



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: July 8, 2003
TO: Division of Competitive Markets & Enforcement (Brown)
FROM: Division of Auditing and Safety (Vandiver) *AV*
RE: **Docket No.** 030004-GU; **Company Name:** Peoples Gas System,
a division of Tampa Electric Company; **Audit Purpose:** Energy Conservation
Cost Recovery Audit; **Audit Control No.** 03-037-2-1

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 the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

Tampa District Office

**PEOPLES GAS SYSTEM AND PGS WEST FLORIDA REGION
(A DIVISION OF TAMPA ELECTRIC COMPANY)**

ENERGY CONSERVATION COST RECOVERY AUDIT

TWELVE MONTHS ENDED DECEMBER 31, 2002

**DOCKET 030004-GU
AUDIT CONTROL NO. 03-037-2-1**

Tomer Kopelovich by Simon Ojada

Tomer Kopelovich, Audit Staff

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

JUNE 20, 2003

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 historical twelve month period ending December 31, 2002 for Peoples Gas System (PGS) and PGS - West Florida Region. These schedules were prepared by the utility in support of Docket 030004-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 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.

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 the 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.

REVENUE: Compiled Energy Conservation Cost Recovery (ECCR) revenue and agreed to the filing. Recomputed ECCR revenues using approved FPSC rate factors and company provided Therm sales.

EXPENSES: Compiled ECCR expenses by program and cost category and agreed to the filing. Performed judgmental testing of advertising charges and supporting documentation to verify that they were properly recoverable through the ECCR. Analyzed programs over budget and the Common Costs program.

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

DISCLOSURE

Disclosure No. 1

Subject: Common Costs

Statement of Fact: Rule 25-17.015(2), Florida Administrative Code (F.A.C.) requires that each utility shall establish separate accounts or sub-accounts for each conservation program for purposes of recording the costs incurred for that program.

Rule 25-17.009, F.A.C. requires that each utility that seeks to recover costs for an existing, new, or modified demand side management program pursuant to Section 366.82(5), Florida Statutes, and Rule 25-17.015, F.A.C., shall file the cost effectiveness test results of the Participants Test and the Rate Impact Measure Test.

Peoples Gas System (PGS) records all costs of its energy conservation programs, with the exception of Incentive Allowances, as Common Costs. PGS Energy Conservation Costs for the twelve months ending December 31, 2002 totaled \$9,135,550 of which \$1,623,544 (18%) were classified as Common Costs. These Common Costs of \$1,623,544 consisted of \$1,250,603 of advertising, \$375,844 of Payroll & Benefits, and (\$2903) of other costs.

Recommendation: By recording program expenditures as Common Costs, the utility cannot identify the cost effectiveness of the individual ECCR programs as required by Rule 25-17.009, F.A.C. This rule applies to all natural gas utilities as defined in Section 366.82, Florida Statutes.

The Company should be required to record all expenditures to the appropriate energy conservation programs in order to determine the cost effectiveness of the programs and the assurance that the program will provide benefits to the general body of ratepayers.

CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2002 THROUGH DECEMBER 2002

	JAN 2002	FEB 2002	MAR 2002	APR 2002	MAY 2002	JUN 2002	JUL 2002	AUG 2002	SEPT 2002	OCT 2002	NOV 2002	DEC 2002	TOTAL
INTEREST PROVISION													
1. BEGINNING TRUE-UP	-352,527	-694,629	-477,542	-856,619	-1,172,861	-704,964	-315,103	-320,403	-249,490	-147,261	-25,485	106	
2. ENDING TRUE-UP BEFORE INTEREST	-593,829	-476,756	-855,833	-1,171,361	-703,588	-314,356	-319,943	-249,082	-146,974	-25,363	121	380,724	
3. TOTAL BEGINNING & ENDING TRUE-UP	-946,356	-1,071,285	-1,333,174	-2,027,980	-1,876,449	-1,019,320	-635,046	-569,485	-396,465	-172,624	-25,364	380,830	
4. AVERAGE TRUE-UP (LINE 3 TIMES 60%)	-473,178	-635,643	-666,587	-1,013,990	-938,225	-509,660	-317,523	-284,743	-198,232	-86,312	-12,682	190,415	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	1.780%	1.770%	1.750%	1.800%	1.750%	1.770%	1.750%	1.730%	1.710%	1.780%	1.850%	1.300%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	1.770%	1.750%	1.800%	1.750%	1.770%	1.760%	1.730%	1.710%	1.760%	1.650%	1.300%	1.290%	
7. TOTAL (SUM LINES 5 & 6)	3.550%	3.520%	3.550%	3.550%	3.520%	3.520%	3.480%	3.440%	3.470%	3.410%	2.960%	2.590%	
8. AVG INTEREST RATE (LINE 7 TIMES 60%)	1.775%	1.760%	1.775%	1.775%	1.760%	1.760%	1.740%	1.720%	1.738%	1.705%	1.475%	1.295%	
9. MONTHLY AVG INTEREST RATE	0.148%	0.147%	0.148%	0.148%	0.147%	0.147%	0.145%	0.143%	0.145%	0.142%	0.123%	0.108%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	-700	-786	-986	-1,500	-1,376	-748	-460	-408	-287	-123	-16	205	-7,183

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CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2002 THROUGH DECEMBER 2002

	JAN 2002	FEB 2002	MAR 2002	APR 2002	MAY 2002	JUN 2002	JUL 2002	AUG 2002	SEPT 2002	OCT 2002	NOV 2002	DEC 2002	TOTAL
1. BEGINNING TRUE-UP	1,138,610	946,279	797,802	696,853	558,697	623,548	580,289	635,662	645,789	752,298	748,812	760,731	
2. ENDING TRUE-UP BEFORE INTEREST	944,738	796,524	695,749	557,769	622,681	579,407	634,781	644,871	761,289	747,746	759,804	629,378	
3. TOTAL BEGINNING & ENDING TRUE-UP	2,083,348	1,742,803	1,493,551	1,254,623	1,181,379	1,202,954	1,215,070	1,280,533	1,397,077	1,500,045	1,508,616	1,290,110	
4. AVERAGE TRUE-UP (LINE 3 TIMES 60%)	1,041,674	871,401	746,775	627,311	590,689	601,477	607,536	640,266	698,539	750,022	754,308	645,055	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	1.780%	1.770%	1.750%	1.800%	1.750%	1.770%	1.750%	1.730%	1.710%	1.760%	1.650%	1.300%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	1.770%	1.750%	1.800%	1.750%	1.770%	1.750%	1.730%	1.710%	1.760%	1.650%	1.300%	1.290%	
7. TOTAL (SUM LINES 5 & 6)	3.550%	3.520%	3.550%	3.550%	3.520%	3.520%	3.480%	3.440%	3.470%	3.410%	2.950%	2.590%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	1.775%	1.760%	1.775%	1.775%	1.760%	1.760%	1.740%	1.720%	1.735%	1.705%	1.475%	1.295%	
9. MONTHLY AVG INTEREST RATE	0.148%	0.147%	0.148%	0.148%	0.147%	0.147%	0.145%	0.143%	0.145%	0.142%	0.123%	0.108%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	1,541	1,278	1,105	928	866	882	881	918	1,010	1,066	927	696	12,097

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