

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: July 15, 2003
TO: Division of Economic Regulation (Colson)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: **Docket No.** 030002-EG; **Company Name:** Tampa Electric Company; **Audit Purpose:** Energy Conservation Cost Recovery Audit;
Audit Control No. 03-042-2-1

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

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

Tampa District Office

TAMPA ELECTRIC COMPANY

ENERGY CONSERVATION COST RECOVERY AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

**Docket Number 030002-EG
Audit Control Number 03-042-2-1**

A handwritten signature in black ink, appearing to read "J. W. Rohrbacher", written over a horizontal dashed line.

**Joseph W. Rohrbacher
Audit Manager**

A handwritten signature in black ink, appearing to read "James A. McPherson", written over a horizontal dashed line.

**James A. McPherson
Tampa District Supervisor**

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

JUNE 27, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the Energy Conservation Cost Recovery (ECCR) schedules for the twelve month period ended December 31, 2002 prepared by Tampa Electric Company. These schedules were prepared by the utility in support of Docket No. 030002-EG. 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.

REVENUES: Compiled Energy Conservation Cost Recovery (ECCR) revenue and agreed to the filing. Recomputed revenues using approved FPSC rate factors and company provided KWH sales.

EXPENSES: Compiled ECCR expenses and agreed to the filing. Scheduled expenses by program and by categories of expense. Verified the calculation of Depreciation and Return on Investment for the Prime Time program. Judgementally tested advertising charges to verify that they were properly recoverable through the ECCR and did not compare electric vs. gas technologies. Prepared a schedule of salaries and benefits for supervisory, operational, and office personnel by program. Identified conservation programs that exceeded the budgeted amount by 5% or more. Tested incentive payments for the Duct Repair program.

TRUE-UP: Recomputed ECCR true-up and interest calculation using FPSC approved amounts and interest rates.

OTHER: Ascertained that the utility's accounting procedures are consistent with FPSC Rule 25-17.015, F.A.C. for Energy Conservation Cost Recovery. Verified that the KWH and KW savings reported in TECO's 2002 Demand Side Management Annual Report were calculated according to Commission Order and that each conservation program complies with the Commission's cost effective tests..

Disclosure No. 1

Subject: ECCR Revenues

Statement of Fact: The utility bills its customers for conservation amounts, among other charges, based on electric usage using FPSC approved rate factors. The conservation revenues are recorded in the General Ledger under specific accounts and are reflected on the ECCR filing.

In June 2002 a retail optional provision customer purchased KWH for resale to a third party. These KWH were not charged the Conservation rates, and were appropriately not booked into the General Ledger as Conservation Revenues. However, these optional provision KWH were erroneously removed from the filing as conservation revenues because utility staff were not aware of the transaction that was imbedded in the total optional provision for the month.

Utility staff stated an adjustment will be made in the June 2003 filing to correct this error. Once this adjustment is made, the total Conservation Revenues will increase by \$5,576.

Auditor Opinion: Accept the company's correction of this error in the 2003 filing.

Disclosure No. 2

Subject: Advertising Expenses - Sponsorship Agreement

Statement of Fact: In January 2001 TECO Energy, Inc. entered into an agreement with Tampa Bay Arena, L.P. for promotional services with the Tampa Bay Lightning, a hockey team, and the Ice Palace, now called The St. Pete Times Forum. The term of this agreement began January 26,2001 and ends January 26,2006. The Master Agreement outlined the services to be provided by Tampa Bay Arena.

The sponsorship package includes radio and TV commercial time, signage in the arena, print and web site advertisement. Also included are non ECCR related items such as: sponsor mention on television and public address announcements for Lightning games, VIP tickets and parking at home games, receptions, giveaways for hockey and other arena events, player appearances and community affairs. The sponsorship was packaged at a discount from individually priced services.

The cost for these services was \$361,400 for the year 2002, which was split evenly between TECO Energy, Tampa Electric Company and Peoples Gas System at \$120,467 each. Tampa Electric's share was charged to the Energy Conservation Cost Recovery Clause (ECCR). Based on the Ice Palace price list the total retail value of the sponsorship package was \$602,525.

Opinion: It is the auditors opinion that only a proportionate amount of the cost applicable to the ECCR items should be recovered through the clause. An analysis of the services to be provided under the agreement determined that approximately 50 percent of the services are ECCR related and 50 percent should be considered non ECCR expenses.

Total cost for 2002	<u>\$361,400</u>
50% ECCR	<u>180,700</u>
Tampa Electric share	90,350
Tampa Electric paid	<u>120,467</u>
Difference	<u>(\$ 30,117)</u>

Tampa Electric's opinion is that if Tampa Electric received at least retail value for its advertising dollars it should recover the total cost through the ECCR clause. In 2002 Tampa Electric received \$150,217 of retail value advertising for its \$120,467 share of total costs.

Recommendation: Information is provided to staff for determination of ECCR allocations. No adjustment was made to the ECCR filing, in the audit, for advertising expense.

TAMPA ELECTRIC COMPANY
Actual Conservation Program Costs per Program
Actual for Months January 2002 through December 2002

Program Name	Capital Investment	Payroll & Benefits	Materials & Supplies	Outside Services	Advertising	Incentives	Vehicles	Other	Program Revenues	Total
1 Heating and Cooling	0	79,859	1,710	26,886	30,611	632,025	228	3,020	0	774,339
2 Prime Time	1,679,859	749,581	141,564	105,372	27,669	8,875,897	42,042	54,401	0	11,676,385
3 Energy Audits	0	775,740	3,767	324,878	295,354	0	52,344	32,453	(1,025)	1,483,511
4 Cogeneration	0	253,110	0	0	0	0	1,040	0	0	254,150
5 Ceiling Insulation	0	142,220	2,611	8,345	6,536	469,800	7,604	1,226	0	638,342
6 Commercial Load Management	0	4,590	792	0	0	7,720	458	0	0	13,560
7 Commercial Indoor Lighting	0	7,516	382	0	4,748	89,862	320	233	0	103,061
8 Standby Generator	0	30,816	4,414	(67)	0	612,020	1,569	0	0	648,752
9 Conservation Value	0	2,739	0	0	0	65,381	74	0	0	68,194
10 Duct Repair	0	183,613	11,171	3,462	128,644	731,294	12,481	15,099	0	1,085,764
11 Green Pricing Initiative	0	20,713	8,184	3,086	0	0	1	1,095	0	33,079
12 Industrial Load Management	0	0	0	0	0	0	0	0	0	0
13 DSM R&D	0	0	1,891	0	0	0	0	0	0	1,891
14 Common Expenses	0	157,893	(245)	1,200	0	0	7	0	0	158,855
15 Commercial Cooling	0	615	0	420	2,435	15,527	0	234	0	19,231
16 Energy Plus Homes	0	1,888	367	0	5,781	3,100	0	0	0	11,136
17 Total All Programs	1,679,859	2,410,893	176,608	473,582	501,778	11,502,626	118,168	107,761	(1,025)	16,970,250

TAMPA ELECTRIC COMPANY
Energy Conservation Adjustment
Calculation of True-up and Interest Provision
For Months January 2002 through December 2002

Description	January	February	March	April	May	June	July	August	September	October	November	December	Total
1 Residential Conservation Audit Fees (A)	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Conservation Adjustment Revenues *	1,390,062	1,183,942	1,167,253	1,329,394	1,542,171	1,575,677	1,564,035	1,619,552	1,631,973	1,627,784	1,331,436	1,256,894	17,220,173
3 Total Revenues	1,390,062	1,183,942	1,167,253	1,329,394	1,542,171	1,575,677	1,564,035	1,619,552	1,631,973	1,627,784	1,331,436	1,256,894	17,220,173
4 Prior Period True-up	<u>72,737</u>	<u>72,737</u>	<u>72,737</u>	<u>72,737</u>	<u>72,737</u>	<u>72,737</u>	<u>72,737</u>	<u>72,737</u>	<u>72,737</u>	<u>72,737</u>	<u>72,737</u>	<u>72,735</u>	<u>872,842</u>
5 Conservation Revenue Applicable to Period	1,462,799	1,256,679	1,239,990	1,402,131	1,614,908	1,648,414	1,636,772	1,692,289	1,704,710	1,700,521	1,404,173	1,329,629	18,093,015
6 Conservation Expenses	<u>1,364,192</u>	<u>1,453,653</u>	<u>1,338,035</u>	<u>1,356,376</u>	<u>1,445,686</u>	<u>1,352,556</u>	<u>1,376,880</u>	<u>1,325,005</u>	<u>1,316,332</u>	<u>1,594,266</u>	<u>1,447,652</u>	<u>1,599,617</u>	16,970,250
7 True-up This Period (Line 5 - Line 6)	98,607	(196,974)	(98,045)	45,755	169,222	295,858	259,892	367,284	388,378	106,255	(43,479)	(269,988)	1,122,765
8 Interest Provision This Period	1,311	1,125	808	663	711	947	1,232	1,562	2,028	2,237	1,890	1,413	15,927
9 True-up & Interest Provision Beginning of Period	872,842	900,023	631,437	461,463	435,144	532,340	756,408	944,795	1,240,904	1,558,573	1,594,328	1,480,002	872,842
10 Prior Period True-up Collected (Refunded)	<u>(72,737)</u>	<u>(72,737)</u>	<u>(72,737)</u>	<u>(72,737)</u>	<u>(72,737)</u>	<u>(72,737)</u>	<u>(72,737)</u>	<u>(72,737)</u>	<u>(72,737)</u>	<u>(72,737)</u>	<u>(72,737)</u>	<u>(72,735)</u>	<u>(872,842)</u>
11 End of Period Total Net True-up	<u>900,023</u>	<u>631,437</u>	<u>461,463</u>	<u>435,144</u>	<u>532,340</u>	<u>756,408</u>	<u>944,795</u>	<u>1,240,904</u>	<u>1,558,573</u>	<u>1,594,328</u>	<u>1,480,002</u>	<u>1,138,692</u>	<u>1,138,692</u>

* Net of Revenue Taxes

(A) Included in Line 6

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