

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1997

FIELD WORK COMPLETED

OCTOBER 15, 1997

PEOPLES GAS
formerly WEST FLORIDA NATURAL GAS

PANAMA CITY, FLORIDA

BAY COUNTY

ENERGY CONSERVATION COST RECOVERY AUDIT

DOCKET NUMBER 970002-EG

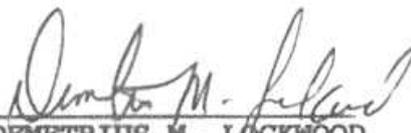
AUDIT CONTROL NUMBER 97-161-1-2

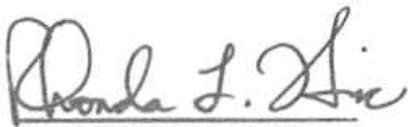
Audit Staff

Chrissy Vendetti

Minority Opinion

Yes _____ No CMV


DEMETRIUS M. LOCKWOOD
AUDIT MANAGER


RHONDA HICKS
REGULATORY ANALYST SUPERVISOR
TALLAHASSEE DISTRICT OFFICE

DOCUMENT NUMBER-DATE
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I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures described in Section II of this report and have recalculated the true-up and interest exhibits filed by Peoples Gas (formerly West Florida Natural Gas Company) in support of Docket 970002-EG for the twelve months ended September 30, 1997, to determine that the exhibits represent the utility's books and records and that those books and records are maintained in compliance with Commission directives and that facts which may influence the Commission's decision process are disclosed.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

OPINION: Subject to the audit disclosure, the ECCR exhibits for the twelve months ended September 30, 1997, represent Peoples Gas' (formerly West Florida Natural Gas Company's) books and records maintained in substantial compliance with Florida Public Service Commission prescribed rules, directives, and procedures. The expressed opinions extend only to the scope of work described in Section II of this report.

SUMMARY FINDINGS: The ECCR exhibits for the twelve months ended September 30, 1997 for conservation revenues and interest are not supported by the Company's books and records.

II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this report, the following definition shall apply.

COMPILED - The audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency, disclosed any unresolved error, irregularity, or inconsistency, and, except as noted, performed no other audit work.

CONSERVATION REVENUES: Compiled the conservation revenues and determined that the company has used the approved ECCR factor as set forth in Commission Order No. PSC-97-0291-FOF-EG; obtained a copy of the sales journal for the period October 31, 1996 through September 30, 1997; recalculated all hand bills for total therms sold and recalculated conservation revenues for each rate class for twelve months ended September 30, 1997.

CONSERVATION EXPENSES: Compiled conservation program expenses; visually scanned a sample of invoices supporting payments for advertising, payroll and benefit expenses; performed a physical invoice count for incentive expenses; recalculated program expenses on CT-3 Schedules, conservation system, and general ledger; verified conservation rebate programs have been excluded from conservation cost.

OTHER: Recalculated Company true-up and interest provision; verified the correct beginning true-up; verified the interest rates applied to under/over recovery amounts for the twelve months ended September 30, 1997.

AUDIT EXCEPTION NO. 1

SUBJECT: Conservation Revenues and Interest

STATEMENT OF FACT: The Company's conservation revenues and interest reported on Schedule CT-3 and the general ledger are as follows:

Month	CT-3 Revenues	General Ledger	Variance
February 1997	92,351	92,078	273
August 1997	31,972	32,776	(804)
September 1997	33,421	33,058	363

Month	CT-3 Interest	General Ledger	Variance
October 1996	985	7	978
January 1997	1,203	1,359	(156)
February 1997	1,363	1,450	(87)
April 1997	1,320	1,253	67
June 1997	1,078	1,167	(89)

The amounts reported on Schedule CT-3 are correct. The variances are due to misstatements reported in the general ledger. The Company agrees to correct the above variances in the general ledger.

RECOMMENDATION: The Company should make the above-mentioned adjustments to the general ledger.

COMPANY WEST FLORIDA NATURAL GAS COMPANY
 FOR MONTHS OCTOBER 1990 THROUGH SEPTEMBER 1997

CONSERVATION REVENUES	MONTH OCT	MONTH NOV	MONTH DEC	MONTH JAN	MONTH FEB	MONTH MAR	MONTH APR	MONTH MAY	MONTH JUN	MONTH JUL	MONTH AUG	MONTH SEP	TOTAL
1 PCS AUDIT FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2 OTHER PROGRAM REVS	(7,818)	(8,798)	(6,424)	(8,440)	(7,778)	(5,821)	(5,803)	(5,188)	(5,440)	(5,388)	(6,203)	(5,838)	(81,732)
3 CONSERV ADJ REVS	(33,738)	(43,740)	(74,504)	(100,187)	(84,873)	(53,728)	(40,380)	(38,708)	(28,828)	(33,881)	(25,770)	(27,582)	(582,848)
4 TOTAL REVENUES	(41,556)	(52,538)	(82,928)	(108,627)	(92,351)	(59,551)	(46,183)	(41,878)	(34,268)	(39,069)	(31,970)	(33,421)	(864,572)
5 PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(18,582)	(18,582)	(18,582)	(18,582)	(18,582)	(18,582)	(18,582)	(18,582)	(18,582)	(18,582)	(18,582)	(18,582)	(222,888)
6 CONSERVATION REVS APPLICABLE TO THE PERIOD	(60,138)	(71,120)	(101,510)	(128,210)	(110,933)	(77,333)	(64,776)	(60,481)	(52,848)	(57,672)	(50,566)	(52,003)	(887,508)
7 CONSERVATION EXPTS (FROM CT-3, PAGE 1)	81,008	73,387	54,780	50,590	58,073	82,588	80,883	87,654	49,473	48,201	45,303	34,981	638,708
8 TRUE-UP THIS PERIOD	(9,130)	2,247	(48,720)	(77,820)	(51,681)	5,253	18,107	7,193	(3,375)	(8,471)	(5,252)	(17,023)	(188,651)
9 BITER PROV. THIS PERIOD (FROM CT-3, PAGE 3)	(980)	(821)	(891)	(1,203)	(1,303)	(1,427)	(1,320)	(1,188)	(1,078)	(1,042)	(886)	(833)	(11,418)
10 TRUE-UP & BITER PROV. BEGINNING OF MONTH	(222,888)	(214,522)	(194,814)	(223,743)	(283,983)	(318,824)	(298,217)	(282,847)	(238,241)	(224,112)	(215,044)	(202,708)	(2,020,711)
11 PRIOR TRUE-UP COLLECTED/(REFUNDED)	18,582	18,582	18,582	18,582	18,582	18,582	18,582	18,582	18,582	18,582	18,582	18,582	(18,582)
12 TOTAL NET TRUE-UP (SUM LINES 9 + 10 + 11)	(214,522)	(194,814)	(223,743)	(283,983)	(318,824)	(298,217)	(282,847)	(238,241)	(224,112)	(215,044)	(202,708)	(202,074)	(2,020,711)

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

December 15, 1997

Mr. J. E. McIntyre
West Florida Natural Gas Company
Post Office Box 1460
Panama City, Florida 32402-1460

Re: Docket No. 970002 - EG - West Florida Natural Gas Company
Conservation Audit Report - Period Ended September 30, 1997
Audit Control # 97-161-1-2

Dear Mr. McIntyre:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn, Chief
Bureau of Records

KF/clis
Enclosure
cc: Public Counsel
Messer Law Firm