIATED TRANSACTIONS AUDIT

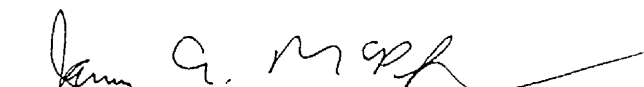
TWELVE MONTHS ENDED DECEMBER 31, 2000

Docket 010003-GU

Audit Control Number 01-072-2-1



Joseph W. Rohrbacher, Audit Manager



James A. McPherson, Tampa District Supervisor

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

May 15, 2001

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit related affiliate party transactions for the twelve months period ending December 31, 2000. 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:

Scanned - The document or accounts were read quickly looking for obvious errors.

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.

WORK PERFORMED: Reviewed transactions between Peoples Gas System (PGS) and affiliates. Compared prices paid by Peoples Gas System for spot purchases of natural gas to affiliate, TECO Gas Services (TGS), and to market. Compared prices charged by TECO Gas Services to Peoples Gas System and other customers. Verified that Peoples Gas System received all monies due from transportation charges billed by TECO Gas Services to PGS customers. Also, ensured that all monthly imbalances were properly calculated. Reviewed utility contracts with affiliates on natural gas purchases.

OTHER: Reviewed Florida Department of State, Division of Corporations, listing to determine related parties. Determined that the allocation of corporate expenses from the parent, TECO Energy, to Peoples Gas System was reasonable and calculated correctly.

DISCLOSURES —

Disclosure No. 1

Subject: Transactions With Affiliates

Statement of Facts: Peoples Gas System is a division of Tampa Electric Company. The parent company is TECO Energy, Inc. There were several affiliated companies that Peoples Gas System dealt with for the calendar year ending December 31, 2000. Among its dealings with affiliates were the following:

Peoples Gas System purchased natural gas on the "spot" market from Teco Gas Services, Inc. in November and December 2000 and January 2001. During the year 2000, Peoples Gas System purchased 99,959 MMBtu at a cost of \$962,524. This represented .58 percent of the total fuel cost of \$166,561,084 reported in the PGA filing. Utility employees stated that Peoples Gas System only buys natural gas from Teco Gas Services when needed on an emergency basis.

Teco Gas Services, Inc. is a Pool Manager under Peoples Gas System's Natural Choice Transportation Service (NCTS) program. Under the NCTS program, smaller commercial customers have pooled their gas consumption volumes under a Pool Manager to meet the minimum therm threshold. Peoples Gas System bills the customer for transporting the gas on its distribution pipeline. As an agent, Teco Gas Services, Inc. can pay Peoples Gas System for transportation and imbalance cashout charges billed by Peoples Gas System.

Peoples Gas System shares resources through the normal course of business with affiliates. The costs for these shared resources are either direct charges or allocated. Examples of these costs include service contracted with Tampa Electric to read meters of Peoples Gas customers in overlapping service territories, income tax allocation, benefits administration, corporate accounting, and company aircraft allocation.

OPINION: Peoples Gas System's transactions with affiliates appear to be reasonable and done through the normal course of business.

SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS

Company: Peoples Gas System

For the Year Ended December 31, 2000

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

- (a) Enter name of affiliate.
- (b) Give description of type of service, or name the product involved.
- (c) Enter contract or agreement effective dates.
- (d) Enter the letter "p" if the service or product is a purchased by the Respondent; "s" if the service or product is sold by the Respondent.
- (e) Enter utility account number in which charges are recorded.
- (f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge for Year		
			"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
Peoples Gas Company	Income Tax Adjustments			Various	(50,063)
	Cash				(2,798,787)
	Accounts Payable				3,804,493
	Inventory Control		s		122,433
	Payroll		s		4,552,817
	Non-Utility Accounts Receivable				(73,833)
	-Net of Write-offs				
	Propane Purchases		p		(158,433)
	Plant Transaction & Adjustments		s		(941,346)
	Stores Clearing Allocation		s		14,921
	Clearing Account Allocation		s		5,797
	G & A Allocation		s		914,083
	Company Aircraft Allocation		s		7,452
	Peoples Sales & Service	Cash			
Accounts Payable					128,889
Non-Utility Accounts Receivable					(869,694)
-Net of Write-offs					
Peoples Cogeneration Co.	Cash				39,129
Suwannee Gas Marketing	Accounts Payable				(32,491)
TECO Gas Services, Inc.	Cash				(1,270,775)
	Accounts Payable				(4,597,879)
	Payroll				312,817
	Plant Transaction & Adjustments				23,062
	G & A Allocation		s		64,000
TECO Propane Ventures, L	Accounts Payable				821,333
	Payroll				56,629
Pas Power Company	Accounts Payable				1,088

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Company: Peoples Gas System
For the Year Ended December 31, 2000

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Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge for Year		
			"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
Tampa Electric Company	Income Tax Adjustments				(5,125,527)
	Cash				21,586,738
	Accounts Payable				12,300,885
	Payroll		s		22,716
	Plant Transaction & Adjustments		s		(285,085)
	Rent Allocation		s		48,540
	Company Aircraft Allocation		s		21,739
Commercial Paper Allocation			p		(30,238,946)
TECO Power Services	Cash				(2,560,696)
	Accounts Payable				33,436
	Payroll		s		5,417
	Non-Utility Accounts Receivable -Net of Write-offs				2,680,502
	Company Aircraft Allocation		s		6,750
Bosek, Gibson, & Associates	Cash				384,597
	Accounts Payable				(526,855)
	Payroll		s		54,150
TECO Energy, Inc.	Income Tax Adjustments				(123,641)
	Cash				5,376,056
	Accounts Payable				1,675,787
	Payroll		s		(180,143)
	Company Aircraft Allocation		s		4,185