

State of Florida



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Public Service Commission

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

DATE: June 11, 2007
TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: **Docket No: 070003-GU; Company Name: Peoples Gas System;**
Audit Purpose: Purchased Gas Adjustment;
Audit Control No: 07-067-2-1

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 Commission Clerk. 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 (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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FLORIDA PUBLIC SERVICE COMMISSION

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

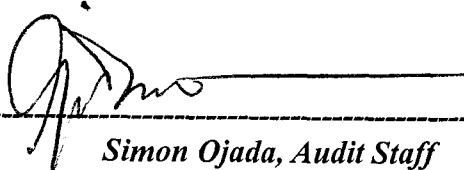
TAMPA DISTRICT OFFICE

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

PURCHASED GAS ADJUSTMENT

TWELVE MONTHS ENDED DECEMBER 31, 2006

**Docket 070003-GU
Audit Control Number 07-067-2-1**



Simon Ojada, Audit Staff



Joseph W. Rohrbacher, Tampa District Supervisor

TABLE OF CONTENTS

	PAGE
I. AUDITOR'S REPORT	
PURPOSE	1
II. OBJECTIVES AND PROCEDURES.....	2
III. AUDIT FINDINGS	
1. OUT OF PERIOD EXPENSES	3
III. EXHIBITS	
CALCULATION OF FINAL TRUE-UP - 12 MONTHS ENDED 12/31/06.....	4

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

May 14, 2007

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 Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Peoples Gas System in support of its filing for Purchased Gas Adjustment (PGA) in Docket No. 070003-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 – Verify that the revenues contained in the company’s general ledger are reflected on Schedule A-2. Ensure that all revenue items recoverable through the Purchased Gas Adjustment (PGA) clause are included for recovery in the filing.

Procedure – We compiled PGA revenues from the general ledger and agreed it to the filing, Schedule A-2.

Objective – Verify that the appropriate PGA factor was charged to customers during the period.

Procedure – We recalculated a sample of customer bills selected from various rate classes to verify that the appropriate PGA factor was charged.

EXPENSES:

Objective – Reconcile the company’s general ledger with the filing.

Procedure - We compiled PGA costs from the general ledger and agreed it to the filing, Schedules A-1 and A-2.

Objective – Ensure that only PGA costs are included for recovery in the filing.

Procedure – We checked invoices for gas purchases, tested select administration costs, reviewed Hedging confirmations for price and volume. We also verified that company’s gas use and gas lost due to damage and leaks were removed from the cost of gas.

TRUE-UP:

Objective – To determine if the true-up calculation and interest provision, as filed, was properly calculated.

Procedure – We recomputed the true-up for the period. We verified that the beginning true-up amount and interest rates as stated by the Company agreed to the beginning true-up and interest rates approved by the Florida Public Service Commission.

Objective – Verify the true-up contained on the company’s general ledger is reflected on Schedule A-2.

Procedure – We reconciled monthly true-up amounts, as recorded on Schedule A-2, to the General Ledger.

AUDIT FINDING NO. 1

SUBJECT: OUT OF PERIOD EXPENSES

AUDIT ANALYSIS: Peoples Gas System (PGS) recorded \$1,412,151 of administrative costs in the 2006 Purchased Gas Adjustment (PGA) filing.

We used the general ledger and selected several months of different types of costs for testing. We tested whether the item was PGA related, in the proper period, for the proper amount, and had proper authorization. We found several 2005 items for professional services on FERC Docket No. RP04-249 recorded in the 2006 expenses. The amounts totaled \$24,243 in January and \$76,829 in February.

EFFECT ON THE GENERAL LEDGER: PGA account 320-804-01-50 is overstated by \$101,072 (24,243 and 76,829).

EFFECT ON THE FILING: The 2006 recoverable True-up is overstated by \$105,304, \$101,072 and \$4,693 interest.

FOR THE PERIOD OF:

January-06 Through December-06

	CURRENT MONTH: DECEMBER 06				PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (A-1, LINES 3+4-13)	\$22,877,751	\$8,717,787	(\$14,159,964)	(\$1.62426)	\$295,999,668	\$127,096,024	(\$168,903,644)	(\$1.32895)
2 TRANSPORTATION COST (A-1, LINES 1+2+5+6-7-8-9)	4,858,225	5,001,729	143,504	0.02869	\$47,677,347	\$45,689,059	(1,988,288)	(0.04352)
3 TOTAL	27,735,976	13,719,516	(14,016,460)	(1.02164)	\$343,677,015	\$172,785,083	(170,891,932)	(0.98904)
4 FUEL REVENUES (NET OF REVENUE TAX)	26,591,116	13,719,516	(12,871,600)	(0.93820)	\$354,114,309	\$172,785,083	(181,329,226)	(1.04945)
5 TRUE-UP REFUND/(COLLECTION)	260,953	260,953	0	0.00000	\$3,131,392	\$3,131,392	0	0.00000
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	26,852,069	13,980,469	(12,871,600)	(0.92068)	\$357,245,701	\$175,916,475	(181,329,226)	(1.03077)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(883,907)	260,953	1,144,860	4.38723	\$13,568,686	\$3,131,392	(10,437,294)	(3.33312)
8 INTEREST PROVISION-THIS PERIOD (21)	17,201	10,850	(6,351)	(0.58537)	\$587,003	\$121,540	(465,463)	(3.82971)
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	4,496,570	2,475,219	(2,021,351)	(0.81664)	(7,655,354)	2,364,529	10,019,883	4.23758
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(260,953)	(260,953)	0	0.00000	(\$3,131,392)	(\$3,131,392)	0	0.00000
10a TRANSITION COST RECOVERY REFUND	0	0	(0)	0.00000	(\$32)	\$0	32	0.00000
11 TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	3,368,911	2,486,069	(882,842)	(0.35512)	3,368,911	2,486,069	(882,842)	(0.35512)
11a REFUNDS FROM PIPELINE	0	0	0	0.00000	\$0	\$0	0	0.00000
12 ADJ TOTAL EST/ACT TRUE-UP (11+11a)	3,368,911	2,486,069	(882,842)	(0.35512)	\$3,368,911	\$2,486,069	(\$882,842)	(\$0.35512)
INTEREST PROVISION								
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	4,496,570	2,475,219	(2,021,351)	(0.81664)				
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	3,351,710	2,475,219	(876,491)	(0.35411)				
15 TOTAL (13+14)	7,848,281	4,950,439	(2,897,842)	(0.58537)				
16 AVERAGE (50% OF 15)	3,924,140	2,475,219	(1,448,921)	(0.58537)				
17 INTEREST RATE - FIRST DAY OF MONTH	5.25	5.25	0	0.00000				
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.27	5.27	0	0.00000				
19 TOTAL (17+18)	10.520	10.520	0	0.00000				
20 AVERAGE (50% OF 19)	5.260	5.260	0	0.00000				
21 MONTHLY AVERAGE (20/12 Months)	0.43833	0.43833	0	0.00000				
22 INTEREST PROVISION (16x21)	\$17,201	\$10,850	(\$6,351)	(\$0.58537)				

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