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DATE: December 16, 2003
TO: Division of Competitive Markets and Enforcement (Marshall)
FROM: Division of Auditing and Safety (Vandiver)
RE: Docket No. 031023-GU; Peoples Gas System; Audit the Transition Cost Recovery Factor True-Up; Audit Control No. 03-335-2-1

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 Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
 Division of Competitive Markets and Enforcement (Harvey)
 Division of Commission Clerk and Administrative Services (2)
 General Counsel
 Office of Public Counsel

Ms. Angela Llewellyn
 Peoples Gas System
 a division of Tampa Electric Company
 P.O. Box 111
 Tampa, FL 33601-2562

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

Tampa District Office

PEOPLES GAS SYSTEM

a Division of

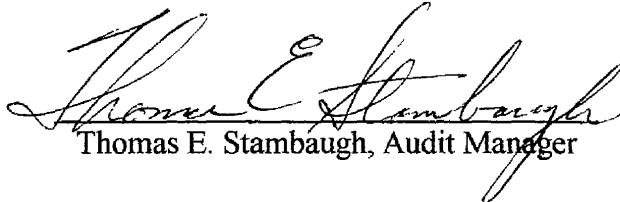
TAMPA ELECTRIC COMPANY, INC.

TRANSITION COST RECOVERY AUDIT

AS OF NOVEMBER 30, 2003

DOCKET 031023-GU

AUDIT CONTROL NUMBER 03-335-2-1


Thomas E. Stambaugh, Audit Manager

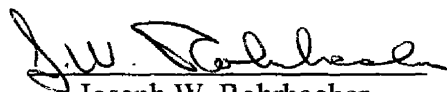

Joseph W. Rohrbacher
Tampa District Supervisor

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

December 11, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the one-time Transition Cost Recovery (TCR) schedules for the historical period ended November 30, 2003 for Peoples Gas System. These schedules were prepared by the Utility in support of Docket No. 031023-GU. No confidential information is associated with this audit. No minority opinions were written.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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 FINDINGS:

Peoples Gas System (PGS) stated in its petition that its total over-recovery was \$76,852.26. The filing amount was modified slightly because of net adjustment differences and should be \$78,338.53. The interest amount as calculated in the PGS petition was \$443,370.02. An adjustment to the total interest changed this total to \$441,968.26.

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.

REVENUE : Compiled the TCR revenue and agreed it to the exhibit. Scanned and analyzed TCR revenues using FPSC approved rates and Utility Therm sales.

EXPENSES: Compiled TCR expenses and agreed it to the exhibit. Tested invoices and supporting documentation for TCR expenses.

CAPITAL INVESTMENT: Verified that two Authorizations For Expenditure (AFEs) were removed from capital addition work orders and transferred to the deferred debit account for TCR, 186.72. Analyzed selected transactions from the AFEs to verify relevance to the TCR project and mathematical accuracy.

TRUE-UP: Recomputed TCR true-up and interest by use of the approved interest rate, 8.67%.

Audit Disclosure No. 1

Subject: Adjustments to the Over-Recovery and Total Interest

Statement Of Fact: The PGS petition for the TCR docket estimates the ending over recovery was \$76,852.26. Accounting records state the ending over recovery at the end of November, 2003, was \$78,338.53. Further, the interest calculation in the petition was estimated to be \$443,370.02, compared to \$441,968.26 in PGS accounting records.

Audit Opinion: The change in the over recovery amount was based on the following adjustments:

Over Recovery (Credit Balance in acct 186.72): (\$76,852.26)

Estimated software cost:	(\$20,000.00)
Actual software cost:	\$20,790.00
Interest on over-collected amount:	(\$1,401.76)
Billing corrections:	(\$1,612.87)
Employee Expense:	\$738.36

Net Adjustment (\$1,486.27)

Over Recovery PGS Acctg (Cr. Bal. In 186.72): (\$78,338.53)

The estimated expenses had been \$2,977,135.91. Actual expenses were \$2,994,864.77, or a difference of \$17,728.86. Estimated recoveries from customers had been (\$3,497,358.20). Actual recoveries were (\$3,515,171.57), or a difference of (\$17,813.37).

Differences were:	Expense	Recovery
	\$17,728.86	(\$17,813.37)
May 2003 Expense (Formerly posted as a <u>negative</u> recovery)	\$16,502.84	(\$16,502.84)
Software invoice difference	\$790.00	0
Employee Expense not in Petition	\$738.36	0
Posting Errors:	(\$147.17)	\$147.17
	(\$147.17)	\$147.17
	(\$4.00)	\$4.00
	(\$4.00)	\$4.00
Billing Corrections:		
September	0	(\$348.47)
October	0	(\$4,884.20)
November	0	\$3,619.80
Total	\$17,728.86	(\$17,813.37)

Audit Disclosure No. 1 (Continued)

The original interest collected had been estimated at \$443,370.03. Actual net interest collected was \$441,968.27, or a difference of (\$1,401.76), the over collection for September and October. The interest was calculated by PGS at the correct rate, posted to its deferred debit account 186.72 and included in the net effect for the transition cost recovery.

Recommendation: Accept the over-recovery balance of \$78,338.53.

**PEOPLES GAS SYSTEM
Docket 031023-GU**

EXHIBIT

SUMMARY OF ADJUSTMENTS

<u>CATEGORY</u>	<u>(ESTIMATE) EXHIBIT B AMOUNT</u>	<u>DIFFERENCE ESTIMATE TO ACTUAL</u>	<u>ACTUAL PGS AMOUNTS</u>	<u>ADJUSTMENTS PER AUDIT</u>	<u>BALANCE PER AUDIT</u>
EXPENSES	\$2,977,135.91	\$17,728.86	\$2,994,864.77	\$0.00	\$2,994,864.77
RECOVERIES	(\$3,497,358.20)	(\$17,813.37)	(\$3,515,171.57)	\$0.00	(\$3,515,171.57)
INTEREST	\$443,370.03	(\$1,401.76)	\$441,968.27	\$0.00	\$441,968.27
TOTAL	<u>(\$76,852.26)</u>	<u>(\$1,486.27)</u>	<u>(\$78,338.53)</u>	<u>\$0.00</u>	<u>(\$78,338.53)</u>