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Public Service Commission

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**DATE:** April 5, 2004

**TO:** Todd Bohrmann, Division of Economic Regulation

**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing  
Division of Auditing and Safety *DNV*

**RE:** **Docket No.** 040001-EI ; **Company Name:** Tampa Electric Co. ;  
**Audit Purpose:** Fuel Adjustment Clause Audit ; **Audit Control No.** 04-023-2-1

Attached is the 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.

This audit report contains the high priority items designated on your audit service request. The final audit report on the medium priority items listed on the audit service request is expected to be issued for internal Commission use on June 1, 2004 using Audit Control No. 04-096-2-1.

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*

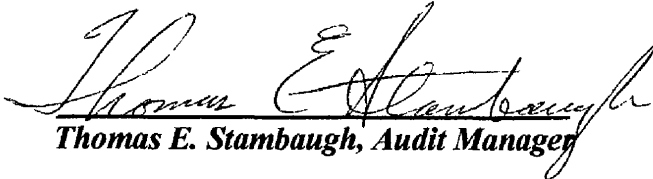
*TAMPA DISTRICT OFFICE*

**TAMPA ELECTRIC COMPANY**

**FUEL COST RECOVERY CLAUSE AUDIT**

**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003**

**DOCKET NO. 040001-EI**  
**AUDIT CONTROL NO.: 04-023-2-1**

  
**Thomas E. Stambaugh, Audit Manager**

  
**Joseph W. Rohrbacher, Tampa District Supervisor**

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

**MARCH 26, 2004**

**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, 2003 prepared by Tampa Electric Company. These schedules were prepared by the utility in support of Docket No. 040001-EI. No confidential information is 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.

**Fuel Revenue:** Compiled general ledger revenue accounts for all customer classes for each of the twelve months of the audit period. Agreed the accounts to the Fuel and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor final true-up filing. Recomputed fuel revenues using FPSC approved rate factors and company provided KWH sales. Verified two months of customer bills, from each rate schedule, for compliance to factors approved by FPSC Order No. PSC-02-1761-FOF-EI.

**Fuel Cost of System Net Generation:** Compiled applicable general ledger accounts for recoverable fuel expense for each of the twelve months of the audit period. Agreed the accounts to the Fuel Clause filing. Verified judgmentally selected coal, oil and natural gas purchases to invoices and agreed to supporting documents. Recomputed and analyzed recoverable Fuel Costs for coal, No. 2 oil, No. 6 oil, natural gas and fuel additive. Recomputed ignition expense using No. 2 and No. 6 oil. Recalculated and traced coal inventory adjustments to the general ledger. Verified that the inventory adjustments were used in determination of generating costs. Reconciled net generation and fuel burned on the monthly schedule A-4 for GPIF units with annual GPIF filings. Recalculated monthly amortization and jurisdictional portion of Peabody coal contract buy-out.

**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 selected months to original invoices. Determined that Energy payments to QFs are based on the appropriate negotiated contract price. Reconciled schedule A-5 amounts and dollars to Form 423 amounts and dollars for February, March and April.

**True-up:** Compiled Fuel True-up. Agreed amounts to be collected for prior period under recovery 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:** Read the minutes of Board of Directors meetings, internal and external audits, and performed analytical review to identify any matter which might change the scope or level of risk of the audit. Verified service hours, reserve shutdown hours, and unavailable hours for GPIF units as shown on annual GPIF filings to source documents.

## **Disclosure No. 1**

### **Subject: Reconciliation of the FAC A-5 and the FPSC Form 423**

**Statement of Fact:** The purchases on the FAC A-5 schedule and the FPSC Form 423 for oil and natural gas are easily reconcilable. The reconciliation of coal between the A-5 and the Form 423 is often quite complex.

Coal purchases are those transactions in which coal is shipped from mines to the bulk terminal in Davant, Louisiana. In those transactions, invoices are rendered and paid, and then recorded on the Form 423.

At the terminal, coal is removed from trains or barges and stored by type of coal. At this point, a specific amount of coal recorded on an invoice loses its particular identity.

Coal which is removed from the terminal and transported to electric generating plants is classified as a purchase on the FAC A-5 schedule. The tons of coal on the A-5 schedule are those which were delivered to the electric generating plants from the bulk terminal transfer facility. In comparison, the tons of coal on the FPSC Forms 423 are those which were purchased during the reporting month. These tons may be at the bulk terminal, or in transit to or from the bulk terminal, but not yet delivered to the generating plants. Therefore, the tons purchased during a given month are not the same as those tons of coal delivered to the generating plants from the bulk terminal for consumption. The charge-out price of the deliveries to the generating plants is based on the composite price at the bulk terminal of all coal of that type, instead of the price on a specific invoice.

**Recommendation:** The “purchases” line (line 30) for coal on the A-5 schedule should be changed to read “receipts”, in order to correctly portray what the source of supply to the generating plants actually is.

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
TAMPA ELECTRIC COMPANY  
MONTH OF: DECEMBER 2003

	CURRENT MONTH				PERIOD TO DATE				
	ACTUAL	ESTIMATED	DIFFERENCE		ACTUAL	ESTIMATED	DIFFERENCE		
			AMOUNT	%			AMOUNT	%	
<b>C. TRUE-UP CALCULATION</b>									
1. 1. JURISDICTIONAL FUEL REVENUE	47,537,296	48,808,858	(1,271,562)	-2.6%	601,362,076	601,738,147	(376,071)	-0.1%	
2. 2. FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0%	0	0	0	0.0%	
2a. TRUE-UP PROVISION	(263,802)	(263,802)	0	0.0%	(3,165,591)	(3,165,591)	0	0.0%	
2b. INCENTIVE PROVISION	69,257	69,198	59	0.1%	830,240	830,431	(191)	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	47,342,751	48,614,254	(1,271,503)	-2.6%	599,026,725	599,402,987	(376,262)	-0.1%	
4. ADJ. TOTAL FUEL & NET PWR. TRANS. (LINE A7)	52,014,437	51,366,702	647,735	1.3%	646,244,377	598,827,780	47,416,597	7.9%	
5. JURISDIC. SALES- % TOTAL MWH SALES (LINE B4)	0.9727357	0.9840151	(0.0112794)	-1.1%	NA	NA	-	0.0%	
6. JURISDIC. TOTAL FUEL & NET PWR. TRANS.	50,596,299	50,545,610	50,689	0.1%	626,391,895	584,002,343	42,389,552	7.3%	
6a. JURISDIC. LOSS MULTIPLIER	1.00114	1.00114	0.00000	0.0%	NA	NA	-	0.0%	
6b. (LINE C6 x LINE C6a)	50,653,979	50,603,232	50,747	0.1%	627,105,981	584,667,976	42,438,005	7.3%	
6c. PEABODY COAL CONTR. BUY-OUT AMORT.	257,011	257,011	0	0.0%	3,251,178	3,251,178	0	0.0%	
6d. (LINE C6c x LINE C5) PB. JURISD.	250,004	252,903	(2,899)	-1.1%	3,151,092	3,173,319	(22,227)	-0.7%	
6e. Balance of 1999 Revenue Refund true-up adjustment	2,238	0	2,238	0.0%	2,238	0	2,238	0.0%	
6f. Gannon O&M offset credit per FPSC decision 11/14/03	(8,416,800)	0	(8,416,800)	0.0%	(8,416,800)	0	(8,416,800)	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)	42,489,421	50,856,135	(8,366,714)	-16.5%	621,842,511	587,841,295	34,001,216	5.8%	
7. TRUE-UP PROV. FOR MO. +/- COLLECTED (LINE C3 - LINE C6h)	4,853,330	(2,241,881)	7,095,211	-316.5%	(22,815,786)	11,561,692	(34,377,478)	-297.3%	
8. INTEREST PROVISION FOR THE MONTH	(46,853)	(29,611)	(17,242)	58.2%	(490,289)	(395,488)	(94,801)	24.0%	
9. TRUE-UP & INT. PROV. BEG. OF MONTH	(57,038,681)	(26,428,530)	(30,610,151)	115.8%	NOT APPLICABLE				
10. TRUE-UP COLLECTED (REFUNDED)	263,802	263,802	0	0.0%	NOT APPLICABLE				
11. END OF PERIOD TOTAL NET TRUE-UP (LINE C7 through C10)	(51,968,402)	(28,436,220)	(23,532,182)	82.8%	NOT APPLICABLE				