

MEMORANDUM

March 23, 1998

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 980003-GU -- PEOPLES GAS SYSTEM
PGA SUPPLEMENTAL AUDIT REPORT
AUDIT CONTROL NO. 97-160-1-2

.....

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of the audit report to:

Peoples Gas System
Jack E. Uhl
P. O. Box 111
Tampa, FL 33601-0111

DNV/sp

Attachment

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Jacobs
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Makin)
Tampa District Office (McPherson)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

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FPSO RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

PEOPLES GAS SYSTEM - WEST FLORIDA DIVISION

PGA SUPPLEMENTAL AUDIT

TWELVE MONTHS ENDED SEPTEMBER 30, 1997

DOCKET NO. 980003 - GU

AUDIT CONTROL NO. 97-160-1-2

Handwritten signature of Simon Ojada in black ink.

Simon Ojada, Audit Manager

Handwritten signature of James A. McPherson in black ink.

James A. McPherson, Regulatory Analyst Supervisor

DOCUMENT NUMBER DATE

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FPSC RECORDS/REPORTING

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

MARCH 6, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit Peoples Gas System - West Florida Division's reconciliation of its books and records to the Purchased Gas Adjustment (PGA) Schedule A-2 for the twelve months ended September 30, 1997. The last day of field work was March 6, 1997.

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.

In our opinion, the schedule referred to above reconciles to and presents fairly, in all material respects, the utility's books and records, maintained in conformity with accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and other matters which were noted during our examination.

SUMMARY OF SIGNIFICANT FINDINGS:

Peoples Gas Systems - West Florida Division needs to reduce its PGA filing expense by \$13,148 plus accrued interest to correct for several purchase credits that were not properly included in its filings.

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 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 errors or inconsistency.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

PGA EXPENSE: Read previous audit reports and reviewed prior work papers as deemed necessary. Compiled PGA expense account general ledger balances for the months of June, July, August, and September 1997. Reconciled schedule A-2 amounts to general ledger balances. Verified invoices and Journal entries for all adjustments and corrections made to the general ledger.

DISCLOSURE NO. 1

SUBJECT: PURCHASED GAS ADJUSTMENT (PGA) RECONCILIATION

STATEMENT OF FACT: West Florida Natural Gas (WFNG) filed PGA schedules for the twelve months ended 9/30/97 with the Commission. These schedules were audited, and an audit report dated November 13, 1997 was issued. Audit Exception No. 1 of the report noted differences between the Company's general ledger and filing schedule A-2 expense amounts totaling \$104,233. The attached schedule shows a reconciliation of this amount and the adjustment that needs to be made to the Company's next filing.

WFNG was purchased by Peoples Gas System (PGS) and the accounting for their operations merged in June 1997. The majority of the difference (\$120,855) was because the auditors were given an incorrect general ledger at the branch office for the time period following the merger. Other differences were due to amounts posted to incorrect accounts but correctly recorded in the PGA. For example: prior period posting errors totaling \$8,732 were corrected in May 1997; a management fee of \$400 was posted to a recoverable gas expense account in June 1997 but not recovered in their filing; rebalancing credits of \$3,756 were not posted to correct accounts in February 1997 but were appropriately included in the PGA filing. Also there were September 1997 expense credits of \$1,098 that were not booked until October 1997.

The above adjustments either do not affect the PGA filings or have already been correctly reported. However, the remaining difference of \$13,148 is due to filing errors that should be corrected. A credit memo for \$7,978 was not included in the November 1996 filing and a credit memo for \$2,585 was included in the May 1997 filing as an expense. This caused expenses to be overstated \$5,170.

RECOMMENDATION: Peoples Gas should make an adjustment to reduce its PGA filing expenses by \$13,148 plus accrued interest of \$759 (As of 2/28/98). We were told by PGS personnel that they would make this adjustment in the March 1998 filing.

SCHEDULE 1

DOCKET: 980002 -GU

RECONCILIATION OF PGA EXPENSE ACCOUNT

MONTH	1 SCHEDULE A-2	2 ACTUAL GENERAL LEDGER	3 G/L PER PRIOR AUDIT EXCEPTION	4 ACTUAL GEN LEDGER DIFFERENCE (2 - 1)	5 AUDIT EXCEPTION DIF (3 - 1)
OCT 1996	578,945	581,657	581,657	2,712	2,712
NOV 1996	749,318	738,632	738,632	(10,686)	(10,686)
FEB 1997	1,254,056	1,259,175	1,259,175	5,119	5,119
MAY 1997	1,138,595	1,123,329	1,123,329	(15,266)	(15,266)
JUNE 1997	374,755	416,724	374,528	41,969	(227)
JULY 1997	536,993	495,697	493,333	(41,296)	(43,660)
AUG 1997	422,677	423,571	530,099	894	107,422
SEPT 1997	426,312	426,244	485,131	(68)	58,819
	5,481,651	5,465,029	5,585,884	(16,622)	104,233
Difference due to using incorrect G/L (\$5,465,029 - \$5,585,884)					(120,855)
Actual difference between G/L and filing					(16,622)
Reconciling items:					
General ledger adjustment from prior period					8,731
Adjust G/L recording errors (\$400 + 3756)					(4,156)
October 1997 adjustment made to record Sept '97 credits					(1,098)
Rounding Error					(3)
Remaining difference					(13,148)
Error in November 1996 filing - invoice credit not included					7,978
Error in May 1997 filing (\$2,570 credit recorded as an expense)					5,170
Adjustment to be made to March 1998 filing					13,148
Interest calculation					759
Total adjustment to March 1998 PGA filing					13,907

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

March 24, 1998

Peoples Gas System
Mr. Francis J. Sivard
Post Office Box 111
Tampa, Florida 33601-0111

Re: Docket No. 980003 - GU - Peoples Gas System
Audit Report - PGA Supplemental Audit Report
Audit Control # 97-160-1-2

Dear Mr. Sivard:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/cis
Enclosure

cc: Public Counsel
Division of Auditing and Financial Analysis
Macfarlane Ferguson Law Firm