

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** July 8, 2005  
**TO:** Lee Colson, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing  
Division of Regulatory Compliance and Consumer Assistance  
**RE:** **Docket No.** 050002-EG; **Company Name:** Tampa Electric Company; **Audit Purpose:** Energy Conservation Cost Recovery Clause audit for the period January 1, 2004 through December 31, 2004; **Audit Control No.:** 05-042-2-1

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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 Regulatory Compliance and Consumer Assistance (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 REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
BUREAU OF AUDITING*


*Tampa District Office*


**TAMPA ELECTRIC COMPANY**

**ENERGY CONSERVATION COST RECOVERY AUDIT**

**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004**

Docket Number 050002-EG  
Audit Control Number 05-042-2-1

  
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Jocelyn Y. Stephens  
Audit Manager

  
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Joseph W. Rohrbacher  
Tampa District Supervisor

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DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
AUDITOR'S REPORT

JUNE 14, 2005

**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, 2004 for Tampa Electric Company. These schedules were prepared by the utility in support of Docket No. 050002-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 FINDINGS:

The company understated its ECCR revenues by \$82,677. The effect upon the true-up, including interest is \$83,577.

## 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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**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. Chose a judgemental sample of customer bills from two billing periods, for each rate schedule and verified for compliance to factors approved by FPSC Order No. PSC-02-1738-FOF-EG.

**EXPENSES:** Obtained and scheduled ECCR expenses by program and cost category. Traced ECCR expenses to the general ledger. Verified the calculation of Depreciation and Return on Investment for the Prime Time program, on a judgmentally selected sample. Tested a judgmentally selected sample of source documents supporting Prime Time Investment additions. Obtained a schedule of payroll expenses and benefits for supervisory, operational, and office personnel by program. Obtained a payroll query of cost charged to conservation payroll by individual employees. Traced a judgmentally selected sample of payroll cost to employee pay stubs. Traced a judgmentally selected sample of ECCR expense items to source documents. Identified conservation programs that exceeded the budgeted amount by 5% or more. Determined which expenses were over budget in selected programs.

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

**OTHER:** Ascertained that the utility's accounting procedures are consistent with FAC Rule 25-17.015, F.A.C. for Energy Conservation Cost Recovery. Verified that the KWH and KW savings reported in TECO's 2003 Demand Side Management Annual Report were calculated according to Commission Order and that each conservation program complies with the Commission's cost effective tests according to FAC 25-17.0021(5) h. l. and m.

## AUDIT DISCLOURE NO. 1

### SUBJECT: CONSERVATION (ECCR) REVENUES

#### STATEMENT OF FACT:

FPSC Order No. PSC-03-1375-FOF-EG approved a factor of \$ .111 cents per KWH for Conservation - Residential customers.

Monthly, the company prepares a Calculation of Revenues schedule which it uses to calculate the conservation revenues that are to be included in the ECCR filing. The factor used in these schedules for Conservation – Residential customers is \$.110 cents per KWH.

Total recoverable KWH sales for residential customers for the 12-month period January – December 2004 are 8,273,630,394.

#### FINDINGS:

The difference between staff computed conservation revenues and conservation revenues per the filing is \$82,897 (\$17,391,483 - \$17,308,586). An analysis of this difference determined that the company used an incorrect rate for its residential customers when computing revenues per the ECCR filing. Company used the factor .110 cents per KWH. The Commission approved factor, for residential customers, is .111 cents per KWH, a difference of .001 cents per KWH.

The use of this incorrect factor caused an understatement of conservation revenues of **\$82,677 (8,273,630,394 times .001 = 1.00072)**. The remaining difference of \$220 is immaterial and was not researched.

Additionally, the understatement of conservation revenues has created an overstatement of the year-end net true amount of \$83,577 [**\$82,677 (over-recovery) + \$900 (related interest)**].

#### RECOMMENDATION:

It is recommended that the company revise the 2004 Calculation of True-up and Interest Provision (Sch CT-3, page 3) to include the above adjustment to both revenues and interest for the 12-month period ended December 31, 2004 due to the use of the incorrect billing factor in the calculation of residential revenues. Additionally, the company should reflect this adjustment in the 2005 projected ECCR filing on Sch CT-2, page 1.

TAMPA ELECTRIC COMPANY  
Actual Conservation Program Costs per Program  
Actuals for Months January 2004 through December 2004

Program Name	Capital Investment	Payroll & Benefits	Materials & Supplies	Outside Services	Advertising	Incentives	Vehicles	Other	Program Revenues	Total
1 Heating and Cooling	0	68,142	400	8,514	22,211	601,675	158	2,782	0	703,882
2 Prime Time	1,964,979	577,085	53,161	153,252	19,636	8,477,048	38,738	33,652	0	11,317,551
3 Energy Audits	0	834,680	7,149	340,208	246,890	0	51,491	41,527	(445)	1,527,480
4 Cogeneration	0	157,618	28	0	0	0	924	2,038	0	160,608
5 Ceiling Insulation	0	126,108	268	14,034	6,536	400,790	4,816	2,224	0	554,776
6 Commercial Load Management	745	7,918	0	3,100	0	9,586	466	0	0	21,815
7 Commercial Indoor Lighting	0	2,975	0	0	5,609	172,897	113	0	0	181,594
8 Standby Generator	0	9,831	161	0	0	633,198	969	0	0	644,159
9 Conservation Value	0	1,782	0	0	0	46,609	3	0	0	48,394
10 Duct Repair	0	162,476	451	18,180	152,883	545,020	10,104	10,778	(800)	899,297
11 Renewable Energy Initiative	0	25,242	7,815	22,457	788	0	241	870	0	57,413
12 Industrial Load Management	0	0	0	0	0	0	0	0	0	0
13 DSM ER&D	0	13,745	445	26,709	0	0	196	4,705	0	45,800
14 Common Expenses	0	170,305	0	0	0	0	57	0	0	170,362
15 Commercial Cooling	0	2,364	0	0	2,478	23,267	0	0	0	28,109
16 Energy Plus Homes	0	1,077	0	0	225	600	0	0	0	1,902
17 Total All Programs	1,965,724	2,161,328	69,878	586,454	457,256	10,910,690	108,276	98,576	(1,045)	16,367,137



TAMPA ELECTRIC COMPANY  
Energy Conservation Adjustment  
Calculation of True-up and Interest Provision  
For Months January 2004 through December 2004

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 *	1,391,039	1,230,076	1,224,771	1,203,526	1,369,364	1,669,301	1,735,351	1,636,687	1,649,169	1,515,573	1,335,600	1,348,129	17,308,266
3 Total Revenues	1,391,039	1,230,076	1,224,771	1,203,526	1,369,364	1,669,301	1,735,351	1,636,687	1,649,169	1,515,573	1,335,600	1,348,129	17,308,266
4 Prior Period True-up	119,002	119,002	119,002	119,002	119,002	119,002	119,002	119,002	119,002	119,002	119,002	119,001	1,426,023
5 Conservation Revenue Applicable to Period	1,510,041	1,349,078	1,343,773	1,322,528	1,488,366	1,788,303	1,854,353	1,755,689	1,768,171	1,634,575	1,454,602	1,467,130	18,736,089
6 Conservation Expenses	1,358,001	1,498,587	1,449,722	1,370,220	1,221,295	1,323,478	1,366,284	1,500,427	1,202,180	1,132,314	1,205,186	1,419,432	16,351,115
7 True-up This Period (Line 5 - Line 6)	152,040	(149,509)	(105,949)	(47,692)	267,071	464,825	488,069	255,262	562,985	499,261	(54,586)	(47,095)	2,385,974
8 Interest Provision This Period	1,257	1,116	888	746	756	1,115	1,738	2,227	2,846	3,793	4,419	4,628	29,528
9 True-up & Interest Provision Beginning of Period	1,428,023	1,402,318	1,194,923	970,860	804,912	953,737	1,300,675	1,671,480	1,809,967	2,256,795	2,640,847	2,471,678	14,266,022
10 Prior Period True-up Collected (Refunded)	(119,002)	(119,002)	(119,002)	(119,002)	(119,002)	(119,002)	(119,002)	(119,002)	(119,002)	(119,002)	(119,002)	(119,001)	(1,426,023)
11 End of Period Total Net True-up	1,462,318	1,194,923	970,860	804,912	953,737	1,300,675	1,671,480	1,809,967	2,256,795	2,640,847	2,471,678	2,405,000	23,065,006

\* Net of Revenue Taxes

(A) Included in Line 6