



ORIGINAL

Public Service Commission

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

DATE: May 10, 2004

TO: Wayne Makin, Division of Competitive Markets and Enforcement

FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DNV*
Division of Regulatory Compliance and Consumer Assistance

RE: **Docket No.** 040003-GU ; **Company Name:** Peoples Gas system, a division of Tampa Electric Company ; **Audit Purpose:** Purchased Gas Adjustment ; **Audit Control No.** 04-043-2-1

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 the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Ms. Angela Llewellyn, Administrator
Peoples Gas System, a division
of Tampa Electric Company

- CMP _____ Ed Elliott
- COM _____ Peoples Gas System, a division
of Tampa Electric Company
- CTR _____
- ECR _____ Frank Sivard, Vice President - Accounting
- GCL _____ Peoples Gas System, a division
of Tampa Electric Company
- OPC _____
- MMS _____ Mathew R. Costa
- RCA _____ Peoples Gas System, a division
of Tampa Electric Company
- SCR _____
- SEC 1 Ansley Watson, Jr., Esq.
Macfarlane Ferguson Law Firm
- OTH _____

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

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

PURCHASED GAS ADJUSTMENT

TWELVE MONTHS ENDED DECEMBER 31, 2003

Docket 040003-GU

Audit Control Number 04-043-2-1


Tomer Kopelovich, Audit Manager

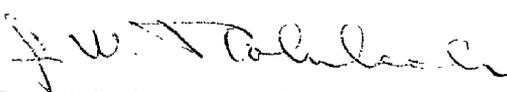

Joseph Rohrbacher, Tampa District Supervisor

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

April 20, 2004

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the Purchased Gas Adjustment (PGA) for the twelve month period ending December 31, 2003. There is no confidential information associated with this audit and there are no minority opinions.

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.

SUMMARY OF SIGNIFICANT PROCEDURES:

Our audit was performed by examining on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned - The document or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

REVENUE: Compiled PGA revenues. Verified unbilled revenues. Traced negative cash-outs to customers invoice. Tested a sample of customer bills in various revenue classes to verify that rates per tariff were in use and that the PGA recovery factor did not exceed the original or revised PGA rates.

EXPENSE: Compiled PGA expenses. Analyzed expenses from the PGS Open Access reports. Verified administrative costs. Verified end use sales. Traced positive cash-outs to invoices and general ledger. Traced accrual of gas purchased to invoices.

PGA TRUE-UP: Reconciled audited revenue and expense amounts to the PGA filing. Verified that the beginning true-up amount and interest rates as stated by PGS matched the beginning true-up and interest rates approved by the FPSC.

OTHER: Performed analytical review on expenses for the years 1999, 2000, 2001, 2002 and 2003 as part of determining the scope and level of risk of the audit.

COMPANY: PEOPLES GAS SYSTEM		COMPARISON OF ACTUAL VERSUS ORIGINAL ESTIMATE OF THE PURCHASED GAS ADJUSTMENT COST RECOVERY FACTOR						SCHEDULE A-1 Page 1 of 3		
Combined For All Rate Classes		FOR THE PERIOD OF: JANUARY 03 through DECEMBER 03								
		CURRENT MONTH: December 03				PERIOD TO DATE				
		ACTUAL	REV. FLEX DOWN EST.	DIFFERENCE		ACTUAL	REV. FLEX DOWN EST.	DIFFERENCE		
				AMOUNT	%			AMOUNT	%	
COST OF GAS PURCHASED										
1	COMMODITY (Pipeline)	\$138,956	\$123,860	(\$15,096)	(12.19)	\$1,916,077	\$1,659,108	(\$256,969)	(15.49)	
2	NO NOTICE SERVICE	\$61,383	\$61,383	(\$0)	(0.00)	\$497,217	\$497,218	\$1	0.00	
3	SWING SERVICE	\$5,378,649	\$0	(\$5,378,649)	#DIV/0!	\$17,407,558	\$18,040,201	\$632,643	3.51	
4	COMMODITY (Other)	\$10,681,860	\$7,462,813	(\$3,219,047)	(43.13)	\$163,969,775	\$66,278,261	(\$97,691,514)	(147.40)	
5	DEMAND	\$3,991,478	\$4,019,648	\$28,171	0.70	\$39,543,608	\$39,032,548	(\$511,060)	(1.31)	
6	OTHER	\$224,549	\$100,000	(\$124,549)	(124.55)	\$1,532,528	\$1,200,000	(\$332,528)	(27.71)	
LESS END-USE CONTRACT:										
7	COMMODITY (Pipeline)	\$46,876	\$56,813	\$9,937	17.49	\$691,984	\$788,502	\$96,518	12.24	
8	DEMAND	\$403,227	\$486,987	\$83,760	17.20	\$5,247,119	\$5,841,548	\$594,429	10.18	
9	OTHER	\$240,640	\$154,743	(\$85,897)	(55.51)	\$2,487,838	\$2,433,696	(\$54,142)	(2.22)	
10										
11	TOTAL COST (1+2+3+4+5+6)-(7+8+9+10)	\$19,786,132	\$11,069,161	(\$8,716,971)	(78.75)	\$216,439,822	\$117,643,590	(\$98,796,232)	(83.98)	
12	NET UNBILLED	\$2,123,678	\$0	(\$2,123,678)	0.00	\$655,621	\$0	(\$655,621)	0.00	
13	COMPANY USE	\$7,661	\$0	(\$7,661)	0.00	\$125,598	\$0	(\$125,598)	0.00	
14	TOTAL THERM SALES (11)	\$15,479,857	\$11,069,161	(\$4,410,696)	(39.85)	\$215,531,328	\$117,643,590	(\$97,887,738)	(83.21)	
THERMS PURCHASED										
15	COMMODITY (Pipeline)	31,640,217	28,232,216	(3,408,001)	(12.07)	500,741,457	416,768,815	(83,972,642)	(20.15)	
16	NO NOTICE SERVICE	10,403,910	10,403,910	0	0.00	84,274,040	84,274,040	0	0.00	
17	SWING SERVICE	9,612,930	0	(9,612,930)	#DIV/0!	30,638,050	25,232,440	(5,405,610)	(21.42)	
18	COMMODITY (Other)	18,519,055	14,301,235	(4,217,820)	(29.49)	318,111,805	129,535,358	(188,576,447)	(145.58)	
19	DEMAND	81,715,582	85,357,570	3,641,988	4.27	859,630,469	820,666,517	(38,963,952)	(4.75)	
20	OTHER	0	0	0	0.00	-	-	0	0.00	
LESS END-USE CONTRACT:										
21	COMMODITY (Pipeline)	10,850,960	13,151,153	2,300,193	17.49	155,263,122	180,367,985	25,104,863	13.92	
22	DEMAND	10,889,190	13,151,153	2,261,963	17.20	154,938,822	180,367,985	25,429,163	14.10	
23	OTHER	0	0	0	0.00	-	-	0	0.00	
24	TOTAL PURCHASES (17+18-23)	28,131,985	14,301,235	(13,830,750)	(96.71)	348,749,855	154,767,798	(193,982,057)	(125.34)	
25	NET UNBILLED	2,379,105	0	(2,379,105)	0.00	(876,342)	-	876,342	0.00	
26	COMPANY USE	10,199	0	(10,199)	0.00	168,537	-	(168,537)	0.00	
27	TOTAL THERM SALES (24)	22,698,351	14,301,235	(8,397,116)	(58.72)	337,953,284	154,767,798	(183,185,486)	(118.36)	
CENTS PER THERM										
28	COMMODITY (Pipeline)	(1/15)	0.00439	0.00439	(0.00000)	(0.10)	0.00383	0.00398	0.00015	3.88
29	NO NOTICE SERVICE	(2/16)	0.00590	0.00590	(0.00000)	(0.00)	0.00590	0.00590	0.00000	0.00
30	SWING SERVICE	(3/17)	0.55952	#DIV/0!	#DIV/0!	#DIV/0!	0.56817	0.71496	0.14679	20.53
31	COMMODITY (Other)	(4/18)	0.57680	0.52183	(0.05497)	(10.53)	0.51545	0.51166	(0.00379)	(0.74)
32	DEMAND	(5/19)	0.04885	0.04709	(0.00175)	(3.72)	0.04600	0.04756	0.00156	3.28
33	OTHER	(6/20)	0.00000	0.00000	0.00000	0.00	0.00000	0.00000	0.00000	0.00
LESS END-USE CONTRACT:										
34	COMMODITY (Pipeline)	(7/21)	0.00432	0.00432	0.00000	0.00	0.00446	0.00437	(0.00009)	(1.95)
35	DEMAND	(8/22)	0.03703	0.03703	(0.00000)	(0.00)	0.03387	0.03239	(0.00148)	(4.57)
36	OTHER	(9/23)	0.00000	0.00000	0.00000	0.00	0.00000	0.00000	0.00000	0.00
37	TOTAL COST	(11/24)	0.70333	0.77400	0.07067	9.13	0.62062	0.76013	0.13951	18.35
38	NET UNBILLED	(12/25)	0.89264	0.00000	(0.89264)	0.00	(0.74813)	0.00000	0.74813	0.00
39	COMPANY USE	(13/26)	0.75117	0.00000	(0.75117)	0.00	0.74523	0.00000	(0.74523)	0.00
40	TOTAL THERM SALES	(11/27)	0.87170	0.77400	(0.09770)	(12.62)	0.64044	0.76013	0.11969	15.75
41	TRUE-UP	(E-4)	(0.02014)	(0.02014)	0.00000	0.00	(0.02014)	(0.02014)	0.00000	0.00
42	TOTAL COST OF GAS	(40+41)	0.85156	0.75386	(0.09770)	(12.96)	0.62030	0.73999	0.11969	16.17
43	REVENUE TAX FACTOR		1.00503	1.00503	0.00000	0.00	1.00503	1.00503	0.00000	0.00
44	PGA FACTOR ADJUSTED FOR TAXES	(42x43)	0.85584	0.75765	(0.09819)	(12.96)	0.62342	0.74371	0.12029	16.17
45	PGA FACTOR ROUNDED TO NEAREST .001		85.584	75.765	(9.81900)	(12.96)	62.342	74.371	12.02900	16.17

FOR THE PERIOD OF:

January-03 Through December-03

Page 1 of 1

	CURRENT MONTH: DECEMBER 03		PERIOD TO DATE		ACTUAL	ESTIMATE	DIFFERENCE			
	ACTUAL	ESTIMATE	DIFFERENCE				ACTUAL	ESTIMATE	DIFFERENCE	
			AMOUNT	%					AMOUNT	%
TRUE-UP CALCULATION										
1 PURCHASED GAS COST (A-1, LINES 3+4-13)	\$16,052,848	\$7,462,813	(\$8,590,035)	(\$1.15105)	\$181,251,736	\$84,318,462	(\$96,933,274)	(\$1.14961)		
2 TRANSPORTATION COST (A-1, LINES 1+2+5+6-7-8-9)	3,725,623	3,606,348	(119,275)	(0.03307)	\$35,062,489	\$33,325,128	(1,737,361)	(0.05213)		
3 TOTAL	19,778,471	11,069,161	(8,709,310)	(0.78681)	\$216,314,224	\$117,643,590	(98,670,634)	(0.83873)		
4 FUEL REVENUES (NET OF REVENUE TAX)	15,479,857	11,069,161	(4,410,696)	(0.39847)	\$215,531,328	\$117,643,590	(97,887,738)	(0.83207)		
5 TRUE-UP REFUND/(COLLECTION)	319,638	300,079	(19,559)	(0.06518)	\$3,835,711	\$3,816,152	(19,559)	(0.00513)		
6 FUEL REVENUE APPLICABLE TO PERIOD * (LINE 4 (+ or -) LINE 5)	15,799,495	11,369,240	(4,430,255)	(0.38967)	\$219,367,039	\$121,459,742	(97,907,297)	(0.80609)		
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 3)	(3,978,976)	300,079	4,279,055	14.25976	\$3,052,815	\$3,816,152	763,337	0.20003		
8 INTEREST PROVISION-THIS PERIOD (21)	(1,940)	1,934	3,875	2.00323	\$6,555	\$25,210	18,656	0.74000		
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(111,468)	2,253,502	2,364,970	1.04946	(3,635,681)	2,230,226	5,865,907	2.63019		
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 5)	(319,638)	(300,079)	19,559	(0.06518)	(\$3,835,711)	(\$3,816,152)	19,559	(0.00513)		
10a ENVIRONMENTAL REFUND	0	0	0	0.00000	\$0	\$0	0	0.00000		
11 TOTAL EST/ACT TRUE-UP (7+8+9+10+10a)	(4,412,023)	2,255,436	6,667,459	2.95617	(4,412,023)	2,255,436	6,667,459	2.95617		
11a REFUNDS FROM PIPELINE	0	0	0	0.00000	\$0	\$0	0	0.00000		
12 ADJ TOTAL EST/ACT TRUE-UP (11+11a)	(4,412,023)	2,255,436	6,667,459	2.95617	(\$4,412,023)	\$2,255,436	\$6,667,459	\$2.95617		
INTEREST PROVISION										
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(111,468)	2,253,502	2,364,970	1.04946						
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5+10a+11a)	(4,410,082)	2,253,502	6,663,584	2.95699						
15 TOTAL (13+14)	(4,521,550)	4,507,004	9,028,554	2.00323						
16 AVERAGE (50% OF 15)	(2,260,775)	2,253,502	4,514,277	2.00323						
17 INTEREST RATE - FIRST DAY OF MONTH	1.00	1.00	0	0.00000						
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.06	1.06	0	0.00000						
19 TOTAL (17+18)	2.060	2.060	0	0.00000						
20 AVERAGE (50% OF 19)	1.030	1.030	0	0.00000						
21 MONTHLY AVERAGE (20/12 Months)	0.08583	0.08583	0	0.00000						
22 INTEREST PROVISION (16x21)	(\$1,940)	\$1,934	\$3,875	\$2.00323						

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