

State of Florida



RECEIVED-FPSC

MAY 19 PM 3:47

COMMISSION  
CLERK

## 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:** May 19, 2008  
**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: 080004-GU; Company Name: Peoples Gas System;  
Audit Purpose: ECCR – Conservation; Company Code: GU608;  
Audit Control No: 08-037-2-4:

---

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. 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

Ms. Paula K. Brown  
Peoples Gas System  
P.O. box 111  
Tampa, FL 33601

MacFarlane Ferguson Law Firm  
Ansley Watson, Jr., Esq.  
P.O. box 1531  
Tampa, FL 33601

DOCUMENT NUMBER-DATE

04133 MAY 19 8

FPSC-COMMISSION CLERK



**FLORIDA PUBLIC SERVICE COMMISSION**

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

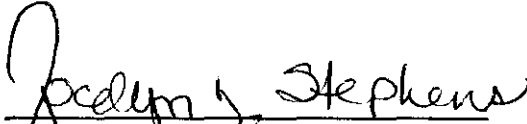
***TAMPA DISTRICT OFFICE***

**PEOPLES GAS SYSTEM  
(A DIVISION OF TAMPA ELECTRIC COMPANY)**

**ENERGY CONSERVATION COST RECOVERY AUDIT**

**HISTORICAL YEAR ENDED DECEMBER 31, 2007**

**DOCKET NO. 080004-GU  
AUDIT CONTROL NO. 08-037-2-4**

  
Jocelyn Y. Stephens, Audit Staff

  
Joseph W. Rohrbacher, Tampa District Supervisor

DOCUMENT NUMBER-DATE

04133 MAY 19 8

FPSC-COMMISSION CLERK

**TABLE OF CONTENTS**

<b>AUDITOR'S REPORT</b>	<b>PAGE</b>
<b>I. PURPOSE.....</b>	<b>1</b>
<b>II. OBJECTIVES AND PROCEDURES .....</b>	<b>2</b>
<b>III. AUDIT FINDING</b>	
<b>1. ADVERTISING COSTS.....</b>	<b>4</b>
<b>IV. EXHIBITS</b>	
<b>CALCULATION OF FINAL TRUE-UP – 12 MONTHS ENDED 12/31/07 .....</b>	<b>5</b>

DOCUMENT NUMBER-DATE  
04133 MAY 19 8  
FPSC-COMMISSION CLERK

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

**May 14, 2008**

**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 Energy Conservation Cost Recovery in Docket No. 080004-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.

DOCUMENT NUMBER-DATE

-1-

**04133 MAY 19 8**

FPSC-COMMISSION CLERK

## **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 rate factors to therms sold.

**Procedures:** - We compiled ECCR revenues and agreed it to the filing. Recomputed ECCR revenues using approved FPSC rate factors and verified that the company applied the approved ECCR rate factors to therms sold. We reconciled the filing to the General Ledger. We recalculated energy charge for customer bills selected from various rate classes and determined that the 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 same to the filing. We reconciled the filing to the General Ledger. We analyzed programs over budget. We tested February and August incentive payments to customers for the Residential New Construction and Residential Appliance Replacement programs.

**Objectives:** - To review builder agreements entered into during 2007 and to verify that incentives offered to builders match the company's conservation programs.

**Procedures:** - We reviewed all builder agreements entered into during 2007 and verified Residential Home Builder incentive payments to builder agreements.

**Objectives:** - To verify that all advertising follows Rule 25-17.015(5), Florida Administrative Code.

**Procedures:** - We tested advertising expenses incurred during 2007 and verified that they complied with Rule 25-17.015(5), Florida Administrative Code. We read contracts for various corporate sponsorships. Audit Finding No. 1 addresses two specific advertising sponsorship 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 the 2007 ECCR true-up and interest using the FPSC approved recoverable true-up amount and interest rates.

## **ANALYTIC REVIEW**

**Objectives:** - To note trends and relationship of program costs to number of participants.

**Procedures:** - We compared ECCR costs and number of participants between 2006 and 2007 for the various conservation programs.

## **Audit Finding No. 1**

### **Subject: Advertising Costs**

**Audit Analysis:** Florida Administrative Code (F.A.C.) Rule 25-17.015 (5) states that Advertising expense recovered through energy conservation cost recovery shall be directly related to an approved conservation program.

PGS has sponsorship agreements with Seminole ISP Sports Network and the Florida Gator Network for energy conservation advertising. Included in these agreements, PGS receives merchandising and marketing services.

The Seminole ISP Sports Network agreement provided for a two hour pre-game event for 25 guests to include tickets, tent, tables and chairs, food and drink, complementary programs, DJ and big-screen television, appearance by FSU cheerleaders, door prizes and an opportunity to display a corporate banner.

Also included were four football season tickets, two tickets to the ISP suite at an FSU home football game and an opportunity to purchase four tickets to the ACC Championship game and to the FSU Bowl game if FSU plays. The total cost of the sponsorship was \$102,000.

The Florida Gator Network agreement included four season tickets to all seven Gator home football games, four skybox tickets to one home game and an invitation to one pre-game party and one tailgate party for twelve, including game tickets, food and beverage. The total cost of the sponsorship was \$100,000.

**Effect on the General Ledger:** None

**Effect on the Filing:** Provided for staff determination whether these sponsorships meet the requirements in Rule 25-17.015 (5).

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
 JANUARY 2007 THROUGH DECEMBER 2007

CONSERVATION REVENUES	JAN 2007	FEB 2007	MAR 2007	APR 2007	MAY 2007	JUN 2007	JUL 2007	AUG 2007	SEP 2007	OCT 2007	NOV 2007	DEC 2007	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>-1,303,912</u>	<u>-1,371,652</u>	<u>-1,371,221</u>	<u>-1,170,527</u>	<u>-873,395</u>	<u>-862,852</u>	<u>-801,145</u>	<u>-729,324</u>	<u>-727,551</u>	<u>-759,867</u>	<u>-848,194</u>	<u>-1,097,928</u>	<u>-12,015,566</u>
4. TOTAL REVENUES	<u>-1,303,912</u>	<u>-1,371,652</u>	<u>-1,371,221</u>	<u>-1,170,527</u>	<u>-873,395</u>	<u>-862,852</u>	<u>-801,145</u>	<u>-729,324</u>	<u>-727,551</u>	<u>-759,867</u>	<u>-848,194</u>	<u>-1,097,928</u>	<u>-12,015,566</u>
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>-88,347</u>	<u>-88,347</u>	<u>-88,347</u>	<u>-88,347</u>	<u>-88,347</u>	<u>-88,347</u>	<u>-88,347</u>	<u>-88,347</u>	<u>-88,347</u>	<u>-88,347</u>	<u>-88,347</u>	<u>-88,347</u>	<u>-1,060,158</u>
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	<u>-1,392,258</u>	<u>-1,459,999</u>	<u>-1,459,567</u>	<u>-1,258,873</u>	<u>-1,061,742</u>	<u>-951,198</u>	<u>-889,491</u>	<u>-817,670</u>	<u>-815,897</u>	<u>-848,213</u>	<u>-934,541</u>	<u>-1,186,274</u>	<u>-13,075,724</u>
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	560,623	780,283	583,267	658,143	578,508	678,028	612,661	509,123	778,014	536,783	453,043	640,683	7,367,135
8. TRUE-UP THIS PERIOD	-831,835	-679,736	-876,300	-599,730	-486,238	-273,173	-276,830	-308,547	-37,884	-1,1430	-481,497	-345,591	-5,708,589
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	-6,282	-9,229	-12,292	-15,194	-17,253	-18,641	-19,506	-21,149	-21,251	-19,896	-20,579	-22,952	-204,224
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	<u>-1,060,158</u>	<u>-1,809,728</u>	<u>-2,410,348</u>	<u>-3,210,592</u>	<u>-3,737,170</u>	<u>-4,152,312</u>	<u>-4,355,780</u>	<u>-4,563,770</u>	<u>-4,805,120</u>	<u>-4,775,908</u>	<u>-5,018,887</u>	<u>-5,432,617</u>	
11. PRIOR TRUE-UP COLLECTED (REFUNDED)	<u>88,347</u>	<u>88,347</u>	<u>88,347</u>	<u>88,347</u>	<u>88,347</u>	<u>88,347</u>	<u>88,347</u>	<u>88,347</u>	<u>88,347</u>	<u>88,347</u>	<u>88,347</u>	<u>88,347</u>	
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	<u>-1,809,729</u>	<u>-2,410,346</u>	<u>-3,210,592</u>	<u>-3,737,170</u>	<u>-4,152,312</u>	<u>-4,355,780</u>	<u>-4,563,770</u>	<u>-4,805,120</u>	<u>-4,775,908</u>	<u>-5,018,887</u>	<u>-5,432,617</u>	<u>-5,912,813</u>	<u>-5,912,813</u>

-5-