

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-

DATE: June 24, 2005
TO: Shevie Brown, Division of Competitive Markets and Enforcement
FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DNV*
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.** 050004-GU; **Company Name:** Peoples Gas System/West Florida; **Audit Purpose:** Conservation Gas Cost Recovery True-Up for the period January 2004 through December 2004 ; **Audit Control No.:** 05-034-2-1

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 Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
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Division of Competitive Markets and Enforcement (Harvey)
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FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING***

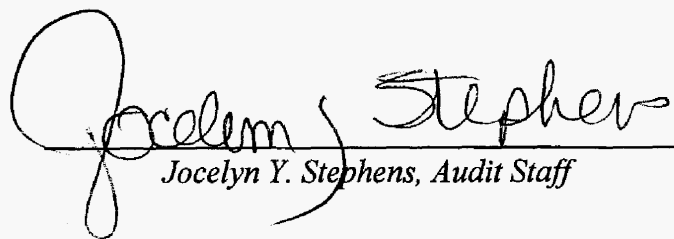
Tampa District Office

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

ENERGY CONSERVATION COST RECOVERY AUDIT

TWELVE MONTHS ENDED DECEMBER 31, 2004

**DOCKET 050004-GU
AUDIT CONTROL NO. 05-034-2-1**


Jocelyn Y. Stephens, Audit Staff


Joseph W. Rohrbacher, Tampa District Supervisor

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

APRIL 28, 2005

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, 2004 for Peoples Gas System (PGS) and PGS - West Florida Region. These schedules were prepared by the utility in support of Docket 050004-GU. There is 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 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:

Scanned - The documents or accounts were read quickly looking for obvious errors.

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 review of program expenses and analyzed changes between 2003 and 2004. Analyzed programs over budget and tested randomly selected incentive payments for the Residential Home Builder and Residential Electric replacement programs.

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

OTHER: Scanned developer and builder agreements to verify that the incentives offered comply with the company's conservation programs. Verified that incentives paid for natural gas conversion were not paid for liquified petroleum (LP) appliances and installations.

EXCEPTIONS

Exception 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.

In Order No. PSC-97-0042-FOF-GU the Commission addressed the cost effectiveness of energy conservation programs for Peoples Gas System (PGS). The individual programs must meet the Gas RIM Test (G-RIM) to determine the cost effectiveness of an energy conservation program and the assurance that the program will provide benefits to the general body of ratepayers. There was no mention of a Common Costs program.

Peoples Gas System records all costs of the energy conservation programs, with the exception of Incentive Allowances, as Common Costs.

By recording all program expenditures as Common Costs, the utility does not identify the cost effectiveness of the individual ECCR programs so a Gas RIM Test cannot be applied.

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.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2004 THROUGH DECEMBER 2004

CONSERVATION REVENUES	JAN 2004	FEB 2004	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	AUG 2004	SEP 2004	OCT 2004	NOV 2004	DEC 2004	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>-1,172,541</u>	<u>-1,143,435</u>	<u>-1,004,528</u>	<u>-867,431</u>	<u>-784,348</u>	<u>-643,709</u>	<u>-569,175</u>	<u>-580,482</u>	<u>-577,152</u>	<u>-580,660</u>	<u>-660,154</u>	<u>-867,647</u>	<u>-9,451,261</u>
4. TOTAL REVENUES	<u>-1,172,541</u>	<u>-1,143,435</u>	<u>-1,004,528</u>	<u>-867,431</u>	<u>-784,348</u>	<u>-643,709</u>	<u>-569,175</u>	<u>-580,482</u>	<u>-577,152</u>	<u>-580,660</u>	<u>-660,154</u>	<u>-867,647</u>	<u>-9,451,261</u>
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>38,734</u>	<u>38,734</u>	<u>38,734</u>	<u>38,734</u>	<u>38,734</u>	<u>38,734</u>	<u>38,734</u>	<u>38,734</u>	<u>38,734</u>	<u>38,734</u>	<u>38,734</u>	<u>38,734</u>	<u>464,811</u>
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	<u>-1,133,807</u>	<u>-1,104,700</u>	<u>-965,794</u>	<u>-828,697</u>	<u>-745,614</u>	<u>-604,974</u>	<u>-530,440</u>	<u>-541,748</u>	<u>-538,418</u>	<u>-541,926</u>	<u>-621,420</u>	<u>-828,913</u>	<u>-8,986,450</u>
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	882,255	503,452	759,408	827,119	465,755	549,398	681,069	518,820	496,892	556,253	609,149	577,171	7,428,740
8. TRUE-UP THIS PERIOD	-251,552	-601,249	-206,386	-1,578	-279,859	-55,577	150,629	-22,928	-41,525	14,328	-12,271	-251,742	-1,559,710
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	278	-122	-480	-612	-786	-1,104	-1,296	-1,390	-1,628	-1,875	-2,171	-2,709	-13,895
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	464,811	174,803	-465,302	-710,902	-751,826	-1,071,205	-1,166,621	-1,056,022	-1,119,074	-1,200,962	-1,227,243	-1,280,420	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	<u>-38,734</u>	<u>-38,734</u>	<u>-38,734</u>	<u>-38,734</u>	<u>-38,734</u>	<u>-38,734</u>	<u>-38,734</u>	<u>-38,734</u>	<u>-38,734</u>	<u>-38,734</u>	<u>-38,734</u>	<u>-38,734</u>	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	<u>174,803</u>	<u>-465,302</u>	<u>-710,902</u>	<u>-751,826</u>	<u>-1,071,205</u>	<u>-1,166,621</u>	<u>-1,056,022</u>	<u>-1,119,074</u>	<u>-1,200,962</u>	<u>-1,227,243</u>	<u>-1,280,420</u>	<u>-1,573,605</u>	<u>-1,573,605</u>

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
JANUARY 2004 THROUGH DECEMBER 2004

CONSERVATION REVENUES	JAN 2004	FEB 2004	MAR 2004	APR 2004	MAY 2004	JUN 2004	JUL 2004	AUG 2004	SEP 2004	OCT 2004	NOV 2004	DEC 2004	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	-407,183	-400,350	-300,856	-223,794	-178,234	-145,287	-136,149	-140,783	-149,199	-147,199	-137,476	-238,718	-2,605,231
4. TOTAL REVENUES	-407,183	-400,350	-300,856	-223,794	-178,234	-145,287	-136,149	-140,783	-149,199	-147,199	-137,476	-238,718	-2,605,231
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	80,709	80,709	80,709	80,709	80,709	80,709	80,709	80,709	80,709	80,709	80,709	80,709	968,511
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	-326,474	-319,641	-220,147	-143,085	-97,525	-64,578	-55,440	-60,074	-68,490	-66,490	-56,767	-158,009	-1,636,720
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	167,487	259,568	647,017	357,766	226,845	363,566	270,462	340,913	272,365	267,684	219,674	336,610	3,729,956
8. TRUE-UP THIS PERIOD	-158,986	-60,073	426,870	214,681	129,320	298,988	215,022	280,839	203,874	201,194	162,907	178,602	2,093,237
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	739	552	623	840	945	1,214	1,642	2,016	2,443	2,881	3,411	3,917	21,223
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	968,511	729,554	589,324	936,107	1,070,919	1,120,474	1,339,967	1,475,921	1,678,067	1,803,674	1,927,041	2,012,650	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	-80,709	-80,709	-80,709	-80,709	-80,709	-80,709	-80,709	-80,709	-80,709	-80,709	-80,709	-80,709	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	729,554	589,324	936,107	1,070,919	1,120,474	1,339,967	1,475,921	1,678,067	1,803,674	1,927,041	2,012,650	2,114,460	2,114,460

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