

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** June 30, 2004  
**TO:** Shevie Brown, Division of Competitive Markets and Enforcement  
**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing  
Division of Regulatory Compliance and Consumer Assistance  
**RE:** **Docket No.** 040004-GU ; **Company Name:** Peoples Gas System, Division of  
Tampa Electric Co. ; **Audit Purpose:** Conservation Gas Cost Recovery Audit ;  
**Audit Control No.** 04-057-2-1

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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 Regulatory Compliance and Consumer Assistance (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

Ms. Angela Llewellyn, Administrator,  
Peoples Gas System,  
a division of Tampa Electric Company  
P. O. Box 111  
Tampa, Florida 33601-0111

Kandi Floyd  
Peoples Gas System,  
a division of Tampa Electric Company  
702 North Franklin Street  
Tampa, FL 33601-2562

Ansley Watson, Jr.  
Macfarlane Ferguson Law Firm  
P. O. Box 1531  
Tampa, FL 33601-1531

DOCUMENT NUMBER-DATE

07284 JUL-23

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**FLORIDA PUBLIC SERVICE COMMISSION**

***DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
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, 2003**

**DOCKET 040004-GU  
AUDIT CONTROL NO. 04-057-2-1**

A handwritten signature in black ink, appearing to read "Tomer Kopelovich".

*Tomer Kopelovich, Audit Manager*

A handwritten signature in black ink, appearing to read "Joseph Rohrbacher".

*Joseph Rohrbacher, Tampa District Supervisor*

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
BUREAU OF AUDITING  
AUDITOR'S REPORT**

**June 18, 2004**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

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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, 2003 for Peoples Gas System (PGS) and PGS - West Florida Region. These schedules were prepared by the utility in support of Docket 040004-GU. 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.

## SUMMARY OF SIGNIFICANT FINDINGS

Peoples Gas continues to be in noncompliance with Commission Rule 25-17.015, Florida Administrative Code. This results in an inability to evaluate the cost effectiveness of each program on a stand alone basis.

## 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.

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**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 beginning true-up amounts and interest rates.

## **EXCEPTIONS**

### **Exception No. 1**

**Subject:** <sup>5</sup> **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. 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.

**Recommendation:**

The Company should 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.

## **DISCLOSURES**

### **Disclosure No. 1**

#### **Subject: Advertising Costs**

**Statement of Fact:** In some instances, the utility will receive invoices from the previous year (2002) that are paid in 2003. This may happen in instances where there is a contract or where a general invoice was submitted for services rendered mid to late year. Also, some contracts are seasonal and may run on a fiscal year basis rather than calendar year (Gator Network, Orlando Magic and Seminole Network). Cooperative advertising is typically submitted on quarterly basis and may also be considered fiscal.

Generally accepted accounting principles require use of the accrual method for recording expenses. This would require the company to accrue a service or advertising contract over the expected life of the service. This provides proper matching of expenses and revenues in a reporting period. Because this is a recovery clause expense, the lack of accruing an expense delays the recovery of the expense through the clause and customers are not harmed.

**Recommendation:** The above statement is provided to the staff for informational purposes only.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
JANUARY 2003 THROUGH DECEMBER 2003

CONSERVATION REVENUES	JAN 2003	FEB 2003	MAR 2003	APR 2003	MAY 2003	JUN 2003	JUL 2003	AUG 2003	SEP 2003	OCT 2003	NOV 2003	DEC 2003	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	<u>-1,224,726</u>	<u>-1,150,491</u>	<u>-821,511</u>	<u>-713,343</u>	<u>-644,000</u>	<u>-585,526</u>	<u>-562,716</u>	<u>-571,665</u>	<u>-563,674</u>	<u>-559,734</u>	<u>-617,297</u>	<u>-854,357</u>	<u>-8,869,031</u>
4. TOTAL REVENUES	<u>-1,224,726</u>	<u>-1,150,491</u>	<u>-821,511</u>	<u>-713,343</u>	<u>-644,000</u>	<u>-585,526</u>	<u>-562,716</u>	<u>-571,665</u>	<u>-563,674</u>	<u>-559,734</u>	<u>-617,297</u>	<u>-854,357</u>	<u>-8,869,031</u>
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>31,744</u>	<u>380,930</u>
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	<u>-1,192,981</u>	<u>-1,118,746</u>	<u>-789,766</u>	<u>-681,599</u>	<u>-612,256</u>	<u>-553,782</u>	<u>-530,972</u>	<u>-539,921</u>	<u>-531,929</u>	<u>-527,990</u>	<u>-585,552</u>	<u>-822,613</u>	<u>-8,488,101</u>
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	653,978	690,042	632,143	831,118	1,042,291	795,028	716,815	714,347	656,977	845,343	660,640	715,209	8,953,930
8. TRUE-UP THIS PERIOD	-539,003	-428,704	-157,624	149,519	430,035	241,247	185,843	174,426	125,047	317,353	75,088	-107,404	465,822
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	102	-441	-755	-772	-525	-204	-34	96	200	366	497	458	-1,011
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	380,930	-189,715	-650,605	-840,728	-723,724	-325,958	-116,659	37,406	180,183	273,686	559,661	603,501	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	<u>-31,744</u>	<u>-31,744</u>	<u>-31,744</u>	<u>-31,744</u>	<u>-31,744</u>	<u>-31,744</u>	<u>-31,744</u>	<u>-31,744</u>	<u>-31,744</u>	<u>-31,744</u>	<u>-31,744</u>	<u>-31,744</u>	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	<u>-189,715</u>	<u>-650,605</u>	<u>-840,728</u>	<u>-723,724</u>	<u>-325,958</u>	<u>-116,659</u>	<u>37,406</u>	<u>180,183</u>	<u>273,686</u>	<u>559,661</u>	<u>603,501</u>	<u>464,811</u>	<u>464,811</u>

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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
JANUARY 2003 THROUGH DECEMBER 2003

CONSERVATION REVENUES	JAN 2003	FEB 2003	MAR 2003	APR 2003	MAY 2003	JUN 2003	JUL 2003	AUG 2003	SEP 2003	OCT 2003	NOV 2003	DEC 2003	TOTAL
1. RCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2. OTHER PROGRAM REVS	0	0	0	0	0	0	0	0	0	0	0	0	0
3. CONSERV. ADJ REVS	<u>-391,512</u>	<u>-350,585</u>	<u>-202,779</u>	<u>-152,448</u>	<u>-226,932</u>	<u>-121,645</u>	<u>-128,553</u>	<u>-118,280</u>	<u>-122,931</u>	<u>-130,911</u>	<u>-113,789</u>	<u>-199,977</u>	<u>-2,260,342</u>
4. TOTAL REVENUES	-391,512	-350,585	-202,779	-152,448	-226,932	-121,645	-128,553	-118,280	-122,931	-130,911	-113,789	-199,977	-2,260,342
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>44,173</u>	<u>44,173</u>	<u>44,173</u>	<u>44,173</u>	<u>44,173</u>	<u>44,173</u>	<u>44,173</u>	<u>44,173</u>	<u>44,173</u>	<u>44,173</u>	<u>44,173</u>	<u>44,173</u>	<u>530,074</u>
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	-347,339	-306,412	-158,606	-108,275	-182,759	-77,472	-84,380	<u>-74,107</u>	<u>-78,759</u>	<u>-86,738</u>	<u>-69,616</u>	<u>-155,805</u>	<u>-1,730,268</u>
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	354,838	245,269	188,889	270,468	272,048	151,632	146,703	309,597	138,499	229,064	261,686	123,006	2,691,698
8. TRUE-UP THIS PERIOD	7,498	-61,143	30,282	162,193	89,289	74,160	62,322	235,490	59,740	142,327	192,070	-32,799	961,430
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	546	463	387	429	517	511	495	602	697	744	828	864	7,082
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	530,074	493,945	389,093	375,589	494,038	539,671	570,169	588,813	780,732	796,996	895,894	1,044,619	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	<u>-44,173</u>	<u>-44,173</u>	<u>-44,173</u>	<u>-44,173</u>	<u>-44,173</u>	<u>-44,173</u>	<u>-44,173</u>	<u>-44,173</u>	<u>-44,173</u>	<u>-44,173</u>	<u>-44,173</u>	<u>-44,173</u>	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	<u>493,945</u>	<u>389,093</u>	<u>375,589</u>	<u>494,038</u>	<u>539,671</u>	<u>570,169</u>	<u>588,813</u>	<u>780,732</u>	<u>796,996</u>	<u>895,894</u>	<u>1,044,619</u>	<u>968,511</u>	<u>968,511</u>

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