



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-

DATE: July 24, 2007
TO: Shevie B. Brown, Regulatory Analyst III, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 070004-GU; Company Name: Peoples Gas System;
Audit Purpose: Energy Conservation Cost Recovery Audit;
Audit Control No: 07-074-2-2

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

DNV:bj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk(2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Ms. Paula K. Brown
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DOCUMENT NUMBER-DATE

06356 JUL 25 08

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)**

ENERGY CONSERVATION COST RECOVERY AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2006

**DOCKET NO. 070004-GU
AUDIT CONTROL NO. 07-074-2-2**


Simon O. Ojada, Audit Manager

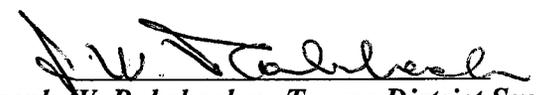

Joseph W. Rohrbacher, Tampa District Supervisor

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

July 12, 2007

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

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. 070004-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 which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - To 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 agreed to the filing. Recomputed ECCR revenues using approved FPSC rate factors and verified that the company applied the approved ECCR rate factors to therms sold. We reconciled filing to the General Ledger. We recalculated 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: - To 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 to the filing. We analyzed programs over budget and tested April and October 2006 invoices including supporting documentation for incentive payments to customers for the Residential Appliance Retention program. We recomputed Energy Conservation Costs and traced to journal entry postings in the General Ledger.

Objectives: - To review builder agreements entered into during 2006 and to verify that incentives offered to builders match the company's conservation programs.

Procedures: - We reviewed all builder agreements entered into during 2006 and verified Residential Home Builder incentive payments to builder agreements.

Objectives: - To verify that tankless water heater rebates given in 2006 followed Order No. PSC-06-816-PAA-GU.

Procedures: - We reviewed tankless water heater rebates given in November and December 2006 and verified that they complied with the above PSC order.

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

Procedures: - We tested all advertising expenses incurred during 2006 and verified that they complied with Rule 25-17.015(5), Florida Administrative Code.

TRUE-UP

Objectives: - To determine if the True-up Calculation and interest provision as filed was properly calculated using the FPSC approved interest rates.

Procedures: - We recomputed 2006 ECCR true-up and interest using the FPSC approved recoverable true-up amount and interest rates.

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
 JANUARY 2006 THROUGH DECEMBER 2006

CONSERVATION REVENUES	JAN 2006	FEB 2006	MAR 2006	APR 2006	MAY 2006	JUN 2006	JUL 2006	AUG 2006	SEP 2006	OCT 2006	NOV 2006	DEC 2006	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	<u>-1,163,628</u>	<u>-1,077,284</u>	<u>-925,807</u>	<u>-761,858</u>	<u>-622,757</u>	<u>-552,915</u>	<u>-535,482</u>	<u>-502,410</u>	<u>-509,546</u>	<u>-528,160</u>	<u>-628,123</u>	<u>-865,468</u>	<u>-8,673,436</u>
4. TOTAL REVENUES	-1,163,628	-1,077,284	-925,807	-761,858	-622,757	-552,915	-535,482	-502,410	-509,546	-528,160	-628,123	-865,468	-8,673,436
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	<u>-103,038</u>	<u>-1,236,460</u>											
6. CONSERVATION REVS APPLICABLE TO THE PERIOD	<u>-1,266,667</u>	<u>-1,180,323</u>	<u>-1,028,845</u>	<u>-864,896</u>	<u>-725,795</u>	<u>-655,953</u>	<u>-638,520</u>	<u>-605,448</u>	<u>-612,584</u>	<u>-631,198</u>	<u>-731,161</u>	<u>-968,506</u>	<u>-9,909,896</u>
7. CONSERVATION EXPS (FROM CT-3, PAGE 1)	839,533	727,029	639,322	911,518	603,365	618,437	683,894	727,710	745,742	840,991	698,137	898,947	8,934,625
8. TRUE-UP THIS PERIOD	-427,133	-453,294	-389,523	46,622	-122,430	-37,516	45,374	122,262	133,158	209,793	-33,025	-68,559	-975,271
9. INTER. PROV. THIS PERIOD (FROM CT-3, PAGE 3)	-5,134	-6,557	-8,013	-8,694	-8,664	-8,889	-8,756	-7,951	-6,899	-5,725	-4,905	-4,700	-84,887
10. TRUE-UP & INTER. PROV. BEGINNING OF MONTH	-1,236,460	-1,565,689	-1,922,501	-2,216,999	-2,076,032	-2,104,088	-2,047,455	-1,907,800	-1,690,451	-1,461,153	-1,154,046	-1,088,938	
11. PRIOR TRUE-UP COLLECTED/(REFUNDED)	<u>103,038</u>												
12. TOTAL NET TRUE-UP (SUM LINES 8+9+10+11)	<u>-1,565,689</u>	<u>-1,922,501</u>	<u>-2,216,999</u>	<u>-2,076,032</u>	<u>-2,104,088</u>	<u>-2,047,455</u>	<u>-1,907,800</u>	<u>-1,690,451</u>	<u>-1,461,153</u>	<u>-1,154,046</u>	<u>-1,088,938</u>	<u>-1,060,158</u>	<u>-1,060,158</u>

CALCULATION OF TRUE-UP AND INTEREST PROVISION
 JANUARY 2006 THROUGH DECEMBER 2006

	JAN 2006	FEB 2006	MAR 2006	APR 2006	MAY 2006	JUN 2006	JUL 2006	AUG 2006	SEPT 2006	OCT 2006	NOV 2006	DEC 2006	TOTAL
INTEREST PROVISION													
1. BEGINNING TRUE-UP	-1,236,460	-1,565,689	-1,922,501	-2,216,999	-2,076,032	-2,104,088	-2,047,455	-1,907,800	-1,690,451	-1,461,153	-1,154,046	-1,088,938	
2. ENDING TRUE-UP BEFORE INTEREST	-1,560,555	-1,915,944	-2,208,986	-2,067,339	-2,095,424	-2,038,566	-1,899,043	-1,682,500	-1,454,254	-1,148,322	-1,084,032	-1,055,459	
3. TOTAL BEGINNING & ENDING TRUE-UP	-2,797,015	-3,481,633	-4,131,487	-4,284,338	-4,171,456	-4,142,654	-3,946,498	-3,590,299	-3,144,705	-2,609,475	-2,238,079	-2,144,396	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	-1,398,507	-1,740,816	-2,065,744	-2,142,169	-2,085,728	-2,071,327	-1,973,249	-1,795,150	-1,572,353	-1,304,737	-1,119,039	-1,072,198	
5. INTER. RATE - 1ST DAY OF REPORTING MONTH	4.300%	4.510%	4.530%	4.780%	4.960%	5.010%	5.290%	5.360%	5.270%	5.260%	5.270%	5.250%	
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	4.510%	4.530%	4.780%	4.960%	5.010%	5.290%	5.360%	5.270%	5.260%	5.270%	5.250%	5.270%	
7. TOTAL (SUM LINES 5 & 6)	8.810%	9.040%	9.310%	9.740%	9.970%	10.300%	10.650%	10.630%	10.530%	10.530%	10.520%	10.520%	
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	4.405%	4.520%	4.655%	4.870%	4.985%	5.150%	5.325%	5.315%	5.265%	5.265%	5.260%	5.260%	
9. MONTHLY AVG INTEREST RATE	0.367%	0.377%	0.388%	0.406%	0.415%	0.429%	0.444%	0.443%	0.439%	0.439%	0.438%	0.438%	
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	-5,134	-6,557	-8,013	-8,694	-8,664	-8,889	-8,756	-7,951	-6,899	-5,725	-4,905	-4,700	-84,887