

MEMORANDUM

October 9, 1998

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 980003-GU -- TAMPA ELECTRIC COMPANY D/B/A PEOPLES GAS SYSTEM
PGA AUDIT REPORT - SIX MONTHS ENDED MARCH 31, 1998
AUDIT CONTROL NO. 98-160-2-2

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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, FL 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 (Makin)
Tampa District Office (McPherson)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

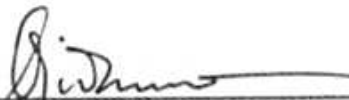
**PEOPLES GAS SYSTEM INCLUDING WEST FLORIDA REGION
(Division of Tampa Electric Company)**

PURCHASED GAS ADJUSTMENT AUDIT

SIX MONTHS ENDED MARCH 31, 1998

Docket 980003-GU

Audit Control Number 98-160-2-2



Simon O Ojada, Audit Manager



James A. McPherson, Regulatory Analyst Supervisor

DOCUMENT NUMBER - DATE

11311 OCT 12 88

FPSC-REG/DSDS/REPORTING

INDEX

I.	Executive Summary	
	Audit Purpose	1
	Disclaim Public Use	1
	Opinion	1
II.	Audit Scope	
	Scope of Work Performed	2
III.	Exhibits	
	Sch A-2: Calculation of True-up 3/31/98	3
	Sch A-2: West Florida Region (True-up)	4

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

SEPTEMBER 28, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Purchased Gas Adjustment Schedules for the six month period ending March 31, 1998, prepared by Peoples Gas System and West Florida Region, in support of Docket No. 980003-GU. There is no confidential information associated with this audit and there are no minority opinions.

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 A-2 for the six month period ending March 31, 1998 represents Peoples Gas System and West Florida Region's books and records maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission.

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.

COST OF PURCHASED GAS: Compiled total Pipeline and Transportation Costs less End-Use Contract amounts. Verified the mathematical accuracy of Schedule A-1 Cost of Purchased Gas for the six month periods ending March 31, 1998. Traced dollars and associated terms of purchased gas to vendor invoices. Agreed cost of Company Use Gas to Associated G/L account. Reconciled gas cost for End Use Sales between Sch A-1 and Sch A-3.

GAS REVENUES: Compiled Purchased Gas Adjustment (PGA) Revenues. Recomputed PGA Revenues based upon the FPSC approved rate and Company supplied sales reports. Recomputed the Company's calculation of unbilled revenues. Traced negative cash-out revenues (from End-Users) to customer invoices. Reconciled Fuel Revenues to the General Ledger. Tested customer bills for proper PGA and True-up factors.

CALCULATION OF TRUE-UP: Recomputed monthly Adjusted Total True-Up. Recomputed the monthly interest provision using the FPSC approved interest rates. Documented FGT Refunds.

OTHER: Performed an analytic review comparing selected 6-month operating information of the current year to the same 6-month data from the five prior years and investigated any inconsistencies.

FOR THE PERIOD OF: APRIL 1 Through MARCH 31

Page 1 of 1

TRUE-UP CALCULATION	CURRENT MONTH: MARCH 98		PERIOD TO DATE					
	ACTUAL	ESTIMATE	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATE	DIFFERENCE AMOUNT	%
1 PURCHASED GAS COST (A-1, LINES 3+4+5-12)	\$8,680,840	\$7,638,188	\$942,652	10.86%	\$72,373,188	\$73,385,222	\$2,902,115	3.98%
2 TRANSPORTATION COST (A-1, LINES 1+2+3+4-7-8)	2,783,112	2,857,806	(74,694)	(2.68%)	\$28,715,887	\$28,806,480	(90,593)	(0.31%)
3 TOTAL	\$5,445,952	\$4,780,394	\$665,558	12.04%	\$101,089,075	\$102,191,702	\$2,890,888	2.83%
4 FUEL REVENUES (NET OF REVENUE TAX)	\$8,876,583	\$9,216,794	(340,211)	(3.83%)	\$103,219,687	\$103,735,118	(515,431)	(0.49%)
5 TRUE-UP REFUNDCOLLECTION	\$7,221	\$7,228	(7)	(0.10%)	\$1,187,907	\$1,187,912	(5)	(0.00%)
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+) or (-) LINE 5)	\$8,879,364	\$9,224,022	(344,658)	(3.88%)	\$104,031,784	\$104,923,620	(891,836)	(0.85%)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 5)	\$27,963	\$7,228	\$20,735	285.34%	\$1,187,907	\$2,827,348	(1,639,441)	(138.04%)
8 INTEREST PROVISION-THIS PERIOD (C1) INTEREST	2,184	(2,378)	(4,562)	(208.42%)	(5,288)	(52,857)	(47,569)	(900.00%)
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	483,917	(730,848)	(1,214,765)	(252.07%)	(2,649,184)	(2,840,184)	(191,000)	(7.05%)
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 9)	(97,218)	(97,228)	10	(0.01%)	(51,187,907)	(51,187,912)	5	(0.00%)
10a FLEX RATE ADJUSTMENT	0	0	0	0.00%	0	0	0	0.00%
11 TOTAL ESTRICT TRUE-UP (7+8+9+10-10a)	\$88,643	(733,418)	(822,065)	(926.27%)	(51,737,824)	(51,198,605)	(539,219)	(1.04%)
11a REFUNDS FROM PIPELINE	22,878	0	(22,878)	(100.00%)	\$1,737,824	\$463,189	(1,274,635)	(72.84%)
12 ADJ TOTAL ESTRICT TRUE-UP (11+11a)	\$111,521	(733,418)	(844,939)	(757.41%)	\$918,718	(51,732,419)	(52,651,137)	(57.24%)
INTEREST PROVISION								
13 BEGINNING TRUE-UP AND INTEREST PROVISION (B)	483,917	(730,848)	(1,214,765)	(252.07%)				
14 ENDING TRUE-UP BEFORE INTEREST (13+7+4+11a)	916,534	(730,848)	(1,647,382)	(178.53%)				
15 TOTAL (13+14)	1,379,551	(1,460,906)	(81,355)	(5.91%)				
16 AVERAGE (50% OF 15)	689,775	(730,453)	(1,419,228)	(205.25%)				
17 INTEREST RATE - FIRST DAY OF MONTH	5.53	5.53	0	0.00%				
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.55	5.55	0	0.00%				
19 TOTAL (17+18)	11,080	11,080	0	0.00%				
20 AVERAGE (50% OF 19)	5,540	5,540	0	0.00%				
21 MONTHLY AVERAGE (20*12 Months)	0.462	0.462	0	0.00%				
22 INTEREST PROVISION (14*21)	\$3,184	(32,379)	(35,563)	(1117.28%)				

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

FOR THE PERIOD OF: APRIL 97 Through MARCH 98

	CURRENT MONTH: MARCH 1998				PERIOD TO DATE			
	ACTUAL	ORIGINAL ESTIMATE	DIFFERENCE		ACTUAL	ORIGINAL ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST Line 4 and 3	613,623	508,917	(104,706)	-0.20574	5,682,073	5,002,902	-679,171.34	-0.135755
2 TRANSPORTATION COST (A1 line 1,2,5 & 3)	378,291	269,859	(108,432)	-0.40181	3,665,719	3,438,875	(226,844)	-0.065965
3 TOTAL	991,914	778,776	(213,138)	-0.27368	9,347,792	8,441,777	(906,015)	-0.107325
4 FUEL REVENUES (NET OF REVENUE TAX)	1,061,423	850,000	(211,423)	-0.24873	10,195,629	8,713,959	(1,481,670)	-0.170034
5 TRUE-UP (COLLECTED) OR REFUNDED	(51,800)	(51,800)	0	0	(621,600)	(621,600)	0	0
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	1,009,623	798,200	(211,423)	-0.26487	9,574,029	8,092,359	(1,481,670)	-0.183095
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	17,709	19,424	1,715	0.088286	226,237	(349,418)	(575,655)	1.6474684
8 INTEREST PROVISION-THIS PERIOD (21)	246	(2,432)	(2,679)	1.101309	(34,308)	(40,679)	0	0
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	18,618	(562,444)	(581,062)	1.033102	(725,157)	(725,157)	0	0
9a PGA AUDIT ADJ (Schedule 1)	13,946	0			13,946	0		
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	51,800	51,800	0	0	621,600	621,600	0	0
10a FLEX RATE REFUND (if applicable)	0	0	0	0	0	0	0	0
11 TOTAL ESTIMATED/ACTUAL TRUE-UP (7+8+9+10+10a)	102,320	(493,652)	(595,972)	1.20727	102,320	(493,652)	(595,972)	1.2072705
INTEREST PROVISION								
12 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	18,618	(562,444)	(581,062)	1.033102	If line 5 is a refund add to line 4 If line 5 is a collection () subtract from line 4			
13 ENDING TRUE-UP BEFORE INTEREST (12+7-5)	88,127	(491,220)	(579,347)	1.179405				
14 TOTAL (12+13)	106,745	(1,053,664)	#####	1.101309				
15 AVERAGE (50% OF 14)	53,373	(526,832)	(580,205)	1.101309				
16 INTEREST RATE - FIRST DAY OF MONTH	0.05530	0.05530	0	0				
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.05550	0.05550	0	0				
18 TOTAL (16+17)	0.11080	0.11080	0	0				
19 AVERAGE (50% OF 18)	0.05540	0.05540	0	0				
20 MONTHLY AVERAGE (19/12 Months)	0.00462	0.00462	0	0				
21 INTEREST PROVISION (15x20)	246	-2432	-2678.61	1.101309				

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. BAYÓ
DIRECTOR
(850) 413-6770

Public Service Commission

October 13, 1998

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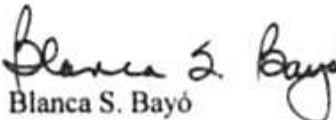
Re: Docket No. 980003 - GU - Tampa Electric Company d/b/a Peoples Gas System
Audit Report - PGA - Six Months Ended March 31, 1998
Audit Control # 98-160-2-2

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,


Blanca S. Bayó

BSB/abf
Enclosure
cc: Division of Audit and Financial Analysis
Ansley Watson, Jr., Esquire