

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 19, 2006
TO: Shevie B. Brown, Regulatory Analyst III, Division of Competitive Markets & Enforcement
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: **Docket No:** 060004-GU; **Company Name:** Peoples Gas System/West Florida
Audit Purpose: Audit Gas Conservation Filing for Peoples Gas System West Florida Gas System; **Audit Control No:** 06-068-2-4

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 Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV:sbj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk & Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



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

HISTORICAL YEAR ENDED DECEMBER 31, 2005

**DOCKET NO. 060004-GU
AUDIT CONTROL NO. 06-068-2-4
Report Issued May 26, 2006**

A handwritten signature in black ink, appearing to read "Simon O. Ojada".

Simon O. Ojada, Audit Manager

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

Joseph W. Rohrbacher, Tampa District Supervisor

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

May 26, 2006

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Competitive Markets and Enforcement in its audit service request. We have applied these procedures to the attached schedules prepared by Peoples Gas System (PGS) and PGS - West Florida Region in support of its filing for Energy Conservation Cost Recovery in Docket No. 060004-GU.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards of Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - To verify that Energy Conservation Cost Recovery (ECCR) revenues as filed were completely and properly recorded on the books of the company and that the company applied the approved ECCR adjustments factor(s) to therms sold.

Procedures: - We compiled ECCR revenues and agreed to the filing. Recomputed ECCR revenues using approved FPSC rate factors and verified that the company applied the approved ECCR adjustment factors to therms sold. Reconciled filing to the General Ledger. Recalculated energy charge for customer bills selected from various rate classes and determined that company used the correct rates approved by the Commission.

EXPENSES

Objectives: - To verify that Energy Conservation Cost Recovery Costs agree to the general ledger and reconcile to the books and records of the company.

Procedures: - We compiled ECCR expenses by program and cost category and agreed to the filing. We performed a review of program expenses and analyzed changes between 2004 and 2005. Analyzed programs over budget and tested all invoices including supporting documentation for the Monitoring and Research program. We recomputed Energy Conservation Costs and traced to journal entry postings in the General Ledger.

Objectives: - To review builder agreements entered into during 2005 and to verify incentives offered to builders match the company's conservation programs.

Procedures: - We reviewed all builder agreements entered into during 2005 and verified May and December 2005 Residential Home Builder incentive payments to builders agreements.

TRUE-UP

Objectives: - To determine if the True-up Calculation and interest provision as filed was properly calculated using the FPSC approved interest rates.

Procedures: - We recomputed 2005 ECCR true-up and interest using the FPSC approved recoverable true-up amount and interest rates.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
 JANUARY 2005 THROUGH DECEMBER 2005

CONSERVATION REVENUES	JAN 2005	FEB 2005	MAR 2005	APR 2005	MAY 2005	JUN 2005	JUL 2005	AUG 2005	SEP 2005	OCT 2005	NOV 2005	DEC 2005	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	-884,535	-869,007	-799,249	-723,890	-594,920	-514,117	-468,491	-445,697	-451,656	-448,357	-547,512	-693,969	-7,441,400
4. TOTAL REVENUES	-884,535	-869,007	-799,249	-723,890	-594,920	-514,117	-468,491	-445,697	-451,656	-448,357	-547,512	-693,969	-7,441,400
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	-131,134	-131,134	-131,134	-131,134	-131,134	-131,134	-131,134	-131,134	-131,134	-131,134	-131,134	-131,134	-1,573,605
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	-1,015,669	-1,000,141	-930,382	-855,024	-726,053	-645,251	-599,625	-576,831	-582,790	-579,491	-678,646	-825,103	-9,015,005
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	646,060	478,924	444,682	520,365	584,633	618,084	513,774	608,832	416,320	508,569	597,964	814,681	6,752,888
8. TRUE-UP THIS PERIOD	-369,609	-521,217	-485,701	-334,658	-141,421	-27,166	-85,851	32,002	-166,470	-70,923	-80,682	-10,422	-2,262,117
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	-3,414	-4,314	-5,401	-6,412	-7,009	-7,240	-7,475	-7,603	-7,816	-8,211	-8,490	-8,495	-81,882
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	-1,573,605	-1,815,494	-2,209,891	-2,569,859	-2,779,796	-2,797,092	-2,700,364	-2,662,557	-2,507,025	-2,550,177	-2,498,177	-2,456,216	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	131,134	131,134	131,134	131,134	131,134	131,134	131,134	131,134	131,134	131,134	131,134	131,134	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	-1,815,494	-2,209,891	-2,569,859	-2,779,796	-2,797,092	-2,700,364	-2,662,557	-2,507,025	-2,550,177	-2,498,177	-2,456,216	-2,343,999	-2,343,999

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CALCULATION OF TRUE-UP AND INTEREST PROVISION
 JANUARY 2005 THROUGH DECEMBER 2005

	JAN 2005	FEB 2005	MAR 2005	APR 2005	MAY 2005	JUN 2005	JUL 2005	AUG 2005	SEPT 2005	OCT 2005	NOV 2005	DEC 2005	TOTAL
INTEREST PROVISION													
1. BEGINNING TRUE-UP	-1,573,605	-1,815,494	-2,209,891	-2,569,859	-2,779,796	-2,797,092	-2,700,364	-2,662,557	-2,507,025	-2,550,177	-2,498,177	-2,456,216	
2. ENDING TRUE-UP BEFORE INTEREST	-1,812,080	-2,205,577	-2,564,458	-2,773,384	-2,790,083	-2,693,124	-2,655,082	-2,499,422	-2,542,361	-2,489,965	-2,447,725	-2,335,504	
3. TOTAL BEGINNING & ENDING TRUE-UP	-3,385,685	-4,021,072	-4,774,350	-5,343,243	-5,569,878	-5,490,216	-5,355,446	-5,161,979	-5,049,385	-5,040,142	-4,945,902	-4,791,719	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	-1,692,843	-2,010,536	-2,387,175	-2,671,621	-2,784,939	-2,745,108	-2,677,723	-2,580,989	-2,524,693	-2,520,071	-2,472,951	-2,395,860	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	2.340%	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	4.300%	
7. TOTAL (SUM LINES 5 & 6)	4.840%	5.150%	5.430%	5.760%	6.040%	6.330%	6.700%	7.070%	7.430%	7.820%	8.240%	8.510%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	2.420%	2.575%	2.715%	2.880%	3.020%	3.165%	3.350%	3.535%	3.715%	3.910%	4.120%	4.255%	
9. MONTHLY AVG INTEREST RATE	0.202%	0.215%	0.226%	0.240%	0.252%	0.264%	0.279%	0.295%	0.310%	0.326%	0.343%	0.355%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	-3,414	-4,314	-5,401	-6,412	-7,009	-7,240	-7,475	-7,603	-7,816	-8,211	-8,490	-8,495	-81,882

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ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
 JANUARY 2005 THROUGH DECEMBER 2005

CONSERVATION REVENUES	JAN 2005	FEB 2005	MAR 2005	APR 2005	MAY 2005	JUN 2005	JUL 2005	AUG 2005	SEP 2005	OCT 2005	NOV 2005	DEC 2005	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	-555,330	-516,427	-441,210	-339,783	-253,245	-206,967	-202,787	-184,432	-155,817	-181,446	-237,838	-401,671	-3,676,954
4. TOTAL REVENUES	-555,330	-516,427	-441,210	-339,783	-253,245	-206,967	-202,787	-184,432	-155,817	-181,446	-237,838	-401,671	-3,676,954
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	176,205	176,205	176,205	176,205	176,205	176,205	176,205	176,205	176,205	176,205	176,205	176,205	2,114,460
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	-379,125	-340,222	-265,005	-163,578	-77,040	-30,762	-26,582	-8,227	20,388	-5,241	-61,633	-225,466	-1,562,494
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	175,138	169,751	133,690	132,899	177,970	198,170	190,326	294,152	232,004	327,567	251,692	360,840	2,644,199
8. TRUE-UP THIS PERIOD	-203,988	-170,471	-131,315	-30,679	100,930	167,408	163,745	285,925	252,392	322,326	190,058	135,374	1,081,705
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	3,881	3,358	2,808	2,368	2,134	2,131	2,232	2,505	2,928	3,454	3,926	4,020	35,745
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	2,114,460	1,738,148	1,394,830	1,090,118	885,602	812,461	805,795	795,567	907,792	986,907	1,136,482	1,154,261	
11. PRIOR TRUE-UP COLLECTED(REFUNDED)	-176,205	-176,205	-176,205	-176,205	-176,205	-176,205	-176,205	-176,205	-176,205	-176,205	-176,205	-176,205	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	1,738,148	1,394,830	1,090,118	885,602	812,461	805,795	795,567	907,792	986,907	1,136,482	1,154,261	1,117,450	1,117,450

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CALCULATION OF TRUE-UP AND INTEREST PROVISION
 JANUARY 2005 THROUGH DECEMBER 2005

	JAN 2005	FEB 2005	MAR 2005	APR 2005	MAY 2005	JUN 2005	JUL 2005	AUG 2005	SEPT 2005	OCT 2005	NOV 2005	DEC 2005	TOTAL
INTEREST PROVISION													
1. BEGINNING TRUE-UP	2,114,460	1,738,148	1,394,830	1,090,118	885,602	812,461	805,795	795,567	907,792	986,907	1,136,482	1,154,261	
2. ENDING TRUE-UP BEFORE INTEREST	1,734,267	1,391,472	1,087,310	883,234	810,327	803,664	793,335	905,287	983,979	1,133,028	1,150,336	1,113,430	
3. TOTAL BEGINNING & ENDING TRUE-UP	3,848,727	3,129,620	2,482,140	1,973,352	1,695,929	1,616,125	1,599,130	1,700,854	1,891,771	2,119,936	2,286,818	2,267,691	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	1,924,364	1,564,810	1,241,070	986,676	847,965	808,063	799,565	850,427	945,886	1,059,968	1,143,409	1,133,846	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	2.340%	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	2.500%	2.650%	2.780%	2.980%	3.060%	3.270%	3.430%	3.640%	3.790%	4.030%	4.210%	4.300%	
7. TOTAL (SUM LINES 5 & 6)	4.840%	5.150%	5.430%	5.760%	6.040%	6.330%	6.700%	7.070%	7.430%	7.820%	8.240%	8.510%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	2.420%	2.575%	2.715%	2.880%	3.020%	3.165%	3.350%	3.535%	3.715%	3.910%	4.120%	4.255%	
9. MONTHLY AVG INTEREST RATE	0.202%	0.215%	0.226%	0.240%	0.252%	0.264%	0.279%	0.295%	0.310%	0.326%	0.343%	0.355%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	3,881	3,358	2,808	2,368	2,134	2,131	2,232	2,505	2,928	3,454	3,926	4,020	35,745