

STATE OF FLORIDA

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TIMOTHY DEVLIN, DIRECTOR
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Public Service Commission

May 6, 1999

Mr. Francis J. Sivard
Peoples Gas System
P. O. Box 2562
Tampa, FL 33601-2562

**Re: Docket No. 990003-GU; Peoples Gas System
PGA Audit Report - Audit Control No. 99-025-2-3**

Mr. Sivard:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

Denise N. Vandiver
Bureau Chief - Auditing

- AFA _____
 - APP _____
 - CAF _____
 - CMU _____
 - CTR _____
 - EAG _____
 - LEG _____
 - MAS _____
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 - SEC _____
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- DNV: sp
- cc: Division of Records and Reporting
 Division of Auditing and Financial Analysis (Devlin/Causseaux/File Folder)
 Division of Electric and Gas (Makin)
 Tampa District Office (McPherson)
 Division of Legal Services
 Office of Public Counsel
 Research and Regulatory Review (Harvey)

DOCUMENT NUMBER - DATE
05921 MAY 10 99
FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

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

PURCHASED GAS ADJUSTMENT AUDIT

NINE MONTHS ENDED DECEMBER 31, 1998

Docket 990003-GU

Audit Control Number 99-025-2-3

A handwritten signature in cursive script, appearing to read "Simon O Ojada", written over a horizontal line.

Simon O Ojada, Audit Manager

A handwritten signature in cursive script, appearing to read "James A. McPherson", written over a horizontal line.

James A. McPherson, Tampa District Supervisor

INDEX

I.	Executive Summary	
	Audit Purpose	1
	Disclaim Public Use	1
	Opinion	1
II.	Audit Scope	
	Scope of Work Performed	2
III.	Disclosures	
	PGA Expense	3
IV.	Exhibits	
	Sch A-2: Calculation of True-up 12/31/98	4

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

MARCH 30, 1999

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the appended Purchased Gas Adjustment Schedule A-2 (True-Up Calculation and Interest Provision) for the nine months period ending December 31, 1998 prepared by Peoples Gas System, in support of Docket No. 990003-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 nine month period ending December 31, 1998 represents Peoples Gas System'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 nine month period ending December 31, 1998. Traced dollars and associated therms of purchased gas to vendor invoices. Agreed cost of Company Use Gas to Associated GL account. Reconciled PGA gas cost for End Use Sales between Sch A-1 and Sch A-3. Analyzed Legal and Administrative Costs charged to PGA filing.

GAS REVENUES: Compiled 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.

Disclosure No. 1

Subject: PGA Expense

Statement of Fact: In October 1998, Peoples Gas System made a journal entry to reclassify four monthly payments totaling \$83,775.80 made to Intermedia Communications of Florida. These payments were for a communication line used to run the Gas Online Flow Reporting System (GOFR) and were incorrectly expensed to a non-PGA account. When the journal entry was made, the debit and credit accounts were listed backwards.

Also, non-PGA charges of \$75,958.60 for communication network tie lines between offices located throughout Florida were erroneously charged to the PGA account in October 1998.

Finally, state sales taxes of \$1,413.72 and \$2,563.60 were added in error to the PGA account in October 1998.

Recommendation: The PGA expense account should be increased by \$87,615.68, the net effect of the above errors. See details below:

To reverse journal voucher posted incorrectly	\$83,775.80
To correctly post journal voucher.	83,775.80
To reverse tie line charges to PGA.	(75,958.60)
To reverse state sale taxes charged to PGA	(3,977.32)
Total charge to PGA	<u>\$87,615.68</u>

Peoples Gas System proposes to correct these errors by increasing the PGA expenses by \$87,615.68 during March 1999 with no back interest charged to the rate payers.

FOR THE PERIOD OF: APRIL 98 Through MARCH 99

	CURRENT MONTH: DECEMBER 98		PERIOD TO DATE					
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (A-1, LINES 3 + 4-9-13)	\$6,534,754	\$6,778,114	\$244,360	0.03739	\$46,571,571	\$43,365,085	(\$3,206,486)	(0.06886)
2 TRANSPORTATION COST (A-1, LINES 1+2+5+6-7-8)	3,831,047	3,381,610	(449,437)	(0.11731)	\$22,373,380	\$22,429,620	56,270	0.00252
3 TOTAL	10,365,801	10,160,724	(205,077)	(0.01978)	\$68,944,921	\$65,794,705	(3,150,216)	(0.04569)
4 FUEL REVENUES (NET OF REVENUE TAX)	12,518,400	10,160,724	(2,357,676)	(0.18834)	\$71,933,171	\$68,278,801	(3,654,370)	(0.05080)
5 TRUE-UP REFUND/(COLLECTION)	598	598	0	0.00000	\$5,382	\$5,382	0	0.00000
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	12,518,998	10,161,322	(2,357,676)	(0.18833)	\$71,938,553	\$68,284,183	(3,654,370)	(0.05080)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	2,153,197	598	(2,152,599)	(0.99972)	\$2,993,632	\$2,489,478	(504,154)	(0.16841)
8 INTEREST PROVISION-THIS PERIOD (21)	13,904	16,048	2,144	0.15419	\$134,195	\$139,076	4,880	0.03636
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	2,132,341	3,703,385	1,571,044	0.73677	1,022,039	1,022,039	0	0.00000
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(598)	(598)	0	0.00000	(\$5,382)	(\$5,382)	0	0.00000
10a ENVIRONMENTAL REFUND	0	0	0	0.00000	\$80,138	\$0	(\$80,138)	0.00000
11 TOTAL EST/ACT TRUE-UP (7 + 8 + 9 + 10 + 10a)	4,298,844	3,719,433	(579,411)	(0.13478)	4,224,622	3,645,211	(579,411)	(0.13715)
11a REFUNDS FROM PIPELINE	0	0	0	0.00000	\$74,222	\$74,222	(0)	0.00000
12 ADJ TOTAL EST/ACT TRUE-UP (11 + 11a)	4,298,844	3,719,433	(579,411)	(0.13478)	\$4,298,844	\$3,719,433	(579,411)	(0.13478)
INTEREST PROVISION								
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	2,132,341	3,703,385	1,571,044	0.73677				
14 ENDING TRUE-UP BEFORE INTEREST (13 + 7-5 + 10a + 11a)	4,284,940	3,703,385	(581,555)	(0.13572)				
15 TOTAL (13 + 14)	6,417,281	7,406,771	989,490	0.15419				
16 AVERAGE (50% OF 15)	3,208,640	3,703,385	494,745	0.15419				
17 INTEREST RATE - FIRST DAY OF MONTH	5.50	5.50	0	0.00000				
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.90	4.90	0	0.00000				
19 TOTAL (17 + 18)	10.400	10.400	0	0.00000				
20 AVERAGE (50% OF 19)	5.200	5.200	0	0.00000				
21 MONTHLY AVERAGE (20/12 Months)	0.433	0.433	0	0.00000				
22 INTEREST PROVISION (16x21)	\$13,904	\$16,048	\$2,144	0.15419				

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

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