

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1997

Field Work Completed

OCTOBER 31, 1997

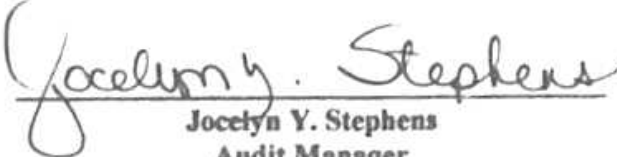
**PEOPLES GAS SYSTEM
(A Division of TECO Energy)**

Hillsborough County

Purchased Gas Adjustment Audit

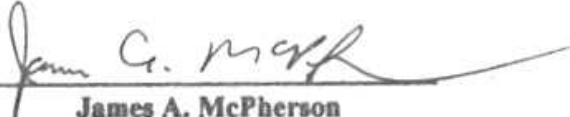
Docket 970003-GU

Audit Control Number 97-160-2-1


Jocelyn Y. Stephens
Audit Manager

**Audit Staff
Simon Ojada**

Minority Opinion
Yes No


James A. McPherson
Regulatory Analyst Supervisor

DOCUMENT NUMBER DATE

12175 NOV 26 97

FPSC PROCESSING 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 Purchased Gas Adjustment Exhibits Schedule A-2 (True-Up Calculation and Interest Provision) for the six month periods ending March 31, 1997 and September 30, 1997 prepared by Peoples Gas System, Inc. In support of Docket 970003-GU.

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: Schedules A-2 for the six month period ending March 31, 1997 and September 30, 1997 represent Peoples Gas System's books and records maintained in substantial compliance with Commission Directives. The expressed opinion extends 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, 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.

Cost of Purchased Gas: Compiled total Pipeline and Transportation Costs less End-Use Contract amounts. Verified the mathematical accuracy of Schedule A-1 Cost of Purchased Gas for the six month periods ending March 31, 1997 and September 30, 1997. Traced dollars and associated terms of purchased gas to vendor invoices. Agreed cost of Company Use Gas to Associated G/L account. Reconciled PGA gas cost for End Use Sales between Sch A-1 and Sch A-3. Performed Analysis of Administrative Costs charged to PGA filing including the tracing of positive End-User sales to customer invoices.

Gas Revenues: Compiled PGA Revenues using FPSC approved rate and Company supplied sales reports. Recomputed the Company's calculation of unbilled revenues. Traced negative cash-out revenues (from End-Users) to customer invoices. Reconciled Fuel Revenues to the General Ledger. Tested customer bills for proper PGA and True-up factors.

Calculation of True-Up: Recomputed monthly Adjusted Total True-Up. Recomputed the monthly interest provision using the FPSC approved interest rates. Documented FGT Refunds.

Other: Performed an analytic review comparing selected 6-month operating information of the current year to the same 6-month date from the 4 prior years and investigated any inconsistencies.

FOR THE PERIOD OF APRIL 98 Through MARCH 97

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	CURRENT MONTH: MARCH 97			PERIOD TO DATE			
	ACTUAL	ESTIMATE	DIFFERENCE AMOUNT %	ACTUAL	ESTIMATE	DIFFERENCE AMOUNT %	
TRUE-UP CALCULATION							
1 PURCHASED GAS COST (A-1, LINES 3+4+8-13)	\$8,961,888	\$8,286,470	\$274,802	\$8,927,056	\$78,428,981	(\$8,021,875)	(\$8,088,823)
2 TRANSPORTATION COST (A-1, LINES 1+2+3+6-7-8)	2,362,719	2,311,812	428,807	\$31,260,288	\$20,167,233	(\$1,021,165)	(\$8,021,117)
3 TOTAL	8,404,597	9,200,282	(794,205)	(\$27,111)	\$108,808,824	(\$8,088,999)	(\$8,088,999)
4 FUEL REVENUES (NET OF REVENUE TAX)	8,239,419	8,200,282	1,580,863	8,144,411	\$112,109,167	\$111,885,865	(\$42,202)
5 TRUE-UP RESURGE/COLLECTION	(128,488)	(128,489)	(7)	8,000,002	(\$1,517,888)	(7)	8,000,000
6 FUEL REVENUE APPLICABLE TO PERIOD (LINE 4 (+ or -) LINE 5)	7,912,933	8,073,863	1,580,980	8,146,872	\$110,591,182	\$110,147,877	(\$42,205)
7 TRUE-UP PROVISION - THIS PERIOD (LINE 6 - LINE 5)	(1,481,844)	(128,489)	1,265,165	(\$9,152,97)	\$2,541,053	6,222,785	(\$2,289,447)
8 INTEREST PROVISION THIS PERIOD (21)	(9,088)	16,808	25,825	(\$2,888)	\$72,778	\$145,200	71,423
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	(1,285,947)	2,821,880	4,887,808	(2,888,832)	(2,248,778)	(2,248,778)	0
10 TRUE-UP COLLECTED OR (PREFUNDED) (REVERSE OF LINE 9)	128,489	128,489	3	8,000,002	\$1,517,888	\$1,517,888	3
10A FLEX RATE ADJUSTMENT	0	0	0	0	0	0	0
11 TOTAL EXTRACT TRUE-UP (7+8+9+10+10a)	(2,640,184)	2,828,318	6,278,700	(2,278,132)	(2,238,749)	2,854,463	6,294,312
11A REFUNDS FROM PIPELINE	0	0	0	888,888	888,888	888,888	888,888
12A0 TOTAL EXTRACT TRUE-UP (11+11a)	(2,640,184)	2,828,318	6,278,700	(2,278,132)	2,828,318	6,278,700	(\$2,278,132)
INTEREST PROVISION							
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	(1,285,947)	2,821,880	4,887,808	(2,888,832)			
14 ENDING TRUE-UP BEFORE INTEREST (13+7+8+11a)	(2,821,119)	2,821,880	6,232,778	(2,278,417)			
15 TOTAL (13+14)	(2,887,863)	7,243,230	11,140,293	(2,888,832)			
16 AVERAGE (90% OF 15)	(1,944,231)	2,821,880	5,576,191	(2,888,832)			
17 INTEREST RATE - FIRST DAY OF MONTH	5.43	5.43	0	8.00000			
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.74	5.74	0	8.00000			
19 TOTAL (17+18)	11.170	11.170	0	8.00000			
20 AVERAGE (90% OF 19)	5.585	5.585	0	8.00000			
21 MONTHLY AVERAGE (20*12 Months)	0.465	0.465	0	0.00000			
22 INTEREST PROVISION (16*21)	(\$9,088)	\$18,856	\$29,825	(\$2,888)			

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

FOR THE PERIOD OF APRIL 97 THROUGH MARCH 98

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	CURRENT MONTH: SEPTEMBER 97			PERIOD TO DATE		
	ACTUAL	ESTIMATE	DIFFERENCE	ACTUAL	ESTIMATE	DIFFERENCE
			AMOUNT			AMOUNT
TRUE-UP CALCULATION						
1 PURCHASED GAS COST (A-1; LINES 3+4+8-13)	\$4,324,949	\$4,826,690	\$511,741	\$23,581,800	\$22,220,503	\$6,726,643
2 TRANSPORTATION COST (A-1; LINES 1+2+5+6+7-8)	1,741,264	1,732,202	(8,962)	\$12,674,893	\$11,466,836	(1,208,037)
3 TOTAL	6,066,213	6,558,892	602,740	\$36,256,732	\$43,787,339	8,320,607
4 FUEL REVENUES	6,263,414	6,609,081	345,667	\$41,880,010	\$43,787,339	1,907,348
(NET OF REVENUE TAX)						
5 TRUE-UP REFUND/COLLECTION	97,128	97,226	0	\$583,506	\$583,506	0
6 FUEL REVENUE APPLICABLE TO PERIOD *	6,360,740	6,756,407	395,667	\$42,468,506	\$44,371,312	1,902,346
(LINE 4 (-) -) LINE 5)						
7 TRUE-UP PROVISION - THIS PERIOD	214,407	97,226	(217,602)	\$4,212,213	\$583,503	(3,628,260)
(LINE 6 - LINE 5)						
8 INTEREST PROVISION- THIS PERIOD (21)	6,647	17,210	11,563	(519,879)	\$103,121	122,799
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	1,018,222	3,274,423	2,256,203	(2,640,184)	3,628,316	6,278,700
10 TRUE-UP COLLECTED OR (REFUNDED) (REVERSE OF LINE 9)	(97,226)	(97,226)	0	(\$583,506)	(\$583,506)	0
10a FLEX RATE ADJUSTMENT	0	0	0	\$0	\$0	0
11 TOTAL ESTRICT TRUE-UP (7+8+9+10+10a)	1,240,951	3,274,423	2,033,473	668,295	3,274,834	2,773,238
11a REPAIRS FROM PIPELINE	190,833	0	(190,833)	\$463,169	\$0	(463,169)
12 ADJ TOTAL ESTRICT TRUE-UP (11+11a)	1,431,584	3,274,423	2,210,260	\$1,431,584	\$3,274,834	\$2,319,669
INTEREST PROVISION						
13 BEGINNING TRUE-UP AND INTEREST PROVISION (9)	1,018,222	3,274,423	2,256,203			2,697,77
14 ENDING TRUE-UP BEFORE INTEREST (13+7-5+11a)	1,425,837	3,274,424	2,268,487			1,8191
15 TOTAL (13+14)	2,444,159	7,448,849	5,004,690			2,64781
16 AVERAGE (90% OF 15)	1,222,080	3,274,423	2,502,343			2,64781
17 INTEREST RATE - FIRST DAY OF MONTH	5.56	5.56	0			0.00000
18 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.53	5.53	0			0.00000
19 TOTAL (17+18)	11,000	11,000	0			0.00000
20 AVERAGE (90% OF 19)	5,545	5,545	0			0.00000
21 MONTHLY AVERAGE (20*2 Months)	0,462	0,462	0			0.00000
22 INTEREST PROVISION (16*21)	\$5,647	\$17,210	\$11,563			\$2,64781

* If line 8 is a refund add to line 4
 If line 5 is a collection () subtract from line 4

STATE OF FLORIDA

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SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA



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

Public Service Commission

December 1, 1997

Mr. Jack E Uhl
Peoples Gas Systems, Inc.
Post Office Box 2562
Tampa, Florida 33601-2569

Re: Docket No. 970003 - GU - Peoples Gas Systems, Inc.
PGA Audit Report - 12 Months Ended September 30, 1997
Audit Control # 97-160-2-1

Dear Mr. Uhl:

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/cl
Enclosure
cc: Public Counsel
MacFarlane Law Firm