

State of Florida



Public Service Commission

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

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**DATE:** April 15, 2002  
**TO:** Division of Economic Regulation (Bohrmann)  
**FROM:** Division of Auditing and Safety (Vandiver) *W*  
**RE:** Docket #020001-EI; Tampa Electric; Audit Purpose: Fuel and Purchased Power Cost Recovery Clause audit for the period from January 1 - December 31, 200-1; Audit Control No. 02-056-2-1

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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)  
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# FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY*

*BUREAU OF AUDITING*

*TAMPA DISTRICT OFFICE*

**TAMPA ELECTRIC COMPANY**

**FUEL COST RECOVERY CLAUSE AUDIT**

**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

**DOCKET NO. 020001-EI**

**AUDIT CONTROL NO.: 02-056-2-1**

A handwritten signature in black ink, appearing to read "Vincent C. Aldridge".

*Vincent C. Aldridge, Audit Staff*

A handwritten signature in black ink, appearing to read "Joseph W. Rohrbacher".

*Joseph W. Rohrbacher, Audit Manager*

A handwritten signature in black ink, appearing to read "James A. McPherson".

*James A. McPherson, Tampa District Supervisor*

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

**MARCH 15, 2002**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the Fuel and Purchased Power Cost Recovery Clause (Fuel Clause) schedules for the twelve month period ended December 31, 2001 prepared by Tampa Electric Company. These schedules were prepared by the utility in support of Docket No. 020001-EI. There is no confidential information associated with this audit.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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:

**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.

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**Fuel Revenue:** Compiled general ledger revenue accounts for all customer classes on a monthly basis for the twelve month audit period and agreed them to the Fuel and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor (Fuel Clause) final true-up filing. Recomputed fuel revenues using FPSC approved rate factors and company provided KWH sales.

**Fuel Cost of System Net Generation:** Compiled applicable general ledger accounts for recoverable fuel expense on a monthly basis for the twelve month period and agreed to the Fuel Clause filing. Verified judgmentally selected coal, oil and natural gas purchases to invoices and agreed to supporting contracts. Recomputed and analyzed recoverable Fuel Costs for coal, #2 oil, #6 oil, natural gas and fuel additive. Recomputed ignition expense using #2 and #6 oil. Recalculated and traced coal inventory adjustments to the general ledger. Verified that the inventory adjustments were used in determination of generating costs. Recalculated monthly amortization of Peabody coal contract buy-out and calculated jurisdictional portion thereof.

**Total Cost of Purchased Power:** Tested the Fuel filing schedules A-6 (Power Sold), A-7 (Purchased Power- Firm), A-8 (Payments to Qualified Facilities - QF's) and A-9 (Economy Purchases) by tracing and/or reconciling several judgmentally selected months to original invoices. Verified that Tampa Electric has credited the fuel cost recovery clause with revenues for generation-related gains resulting from the jurisdictional portion of Non-Separated, Non-Energy Broker Network Wholesale Sales. Determined that Energy payments to QFs are based on the appropriate negotiated contract price. Verified utility's compliance to the regulatory treatment for wholesale energy sold to the Florida Municipal Power Agency. Reconciled payments for wholesale energy transactions between the fuel clause and the general ledger.

**True-up:** Compiled Fuel True-up. Agreed amounts to be collected for prior period and mid-course correction under-recoveries to the amounts authorized by the FPSC. Agreed generating performance incentive factor (GPIF) to the appropriate FPSC order. Verified interest rates used by the utility.

**Other:** Scanned the minutes of Tampa Electric Board of Director's meetings since the previous audit. Scanned PricewaterhouseCoopers 2001 audit workpapers for Tampa Electric. Scanned Tampa Electric internal audit workpapers for the 2001 aerial survey inventory adjustment audit.

**Disclosure No. 1**

**Subject: Difference Between General Ledger and Fuel Filing Costs**

**Statement of Fact:** An accrual journal entry for \$201,000 was posted to general ledger account 501.49 in June 2001, however a subsequent reversing journal entry was never posted. The utility stated that a correcting journal entry will be posted in March, 2002.

**Recommendation:** The utility's recoverable costs in 2001 were reported correctly on its fuel filing. The general ledger is currently misstated. The correcting journal entry to be posted in March, 2002 will correct this misstatement. FPSC auditors should verify that this journal entry was recorded during the next fuel audit.

**Disclosure No. 2**

**Subject: Revenue Discrepancy**

**Statement of Fact:** The fuel revenues reported on the utility's November fuel filing on Schedule A2, page 2, line C.1. are greater than the revenues recorded in the general ledger by \$146,822.

**Recommendation:** As of the date of this report, the utility has been unable to say with certainty what caused this difference. The utility should provide the analyst in Tallahassee an explanation for this difference.

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
TAMPA ELECTRIC COMPANY  
MONTH OF: DECEMBER 2001

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
<b>C. TRUE-UP CALCULATION</b>								
1. 1. JURISDICTIONAL FUEL REVENUE	33,661,403	36,242,905	(2,581,502)	-7.1%	459,099,978	468,095,973	(8,995,995)	-1.9%
2. 2. FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0%	0	0	0	0.0%
2a. TRUE-UP PROVISION	(3,426,461)	(3,426,461)	0	0.0%	(41,518,495)	(41,518,495)	0	0.0%
2b. INCENTIVE PROVISION	95,870	95,870	0	0.0%	1,150,407	1,150,407	0	0.0%
2c. TRANSITION ADJUSTMENT	0	0	0	0.0%	0	0	0	0.0%
2d. OTHER ADJUSTMENT	0	0	0	0.0%	0	0	0	0.0%
3. JURIS. FUEL REVENUE APPL. TO PERIOD	30,330,812	32,912,314	(2,581,502)	-7.8%	418,731,890	427,727,885	(8,995,995)	-2.1%
4. ADJ. TOTAL FUEL & NET PWR. TRANS. (LINE A7)	32,633,133	29,436,421	3,196,712	10.9%	504,301,391	457,642,180	46,659,211	10.2%
5. JURISDIC. SALES- % TOTAL MWH SALES (LINE B4)	0.9819364	0.9629312	0.0190052	2.0%	NA	NA	-	0.0%
6. JURISDIC. TOTAL FUEL & NET PWR.TRANS.	32,043,661	28,345,248	3,698,413	13.0%	484,295,153	437,893,085	46,402,068	10.6%
6a. JURISDIC. LOSS MULTIPLIER	1.00066	1.00067	(0.00001)	0.0%	NA	NA	-	0.0%
6b. (LINE C6 x LINE C6a)	32,064,810	28,364,239	3,700,571	13.0%	484,614,786	438,186,471	46,428,315	10.6%
6c. PEABODY COAL CONTR. BUY-OUT AMORT.	317,754	317,754	0	0.0%	3,980,091	3,980,091	0	0.0%
6d. (LINE C6c x LINE C5) PB. JURISD.	312,014	305,975	6,039	2.0%	3,827,250	3,810,533	16,717	0.4%
6e. OTHER	0	0	0	0.0%	0	0	0	0.0%
6f. OTHER	0	0	0	0.0%	0	0	0	0.0%
6g. OTHER	0	0	0	0.0%	0	0	0	0.0%
6h. JURISDIC. TOTAL FUEL & NET PWR INCL. ALL ADJ.(LNS. C6b+C6d+C6e+C6f+C6g)	32,376,824	28,670,214	3,706,610	12.9%	488,442,036	441,997,004	46,445,032	10.5%
7. TRUE-UP PROV. FOR MO. +/- COLLECTED (LINE C3 - LINE C6h)	(2,046,012)	4,242,100	(6,288,112)	-148.2%	(69,710,146)	(14,269,119)	(55,441,027)	388.5%
8. INTEREST PROVISION FOR THE MONTH	(156,124)	(259,931)	103,807	-39.9%	(3,576,287)	(4,406,883)	830,596	-18.8%
9. TRUE-UP & INT. PROV. BEG. OF MONTH	(98,881,220)	(50,416,934)	(48,464,286)	96.1%	-----NOT APPLICABLE-----			
10. TRUE-UP COLLECTED (REFUNDED)	3,426,461	3,426,461	0	0.0%	-----NOT APPLICABLE-----			
11. END OF PERIOD TOTAL NET TRUE-UP (LINE C7 through C10)	(97,656,895)	(43,008,304)	(54,648,591)	127.1%	-----NOT APPLICABLE-----			