

MEMORANDUM

November 30, 1995

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *ov*

RE: DOCKET NO. 950002-EG -- PEOPLES GAS SYSTEM, INC.
CONSERVATION AUDIT REPORT - PERIOD ENDED SEPTEMBER 30, 1995
AUDIT CONTROL NO. 95-223-2-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Peoples Gas System, Inc.
Jack E. Uhl
Post Office Box 2562
Tampa, FL 33601-2562

DNV/sp

Attachment

cc: Chairman Clark
Commissioner Deason
Commissioner Johnson
Commissioner Kiesling
Commissioner Garcia
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Makin)
Tampa District Office (Bouckaert)

Office of Public Counsel

DOCUMENT NUMBER-DATE

12020 DEC-1 88

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1995

FIELD WORK COMPLETED

November 16, 1995

PEOPLES GAS SYSTEM, INC.

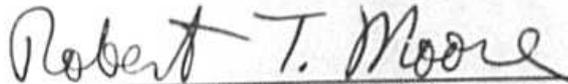
TAMPA, FLORIDA

HILLSBOROUGH COUNTY

ENERGY CONSERVATION COST RECOVERY AUDIT

DOCKET 950002-EG

AUDIT CONTROL NUMBER 95-223-2-1



ROBERT T. MOORE
AUDIT MANAGER



ANN BOUCKAERT
PUBLIC UTILITIES SUPERVISOR
TAMPA DISTRICT OFFICE

DOCUMENT NUMBER-DATE

12020 DEC-18

FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to audit the appended Energy Conservation Program Cost Schedule CT-2, page 1 of 3 prepared by Peoples Gas System, Inc. in support of Docket No. 950002-EG for the twelve month period ending September 30, 1995.

SCOPE LIMITATION: There are no confidential work papers associated with this report. The last day of field work was November 16, 1995. The Company declined the audit exit conference.

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 audit standards and produce audited financial statements for public use.

OPINION: The actual amounts on the appended Energy Conservation Recovery Schedules CT-2 page 1 of 3 for the twelve months ended September 30, 1995 represent Peoples Gas System, Inc. books and records maintained in substantial compliance with Commission Directives. The expressed opinions extend only to the scope of work described in Section II of this report.

II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this report COMPILED means that audit work includes:

COMPILED: means that 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.

ECCR EXPENSES: Compiled Energy Conservation Cost Recovery (ECCR) expense accounts. Scheduled ECCR expenses by program and by categories of expenses. Tested all incentive payments paid under the Gas Space Conditioning Program for compliance with approved criteria. Tested Outside Services payments greater than \$10,000 charged to Common Costs.

ECCR REVENUE: Compiled ECCR revenue accounts. Recalculated ECCR revenues and recomputed total and net conservation revenues using the FPSC approved Conservation Cost Recovery Factors.

ECCR TRUE-UP: Compiled ECCR true-up accounts. Agreed beginning of period true-up to prior year filing with adjustments for prior period adjustments. Recomputed current period true-up using audit determined revenues and expenses.

OTHER: Read permanent file notes from reading Company Board of Directors minutes and external auditor's working papers. Performed analytical review of all conservation programs.

AUDIT DISCLOSURE NO. 1

SUBJECT: Outside Services

STATEMENT OF FACT:

The Company's filing (schedule CT-2, page 2) shows \$250,687 for outside services charged to common costs. The costs charged in recent years were 1992: \$54,456; 1993: \$79,582; and 1994: \$252,083.

Outside services booked to common costs account 908.01 is \$250,688.

Order PSC-95-0398-FOF-EG, pages 8 and 9, issued March 23, 1995, states:

"Our decision regarding the exclusion of Conservation Goals Docket expenses from pass-through recovery shall carry forward to future dockets setting forth conservation goals."

"Section 366.82, Florida Statutes, provides an incentive for the companies to implement conservation programs by providing for direct cost recovery."

AUDIT OPINION AND CONCLUSION:

The Commission allows recovery of only costs directly related to energy conservation programs. The costs below do not directly relate to existing energy conservation programs and should be disallowed.

Invoices greater than \$10,000 for outside services charged to common costs total \$117,217. Only \$10,425 relate to approved energy conservation programs.

Charges not directly related to existing energy conservation programs total \$106,792 and represent the legal and outside consulting work described below.

Legal costs (\$53,043): work on the conservation goals docket, TECO Water Heating "R&D" Program, Gas DSM Cost Effectiveness Methodology, and Demand Side Management.

Outside consultant work: a study summarizing Company historical data (\$30,123); cost effectiveness development (\$10,915); and an engineering chiller option study for an existing gas customer (\$12,711).

Energy conservation costs are overstated by \$106,792.

COMPANY COMMENTS:

The Company may respond at a later date.

AUDIT DISCLOSURE NO. 2

SUBJECT: Gas Space Conditioning Program Incentives

STATEMENT OF FACT:

The Company's filing (schedule CT-2, page 2) shows incentives of \$52,100, which agrees to the general ledger.

The incentive program criteria are:

1. Available to customers replacing electric space conditioning with gas equipment having a COP of .8 or above.
2. Allowance \$150.00 per ton/Maximum up to first 100 tons/project.

Seven incentive payments comprised the total disbursed. One was for 2 chillers of 560 tons each, where the Company paid \$20,000. The incentive allowed computes to \$30,000.

The Company negotiated with Southern Natural Gas to pay the customer an incentive of \$40,000. Each company split the incentive and agreed to pay \$20,000.

AUDIT OPINION AND CONCLUSION:

This disclosure describes what occurred for information purposes to the Commission.

The calculation for the total incentive is:
\$30,000 [= 2 x \$150 x 100]

COMPANY COMMENTS:

The Company may respond at a later date.

ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL VERSUS ESTIMATED

MONTHS: OCTOBER 1994 THROUGH SEPTEMBER 1995

	<u>ACTUAL</u>	<u>PROJECTED*</u>	<u>DIFFERENCE</u>
CAPITAL INVESTMENT	0	0	0
PAYROLL & BENEFITS	410,040	356,898	53,142
MATERIALS & SUPPLIES	10,981	13,732	(2,751)
ADVERTISING	1,467	15,000	(13,533)
INCENTIVES	4,840,557	6,082,778	(1,242,221)
OUTSIDE SERVICES	250,687	196,199	54,488
VEHICLES	39,085	31,281	7,804
OTHER	48,439	30,461	17,978
SUB-TOTAL	5,601,256	6,726,349	(1,125,093)
PROGRAM REVENUES	0	0	0
TOTAL PROGRAM COSTS	5,601,256	6,726,349	(1,125,093)
LESS:			
PAYROLL ADJUSTMENTS	0	0	0
AMOUNTS INCLUDED IN RATE BAS	0	0	0
CONSERVATION ADJUSTMENT REVENUES	(6,585,425)	(3,052,887)	(3,532,538)
ROUNDING ADJUSTMENT	0	0	0
TRUE-UP BEFORE INTEREST	(984,166)	3,673,462	(4,657,628)
INTEREST PROVISION	(38,268)	58,690	(94,958)
END OF PERIOD TRUE-UP	(1,020,434)	3,732,152	(4,752,586)

() REFLECTS OVER-RECOVERY

* 2 MONTHS ACTUAL AND 10 MONTHS PROJECTED

State of Florida

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



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

December 1, 1995

Peoples Gas System, Inc.
Attn: Jack E. Uhl
Post Office Box 2562
Tampa, Florida 33601-2562

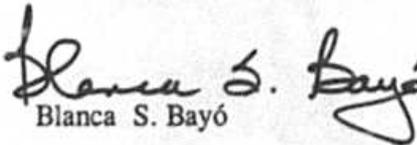
Dear Mr. Uhl:

RE: Docket No. 950002-EG -- Peoples Gas System, Inc.
Conservation Audit Report - Period Ended September 30, 1995
Audit Control #95-223-2-1

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,


Blanca S. Bayo

BSB/mas
Enclosure
cc: Public Counsel
Landers Law Firm