



Public Service Commission

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COMMISSIONER
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DATE: April 20, 2010

TO: Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation

FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 100004-GU
 Company Name: Peoples Gas System (A Division of Tampa Electric Company)
 Company Code: GU608
 Audit Purpose: Gas Conservation Cost Recovery
 Audit Control No: 09-350-2-3

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 a response to the Office of Commission Clerk. There were no confidential work papers associated with this audit.

CP/ip

Attachment: Audit Report

cc: (With Attachment)
 Office of Auditing and Performance Analysis (Mailhot, File Folder)
 Office of Commission Clerk
 Office of the General Counsel

(Without Attachment)
 Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER-DATE
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FLORIDA PUBLIC SERVICE COMMISSION

*OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
BUREAU OF AUDITING*

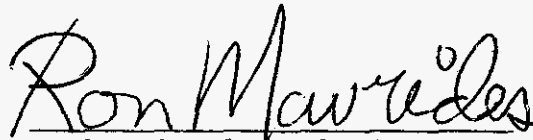
TAMPA DISTRICT OFFICE

**PEOPLES GAS SYSTEM
(A DIVISION OF TAMPA ELECTRIC COMPANY)**

ENERGY CONSERVATION COST RECOVERY AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2009

**DOCKET NO. 100004-GU
AUDIT CONTROL NO. 09-350-2-3**



Ron Mavrides, Audit Manager



Clarence J. Prestwood, Chief of Auditing

TABLE OF CONTENTS

	PAGE
I. AUDITOR'S REPORT	
PURPOSE.....	1
II. OBJECTIVES AND PROCEDURES.....	2
III. AUDIT FINDINGS	
1. ADVERTISING COSTS.....	3
2. TRUE – UP INTEREST RATES.....	4
III. EXHIBITS	
ACTUAL CONSERVATION COSTS PER PROGRAM (SCH CT-2, P2).....	5
CALCULATION OF TRUE-UP AND INTEREST (SCH CT-3, P2).....	6

**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
AUDITOR'S REPORT**

March 29, 2010

TO: FLORIDA PUBLIC SERVICE COMMISSION

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Office of Auditing and Performance Analysis 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 Energy Conservation Cost Recovery (ECCR) in Docket No. 100004-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 and the report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - Verify that Energy Conservation Cost Recovery (ECCR) revenues as filed were properly recorded on the books of the company and that the company applied the approved ECCR tariff rates to therms sold.

Procedures: - We compiled ECCR revenues and reconciled them to the company prepared ECCR filing. The ECCR revenues were computed using FPSC approved rates applied to therms sold. We reconciled revenues recorded in the filing to the General Ledger. We recalculated the energy charge for customer bills selected from various rate classes and determined that the company used the correct rates approved by the Commission.

EXPENSES

Objective: - Verify that Energy Conservation Costs agree to the General Ledger and that expenditures for the various programs include only allowable expenses.

Procedures: - We compiled ECCR expenses by program and cost category, and matched them to the filing. We reconciled the ECCR expense amounts recorded in the filing to the General Ledger

Objective: - Determine whether expenditures for which recovery is claimed through the ECCR are allowable expenses.

Procedures: - We analyzed payroll costs. We obtained a list of employees charging time to ECCR programs and their default percentages charged to ECCR. We obtained documentation of employee salary for the test period and recalculated the amounts that should be charged to ECCR programs. We obtained explanations and reconciliations for any differences.

Objective: - To verify that advertising costs charged to ECCR are consistent with Rule 25-17.015 (5). F.A.C

Procedures: - We obtained selected advertising invoices and traced ECCR advertising costs to the General Ledger. We reviewed the advertising copy to verify compliance with Rule 25-17.015 (5). Audit Finding No. 1 discusses our findings on advertising expenses.

TRUE-UP

Objective: - To determine if the True-up calculation and interest provision as filed was properly calculated using the FPSC approved interest rates.

Procedures: - We recomputed the 2009 ECCR true-up and interest using the FPSC approved recoverable true-up amount and interest rates. Audit Finding No. 2 discusses our findings on interest rates.

Audit Finding No. 1

Subject: Advertising Expenses

Audit Analysis: Rule 25-17.015 (5) Florida Administrative Code (F.A.C.) states that Advertising expense recovered through energy conservation cost recovery shall be directly related to an approved conservation program.

PGS has sponsorship agreements with Seminole ISP Sports Network, the Florida Gator Network, and UCF ISP Sports Network for energy conservation program advertising. Included in these package agreements are merchandising and marketing services.

The Seminole ISP Sports Network (FSU) agreement provided for a two hour pre-game event for 25 guests to include tickets, tent, tables and chairs, food and drink, complementary programs, DJ and big-screen television, appearance by FSU cheerleaders, door prizes and an opportunity to display a corporate banner. Also included were four football season tickets, two tickets to the ISP suite at an FSU home football game and an opportunity to purchase four tickets to the ACC Championship game and to the FSU Bowl game if FSU plays. The total cost of the tickets and hospitality was \$4,000.

The Gator Sports Marketing agreement (UF) provided television advertising spots (The Coach's Show), radio advertising spots, and one rotating banner ad for four months during football season. The total costs of tickets and hospitality was \$1,760.

The UCF ISP Sports Network provided television advertising spots (The George O'Leary Show), radio advertising spots, and "merchandising", which included four football season tickets, four basketball season tickets, one football parking pass, and one basketball parking pass. The total value of the merchandising package is \$920.

The total of all non-conservation "hospitality and merchandising" is \$6,680.

In previous hearings before the Commission, these types of expenses have been disallowed. In 2008, Docket No. 080004-GU, the company agreed to remove these costs from rate-making consideration and subsequently filed an amended ECCR filing to exclude these costs.

Peoples Gas has stated that it intends to remove the costs of the hospitality and merchandising from energy conservation cost recovery in a revised true-up filing.

Effect on the General Ledger: None

Effect on the Filing: Decrease ECCR advertising expense by \$6,680.

Audit Finding No. 2

Subject: True-up Interest Rates

Audit Analysis: In our analysis of the true-up computation, we noted that the company used incorrect interest rates for September and October when calculating interest revenue on the true-up. The company used .22% for both months. The correct interest rate that should have been used was .25%.

Effect on the General Ledger: None

Effect on the Filing: The net effect of correcting the interest rate is to increase the interest revenue true-up by \$40 (September = \$23, and October = \$17).

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM
 JANUARY 2009 THROUGH DECEMBER 2009

<u>PROGRAM NAME</u>	<u>PAYROLL & BENEFITS</u>	<u>MATERIALS & SUPPLIES</u>	<u>ADVERTISING</u>	<u>INCENTIVE</u>	<u>OUTSIDE SERVICES</u>	<u>VEHICLE</u>	<u>OTHER</u>	<u>TOTAL</u>
PROGRAM 1: RESIDENTIAL HOME BUILDER	0	0	0	1,436,550	0	0	0	1,436,550
PROGRAM 2: OIL HEAT REPLACEMENT	0	0	0	660	0	0	0	660
PROGRAM 3: RES APPLIANCE RETENTION	0	0	0	2,270,544	0	0	0	2,270,544
PROGRAM 4: COMM ELECTRIC REPLACEMENT	0	0	0	61,932	0	0	0	61,932
PROGRAM 5: RES ELECTRIC REPLACEMENT	0	0	0	702,285	0	0	0	702,285
PROGRAM 6: COMMON COSTS	410,625	957	964,515	0	39,503	0	0	1,415,599
PROGRAM 7: GAS SPACE CONDITIONING	0	0	0	0	0	0	0	0
PROGRAM 8: SMALL PACKAGE COGEN	0	0	0	0	0	0	0	0
PROGRAM 9: MONITORING & RESEARCH	0	0	0	0	0	0	0	0
PROGRAM 10 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 11 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 12 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 13 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 14 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 15 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 16 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 17 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 18 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 19 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
PROGRAM 20 (TYPE NAME HERE)	0	0	0	0	0	0	0	0
TOTAL	410,625	957	964,515	4,471,971	39,503	0	0	5,887,570

15

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
 JANUARY 2009 THROUGH DECEMBER 2009

CONSERVATION REVENUES	JAN 2009	FEB 2009	MAR 2009	APR 2009	MAY 2009	JUN 2009	JUL 2009	AUG 2009	SEP 2009	OCT 2009	NOV 2009	DEC 2009	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	<u>-452,716</u>	<u>-543,610</u>	<u>-450,864</u>	<u>-362,760</u>	<u>-314,615</u>	<u>-267,324</u>	<u>-241,952</u>	<u>-234,064</u>	<u>-237,494</u>	<u>-234,553</u>	<u>-264,878</u>	<u>-347,847</u>	<u>-3,952,679</u>
4. TOTAL REVENUES	<u>-452,716</u>	<u>-543,610</u>	<u>-450,864</u>	<u>-362,760</u>	<u>-314,615</u>	<u>-267,324</u>	<u>-241,952</u>	<u>-234,064</u>	<u>-237,494</u>	<u>-234,553</u>	<u>-264,878</u>	<u>-347,847</u>	<u>-3,952,679</u>
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>-230,849</u>	<u>-230,849</u>	<u>-230,849</u>	<u>-230,849</u>	<u>-230,849</u>	<u>-230,849</u>	<u>-230,849</u>	<u>-230,849</u>	<u>-230,849</u>	<u>-230,849</u>	<u>-230,849</u>	<u>-230,849</u>	<u>-2,770,192</u>
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	<u>-683,565</u>	<u>-774,460</u>	<u>-681,714</u>	<u>-593,610</u>	<u>-545,465</u>	<u>-498,173</u>	<u>-472,801</u>	<u>-464,913</u>	<u>-468,344</u>	<u>-465,402</u>	<u>-495,727</u>	<u>-578,697</u>	<u>-6,722,871</u>
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	468,651	406,850	515,166	469,593	355,484	655,601	415,618	360,223	854,080	450,384	490,451	445,469	5,887,570
8. TRUE-UP THIS PERIOD	-214,915	-367,610	-166,548	-124,017	-189,980	157,428	-57,184	-104,690	385,737	-15,018	-5,276	-133,227	-835,300
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	-1,531	-1,812	-1,550	-1,100	-789	-675	-599	-473	-331	-234	-185	-149	-9,427
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	-2,770,192	-2,755,788	-2,894,361	-2,831,609	-2,725,877	-2,685,797	-2,298,195	-2,125,128	-1,999,441	-1,383,186	-1,167,589	-942,200	
11. PRIOR TRUE-UP COLLECTED(REFUNDED)	<u>230,849</u>	<u>230,849</u>	<u>230,849</u>	<u>230,849</u>	<u>230,849</u>	<u>230,849</u>	<u>230,849</u>	<u>230,849</u>	<u>230,849</u>	<u>230,849</u>	<u>230,849</u>	<u>230,849</u>	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	<u>-2,755,788</u>	<u>-2,894,361</u>	<u>-2,831,609</u>	<u>-2,725,877</u>	<u>-2,685,797</u>	<u>-2,298,195</u>	<u>-2,125,128</u>	<u>-1,999,441</u>	<u>-1,383,186</u>	<u>-1,167,589</u>	<u>-942,200</u>	<u>-844,727</u>	<u>-844,727</u>