



Public Service Commission

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

DATE: April 15, 2010
TO: Daniel Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis CP
RE: Docket No.: 100003-GU
Company Name: Peoples Gas System (A Division of Tampa Electric Company)
Company Code: GU608
Audit Purpose: Purchased Gas Cost Recovery
Audit Control No: 10-008-2-1

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 Commission Clerk. There were no confidential work papers associated with this audit.

CP/ip
Attachment: Audit Report

cc: (With Attachment)
Office of Auditing and Performance Analysis (Mailhot, Prestwood, File Folder)
Office of Commission Clerk
Office of the General Counsel

(Without Attachment)
Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER-DATE
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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
BUREAU OF AUDITING*


TAMPA DISTRICT OFFICE

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

PURCHASED GAS ADJUSTMENT

TWELVE MONTHS ENDED DECEMBER 31, 2009

**Docket 100003-GU
Audit Control Number 10-008-2-1**



Jocelyn Y. Stephens, Audit Manager



Clarence Prestwood, Chief of Auditing

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
AUDITOR'S REPORT**

APRIL 8, 2010

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. 100003-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 applicable to the Purchased Gas Adjustment (PGA) clause are included for recovery in the filing.

Procedure – We compiled PGA revenues from the general ledger and tied these amounts to the PGA filing. We performed analyses of company prepared reports and schedules used in recording and adjusting PGA revenues as reported in the general ledger. We verified that 75% of the net income from Off System Sales were credited to PGA revenues. We verified the calculation of transaction charges for the handling of Off System sales customers. We confirmed that the transaction charges were treated as a credit to PGA revenues, as required in the FPSC approved tariff. We judgmentally selected a sample of customer bills from various rate classes and verified the use of the Commission approved revenue factors for billing purposes.

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.

Procedure - We compiled PGA costs from the general ledger and tied this amount to the filing. We verified that only authorized cost items were recovered through the PGA filing. We traced checked invoices for gas purchases. We traced unit purchased from various vendors to the Interstate pipeline reports. We verified that the commodity unit costs charged by gas suppliers and that the reservation and delivery costs charged by the transporters complied with contractual confirmations. We verified the company’s calculation for company use and for gas lost due to damage and leaks and that these amounts were removed from the cost of gas for PGA consideration.

We reviewed the company’s financial hedging transactions. Determined that of the 113 deals settled during 2009, 112 were unfavorable showing losses of \$34,158,200. One deal showed a profit of \$9,600.

TRUE-UP:

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

REPORT SUMMARIZATION:

No exceptions were noted during the audit of the PGA Revenues and Expenses.

COMPANY: PEOPLES GAS SYSTEM	SCHEDULE A-2		Page 1 of 1	
	FOR THE PERIOD OF:		PERIOD TO DATE	
	January-09	Through	December-09	December-09
CURRENT MONTH:	DECEMBER 09	ESTIMATE	DIFFERENCE	%
ACTUAL	ESTIMATE	AMOUNT	AMOUNT	%
TRUE-UP CALCULATION				
1 PURCHASED GAS COST (A-1, LINES 3+4+13)	\$18,909,757	\$8,789,219	(\$18,119,538)	(91.14003)
2 TRANSPORTATION COST (A-1, LINES 1+2+5+6+7+8+9)	4,748,411	3,955,228	(793,183)	(0.20004)
3 TOTAL	23,658,168	12,754,445	(10,903,724)	(0.45474)
4 FUEL REVENUES	20,783,892	12,754,445	(8,029,447)	(0.38964)
5 (NET OF REVENUE TAX)	37,388	37,388	0	0.00000
6 TRUE-UP REFUND(COLLECTION)	20,821,278	12,794,831	(8,026,447)	(0.38778)
7 FUEL REVENUE APPLICABLE TO PERIOD	(2,834,890)	37,388	2,872,278	76.82759
(LINE 4 (+ or -) LINE 5)	(889)	450	1,319	2.92894
8 TRUE-UP PROVISION - THIS PERIOD	(3,776,859)	2,702,047	6,478,906	2.38744
(LINE 6 - LINE 3)	(37,388)	(37,388)	0	0.00000
9 INTEREST PROVISION-THIS PERIOD (21)	0	0	0	0.00000
10 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(8,648,104)	2,702,047	9,350,151	3.46036
11 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	0	0	0	0.00000
12a TRANSITION COST RECOVERY REFUND	0	2,702,047	2,702,047	3.46036
11 TOTAL EST/ACT TRUE-UP (7+8+9+10+12a)	(8,648,104)	2,702,047	9,350,151	3.46036
11a REFUNDS FROM PIPELINE	0	0	0	0.00000
12 ADJ TOTAL EST/ACT TRUE-UP (11+11a)	(8,648,104)	2,702,047	9,350,151	3.46036
INTEREST PROVISION				
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(3,776,859)	2,702,047	6,478,906	2.38744
14 ENDING TRUE-UP BEFORE INTEREST (13+7+5-(9+11a))	(6,648,236)	2,702,047	9,350,283	3.46044
15 TOTAL (13+14)	(10,425,095)	5,404,093	15,829,188	2.92894
16 AVERAGE (50% OF 15)	(5,212,547)	2,702,047	7,914,594	2.92884
17 INTEREST RATE - FIRST DAY OF MONTH	0.20	0.20	0	0.00000
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.20	0.20	0	0.00000
19 TOTAL (17+18)	0.40	0.40	0	0.00000
20 AVERAGE (50% OF 19)	0.20	0.20	0	0.00000
21 MONTHLY AVERAGE (20*12 Months)	0.01667	0.01667	0	0.00000
22 INTEREST PROVISION (19*21)	(\$869)	\$459	\$1,318	\$2.92884

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