

State of Florida



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

DATE: June 25, 2009
TO: Daniel Lee, Engineering Specialist IV, Division of Economic Regulation
Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DNM*
RE: Docket No. 090003-GU - Company Name: Peoples Gas System
Audit Purpose: A3c; Purchased Gas Adjustment; Company Code: GU608
Audit Control No: 09-041-2-1

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 a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

DNM/ch

Attachment: Audit Report and Audit Work Papers (Analyst Only)

cc: Division of Regulatory Compliance (Salak, Mailhot, Harvey,
Miami District Office, Tampa District Office, File Folder)
Office of Commission Clerk
Office of the General Counsel

Ms. Paula K. Brown
Regulatory Affairs
Peoples Gas System
P.O. Box 111
Tampa, FL 33601-0111

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING*

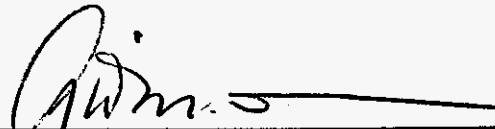
TAMPA DISTRICT OFFICE

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


PURCHASED GAS ADJUSTMENT

TWELVE MONTHS ENDED DECEMBER 31, 2008

**Docket 090003-GU
Audit Control Number 09-041-2-1**



Simon Ojada, Audit Manager



Joseph W. Rohrbacher, Tampa District Supervisor

DOCUMENT NUMBER-DATE

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**DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT**

June 17, 2009

TO: FLORIDA PUBLIC SERVICE COMMISSION

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 dated February 2, 2009. 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. 090003-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 and the report is intended 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.

41 Procedure – We compiled PGA revenues from the general ledger and agreed it to the filing. We
42 recalculated a sample of customer bills selected from various rate classes to verify that the appropriate PGA factor was charged.

EXPENSES:

Objective – Verify that the PGA costs in the filing agree to the general ledger and are reconcilable to the books and records of the company.

43 Procedure - We compiled PGA costs from the general ledger and agreed it to the filing. We
45 verified that cost items not recoverable through the PGA are not included for recovery. We
43-5 checked invoices for gas purchases and reviewed the company’s financial hedging transactions. We verified that the company’s gas use and gas lost due to damage and leaks were removed from the cost of gas.

TRUE-UP:

Objective – Verify that the true-up calculation and interest provision, as filed, was properly calculated.

40 Procedure – We recomputed the true-up for the period. We verified that the beginning true-up
40-3 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. We reconciled monthly true-up amounts, as recorded on Schedule A-2, to the General Ledger.

COMPANY: PEOPLES GAS SYSTEM

SCHEDULE A-2

FOR THE PERIOD OF:

January-08 Through December-08

Page 1 of 1

	CURRENT MONTH:		DECEMBER 08		PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE		ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%			AMOUNT	%
TRUE-UP CALCULATION								
1 PURCHASED GAS COST (A-1, LINES 3+4-13)	\$25,629,395	\$12,769,598	(\$13,859,797)	(\$1.08537)	\$424,768,256	\$123,750,288	(\$301,017,968)	(\$2.43246)
2 TRANSPORTATION COST (A-1, LINES 1+2+5+6-7-8-9)	4,022,245	4,469,456	447,211	0.10006	\$46,152,015	\$43,449,935	(2,702,080)	(0.06219)
3 TOTAL	30,651,640	17,239,054	(13,412,586)	(0.77803)	\$470,920,270	\$167,200,223	(303,720,047)	(1.81651)
4 FUEL REVENUES (NET OF REVENUE TAX)	34,979,409	17,239,054	(17,740,355)	(1.02908)	\$467,626,641	\$167,200,223	(300,426,418)	(1.79681)
5 TRUE-UP REFUND/(COLLECTION)	482,917	482,917	0	0.00000	\$5,794,960	\$5,794,960	0	0.00000
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	35,462,326	17,721,971	(17,740,355)	(1.00104)	\$473,421,601	\$172,995,183	(300,426,418)	(1.73662)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	4,810,686	482,917	(4,327,769)	(8.96172)	\$2,501,331	\$5,784,960	3,283,629	0.56836
8 INTEREST PROVISION-THIS PERIOD (21)	(1,476)	2,275	3,751	1.64889	\$45,474	\$74,149	28,676	0.38673
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(3,909,182)	2,689,660	6,598,842	2.45341	3,665,267	2,617,786	(1,047,481)	(0.40014)
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(482,917)	(482,917)	0	0.00000	(\$5,794,960)	(\$5,794,960)	0	0.00000
10a TRANSITION COST RECOVERY REFUND	0	0	(0)	0.00000	\$0	\$0	(0)	0.00000
11 TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	417,112	2,691,935	2,274,824	0.84505	417,112	2,691,935	2,274,824	0.84505
11a REFUNDS FROM PIPELINE	0	0	0	0.00000	\$0	\$0	0	0.00000
12 ADJ TOTAL EST/ACT TRUE-UP (11+11a)	417,112	2,691,935	2,274,824	0.84505	\$417,112	\$2,691,935	\$2,274,824	\$0.84505
INTEREST PROVISION								
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(3,909,182)	2,689,660	6,598,842	2.45341				
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	418,588	2,689,660	2,271,072	0.84437				
15 TOTAL (13+14)	(3,490,594)	5,379,321	8,869,914	1.64889				
16 AVERAGE (50% OF 15)	(1,745,297)	2,689,660	4,434,957	1.64889				
17 INTEREST RATE - FIRST DAY OF MONTH	1.49	1.49	0	0.00000				
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.54	0.54	0	0.00000				
19 TOTAL (17+18)	2.030	2.030	0	0.00000				
20 AVERAGE (50% OF 19)	1.015	1.015	0	0.00000				
21 MONTHLY AVERAGE (20/12 Months)	0.08458	0.08458	0	0.00000				
22 INTEREST PROVISION (16x21)	(\$1,476)	\$2,275	\$3,751	\$1.64889				

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

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