

ORIGINAL

State of Florida



Public Service Commission

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

DATE: April 25, 2000
 TO: Division of Electric and Gas (Ging)
 FROM: Division of Auditing and Financial Analysis (Vandiver) *OV*
 RE: 000001-EI; Tampa Electric Company
 Audit Report; Capacity Clause - 12 Months Ended December 31, 1999
 Audit Control No. 00-026-2-1

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, they should send it to the Division of Records and Reporting. There are no confidential work papers associated with this audit.

DNV/sp

Attachment

cc: Division of Auditing and Financial Analysis (Devlin/Causeaux/Harvey/File Folder)
 Tampa District Office (McPherson)
 ✓ Division of Records and Reporting
 Division of Legal Services

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

Ausley Law Firm
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 P. O. Box 391
 Tallahassee, FL 32302

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING*

Tampa District Office

TAMPA ELECTRIC COMPANY

CAPACITY CLAUSE AUDIT

12 MONTH ENDED DECEMBER 31, 1999

**DOCKET 000001-EI
AUDIT CONTROL NO. 00-026-2-1**

Jocelyn Y. Stephens / By J. McPherson

Jocelyn Y. Stephens, Audit Manager

James A. McPherson

James A. McPherson, Audit Supervisor

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

APRIL 18, 2000

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Capacity Cost Recovery True-up schedules for the historical twelve month period ending December 31, 1999 for Tampa Electric Company. These schedules were prepared by the utility as part of its petition for a Fuel Cost Factor Adjustment in Docket 000001-EI. There is no confidential information associated with this audit and there are no minority opinions.

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 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 the 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.

REVENUE: Compiled Capacity Cost Recovery (CCR) revenue and agreed to the filing. Recomputed CCR Revenues using approved FPSC rate factors and company provided KWH sales.

EXPENSES: Recomputed Capacity costs. Agreed capacity costs to Tampa Electric billing statements. Identified costs by vendor. Performed audit test work of capacity cost payments to verify that Qualifying Facilities were paid according to contract for electric power supplied to the utility.

TRUE-UP: Recomputed CCR True-up and interest using FPSC approved amounts and interest rates.

OTHER: Scanned the minutes of Tampa Electric Board of Director's meetings since the previous audit.

AUDIT DISCLOSURE NO. 1

SUBJECT: CAPACITY REVENUES OFFSET BY FUEL EXPENSES

STATEMENT OF FACT:

Tampa Electric Co. bills third parties for Schedule J and Market Based sales. The resulting Sales Revenues offset the company's costs for Fuel and Operating and Maintenance Expenses.

For the period January - December 1999, the company erroneously recorded costs pertaining to recoverable fuel revenues, for Schedule J and Market sales, in the Capacity filing. This entry had the effect of understating Capacity revenues.

Correspondingly, the company recorded these revenues in its fuel filing. This second entry had the effect of recording fuel revenues over and above the amount recorded on the invoice and thereby overstating fuel revenues.

The Company stated that in an effort to capture capacity revenues associated with some sales, excess fuel revenues were recorded for those sales and a corresponding adjustment (hourly charge) to capacity expense was recorded for the same amount. The hourly charges for Market Based transactions booked as capacity that equally offset Transmission, Scheduling fee and Reactive power should have been an offset to fuel revenues in the fuel filing instead of capacity revenues in the capacity filing.

The net amount associated with this error, before the application of the jurisdictional factor, is \$481,123 for both fuel and capacity. Jurisdictional overstatement, per the fuel filing equals \$467,038. Jurisdictional understatement, per the capacity filing equals \$472,444.

The Company agrees that this treatment was not appropriate and since January 1, 2000, no sales have been recorded in the aforementioned manner. However, no adjustment was made to reclass fuel costs from the capacity clause to the fuel clause.

AUDIT OPINION:

The treatment used by the company to record fuel cost in the capacity filing results in overstating fuel revenues. The treatment also results in an understatement of capacity revenues. Except for a minimal difference (\$5,406) which results from the application of a jurisdictional factor, ratepayers experienced no adverse monetary effect. No adjustment is recommended.

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 1999 THROUGH DECEMBER 1999

	(1) ACTUAL JANUARY	(2) ACTUAL FEBRUARY	(3) ACTUAL MARCH	(4) ACTUAL APRIL	(5) ACTUAL MAY	(6) ACTUAL JUNE	(7) ACTUAL JULY	(8) ACTUAL AUGUST	(9) ACTUAL SEPTEMBER	(10) ACTUAL OCTOBER	(11) ACTUAL NOVEMBER	(12) ACTUAL DECEMBER	TOTAL
UNIT POWER CAPACITY CHARGES	\$1,126,091	\$1,126,091	\$1,126,091	\$1,126,091	\$1,126,091	\$1,126,091	\$1,126,091	\$1,126,091	\$1,126,091	\$1,126,091	\$1,126,091	\$945,309	\$13,332,310
CAPACITY PAYMENTS TO COGENERATORS	1,133,595	1,107,710	1,081,825	1,133,595	1,133,595	1,133,595	1,133,595	891,020	891,020	891,020	891,020	891,020	12,312,610
EMERGENCY CAPACITY CHARGES	0	0	0	94,031	76,567	378,750	483,160	528,000	169,625	208,215	30,390	4,330	1,973,068
(CAPACITY REVENUES)	(99,052)	(89,944)	(77,292)	(113,114)	(97,614)	(112,355)	(107,865)	(65,596)	(105,133)	(60,729)	230,860	(10,274)	(706,108)
TOTAL CAPACITY CHARGES - CURRENT PERIOD	\$2,160,634	\$2,143,857	\$2,130,624	\$2,240,603	\$2,238,639	\$2,526,081	\$2,634,981	\$2,479,515	\$2,081,603	\$2,164,597	\$2,278,361	\$1,830,385	\$26,909,880
JURISDICTIONAL PERCENTAGE	98.19621%	98.19621%	98.19621%	98.19621%	98.19621%	98.19621%	98.19621%	98.19621%	98.19621%	98.19621%	98.19621%	98.19621%	-
JURISDICTIONAL CAPACITY PAYMENTS	\$2,121,661	\$2,105,186	\$2,092,192	\$2,200,187	\$2,198,259	\$2,480,516	\$2,587,451	\$2,434,790	\$2,044,055	\$2,125,552	\$2,237,264	\$1,797,369	\$26,424,482
CAPACITY COST RECOVERY REVENUES (NET OF REVENUE TAXES)	1,993,172	1,684,336	1,681,797	1,842,370	1,952,893	2,264,526	2,370,143	2,550,719	2,548,343	2,210,231	1,796,260	1,785,144	24,679,934
PRIOR PERIOD TRUE-UP PROVISION	(97,952)	(97,952)	(97,952)	(97,952)	(97,952)	(97,952)	(97,952)	(97,952)	(97,952)	(97,952)	(97,952)	(97,948)	(1,175,420)
10. CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (NET OF REVENUE TAXES)	\$1,895,220	\$1,586,384	\$1,583,845	\$1,744,418	\$1,854,941	\$2,166,574	\$2,272,191	\$2,452,767	\$2,450,391	\$2,112,279	\$1,698,308	\$1,687,196	\$23,504,514
11. TRUE-UP PROVISION FOR MONTH - OVER/ (UNDER) RECOVERY (LINE 10 - LINE 7)	(\$226,441)	(\$518,802)	(\$508,347)	(\$455,769)	(\$343,318)	(\$313,942)	(\$315,260)	\$17,977	\$406,336	(\$13,273)	(\$538,956)	(\$110,173)	(\$2,919,968)
12. INTEREST PROVISION FOR MONTH	(3,226)	(4,330)	(6,053)	(7,595)	(8,819)	(10,050)	(11,252)	(11,813)	(10,737)	(9,459)	(10,521)	(11,926)	(105,781)
13. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH - OVER/(UNDER) RECOVERY	(1,175,420)	(1,307,135)	(1,732,315)	(2,148,763)	(2,514,175)	(2,768,360)	(2,994,400)	(3,222,960)	(3,118,844)	(2,625,293)	(2,550,073)	(3,001,598)	(1,175,420)
14. DEFERRED TRUE-UP - OVER/(UNDER) RECOVERY	442,999	442,999	442,999	442,999	442,999	442,999	442,999	442,999	442,999	442,999	442,999	442,999	442,999
15. PRIOR PERIOD TRUE-UP PROVISION - COLLECTED/(REFUNDED) THIS MONTH	97,952	97,952	97,952	97,952	97,952	97,952	97,952	97,952	97,952	97,952	97,952	97,948	1,175,420
16. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 11 - 15)	(\$864,136)	(\$1,289,316)	(\$1,705,764)	(\$2,071,176)	(\$2,325,361)	(\$2,551,401)	(\$2,779,961)	(\$2,675,845)	(\$2,182,294)	(\$2,107,074)	(\$2,558,599)	(\$2,582,750)	(\$2,582,750)

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TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD JANUARY 1999 THROUGH DECEMBER 1999

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(10)
	ACTUAL	TOTAL											
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
1. BEGINNING TRUE-UP AMOUNT	(732,421)	(864,136)	(1,289,316)	(1,705,764)	(2,071,176)	(2,325,361)	(2,551,401)	(2,779,961)	(2,675,845)	(2,182,294)	(2,107,074)	(2,558,599)	N/A
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST	(860,910)	(1,284,986)	(1,699,711)	(2,063,581)	(2,316,542)	(2,541,351)	(2,768,709)	(2,664,032)	(2,171,557)	(2,097,615)	(2,548,078)	(2,570,824)	N/A
3. TOTAL BEGINNING & ENDING TRUE-UP AMOUNT (LINES 1 + 2)	(1,593,331)	(2,149,122)	(2,989,027)	(3,769,345)	(4,387,718)	(4,866,712)	(5,320,110)	(5,443,993)	(4,847,402)	(4,279,909)	(4,655,152)	(5,129,423)	N/A
4. AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	(796,666)	(1,074,561)	(1,494,514)	(1,884,673)	(2,193,859)	(2,433,356)	(2,660,055)	(2,721,997)	(2,423,701)	(2,139,955)	(2,327,576)	(2,584,712)	N/A
5. INT. RATE % - FIRST DAY REP. BUS. MONTH	4.900	4.810	4.850	4.880	4.800	4.850	5.050	5.100	5.320	5.300	5.300	5.550	N/A
6. INT. RATE % - FIRST DAY SUBSEQUENT MONTH	4.810	4.850	4.880	4.800	4.850	5.050	5.100	5.320	5.300	5.300	5.550	5.600	N/A
7. TOTAL (LINE 5 + LINE 6)	9.710	9.660	9.730	9.680	9.650	9.900	10.150	10.420	10.620	10.600	10.850	11.150	N/A
8. AVERAGE INT. RATE % (50% OF LINE 7)	4.855	4.830	4.865	4.840	4.825	4.950	5.075	5.210	5.310	5.300	5.425	5.575	N/A
9. MONTHLY AVG. INT. RATE % (LINE 8/12)	0.405	0.403	0.405	0.403	0.402	0.413	0.423	0.434	0.443	0.442	0.452	0.465	N/A
10. INT. PROVISION (LINE 4 X LINE 9)	(\$3,226)	(\$4,330)	(\$6,053)	(\$7,595)	(\$8,819)	(\$10,050)	(\$11,252)	(\$11,813)	(\$10,737)	(\$9,459)	(\$10,521)	(\$11,926)	(\$105,781)