

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-**

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**DATE:** August 27, 2009  
**TO:** Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation  
**FROM:** Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DM*  
**RE:** Docket No.: 090004-GU  
Company Name: People Gas System  
Company Code: GU608  
Audit Purpose: Conservation Gas Cost Recovery  
Audit Control No: 09-028-2-4

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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

cc: (With Attachment)  
Division of Regulatory Compliance (Salak, Mailhot, File Folder)  
Office of Commission Clerk  
Office of the General Counsel

(Without Attachment)  
Division of Regulatory Compliance (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER-DATE

08910 AUG 27 08

FPSC-COMMISSION CLERK



**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF REGULATORY COMPLIANCE  
BUREAU OF AUDITING*

*TAMPA DISTRICT OFFICE*

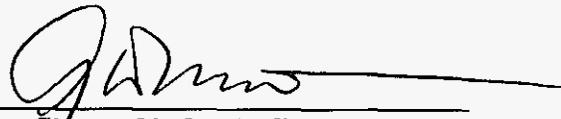
**PEOPLES GAS SYSTEM  
(A DIVISION OF TAMPA ELECTRIC COMPANY)**

**ENERGY CONSERVATION COST RECOVERY AUDIT**

**HISTORICAL YEAR ENDED DECEMBER 31, 2008**

**DOCKET NO. 090004-GU**

**AUDIT CONTROL NO. 09-028-2-4**

  
*Simon Ojada, Audit Manager*

  
*Jocelyn Y. Stephens, Audit Reviewer*

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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DOCUMENT NUMBER-DATE

08910 AUG 27 8

FPSC-COMMISSION CLERK

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

**August 21, 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. 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. 090004-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. This report is intended only for internal Commission use.

## **OBJECTIVES AND PROCEDURES:**

### **REVENUES**

**Objective:** - 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 reconciled it to the filing. We 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 the 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:** - 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 that were over budget. We tested March and October incentive payments to customers for the Residential New Construction and Residential Appliance Replacement programs.

**Objectives:** - Review builder agreements entered into during 2008 and verify that incentives offered to builders match the company's conservation programs.

**Procedures:** - We reviewed all builder agreements entered into during 2008 and verified Residential Home Builder incentive payments to builder agreements.

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

**Procedures:** - We tested advertising expenses incurred during 2008 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:** - Determine if the True-up Calculation and interest provision as filed was properly calculated using the FPSC approved interest rates.

**Procedures:** - We recomputed the 2008 ECCR true-up and interest using the FPSC approved recoverable true-up amount and interest rates.

## **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 tickets and hospitality was \$4,000.

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 and hospitality. The total cost of the tickets and hospitality was \$1,760.

Peoples Gas agreed to remove the costs of the tickets and hospitality from energy conservation cost recovery in its revised true-up filing.

**Effect on the General Ledger:** None

**Effect on the Filing:** Decrease ECCR advertising expense by \$5,760.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION  
 JANUARY 2008 THROUGH DECEMBER 2008

| CONSERVATION REVENUES                                 | JAN 2008   | FEB 2008   | MAR 2008   | APR 2008   | MAY 2008   | JUN 2008   | JUL 2008   | AUG 2008   | SEP 2008   | OCT 2008   | NOV 2008   | DEC 2008   | 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                                  | -272,201   | -274,033   | -249,876   | -230,700   | -195,767   | -164,523   | -157,580   | -151,572   | -150,653   | -149,206   | -189,442   | -264,882   | -2,450,435 |
| 4. TOTAL REVENUES                                     | -272,201   | -274,033   | -249,876   | -230,700   | -195,767   | -164,523   | -157,580   | -151,572   | -150,653   | -149,206   | -189,442   | -264,882   | -2,450,435 |
| 5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD | -493,544   | -493,544   | -493,544   | -493,544   | -493,544   | -493,544   | -493,544   | -493,544   | -493,544   | -493,544   | -493,544   | -493,544   | -5,922,525 |
| 6. CONSERVATION REVS APPLICABLE TO THE PERIOD         | -765,745   | -767,577   | -743,420   | -724,244   | -689,311   | -658,067   | -651,124   | -645,116   | -644,197   | -642,749   | -682,986   | -758,425   | -8,372,960 |
| 7. CONSERVATION EXPS (FROM CT-3, PAGE 1)              | 597,572    | 497,204    | 467,420    | 431,549    | 441,191    | 356,849    | 551,278    | 376,429    | 468,526    | 455,473    | 433,827    | 658,557    | 5,735,876  |
| 8. TRUE-UP THIS PERIOD                                | -168,172   | -270,372   | -276,000   | -292,694   | -248,120   | -301,218   | -99,846    | -268,687   | -175,671   | -187,276   | -249,159   | -99,868    | -2,637,083 |
| 9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)       | -19,343    | -14,152    | -12,629    | -11,629    | -10,739    | -9,521     | -8,963     | -8,351     | -11,827    | -11,637    | -6,053     | -2,503     | -127,346   |
| 10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH         | -5,922,525 | -5,616,497 | -5,407,478 | -5,202,562 | -5,013,341 | -4,778,656 | -4,595,851 | -4,211,117 | -3,994,611 | -3,688,565 | -3,393,935 | -3,155,603 |            |
| 11. PRIOR TRUE-UP COLLECTED/(REFUNDED)                | 493,544    | 493,544    | 493,544    | 493,544    | 493,544    | 493,544    | 493,544    | 493,544    | 493,544    | 493,544    | 493,544    | 493,544    |            |
| 12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)           | -5,616,497 | -5,407,478 | -5,202,562 | -5,013,341 | -4,778,656 | -4,595,851 | -4,211,117 | -3,994,611 | -3,688,565 | -3,393,935 | -3,155,603 | -2,764,430 | -2,764,430 |

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