

State of Florida



# Public Service Commission

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

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**DATE:** May 19, 2003  
**TO:** Division of Economic Regulation (Lee)  
**FROM:** Division of Auditing and Safety(Vandiver) W  
**RE: Response from:** Tampa Electric Company; **Audit Purpose:** Capacity Cost Recovery Audit; **Audit Control No.:** 03-036-2-1

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Attached is the response from Tampa Electric Company to the audit disclosures contained in the final Capacity Cost Recovery audit report dated April 30, 2003.

DV/jcp  
Attachment

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

DOCUMENT NUMBER-DATE

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TAMPA ELECTRIC

May 14, 2003

Ms. Denise N. Vandiver  
Bureau Chief of Auditing  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0872

Re: Tampa Electric Company  
Docket No. 030001-EI, Audit Re.: Capacity Cost Recovery  
Audit Control No. 03-036-2-1

Dear Ms. Vandiver:

Enclosed is Tampa Electric Company's response to your audit report, dated April 30, 2003, regarding capacity cost recovery in Docket No. 030001-EI.

Please let me know if you have any questions with respect to this matter.

Sincerely,

Angela L. Llewellyn  
Administrator  
Regulatory Affairs

Enclosure

cc: Lee L. Willis, Esq.

TAMPA ELECTRIC COMPANY  
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**TAMPA ELECTRIC COMPANY**  
**DOCKET NO. 030001-EI**  
**AUDIT: CAPACITY COST RECOVERY**  
**AUDIT CONTROL NO. 03-036-2-1**  
**AUDIT DISCLOSURE NO. 1**  
**FILED: MAY 14, 2003**  
**PAGE 1 OF 2**

**Subject: Incremental Security Costs**

1. Statement of Fact: In accordance with Commission Orders PSC-01-2516-FOF-EI, the company has recorded an amount for incremental security costs in its 2002 Capacity Filing of \$794,598. These incremental costs were incurred by the company during the period November 2001 through August 2002.

Tampa Electric has interpreted incremental security costs to be any costs that occurred subsequent to the 9/11 event, that would not have occurred if not for the heightened level of alert. The company's computation of incremental security costs is shown below:

	Gen'l Ledger		Net
	<u>Balance</u>	<u>Incremental</u>	<u>Security</u>
2001	\$3,508,733	\$400,650	\$3,108,083
2002	3,619,633	393,948	3,225,685
			\$6,333,768
			\$6,333,768
Total 2002 Capacity Clause		\$794,598	
Average Net Security			\$3,166,884

Recommendation: Based upon the security costs audit performed by the PSC staff, a two-year average of net security costs was determined to be the most appropriate amount to use in calculating a base amount for incremental security costs. The two-year average was calculated using the general ledger balances less company recorded incremental costs for the years 2001 and 2002. Staff's average base amount for 2001 and 2002 equals \$3,166,884. In future years, we believe any costs greater than this amount could be considered incremental.

Using the average balance per staff computations, incremental costs for 2002 should not exceed \$452,785. This is greater than the amount recorded by the company, therefore the company's computed balance for incremental costs for 2002 appears to be reasonable.

**TAMPA ELECTRIC COMPANY  
DOCKET NO. 030001-EI  
AUDIT: CAPACITY COST RECOVERY  
AUDIT CONTROL NO. 03-036-2-1  
AUDIT DISCLOSURE NO. 1  
FILED: MAY 14, 2003  
PAGE 2 OF 2**

- A.** As stated, Tampa Electric recorded \$794,598 of incremental security costs in 2002 for costs incurred from November 2001 through August 2002. These costs were appropriately recorded pursuant to a stipulation of all parties in Docket No. 020001-EI that was approved by the Commission in Order No. PSC-02-1761-FOF-EI. Said stipulation provided for incremental costs to be determined by a comparison to the 2001 base year security costs incurred by the company, excluding the extraordinary costs that arose following the terrorist attacks of September 11, 2001.

The auditor recommends an alternate calculation of "incremental security costs." Although Tampa Electric understands the FPSC staff auditor's alternate calculation, the company believes that using this or any other alternate calculation would be inappropriate for the following reasons:

1. Such a change is contrary to the terms of the stipulation agreed to by all parties in this docket and approved by the Commission; and
2. Using a multi-year average to set the base year costs and to calculate future years' incremental costs would not accurately depict true incremental security costs.

Tampa Electric believes that incremental security costs should continue to be calculated as described by the terms of the stipulation referenced above.