

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1996

Field Work Completed

December 11, 1996

TAMPA ELECTRIC COMPANY

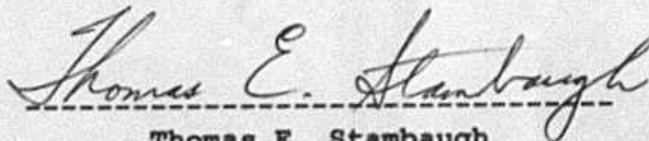
Tampa, Florida

Hillsborough County

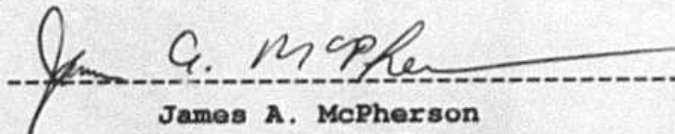
Energy Conservation Audit

Docket Number 960002-EG

Audit Control Number 96-214-2-2



Thomas E. Stambaugh  
Audit Manager



James A. McPherson  
Regulatory Analyst Supervisor

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 Energy Conservation Cost Recovery (ECCR) schedule CT-2, pg. 1 for the twelve month period ended September 30, 1996 prepared by Tampa Electric Company for Energy Conservation Cost Recovery, FPSC Docket Number 960002-EG.

**Scope Limitation:** Neither the work papers nor the report contain any confidential information.

**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 auditing standards and produce audited financial statements for public use.

**Opinion:** The actual amounts recorded in the appended ECCR schedule CT-2, pg. 1, filed by Tampa Electric Company for the twelve month period ending September 30, 1996 in support of Docket Number 960002-EG represent the Utility's books and records maintained 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:

The opinions contained in this report are based on the audit work described below. When used in this report COMPILED means that audit work includes:

**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 otherwise noted performed no other audit work.

**ECCR Program Expenses:** Compiled ECCR program expenses. Recalculated depreciation and return on investment for investments recorded in the Prime Time and the Commercial/Industrial Load Management Program. Used analytical review to compare program costs in current period to prior periods. Further investigated those costs which were outside of predetermined parameters. On a judgementally selected basis tested components of the Standby Generator and Ceiling Insulation Programs. Tested the dollars of payroll expense associated with Account 908.61, Co-Generation for January and April, 1996. Requested and analyzed the total dollars of payroll by type compared to the Utility employees associated with ECCR. Tested advertising expense to verify that it had documentary support and to determine whether any advertising dollars had been spent to compare electric with natural gas technologies. Investigated whether the Utility had any expenditures associated with commercial Demand-Side Management (DSM) which were performed by Tampa Electric or its agents and then assigned to an affiliate. Verified that no expenses from the DSM Goals docket were included in the ECCR filing.

**ECCR Revenues:** Tested utility's calculation of ECCR revenues. Agreed Conservation revenues and KWH sales to utility billing summary report, "Calculation of Revenues".

**ECCR True-up:** Recomputed ECCR True-up balance for the 12-months ended 9/30/96.

**AUDIT DISCLOSURE NO. 1**

**SUBJECT:** Demand Side Management Audit Contracts.

**STATEMENT OF FACT:** Utility was asked to provide information about any commercial Demand Side Management (DSM) audit contracts which were executed by Utility and then assigned to an affiliate. Utility responded that it had no DSM contracts which fit this description.

**AUDIT OPINION:** Utility provided a schedule of expenditures by program and expense category for the twelve months ended September 30, 1996. In it, the Utility had charged only \$772 to Outside Services for DSM audits. Outside Services is the category to which dollars paid to a contractor would be charged. The others expenses charged to the indicated DSM audit programs were accountable as payroll and benefits, materials and supplies, advertising or vehicle expenses.

**AUDIT CONCLUSION:** The statement by Utility that it has no contracts of the type described in the Statement of Fact is supported by the classification of expenses and their supporting documentation.

**AUDIT DISCLOSURE NO. 2**

**SUBJECT:** Salaries and benefits for Demand Side Management.

**STATEMENT OF FACT:** Utility was asked to provide information about its ECCR/DSM employees by number and type and annual payroll expense. Utility provided the following response to this question.

<u>Type of Employee</u>	<u>Number</u>	<u>Pay and Benefits</u>
Supervisory	90	\$1,788,829
Operating	56	\$326,197
Office	24	\$226,360
Totals	176	\$2,341,386

Allocation of payroll and benefit dollars is determined by a pre-set percentage for some jobs and by actual time sheet allocation for others.

**AUDIT OPINION:** The employee totals and payroll and benefit amounts provided by Utility were substantiated in its work papers, general ledger and by independent FPSC auditor test work.

**AUDIT CONCLUSION:** Accept these employee numbers and pay and benefit totals as pertinent to ECCR cost recovery for the twelve months ended September 30, 1996.

**AUDIT DISCLOSURE NO. 3**

**SUBJECT:** Advertising Costs.

**STATEMENT OF FACT:** Utility was asked to provide information about its advertising costs, specifically, what advertising costs were charged to ECCR and how much of this amount related to a comparison of electric with natural gas technologies.

**AUDIT OPINION:** Utility stated that, for the twelve months ended September 30, 1996, it had charged the following amounts to advertising costs by program:

Program	Amount
-----	-----
Heating & Cooling	347,995
Prime Time	41,477
Free Home Energy Check	32,520
Free Comm/Indus Audit	390
Ceiling Insulation	298
Commercial Lighting	70
Conservation Value	130
	-----
Total	422,880
	-----

Audit test work proved that the indicated dollars had been spent as shown by program. No evidence was found in the test work that any dollars had been spent to present to the public any comparison of electric vs. Gas technologies.

**AUDIT CONCLUSION:** Accept advertising dollars as properly recoverable ECCR expenditures for the twelve months ended September 30, 1996.

TAMPA ELECTRIC COMPANY  
Analysis of Energy Conservation Program Costs  
Actual vs. Projected  
For Months October 1995 through September 1996

Description	(A) Actual	(B) Projected	(C) Difference
1. Capital Investment	\$1,095,783	\$1,133,025	(\$37,242)
2. Payroll	2,341,391	2,740,595	(399,204)
3. Materials and Supplies	269,637	297,635	(27,998)
4. Outside Services	313,976	318,686	(4,710)
5. Advertising	422,880	325,662	97,218
6. Incentives	14,743,667	13,548,134	1,195,533
7. Vehicles	155,301	159,299	(3,998)
8. Other	<u>22,977</u>	<u>20,801</u>	<u>2,176</u>
9. Subtotal	19,365,612	18,543,837	821,775
10. Less: Program Revenues	(195)	0	(195)
11. Total Program Costs	19,365,417	18,543,837	821,580
12. Adjustments	0	0	0
13. Beginning of Period True-up Overrecovery	(1,580,551)	(1,580,551)	0
14. Amounts included in Base Rates	0	0	0
15. Conservation Adjustment Revenues	<u>(18,590,022)</u>	<u>(18,205,467)</u>	<u>(384,555)</u>
16. True-up Before Interest	805,156	1,242,181	(437,025)
17. Interest Provision	<u>29,645</u>	<u>23,492</u>	<u>6,153</u>
18. End of Period True-up	<u>\$834,801</u>	<u>\$1,265,673</u>	<u>(\$430,872)</u>



State of Florida

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

**Public Service Commission**

December 24, 1996

Ms. Angela Llewellyn  
Tampa Electric Company  
Post Office Box 111  
Tampa, Florida 33601-0111

RE: Docket No. 960002-EG -- Tampa Electric Company  
Conservation Audit Report - Period Ended September 30, 1996  
Audit Control # 96-214-2-2

Dear Ms. Llewellyn:

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,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn, Chief  
Bureau of Records

KF/clc  
Enclosure  
cc: Public Counsel  
Ausley Law Firm