

MEMORANDUM

June 20, 1995

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 950001-EI -- TAMPA ELECTRIC COMPANY  
OIL BACKOUT COST RECOVERY AUDIT REPORT - PERIOD ENDED MARCH 1995  
AUDIT CONTROL NO. 94-280-2-1

-----

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  
Jana A. Hathorne  
Post Office Box 111  
Tampa, Florida 33601-0111

DNV/sp

Attachment

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

Office of Public Counsel

DOCUMENT NUMBER-DATE  
05818 JUN 21 95  
FPSC-RECORDS/REPORTING

**FLORIDA PUBLIC SERVICE COMMISSION**

**AUDIT REPORT**

**12 MONTHS ENDED MARCH 31, 1995**

**Field Work Completed**

**June 12, 1995**

**TAMPA ELECTRIC COMPANY, Inc.**

**Tampa, Florida**

**Hillsborough County**

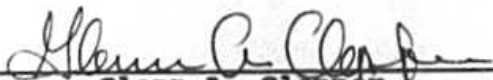
**Oil Backout Cost Recovery Audit**

**Docket 950001-EI**

**Audit Control Number 94-280-2-1**



**Robert T. Moore**  
**Audit Manager**



**Glenn A. Clepper**  
**Regulatory Analyst Supervisor**  
**Tampa District Office**

DOCUMENT NUMBER-DATE

05818 JUN 21 88

FPSC-RECORDS/REPORTING

## INDEX

	<b>Page</b>
<b>I. Executive Summary</b>	
Audit Purpose.....	1
Disclaim Public Use.....	1
Opinion.....	1
<b>II. Audit Scope</b>	
Scope of Work Performed .....	2
Plant in Service .....	2
Expense .....	2
Revenue .....	2
True-Up .....	2
Other .....	2
<b>III. Audit Disclosure</b>	
1. Depreciation Rate .....	3
<b>IV. Exhibits</b>	
1. Final True-up, 6 months ended March, 1995.....	4
2. Interest Provision, 6 months ended March, 1995...	5
3. Final True-up, 6 months ended Sept, 1994.....	6
4. Interest Provision, 6 months ended Sept, 1994....	7

## **I. EXECUTIVE SUMMARY**

**AUDIT PURPOSE:** We have applied the procedures described in Section II of this report to audit the appended Oil Backout Cost Recovery True-up Schedules prepared by Tampa Electric Company in support of Docket No. 950001-EI for the two 6 month periods ended September 30, 1994 and March 31, 1995.

**SCOPE LIMITATION:** There are no confidential workpapers associated with this report. The last day of field work was June 12, 1995. The Company declined the audit exit conference.

**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 Company exhibits for Oil Backout Cost Recovery True-up for the 6 month periods ended September 30, 1994 and March 31, 1995 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.

**COMPILED:** means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity or inconsistency; and, except as noted performed no other audit work.

**PLANT IN SERVICE:** Compiled plant in service and accumulated depreciation. Recalculated depreciation. Recomputed the amortization of Equity AFUDC and ITC. Inquired when OBO Cost Recovery will end.

**EXPENSES:** Compiled Oil Backout (OBO) costs. Compiled Taxes Other Than Income. Recalculated OBO income taxes. Recalculated O&M Differential Factor. Recalculated interest on the OBO debt.

**REVENUE:** Compiled Oil Backout Cost Recovery (OBO CR) revenue. Recomputed OBO CR Revenues. Compared computed revenue to billed revenue.

**TRUE-UP:** Compiled OBO CR true-up. Recomputed OBO CR true-up.

**OTHER:** Performed analytical review on O&M Differential costs. Recomputed fuel cost savings.

**AUDIT DISCLOSURE NO. 1**

**SUBJECT: DEPRECIATION RATE**

**STATEMENT OF FACT:**

ORDER 19438 (dated 6-6-88) lists depreciation rate:

"Gannon Trust 5.0"

ORDER 25619 (dated 1-21-92) lists depreciation rates:

"Gannon Common	4.0"	"Gannon Unit #3	3.5"
"Gannon Unit #1	4.4"	"Gannon Unit #4	5.2"
"Gannon Unit #2	5.6"		

ORDER PSC-92-0837-FOF-EI (dated 8-20-92) states:

"TECO wants to replace the trust debt with tax-exempt pollution control refunding bonds issued by the Hillsborough County Industrial Development Authority."

"This transaction would cause the trust to be dissolved and the debt and assets associated with the Gannon Unit conversions would be placed on TECO's balance sheet."

"TECO states the modification would not affect the way the oil-backout clause currently works."

"ORDERED that the Petition of Tampa for approval of Modification to Gannon Oil Backout Project is GRANTED."

**AUDIT OPINION AND CONCLUSION:**

The Company currently depreciates Oil Backout (OBO) plant at 5% based on Order 19438. This is the proper depreciation for Oil Backout (OBO) plant applied on a group basis (total plant). Order 25619, issued 7 months before the dissolution of Gannon Trust, did not give a depreciation rate for Gannon Trust plant (same as Oil Backout plant). Thus, Order 19438 depreciation rates for Gannon Trust plant remain in effect.

The later Order PSC-92-0837-FOF-EI for Gannon Trust dissolution (and transfer of Gannon Unit conversions to the Company's balance sheet) did not alter the 5% depreciation rate. This Order accepted the Company's petition "the modification would not affect the way the oil-backout clause currently works." This acceptance in Order PSC-92-0837-FOF-EI should mean Order 19438 depreciation rates for Oil Backout plant continue at 5%.

**COMPANY VERBATIM COMMENTS:** Company concurs with audit opinion and conclusion.

TAMPA ELECTRIC COMPANY  
OIL BACKOUT TRUE-UP COMPUTATION

October 1994 through March 1995

Line No.	Actual October	Actual November	Actual December	Actual January	Actual February	Actual March	Total
1. Oil-Backout Cost Recovery Revenue (Net of Revenue Taxes)	\$1,121,768	\$1,033,336	\$1,022,258	\$1,085,351	\$1,067,792	\$973,934	\$6,304,439
2. Adjustment not Applicable to this period (Prior true-up)	(5,257)	(5,257)	(5,257)	(5,257)	(5,257)	(5,258)	(31,543)
3. Oil-Backout Revenue Applicable to this period (Line 1 + 2)	1,116,511	1,028,079	1,017,001	1,080,094	1,062,535	968,676	6,272,896
4. Jurisdictional Oil-Backout Cost Recovery Authorized (Document 5, Line 14)	(1,134,445)	(973,675)	(1,035,902)	(883,495)	(936,122)	(906,169)	(5,869,808)
5. True-up Provision for the Month Over(Under) Collection (Line 3 + 4)	(17,934)	54,404	(18,901)	196,599	126,413	62,507	403,088
6. True-up and Interest Provision for the Month Beginning of the Month	(62,379)	(75,056)	(15,395)	(29,039)	173,180	306,059	(62,379)
7. True-up Collected/(Refunded)	5,257	5,257	5,257	5,257	5,257	5,258	31,543
8. End of the Period Net True-up Before Interest (Line 5 + 6 + 7)	(75,056)	(15,395)	(29,039)	172,817	304,850	373,824	372,252
9. Interest Provision for the Month Interest (Document 6, Line 10)	0	0	0	363	1,209	1,724	3,296
10. End of the Period Net True-up Over/(Under) Recovery (Line 8 + 9)	(175,056)	(15,395)	(129,039)	\$173,180	\$306,059	\$375,548	\$375,548

## TAMPA ELECTRIC COMPANY

## CALCULATION OF OIL BACKOUT INTEREST PROVISION

October 1994 through March 1995

Line No.		Actual October	Actual November	Actual December	Actual January	Actual February	Actual March		
1.	Beginning True-up Amount	Document 4, Line 6	(\$62,379)	(\$75,056)	(\$15,395)	(\$29,039)	\$173,180	\$306,059	
2.	Ending True-up Amount Before Interest	Document 4, Line 8	<u>(75,056)</u>	<u>(15,395)</u>	<u>(29,039)</u>	<u>172,817</u>	<u>304,850</u>	<u>373,824</u>	
3.	Total True-up Amount	Lines 1 + 2	<u>(137,435)</u>	<u>(90,451)</u>	<u>(44,434)</u>	<u>143,778</u>	<u>478,030</u>	<u>679,883</u>	
4.	Average True-up Amount	Line 3 / 2	<u>(68,718)</u>	<u>(45,226)</u>	<u>(22,217)</u>	<u>71,889</u>	<u>239,015</u>	<u>339,942</u>	
5.	Interest Rate - First Day of Month		5.040%	5.000%	5.660%	6.030%	6.100%	6.050%	
6.	Interest Rate - First Day of Subsequent Month		5.000%	5.660%	6.030%	6.100%	6.050%	6.120%	
7.	Total Beginning and Ending Interest Rate	Lines 5 + 6	<u>10.040%</u>	<u>10.660%</u>	<u>11.690%</u>	<u>12.130%</u>	<u>12.150%</u>	<u>12.170%</u>	
8.	Average Interest Rate	Line 7 / 2	<u>5.020%</u>	<u>5.330%</u>	<u>5.845%</u>	<u>6.065%</u>	<u>6.075%</u>	<u>6.085%</u>	
9.	Monthly Average Interest Rate	Line 8 / 12	<u>0.418%</u>	<u>0.444%</u>	<u>0.487%</u>	<u>0.505%</u>	<u>0.506%</u>	<u>0.507%</u>	
10.	Monthly Interest Provision	Line 4 x Line 9 for overrecoveries	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$383</u>	<u>\$1,209</u>	<u>\$1,724</u>	<u>3,296</u>



## TAMPA ELECTRIC COMPANY

## OIL BACKOUT TRUE-UP COMPUTATION

April 1994 through September 1994

Line No.	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Total
1. Oil-Backout Cost Recovery Revenue (Net of Revenue Taxes)	\$787,882	\$859,787	\$923,916	\$959,900	\$933,057	\$966,291	\$5,430,833
2. Adjustment not Applicable to this period (Prior true-up)	<u>101,540</u>	<u>101,540</u>	<u>101,540</u>	<u>101,540</u>	<u>101,540</u>	<u>101,539</u>	<u>609,239</u>
3. Oil-Backout Revenue Applicable to this period (Line 1 + 2)	889,422	961,327	1,025,456	1,061,440	1,034,597	1,067,830	6,040,072
4. Jurisdictional Oil-Backout Cost Recovery Authorized (Document 5, Line 14)	<u>(913,023)</u>	<u>(965,070)</u>	<u>(1,000,334)</u>	<u>(955,985)</u>	<u>(1,056,511)</u>	<u>(1,134,945)</u>	<u>(6,026,498)</u>
5. True-up Provision for the Month Over/(Under) Collection (Line 3 + 4)	(24,201)	(3,743)	25,122	105,455	(21,944)	(67,115)	13,574
6. True-up and Interest Provision for the Month Beginning of the Month	528,062	403,791	299,716	224,263	229,022	106,185	528,062
7. True-up Collected/(Refunded)	<u>(101,540)</u>	<u>(101,540)</u>	<u>(101,540)</u>	<u>(101,540)</u>	<u>(101,540)</u>	<u>(101,539)</u>	<u>(609,239)</u>
8. End of the Period Net True-up Before Interest (Line 5 + 6 + 7)	402,321	298,508	223,298	228,178	105,538	(62,469)	(67,603)
9. Interest Provision for the Month Interest (Document 6, Line 10)	<u>1,470</u>	<u>1,208</u>	<u>965</u>	<u>844</u>	<u>647</u>	<u>90</u>	<u>5,224</u>
10. End of the Period Net True-up Over/(Under) Recovery (Line 8 + 9)	<u>\$403,791</u>	<u>\$299,716</u>	<u>\$224,263</u>	<u>\$229,022</u>	<u>\$106,185</u>	<u>(\$62,379)</u>	<u>(\$62,379)</u>

## TAMPA ELECTRIC COMPANY

## CALCULATION OF OIL BACKOUT INTEREST PROVISION

April 1994 through September 1994

Line No.		Actual April	Actual May	Actual June	Actual July	Actual August	Actual September
1.	Beginning True-up Amount	\$528,062	\$403,791	\$299,716	\$224,263	\$229,022	\$106,185
2.	Ending True-up Amount Before Interest	402,321	298,508	223,298	228,178	105,538	(62,469)
3.	Total True-up Amount	\$930,383	\$702,299	\$523,014	\$452,441	\$334,560	\$43,716
4.	Average True-up Amount	\$465,192	\$351,150	\$261,507	\$226,221	\$167,280	\$21,858
5.	Interest Rate - First Day of Month	3.690%	3.900%	4.360%	4.500%	4.460%	4.820%
6.	Interest Rate - First Day of Subsequent Month	3.900%	4.360%	4.500%	4.460%	4.820%	5.040%
7.	Total Beginning and Ending Interest Rate	7.590%	8.260%	8.860%	8.960%	9.280%	9.860%
8.	Average Interest Rate	3.795%	4.130%	4.430%	4.480%	4.640%	4.930%
9.	Monthly Average Interest Rate	0.316%	0.344%	0.369%	0.373%	0.387%	0.411%
10.	Monthly Interest Provision for overrecoveries	\$1,470	\$1,208	\$965	\$844	\$647	\$224

State of Florida

Commissioners:  
SUSAN F. CLARK, CHAIRMAN  
J. TERRY DEASON  
JULIA L. JOHNSON  
DIANE K. KIESLING  
JOE GARCIA



DIVISION OF RECORDS &  
REPORTING  
BLANCA S. BAYO  
DIRECTOR  
(904) 413-6770

## Public Service Commission

June 21, 1995

Tampa Electric Company  
Attn: Ms. Jana A. Hathorne  
Post Office Box 111  
Tampa, Florida 33601-0111

Dear Ms. Hathorne:

RE: Docket No. 950001-EI - Tampa Electric Company  
Oil Backout Cost Recovery Audit Report - Period Ending March 31, 1995  
Audit Control # 94-280-2-1

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/mas  
Enclosure  
cc: Public Counsel  
Macfarlane Ausley Law Firm