

MEMORANDUM

October 9, 1998

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 980002-EG -- TAMPA ELECTRIC COMPANY D/B/A PEOPLES GAS SYSTEM
CONSERVATION AUDIT REPORT - SIX MONTHS ENDED MARCH 31, 1998
AUDIT CONTROL NO. 98-162-2-1 AND 98-162-2-2

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 was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

Tampa Electric Company
d/b/a Peoples Gas System
Frank Sivard
P. O. Box 2562
Tampa, Florida 33601-2562

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 (Lowery/Brown)
Tampa District Office (McPherson)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

11160 OCT-98

FPSC-RECORDS/REPORTING

State of Florida

Commissioners:

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



TAMPA DISTRICT OFFICE
9950 PRINCESS PALM AVENUE
REGISTRY 2
SUITE 310
TAMPA, FLORIDA 33619
(813) 744 6093
Fax No. (813) 744 6056

Public Service Commission

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING*

Tampa District Office

**PEOPLES GAS SYSTEM/WEST FLORIDA REGION
(A SUBSIDIARY OF TECO ENERGY)**

ENERGY CONSERVATION COST RECOVERY AUDIT

FOR THE SIX MONTHS ENDED MARCH 31, 1998

**Docket Number 980002-EG
Audit Control Number 98-162-2-2
Audit Control Number 98-162-2-1**

Handwritten signature of Joseph W. Rohrbacher in black ink.

**Joseph W. Rohrbacher
Audit Manager**

Handwritten signature of James A. McPherson in black ink.

**James A. McPherson
Regulatory Analyst Supervisor**

DOCUMENT NUMBER-DATE

11160 OCT-98

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

SEPTEMBER 25, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the Energy Conservation Cost Recovery (ECCR) schedules for the six month period ended March 31, 1998 for Peoples Gas System and PGS West Florida Region. These schedules were prepared by the utility in support of Docket No. 980002-EG. There is no confidential information associated with this audit.

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.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission.

SUMMARY OF SIGNIFICANT FINDINGS:

The Company did not use the approved prior year over recovery in computing the beginning true-up balances.

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

REVENUES: Compiled Energy Conservation Cost Recovery (ECCR) revenue and agreed to the filing. Recomputed revenues using approved FPSC rate factors and company provided KWH sales. Chose a judgmental sample of customer bills and recalculated ECCR charges using FPSC approved rates.

EXPENSES: Compiled ECCR expenses and agreed to the filing. Scheduled expenses by program and by categories of expense. Judgementally tested advertising charges and incentive payments for the Residential Home Builders and the Residential Electric Replacement programs to verify that they were properly recoverable through the ECCR.

TRUE-UP: Recomputed ECCR true-up and interest calculation using FPSC approved amounts and interest rates.

DISCLOSURES

Disclosure No. 1

Subject: Beginning True-up Balances

Statement of Fact:

Order No. PSC-98-0403-FOF-EG established an end of period final true-up amounts for the period October 1, 1996 through September 30, 1997 of \$1,344,804 for Peoples Gas System, Inc. (PGS) and \$202,036 for PGS-West Florida (WFNG). These would be the beginning balances for the Energy Conservation Cost Recovery (ECCR) filing for the period October 1, 1997 through March 31, 1998.

The Company reflected one-half of the amounts established as the beginning true-up balances in the filings. PGS staff stated that since the filing was for only six months they used one-half of the true-up amount.

Recommendation:

The auditor notified the Company of the incorrect filing and it stated that a revised True-up schedule would be filed reflecting the full amount of the prior years over recovery.

Auditor recomputed the true-up using the FPSC approved prior year over recovery amount.

Audit Disclosure No. 2

Subject: Incentive Payments

Statement of Fact:

In previous Energy Conservation Cost Recovery (ECCR) filings the Commission approved payment allowances to customers of Peoples Gas System (PGS) and PGS-West Florida Region (WFNG) for the use of gas appliances in the conservation programs.

The following items were noted during the ECCR audit for the six months ending March 31, 1998:

- 1) Not all General Service Agreements were filled out completely. Several did not contain authorized signatures.
- 2) Not all payments were for the approved amounts. Payments to builders of multi-family dwellings were one-half of the approved amounts.
- 3) Two payments were charged to incentives which were for advertising.

Recommendation:

The above discrepancies, in total, would not change the ECCR rate factors. Therefore, no adjustment to the filing is needed.

Peoples Gas System

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS OCTOBER 1997 THROUGH MARCH 1998

CONSERVATION REVENUES	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REV	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	(227,047)	(269,965)	(335,994)	(416,487)	(406,886)	(384,609)	0	0	0	0	0	0	(2,040,989)
4. TOTAL REVENUES	(227,047)	(269,965)	(335,994)	(416,487)	(406,886)	(384,609)	0	0	0	0	0	0	(2,040,989)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(112,067)	(112,067)	(112,067)	(112,067)	(112,067)	(112,067)	0	0	0	0	0	0	(672,402)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(339,114)	(382,032)	(448,061)	(528,554)	(518,953)	(496,676)	0	0	0	0	0	0	(2,713,391)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	340,691	261,295	345,296	415,982	258,116	273,243	0	0	0	0	0	0	1,894,823
8. TRUE-UP THIS PERIOD	1,577	(120,737)	(102,765)	(112,572)	(260,837)	(223,433)	0	0	0	0	0	0	(818,768)
9. INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(2,837)	(2,824)	(2,887)	(2,856)	(2,959)	(3,586)	0	0	0	0	0	0	(17,350)
10. TRUE-UP & INT. PROV. BEGINNING OF MONTH	(672,402)	(561,595)	(572,889)	(566,275)	(569,435)	(721,164)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	
11. PRIOR TRUE-UP COLLECTED (REFUNDED)	112,067	112,067	112,067	112,067	112,067	112,067	0	0	0	0	0	0	
12. TOTAL NET TRUE-UP (SUM LINES 8-11+10-11)	(561,595)	(572,889)	(566,275)	(569,435)	(721,164)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)

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PGS - West Florida Region
ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS OCTOBER 1997 THROUGH MARCH 1998

CONSERVATION REVENUES	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REV	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	(35,129)	(51,545)	(109,060)	(88,174)	(88,470)	(93,304)	0	0	0	0	0	0	(483,682)
4. TOTAL REVENUES	(35,129)	(51,545)	(109,060)	(88,174)	(88,470)	(93,304)	0	0	0	0	0	0	(483,682)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(18,839)	(18,839)	(18,839)	(18,839)	(18,839)	(18,839)	0	0	0	0	0	0	(101,034)
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	(51,968)	(68,384)	(125,899)	(105,013)	(103,309)	(110,143)	0	0	0	0	0	0	(584,716)
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	45,682	(18,453)	55,364	81,258	58,548	94,127	0	0	0	0	0	0	318,522
8. TRUE-UP THIS PERIOD	(8,298)	(88,837)	(70,535)	(23,757)	(44,763)	(18,016)	0	0	0	0	0	0	(248,184)
9. INT. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(441)	(584)	(891)	(1,029)	(1,094)	(1,166)	0	0	0	0	0	0	(5,205)
10. TRUE-UP & INT. PROV. BEGINNING OF MONTH	(101,034)	(90,922)	(181,504)	(218,091)	(224,038)	(253,055)	(253,399)	(253,399)	(253,399)	(253,399)	(253,399)	(253,399)	(253,399)
11. PRIOR TRUE-UP COLLECTED (REFUNDED)	18,839	18,839	18,839	18,839	18,839	18,839	0	0	0	0	0	0	0
12. TOTAL NET TRUE-UP (SUM LINES 8-11)	(90,922)	(181,504)	(218,091)	(224,038)	(253,055)	(253,399)	(253,399)	(253,399)	(253,399)	(253,399)	(253,399)	(253,399)	(253,399)

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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

October 12, 1998

Francis J. Sivard
Tampa Electric Company
d/b/a Peoples Gas System
Post Office Box 2562
Tampa, Florida 33601-2562

Re: Docket No. 980002 - EG - Tampa Electric Company d/b/a Peoples Gas System
Conservation Audit Report - Six-months Ended March 31, 1998
Audit Control # 98-162-2-1 and # 98-162-2-2

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 case will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

Handwritten signature of Kay Flynn in cursive.

Kay Flynn, Chief
Bureau of Records

BSB/abf
Enclosure
cc: Division of Audit and Financial Analysis
James D. Beasley, Esquire