

MEMORANDUM

June 10, 1994

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 940001-EI -- TAMPA ELECTRIC COMPANY, INC.
CAPACITY COST RECOVERY CLAUSE AUDIT REPORT
AUDIT CONTROL NO. 93-270-2-2

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Tampa Electric Company, Inc.
Russell Chapman
P. O. Box 111
Tampa, FL 33601-0111

DNV/sp
Attachment

cc: Chairman Deason
Commissioner Clark
Commissioner Johnson
Commissioner Lauredo
Commissioner Kiesling
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Mailhot/Causseaux/
File Folder)
Division of Electric and Gas (Dudley)
Tampa District Office (Bouckaert)

Office of Public Counsel

DOCUMENT NUMBER-DATE
05788 JUN 10 1994
FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED MARCH 31, 1994

FIELD WORK COMPLETED

June 1, 1994

TAMPA ELECTRIC COMPANY, INC.

TAMPA, FLORIDA

HILLSBOROUGH COUNTY

CAPACITY COST RECOVERY CLAUSE AUDIT

DOCKET 940001-EI

AUDIT CONTROL NUMBER 93-270-2-2

Robert T. Moore

ROBERT T. MOORE
AUDIT MANAGER

Glenn A. Clepper

GLENN A. CLEPPER
REGULATORY ANALYST SUPERVISOR
TAMPA DISTRICT OFFICE

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to audit the appended Capacity Cost Recovery True-up Schedules prepared by Tampa Electric Company in support of Docket No. 930001-EI and 940001-EI for the two 6 month periods ended September 30, 1993 and March 31, 1994.

SCOPE LIMITATION: There are no confidential workpapers associated with this report. The last day of field work was June 1, 1994, and the audit exit conference was conducted on June 3, 1994.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must 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 audit standards and produce audited financial statements for public use.

OPINION: The appended exhibits for Capacity Cost Recovery True-up for the 6 month periods ended September 30, 1993 and March 31, 1994 do represent the books and records of the Company in substantial compliance with Commission Directives. The expressed opinions extend only to the scope of work described in Section II of this report.

II. AUDIT SCOPE

This report is based on the audit work described below.

EXPENSES: Agreed Capacity costs to supporting Tampa Electric Company billing statements. Reconciled Company monthly filed capacity costs to the general ledger via Company prepared reconciliation workpapers for the 12 months ended March, 1994.

REVENUE: Recomputed Capacity Cost Recovery Revenues via the authorized recovery factor. Reconciled Company monthly filed Capacity Cost Recovery revenue to the general ledger via Company prepared reconciliation workpapers for the 12 months ended March, 1994.

TRUE-UP: Recomputed Capacity Cost Recovery true-up. Reconciled Company monthly filed Capacity Cost Recovery revenue to the general ledger via Company prepared reconciliation workpapers for the 12 months ended March, 1994.

OTHER: Determined how the Jurisdictional Factor was computed.

AUDIT DISCLOSURE NO. 1

SUBJECT: CAPACITY COST RECOVERY REVENUES

STATEMENT OF FACT:

1. The Company determines the revenue to report by multiplying KWH sales by rate class times the proper Capacity Cost Factor.
2. The Company maintains a monthly report, the Revenue Summary Recap, that shows the actual billed Capacity Cost Factor revenue. This Recap is a supporting workpaper to journal entry 90046, which is used to book Capacity Cost Factor revenue along with other revenues.

AUDIT OPINION AND CONCLUSION:

The Company should use capacity cost factor revenue that has actually been billed and booked as the most accurate source for capacity revenue to report.

The Company's method of multiplying KWH sales times the capacity factor omits billing and revenue adjustments that are a part of booked revenue.

COMPANY VERBATIM COMMENTS follow on the next page:

COMPANY VERBATIM COMMENTS:

Tampa Electric believes that the current method used to calculate clause revenue is the most appropriate method. Revenue for reporting and true-up calculations is determined by multiplying kWh sales for the period times the Commission-approved factor for that period. As mentioned above, the general ledger amounts contain miscellaneous adjustments which may use factors applicable to different filing periods. The billing adjustments reflected in the general ledger create minor positive and negative differences that basically "wash" to zero. The difference between the two methods during the audit period was about one tenth of one percent.

The existing method (which has been used consistently since the inception of adjustment clauses) is designed to match the factor used in revenue calculations to the month in which sales are made. Tampa Electric believes this method is the most efficient, consistent method for calculating clause revenue. Historically, the Commission has audited and agreed with this method.

AUDITOR OPINION ABOUT COMPANY VERBATIM COMMENTS:

The difference of booked Capacity revenue less calculated Capacity Cost Recovery revenue was \$3,669 for the 6 months ended 9-30-93 and \$11,904 for the 6 months ended 3-31-94.

AUDIT DISCLOSURE NO. 2

SUBJECT: 6 MONTHS ENDED SEPT-93: CAPACITY REVENUES

STATEMENT OF FACT:

1. The Company omitted capacity revenues earned from the following customers from the Filing:

TECO Power Services (Hardee Power Partners)
City of New Smyrna Beach
Florida Municipal Power Association
Reedy Creek Improvement District
City of Wauchula

The Company's basis for excluding this capacity revenue was: these customers "are Big Bend station firm sales which were actually separated from the retail jurisdiction in Tampa Electric's last full retail rate proceeding, Docket No. 920324-EI.

Because the expenses and investments of these customers were separated from the retail jurisdiction, the revenues from these customers should not be credited to retail customers in the Capacity Cost Recovery Filing. Page 14 of Order PSC-93-0165-FOF-EI as well as pages 85-87 address the treatment of the Big Bend Station sales in Tampa Electric's last rate proceeding."

2. Also, the Company omitted capacity revenues earned from the following customers from the Filing:

Kissimmee Utility Authority (Schedule D sales)
City of Ft. Meade

The Company's basis for excluding this capacity revenue was: "These customers were not under contract at the time of the last rate proceeding. Tampa Electric's treatment of these sales is, nevertheless, consistent with the treatment of other firm Schedule D sales from Big Bend Station which were listed in the last rate order. Ft Meade and Kissimmee are long term firm sales which should be separated from the retail jurisdiction."

AUDIT OPINION AND CONCLUSION:

Existing FPSC guidelines do not identify WHEN the Capacity Revenues of the customers noted on the prior page are properly excludable from the Capacity Cost Recovery Filing.

And, existing FPSC guidelines do not identify WHEN the Capacity Costs of these customers are properly includable in the Capacity Cost Recovery Filing.

COMPANY VERBATIM COMMENTS:

The underlying purpose of the Capacity Cost Recovery Filing, the Fuel and Oil Backout Filing and the Conservation Filing is to account for costs and revenues in a manner consistent with the determinations made by the Commission in the company's last full revenue requirements proceeding. To do otherwise would either understate or overstate the utility's position when compared to the earnings guidelines under which the utility has been ordered to operate.

During a full rate proceeding, the Commission determines the treatment for revenues and expenses for certain transactions of a similar nature. After the rate proceeding, the company's treatment of revenues and expenses from new transactions should remain consistent if the transaction is consistent. Tampa Electric's current treatment of these sales is consistent with the treatment of other firm sales in its last full rate proceeding. Tampa Electric has also lost a sale since the last rate proceeding. The Big Bend Station sale to Reedy Creek no longer exists and the sale to New Smyrna is not as high as previously projected in the rate proceeding.

Additions and losses of sales will occur between rate proceedings just as other revenues and expenses will change. But the treatment of a transaction should remain consistent and that is precisely what Tampa Electric has attempted to do by treating these additional Big Bend Station firm sales consistent with the Big Bend Station sales listed in item 1. above.

AUDIT DISCLOSURE NO. 3

SUBJECT: ACCOUNTING FOR CAPACITY ACTIVITY

STATEMENT OF FACT:

1. The Company does not have Individual Accounts and Sub-Accounts for the accounting of:
Capacity Payments to Cogenerators
Emergency Capacity Charges
Unit Power Capacity Revenues
Capacity Cost Recovery Revenues

2. Capacity costs are combined with other purchase costs in:

Account 555.19 Cogeneration: "This account contains the capacity portion of the expense for power purchased from cogenerators. There is also non-capacity activity in this account -- the entire cost of cogeneration purchased is booked in this account."

Accounts 555.01 to 555.16, 555.26, 555.27, and 555.30 Purchased Power--(sub-account by name of interchange or contract supplier): "These accounts contain the capacity portion of the expense for power purchased from other utilities through the interchange system. There is also non-capacity activity in these accounts -- the entire cost of interchange purchase activity is booked in these accounts."

3. Capacity revenues are combined with other sale revenues in:

Account 447.01 Recoverable Sales for Resale: "This account contains the capacity portion of the revenue from power sold to other utilities through the interchange system. There is also non-capacity activity to this account--the entire revenue from interchange sales."

Account 440.02 Residential Sales Revenue
Account 442.02 Commercial Sales SM Revenue
Account 442.12 Commercial Sales LG Revenue
Account 442.22 Industrial Sales SM Revenue
Account 442.32 Industrial Sales LG Revenue
Account 444.01 Public Str & Hwy Ltg Revenue
Account 445.01 Other Sales Public Authority Revenue:

"These accounts contain the revenue from the application of the capacity cost recovery factors. There is also non-capacity activity in these accounts -- all retail revenue (except for fuel adjustment revenue) is booked to these accounts. As dictated by FERC regulations, the first three digits break out the revenue by customer type. The two-digit sub-account differentiates revenue by certain rate classes."

AUDIT OPINION AND CONCLUSION:

In some cases, it is not possible to trace directly the booking of Capacity Activity through journal entry 6. This journal entry is used to book interchange sales and purchase transactions.

The supporting schedules are numerous and combine many diverse elements. For instance, Emergency Capacity payments can not be traced to specific booked amounts, but only to composite totals that agree to totals of many diverse entry amounts.

COMPANY VERBATIM COMMENTS:

Tampa Electric acknowledges the complexity of the calculations related to the capacity filing. Direct tracing is not always possible. However, the auditor was able to tie all numbers in the filing to documented supporting schedules.

Transactions relevant to the capacity filing could be divided and analyzed in many different ways. Tampa Electric tries not to use unique general ledger account numbers for every separable piece of a transaction. We rely on supporting schedules for management analysis and evidential documentation. This method allows us to avoid unnecessary time and paperwork in the processing of accounting transactions.

Tampa Electric believes the system in place is an efficient posting process and maintains a sufficient audit trail with reliable supporting schedules.

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TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD APRIL 1993 THROUGH SEPTEMBER 1993

	(1) ACTUAL APRIL	(2) ACTUAL MAY	(3) ACTUAL JUNE	(4) ACTUAL JULY	(5) ACTUAL AUGUST	(6) ACTUAL SEPTEMBER	(7) TOTAL
1. UNIT POWER CAPACITY CHARGES	\$ 1,108,411	\$ 1,101,271	\$ 1,101,271	\$ 1,101,271	\$ 1,101,271	\$ 1,101,271	\$ 6,614,766
2. CAPACITY PAYMENTS TO UNGENERATORS	526,164	525,300	525,300	525,300	525,300	525,300	3,152,664
3. EMERGENCY CAPACITY CHARGES	0	0	0	0	0	36,863	36,863
4. (CAPACITY REVENUES)	(181,839)	(127,735)	(32,264)	(55,159)	(60,639)	(50,769)	(508,405)
5. TOTAL CAPACITY CHARGES - CURRENT PERIOD	\$ 1,462,736	\$ 1,498,836	\$ 1,594,307	\$ 1,571,412	\$ 1,565,932	\$ 1,612,665	\$ 9,296,888
6. JURISDICTIONAL PERCENTAGE	98.96022%	98.96022%	98.96022%	98.96022%	98.96022%	98.96022%	-
7. JURISDICTIONAL CAPACITY PAYMENTS	\$ 1,437,631	\$ 1,483,251	\$ 1,577,730	\$ 1,555,073	\$ 1,549,650	\$ 1,595,897	\$ 9,199,232
8. CAPACITY COST RECOVERY REVENUES (NET OF REVENUE TAXES)	1,473,144	1,555,675	1,974,596	2,132,256	2,232,308	2,160,315	11,528,294
9. PRIOR PERIOD TRUE-UP PROVISION	(490,078)	(490,076)	(490,076)	(490,076)	(490,076)	(490,075)	(2,940,455)
10. CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (NET OF REVENUE TAXES)	\$ 983,068	\$ 1,065,599	\$ 1,484,520	\$ 1,642,180	\$ 1,742,232	\$ 1,670,240	\$ 8,587,839
11. TRUE-UP PROVISION FOR MONTH - OVER/ (UNDER) RECOVERY (LINE 9 - LINE 6)	\$ (454,563)	\$ (417,652)	\$ (93,210)	\$ 87,107	\$ 192,582	\$ 74,343	\$ (611,393)
12. INTEREST PROVISION FOR MONTH	(8,205)	(8,024)	(7,577)	(6,307)	(4,602)	(3,003)	(37,718)
13. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH - OVER/(UNDER) RECOVERY	(2,940,455)	(2,913,147)	(2,848,747)	(2,459,458)	(1,888,582)	(1,210,626)	(2,940,455)
14. DEFERRED TRUE-UP - OVER/(UNDER) RECOVERY	(209,062)	(209,062)	(209,062)	(209,062)	(209,062)	(209,062)	(209,062)
15. PRIOR PERIOD TRUE-UP PROVISION - COLLECTED/(REFUNDED) THIS MONTH	490,076	490,076	490,076	490,076	490,076	490,075	2,940,455
16. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 10 - 14)	\$ (3,122,209)	\$ (3,057,809)	\$ (2,868,520)	\$ (2,097,644)	\$ (1,419,588)	\$ (858,173)	\$ (868,173)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD APRIL 1993 THROUGH SEPTEMBER 1993

	(1) ACTUAL APRIL	(2) ACTUAL MAY	(3) ACTUAL JUNE	(4) ACTUAL JULY	(5) ACTUAL AUGUST	(6) ACTUAL SEPTEMBER	(7) TOTAL
1. BEGINNING TRUE-UP AMOUNT	(3,149,517)	(3,122,209)	(3,057,809)	(2,868,520)	(2,097,644)	(1,419,588)	N/A
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST	(3,114,004)	(3,049,785)	(2,660,943)	(2,091,337)	(1,414,986)	(855,170)	N/A
3. TOTAL BEGINNING & ENDING TRUE-UP AMOUNT (LINES 1 + 2)	(6,263,521)	(6,171,994)	(5,718,752)	(4,759,857)	(3,512,630)	(2,274,758)	N/A
4. AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	(3,131,761)	(3,085,997)	(2,859,376)	(2,379,929)	(1,756,315)	(1,137,379)	N/A
5. INT. RATE % - FIRST DAY REP. THIS MONTH	3.190	3.090	3.160	3.200	3.150	3.140	N/A
6. INT. RATE % - FIRST DAY SUBSEQUENT MONTH	3.090	3.160	3.200	3.150	3.140	3.190	N/A
7. TOTAL (LINE 5 + LINE 6)	6.280	6.250	6.360	6.350	6.290	6.330	N/A
8. AVERAGE INT. RATE % (50% OF LINE 7)	3.140	3.125	3.180	3.175	3.145	3.165	N/A
9. MONTHLY AVG. INT. RATE % (LINE 8/12)	0.262	0.260	0.265	0.265	0.262	0.264	N/A
10. INT. PROVISION (LINE 4 X LINE 9)	(\$8,205)	(\$8,024)	(\$7,577)	(\$6,307)	(\$4,602)	(\$3,003)	(\$37,718)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD OCTOBER 1993 THROUGH MARCH 1994

	(1) ACTUAL OCTOBER	(2) ACTUAL NOVEMBER	(3) ACTUAL DECEMBER	(4) ACTUAL JANUARY	(5) ACTUAL FEBRUARY	(6) ACTUAL MARCH	(7) TOTAL
1. UNIT POWER CAPACITY CHARGES	\$ 1,143,071	\$ 1,303,275	\$ 798,850	\$ 1,220,503	\$ 1,207,998	\$ 1,224,478	\$ 6,898,175
2. CAPACITY PAYMENTS TO COGENERATORS	525,300	525,300	525,300	525,300	525,300	525,300	3,151,800
3. EMERGENCY CAPACITY CHARGES	0	552	0	0	0	7,048	7,600
4. (CAPACITY REVENUES)	(157,196)	(164,298)	(143,739)	(130,970)	(93,092)	(154,785)	(844,080)
5. TOTAL CAPACITY CHARGES - CURRENT PERIOD	\$ 1,511,175	\$ 1,664,829	\$ 1,180,411	\$ 1,614,833	\$ 1,640,206	\$ 1,602,041	\$ 9,213,495
6. JURISDICTIONAL PERCENTAGE	98.96022%	98.96022%	98.96022%	98.96022%	98.96022%	98.96022%	-
7. JURISDICTIONAL CAPACITY PAYMENTS	\$ 1,495,462	\$ 1,647,518	1,168,137	\$ 1,598,042	\$ 1,623,151	\$ 1,585,383	\$ 9,117,693
8. CAPACITY COST RECOVERY REVENUES (NET OF REVENUE TAXES)	1,851,757	1,602,164	1,579,599	1,859,369	1,564,356	1,470,326	9,927,571
9. PRIOR PERIOD TRUE-UP PROVISION	(143,845)	(143,845)	(143,845)	(143,845)	(143,845)	(143,845)	(863,070)
10. CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (NET OF REVENUE TAXES)	\$ 1,707,912	\$ 1,458,319	\$ 1,435,754	\$ 1,715,524	\$ 1,420,511	\$ 1,326,481	\$ 9,064,501
11. TRUE-UP PROVISION FOR MONTH - OVER/ (UNDER) RECOVERY (LINE 10 - LINE 7)	\$ 212,450	\$ (189,199)	\$ 267,617	\$ 117,482	\$ (202,640)	\$ (258,902)	\$ (53,192)
12. INTEREST PROVISION FOR MONTH	(1,795)	(1,379)	(931)	(25)	254	16	(3,860)
13. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH - OVER/(UNDER) RECOVERY	(863,070)	(508,570)	(555,303)	(144,772)	116,530	57,989	(863,070)
14. DEFERRED TRUE-UP - OVER/(UNDER) RECOVERY	4,897	4,897	4,897	4,897	4,897	4,897	4,897
15. PRIOR PERIOD TRUE-UP PROVISION - COLLECTED/(REFUNDED) THIS MONTH	143,845	143,845	143,845	143,845	143,845	143,845	863,070
16. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 11 - 15)	\$ (503,673)	\$ (550,406)	\$ (139,875)	\$ 121,427	\$ 62,886	\$ (52,155)	\$ (52,155)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD OCTOBER 1993 THROUGH MARCH 1994

	(1) ACTUAL OCTOBER	(2) ACTUAL NOVEMBER	(3) ACTUAL DECEMBER	(4) ACTUAL JANUARY	(5) ACTUAL FEBRUARY	(6) ACTUAL MARCH	(7) TOTAL
1. BEGINNING TRUE-UP AMOUNT	(858,173)	(503,673)	(550,406)	(139,875)	121,427	62,886	N/A
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST	(591,878)	(549,027)	(138,944)	121,452	62,632	(52,171)	N/A
3. TOTAL BEGINNING & ENDING TRUE-UP AMOUNT (LINES 1 + 2)	(1,360,051)	(1,052,700)	(689,350)	(18,423)	184,059	10,715	N/A
4. AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	(680,026)	(526,350)	(344,675)	(9,212)	92,030	5,358	N/A
5. INT. RATE % - FIRST DAY BHP. BUS. MONTH	3.190	3.140	3.150	3.340	3.100	3.520	N/A
6. INT. RATE % - FIRST DAY SUBSEQUENT MONTH	3.140	3.150	3.340	3.100	3.520	3.690	N/A
7. TOTAL (LINE 5 + LINE 6)	6.330	6.290	6.490	6.440	6.620	7.210	N/A
8. AVERAGE INT. RATE % (50% OF LINE 7)	3.165	3.145	3.245	3.220	3.310	3.605	N/A
9. MONTHLY AVG. INT. RATE % (LINE 8/12)	0.264	0.262	0.270	0.268	0.276	0.300	N/A
10. INT. PROVISION (LINE 4 X LINE 9)	(\$1,795)	(\$1,379)	(\$931)	(\$25)	\$254	\$16	(\$3,860)

State of Florida

Commissioners

J. TERRI DEASON, CHAIRMAN
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIERLING



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 488-8371

Public Service Commission

June 13, 1994

Mr. Russell Chapman
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601-0111

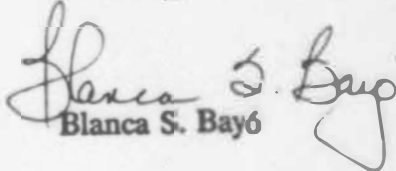
Dear Mr. Chapman:

RE: Docket No. 940001-FI - Tampa Electric Company, Inc.
Capacity Cost Recovery Clause Audit Report

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/kes

Enclosure

cc: Public Counsel
Lee Willis