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

DATE: March 31, 2008
TO: Peter H. Lester, Economic Analyst, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance W
RE: Docket No: 080001-EI; Company Name: Tampa Electric Company;
Audit Purpose: Capacity Cost Recovery Clause Investigation;
Audit Control No: 08-003-2-4; Company Code: EI806:

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 Commission Clerk. There are no confidential work papers associated with this audit.

DNV:sbj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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DOCUMENT NUMBER-DATE

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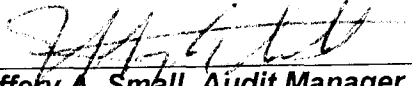
FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tampa District Office

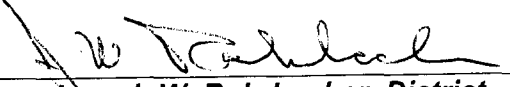
TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE

AS OF DECEMBER 31, 2007

DOCKET NO. 080001-EI
AUDIT CONTROL NO. 08-003-2-4



Jeffery A. Small, Audit Manager



*Joseph W. Rohrbacher, District
Supervisor*

DOCUMENT NUMBER-DATE
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**DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
AUDITOR'S REPORT**

MARCH 21, 2008

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 10, 2008. We have applied these procedures to the attached schedules prepared by Tampa Electric Company in support of its filing for Capacity Cost Recovery Clause relief in Docket No. 080001-EI.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES

GENERAL

To determine that Capacity Cost Recovery (CCRC) revenues and expenses are properly calculated and recorded on the company's books and records based on compliance with the Uniform System of Accounts and Commission Orders and Rules.

CAPACITY REVENUES

Objective: Reconcile the CCRC revenues in the filing to the company's revenue reports and verify that the billing rates used to calculate and collect CCRC revenues agree to Commission orders in the company's last proceedings.

Procedures: We compiled the company's CCRC revenues and agreed them to the filing by recalculating monthly CCRC revenues using the rate factors approved in the company's last proceeding and its kilowatt hour (KWH) sales. We recalculated a sample of customers' bills for various rate classes to verify that the appropriate rate factors were applied. We verified that transmission revenues derived from non-separated, non-energy broker and wholesale sales were properly credited against revenues as required in Commission orders.

CAPACITY COST

Objective: Reconcile the CCRC cost in the filing to the company's books and records and insure that the requested cost recovery amounts are supported by adequate source documentation.

Procedures: We prepared a schedule of net jurisdictional capacity cost charges and sales revenues from company provided documents to verify the amounts reflected in the filing, which was reconciled to the company's general ledger. We sampled capacity purchased power contracts and sampled capacity purchase payments to verify that the company was in compliance with individual contract terms and that the payments were properly recorded to the general ledger. We verified that the security cost included in CCRC cost was incremental to the security cost in base rates as required in Commission order.

CAPACITY TRUE-UP

Objective: Verify that the CCRC true up and interest provisions are calculated correctly based on Commission Rules.

Procedures: We recalculated the company's final true up and interest provision as of December 31, 2007, using the Commission approved interest rates and the beginning recoverable true up balance and jurisdictional separation factors approved in the company's last proceeding.

EXHIBIT 1

TAMPA ELECTRIC COMPANY
 CAPACITY COST RECOVERY CLAUSE
 CALCULATION OF FINAL TRUE-UP VARIANCES
 FOR THE PERIOD JANUARY 2007 THROUGH DECEMBER 2007

	(1)	(2)	(3)	(4)
	ACTUAL	ACTUAL/ ESTIMATED	VARIANCE (1) - (2)	% CHANGE (3)/(2)
1 UNIT POWER CAPACITY CHARGES	\$20,368,298	\$49,826,675	(\$29,460,577)	-59.13%
2 CAPACITY PAYMENTS TO COGENERATORS	23,736,358	24,058,773	(320,417)	-1.33%
3 EMERGENCY CAPACITY CHARGES	33,687,471	0	33,687,471	0.00%
4 INCREMENTAL SECURITY O&M COSTS	926,044	1,006,862	(99,848)	-10.00%
5 (CAPACITY REVENUES)	(658,374)	(693,742)	35,368	-5.10%
6 TOTAL CAPACITY DOLLARS	\$78,037,795	\$74,196,798	\$3,841,097	5.18%
7 JURISDICTIONAL PERCENTAGE	96.66743%	96.66743%	0.00000%	0.00%
8 JURISDICTIONAL CAPACITY DOLLARS	\$75,437,135	\$71,723,173	\$3,713,962	5.18%
9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes)	52,352,485	52,380,910	(28,425)	-0.05%
10 PRIOR PERIOD TRUE-UP PROVISION	(960,951)	(960,951)	0	0.00%
11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes)	\$51,391,534	\$51,419,959	(\$28,425)	-0.06%
12 TRUE-UP PROVISION FOR PERIOD OVER/(UNDER) RECOVERY (Line 11 - Line 8)	(\$24,045,601)	(\$20,303,214)	(\$3,742,387)	18.43%
13 INTEREST PROVISION FOR PERIOD	(822,181)	(838,047)	15,866	-1.89%
14 INTEREST ADJUSTMENT FOR PRIOR PERIODS	0	10,923	(10,923)	-100.00%
15 INTEREST ADJUSTMENT	10,923	0	10,923	0.00%
16 TRUE-UP AND INT. PROVISION BEGINNING OF PERIOD - OVER/(UNDER) RECOVERY	(3,627,197)	(3,627,197)	0	0.00%
17 PRIOR PERIOD TRUE-UP PROVISION COLLECTED/(REFUNDED) THIS PERIOD	960,951	960,951	0	0.00%
18 END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 12 - 17)	(\$27,523,105)	(\$23,796,584)	(\$3,726,521)	15.66%

EXHIBIT 2

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2007 THROUGH DECEMBER 2007

	Actual Jan-07	Actual Feb-07	Actual Mar-07	Actual Apr-07	Actual May-07	Actual Jun-07	Actual Jul-07	Actual Aug-07	Actual Sep-07	Actual Oct-07	Actual Nov-07	Actual Dec-07	Total
1 UNIT POWER CAPACITY CHARGES	1,705,330	1,704,306	1,617,897	1,704,306	1,704,306	1,704,306	1,704,306	1,704,306	1,704,306	1,704,306	1,704,306	1,704,317	20,368,298
2 CAPACITY PAYMENTS TO COGENERATORS	1,940,790	1,940,790	1,940,790	1,940,790	2,038,323	1,989,090	1,987,845	1,980,200	1,995,290	1,893,868	1,995,290	1,995,290	23,738,358
3 EMERGENCY CAPACITY CHARGES	2,053,405	2,806,885	2,752,985	2,784,056	2,888,189	3,416,904	3,562,712	3,592,136	2,160,776	2,247,688	2,689,195	2,732,542	33,687,471
4 INCREMENTAL SECURITY O&M COSTS	44,849	21,614	51,962	47,001	50,713	85,686	101,559	88,102	92,201	71,016	185,800	78,741	906,044
5 (CAPACITY REVENUES)	(91,599)	(80,695)	(58,200)	(63,129)	(46,071)	(40,849)	(42,432)	(35,794)	(35,544)	(41,099)	(94,928)	(48,036)	(658,374)
6 TOTAL CAPACITY DOLLARS	5,652,775	6,412,900	6,305,434	6,393,024	6,642,460	7,155,137	7,313,990	7,326,950	5,837,029	5,975,777	6,459,465	6,482,854	78,037,795
7 JURISDICTIONAL PERCENTAGE	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	
8 JURISDICTIONAL CAPACITY DOLLARS	5,464,393	6,199,186	6,095,301	6,179,973	6,421,096	6,916,687	7,070,247	7,082,775	5,739,174	5,776,629	6,244,199	6,247,475	75,437,135
9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes)	4,014,584	3,685,923	3,635,941	3,753,126	4,118,461	4,598,441	5,168,171	5,221,610	5,639,330	4,767,796	3,985,046	3,754,050	52,352,485
10 PRIOR PERIOD TRUE-UP PROVISION	(80,079)	(80,079)	(80,079)	(80,079)	(80,079)	(80,079)	(80,079)	(80,079)	(80,079)	(80,079)	(80,079)	(80,082)	(960,951)
11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes)	3,934,505	3,605,844	3,555,862	3,673,047	4,038,382	4,518,362	5,088,092	5,141,537	5,559,251	4,687,717	3,904,967	3,673,968	51,391,534
12 TRUE-UP PROVISION FOR PERIOD OVER(UUNDER) RECOVERY (Line 11 - Line 8)	(1,529,888)	(2,593,342)	(2,539,439)	(2,496,928)	(2,382,714)	(2,398,325)	(1,862,155)	(1,941,238)	(179,923)	(1,088,912)	(2,339,232)	(2,573,507)	(24,045,601)
13 INTEREST PROVISION FOR PERIOD	(19,106)	(27,825)	(38,837)	(49,538)	(60,191)	(70,736)	(80,127)	(91,758)	(94,909)	(88,447)	(93,617)	(105,990)	(822,181)
14 INTEREST ADJUSTMENT			10,923										10,923
15 TRUE-UP AND INT. PROVISION BEGINNING OF PERIOD - OVER(UUNDER) RECOVERY	(3,627,197)	(5,096,112)	(7,637,200)	(10,124,474)	(12,590,959)	(14,953,785)	(17,342,767)	(19,324,970)	(21,277,887)	(21,472,640)	(22,570,920)	(24,923,690)	(3,627,197)
16 PRIOR PERIOD TRUE-UP PROVISION COLLECTED(PRIOR PERIOD) THIS PERIOD	80,079	80,079	80,079	80,079	80,079	80,079	80,079	80,079	80,079	80,079	80,079	80,082	960,951
17 END OF PERIOD TRUE-UP - OVER(UUNDER) RECOVERY (SUM OF LINES 12 - 16)	(5,096,112)	(7,837,200)	(10,124,474)	(12,590,959)	(14,953,785)	(17,342,767)	(19,324,970)	(21,277,887)	(21,472,640)	(22,570,920)	(24,923,690)	(27,523,105)	(27,523,105)

EXHIBIT 3

TAMPA ELECTRIC COMPANY
 CAPACITY COST RECOVERY CLAUSE
 CALCULATION OF FINAL TRUE-UP AMOUNT
 FOR THE PERIOD JANUARY 2007 THROUGH DECEMBER 2007

	Actual Jan-07	Actual Feb-07	Actual Mar-07	Actual Apr-07	Actual May-07	Actual Jun-07	Actual Jul-07	Actual Aug-07	Actual Sep-07	Actual Oct-07	Actual Nov-07	Actual Dec-07	Total
1 BEGINNING TRUE-UP AMOUNT	(3,627,197)	(5,096,112)	(7,637,200)	(10,124,474)	(12,590,959)	(14,953,785)	(17,342,767)	(19,324,970)	(21,277,887)	(21,472,840)	(22,570,920)	(24,923,690)	(3,627,197)
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST	(5,077,006)	(7,609,375)	(10,096,560)	(12,541,321)	(14,893,594)	(17,272,031)	(19,244,843)	(21,186,129)	(21,377,731)	(22,481,473)	(24,830,073)	(27,417,115)	(26,711,847)
3 TOTAL BEGINNING & ENDING TRUE-UP AMT. (LINE 1 + LINE 2)	(8,704,203)	(12,705,487)	(17,733,760)	(22,665,795)	(27,484,553)	(32,225,816)	(36,587,610)	(40,511,099)	(42,855,618)	(43,954,113)	(47,400,993)	(52,340,805)	(30,339,044)
4 AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	(4,352,102)	(6,352,744)	(8,866,880)	(11,332,898)	(13,742,277)	(16,112,908)	(18,293,805)	(20,255,550)	(21,327,809)	(21,977,057)	(23,700,497)	(26,170,403)	(15,169,522)
5 INTEREST RATE % - 1ST DAY OF MONTH	5.270	5.260	5.280	5.260	5.260	5.280	5.280	5.240	5.620	5.050	4.720	4.750	NA
6 INTEREST RATE % - 1ST DAY OF NEXT MONTH	5.260	5.280	5.260	5.260	5.260	5.280	5.240	5.620	5.050	4.720	4.750	4.980	NA
7 TOTAL (LINE 5 + LINE 6)	10.530	10.520	10.520	10.520	10.520	10.540	10.520	10.860	10.670	9.770	9.470	9.730	NA
8 AVERAGE INTEREST RATE % (50% OF LINE 7)	5.265	5.260	5.260	5.260	5.260	5.270	5.260	5.430	5.335	4.885	4.735	4.865	NA
9 MONTHLY AVERAGE INTEREST RATE % (LINE 8/12)	0.439	0.438	0.438	0.438	0.438	0.439	0.438	0.453	0.445	0.407	0.395	0.405	NA
10 INTEREST PROVISION (LINE 4 X LINE 9)	(18,106)	(27,825)	(38,837)	(49,638)	(60,191)	(70,736)	(80,127)	(91,758)	(94,909)	(89,447)	(93,617)	(105,990)	(822,181)