

State of Florida



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: April 7, 2008
TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: **Docket No: 080003-GU; Company Name: Peoples Gas System;**
Audit Purpose: Audit Purchased Gas Filings; Company Code: GU608;
Audit Control No: 08-037-2-6:

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. 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 (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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FLORIDA PUBLIC SERVICE COMMISSION

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

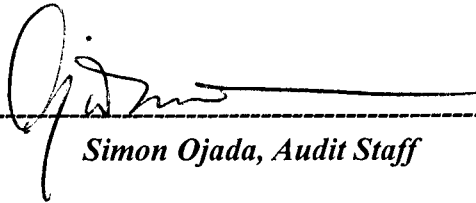
TAMPA DISTRICT OFFICE

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

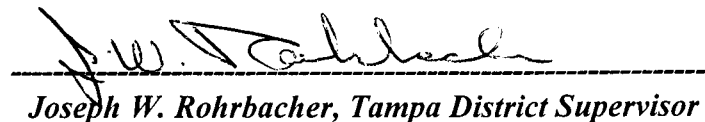
PURCHASED GAS ADJUSTMENT

TWELVE MONTHS ENDED DECEMBER 31, 2007

**Docket 080003-GU
Audit Control Number 08-037-2-6**



Simon Ojada, Audit Staff



Joseph W. Rohrbacher, Tampa District Supervisor

DOCUMENT NUMBER-DATE

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

March 31, 2008

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. 080003-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. Ensure that all revenue items recoverable through the Purchased Gas Adjustment (PGA) clause are included for recovery in the filing.

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

Objective – Verify that the appropriate PGA factor 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. Audit Finding No. 1 addresses this issue.

EXPENSES:

Objective – Reconcile the company’s general ledger with the filing.

Procedure - We compiled PGA costs from the general ledger and agreed it to the filing, Schedules A-1 and A-2.

Objective – Ensure that only PGA costs are included for recovery in the filing.

Procedure – We checked invoices for gas purchases, tested select administration costs, reviewed Hedging confirmations for price and volume. We also verified that company’s gas use and gas lost due to damage and leaks were removed from the cost of gas.

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.

AUDIT FINDING NO. 1

SUBJECT: ANALYSIS OF CUSTOMER BILL TEST

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

We used tariff sheets and billing factors provided by Peoples Gas. We were unable to reconcile a bill for a General Service, Rate Schedule GS-5, customer. Peoples Gas states that the billing rate appears to be incorrect, and that the account will be reviewed and any necessary adjustments will be made.

The amount of the discrepancy as calculated by the auditor is \$7,084.71.

EFFECT ON THE GENERAL LEDGER: There is no effect on the General Ledger until the amount of the adjustment is determined.

EFFECT ON THE FILING: The adjustment, with interest, should be made in the 2008 PGA filing. Also, the company should verify the accuracy of its billing for the entire rate class.

COMPANY: PEOPLES GAS SYSTEM						SCHEDULE A-2			
FOR THE PERIOD OF:		January-07 Through December-07				Page 1 of 1			
	CURRENT MONTH: DECEMBER 07				PERIOD TO DATE				
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
TRUE-UP CALCULATION									
1	PURCHASED GAS COST (A-1, LINES 3+4-13)	\$26,975,314	\$10,165,071	(\$16,810,243)	(\$1.65373)	\$330,179,377	\$113,086,881	(\$217,092,496)	(\$1.91970)
2	TRANSPORTATION COST (A-1, LINES 1+2+5+6-7-8-9)	5,051,015	5,024,281	(26,734)	(0.00532)	\$47,408,341	\$45,246,095	(2,162,246)	(0.04779)
3	TOTAL	32,026,329	15,189,352	(16,836,977)	(1.10847)	\$377,587,719	\$158,332,976	(219,254,743)	(1.38477)
4	FUEL REVENUES (NET OF REVENUE TAX)	31,650,690	15,189,352	(16,461,338)	(1.08374)	\$377,528,836	\$158,332,976	(219,195,860)	(1.38440)
5	TRUE-UP REFUND(COLLECTION)	402,084	402,084	0	0.00000	\$4,824,964	\$4,824,964	0	0.00000
6	FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	32,052,774	15,591,436	(16,461,338)	(1.05579)	\$382,353,800	\$163,157,940	(219,195,860)	(1.34346)
7	TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	26,445	402,084	375,639	0.93423	\$4,766,082	\$4,824,964	58,882	0.01220
8	INTEREST PROVISION-THIS PERIOD (21)	15,558	10,570	(4,988)	(0.47189)	\$355,238	\$131,717	(223,521)	(1.69698)
9	BEGINNING OF PERIOD TRUE-UP AND INTEREST	4,025,348	2,607,216	(1,418,132)	(0.54393)	3,368,911	2,486,069	(882,842)	(0.35512)
10	TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(402,084)	(402,084)	0	0.00000	(\$4,824,964)	(\$4,824,964)	0	0.00000
10a	TRANSITION COST RECOVERY REFUND	0	0	(0)	0.00000	\$0	\$0	(0)	0.00000
11	TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	3,665,267	2,617,786	(1,047,481)	(0.40014)	3,665,267	2,617,786	(1,047,481)	(0.40014)
11a	REFUNDS FROM PIPELINE	0	0	0	0.00000	\$0	\$0	0	0.00000
12	ADJ TOTAL EST/ACT TRUE-UP (11+11a)	3,665,267	2,617,786	(1,047,481)	(0.40014)	\$3,665,267	\$2,617,786	(\$1,047,481)	(\$0.40014)
INTEREST PROVISION									
13	BEGINNING TRUE-UP AND INTEREST PROVISION (9)	4,025,348	2,607,216	(1,418,132)	(0.54393)				
14	ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	3,649,709	2,607,216	(1,042,493)	(0.39985)				
15	TOTAL (13+14)	7,675,056	5,214,431	(2,460,625)	(0.47189)				
16	AVERAGE (50% OF 15)	3,837,528	2,607,216	(1,230,312)	(0.47189)				
17	INTEREST RATE - FIRST DAY OF MONTH	4.75	4.75	0	0.00000				
18	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.98	4.98	0	0.00000				
19	TOTAL (17+18)	9.730	9.730	0	0.00000				
20	AVERAGE (50% OF 19)	4.865	4.865	0	0.00000				
21	MONTHLY AVERAGE (20/12 Months)	0.40542	0.40542	0	0.00000				
22	INTEREST PROVISION (16x21)	\$15,558	\$10,570	(\$4,988)	(\$0.47189)				

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