



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: May 15, 2006
TO: Catherine S. Beard, Regulatory Analyst I, Division of Competitive Markets & Enforcement
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *W*
RE: **Docket No:** 060003-GU; **Company Name;** Peoples Gas System
Audit Purpose: Audit Purchase Gas filings.
Audit Control No: 06-068-2-2

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.

DNV:bj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk & Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
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DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

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

PURCHASED GAS ADJUSTMENT

LIMITED SCOPE AUDIT

TWELVE MONTHS ENDED DECEMBER 31, 2005

**Docket 060003-GU
Audit Control Number 06-068-2-2
Report Issued April 24, 2006**

A handwritten signature in black ink, appearing to read "J.W. Rohrbacher".

Joseph W. Rohrbacher, Tampa District Supervisor

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

April 24, 2006

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Peoples Gas System in support of its filing for Purchased Gas Adjustment (PGA) in Docket No. 060003-GU.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards of Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES:

Objective – Verify that the revenues contained in the company’s general ledger are reflected on Schedule A-2.

Procedure – We compiled Purchased Gas Adjustment (PGA) revenues from the general ledger and agreed it to the filing, Schedule A-2.

Objective – Verify that the appropriate PGA was charged to customers during the period.

Procedure – We recalculated a sample of customer bills selected from various rate classes to verify that the appropriate PGA factor was charged.

TRUE-UP:

Objective – To determine if the true-up calculation and interest provision, as filed, was properly calculated.

Procedure – We recomputed the true-up for the period. We verified that the beginning true-up amount and interest rates as stated by the Company agreed to the beginning true-up and interest rates approved by the Florida Public Service Commission.

Objective – Verify the true-up contained on the company’s general ledger is reflected on Schedule A-2.

Procedure – We reconciled monthly true-up amounts, as recorded on Schedule A-2, to the General Ledger.

FOR THE PERIOD OF:

January-05 Through December-05

	CURRENT MONTH: DECEMBER 05				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (A-1, LINES 3+4-13)	\$36,797,277	\$17,886,339	(\$18,910,938)	(\$1.05728)	\$291,092,480	\$116,860,170	(\$174,232,310)	(\$1.49095)
2 TRANSPORTATION COST (A-1, LINES 1+2+5+6-7-8-9)	4,175,170	4,755,154	579,984	0.12197	\$46,371,857	\$45,377,977	(993,880)	(0.02190)
3 TOTAL	40,972,447	22,641,493	(18,330,954)	(0.80962)	\$337,464,336	\$162,238,147	(175,226,189)	(1.08006)
4 FUEL REVENUES (NET OF REVENUE TAX)	41,837,895	22,641,493	(18,996,402)	(0.83901)	\$339,355,572	\$162,238,147	(177,117,425)	(1.09171)
5 TRUE-UP REFUND/(COLLECTION)	264,960	264,960	0	0.00000	\$3,179,465	\$3,179,465	0	0.00000
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	41,902,855	22,908,453	(18,996,402)	(0.82930)	\$342,535,037	\$165,417,612	(177,117,425)	(1.07073)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	930,409	264,960	(665,449)	(2.51151)	\$5,070,701	\$3,179,465	(1,891,236)	(0.59483)
8 INTEREST PROVISION-THIS PERIOD (21)	(28,224)	8,355	36,579	4.37830	(\$148,305)	\$76,763	225,068	2.93198
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(8,292,579)	2,358,175	10,648,753	4.51951	(9,398,356)	2,287,766	11,686,122	5.10809
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(264,960)	(264,960)	0	0.00000	(\$3,179,465)	(\$3,179,465)	0	0.00000
10a TRANSITION COST RECOVERY REFUND	0	0	(0)	0.00000	\$71	\$0	(71)	0.00000
11 TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	(7,655,354)	2,364,529	10,019,884	4.23758	(7,655,354)	2,364,529	10,019,884	4.23758
11a REFUNDS FROM PIPELINE	0	0	0	0.00000	\$0	\$0	0	0.00000
12 ADJ TOTAL EST/ACT TRUE-UP (11+11a)	(7,655,354)	2,364,529	10,019,884	4.23758	(\$7,655,354)	\$2,364,529	\$10,019,884	\$4.23758
INTEREST PROVISION								
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(8,292,579)	2,358,175	10,648,753	4.51951				
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	(7,627,130)	2,358,175	9,983,305	4.23708				
15 TOTAL (13+14)	(15,919,709)	4,712,349	20,632,058	4.37830				
16 AVERAGE (50% OF 15)	(7,959,854)	2,358,175	10,316,029	4.37830				
17 INTEREST RATE - FIRST DAY OF MONTH	4.21	4.21	0	0.00000				
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.30	4.30	0	0.00000				
19 TOTAL (17+18)	8.510	8.510	0	0.00000				
20 AVERAGE (50% OF 19)	4.255	4.255	0	0.00000				
21 MONTHLY AVERAGE (20/12 Months)	0.35458	0.35458	0	0.00000				
22 INTEREST PROVISION (16x21)	(\$28,224)	\$8,355	\$36,579	\$4.37830				

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