

State of Florida



Public Service Commission

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

DATE: June 21, 2001
TO: Division of Safety and Electric Reliability (Bremen)
FROM: Division of Regulatory Oversight (Vandiver)
RE: Docket No. 010007-EI; Tampa Electric Company; Environmental Cost Recovery; Audit Control No. 01-023-2-1

RECEIVED FPSC
01 JUN 22 PM 12:00

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 Records and Reporting. There are no confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of Records and Reporting
Division of Legal Services

Ms. Angela Llewellyn
Tampa Electric Company
P.O. Box 111
Tampa, Florida 33601-0111

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT**

JUNE 1, 2001

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the Environmental Cost Recovery Clause (ECRC) schedules for the twelve month period ended December 31, 2000 prepared by Tampa Electric Company. These schedules were prepared by the utility in support of Docket No. 010007-EI. There is no confidential information associated with this audit.

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 FINDINGS:

1. The utility used an incorrect net investment amount to calculate the return on investment for the Gannon Oil Tank project in 1999, resulting in an over recovery of investment expense of \$33,814.
2. Utility records show that payroll and related fringe benefit costs in the amount of \$822,201 were capitalized and included in environmental projects during the twelve month period ending December 31, 2000. This is in addition to the \$3,527,227 that were included in prior years ECRC filings.
3. The utility did not use the Final True-up amount in Order No. PSC-00-2391-FOF-EI to calculate the Beginning True-up amount for its ECRC filing that is the subject of this audit. Instead, it used the figure it submitted in its final revised ECRC filing for 1999, submitted November 8, 2000. This resulted in a difference in End of Period True-up in its ECRC filing for 2000 of \$7,956.

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 this 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.

REVENUES: Compiled Environmental Cost Recovery Clause (ECRC) revenue and agreed to the filing. Recomputed revenues using approved FPSC rate factors and company provided KWH sales.

EXPENSES: Compiled ECRC expenses and agreed to the filing. Performed judgmental testing of invoices and supporting documentation for ECRC expenses.

CAPITAL INVESTMENT: Scheduled capital investment for the ECRC projects. Performed judgmental testing of capital investment costs for ECRC projects. Reconciled depreciation rates used by the utility to FPSC approved rates. Recomputed depreciation expense and accumulation and agreed to the filing. Recalculated recoverable costs on capital investment.

TRUE-UP: Recomputed ECRC true-up and interest calculation using FPSC approved amounts and interest rates.

Disclosure No. 1

Subject: Over Recovery of Investment Expense for Gannon Oil Tank During 1999

Statement of Fact: The utility used an incorrect net investment amount to calculate the return on investment for the Gannon Oil Tank project during 1999, resulting in an over recovery of investment expense.

The Gannon Ignition Oil Tank Project had an original cost of \$589,752, of which \$266,000 was included in CWIP during the utility's last rate case. The utility stipulated with the PSC in 1999 that it would exclude the \$266,000 from the calculation of the return on investment for this project.

However, during 1999, the utility used the gross \$589,752 amount to calculate the return on investment for this project. This error resulted in an over recovery by the utility of \$30,976. Adding an appropriate amount of interest based on commercial paper rates to this over recovery results in a total over recovery of \$33,814 as of December 31, 2000.

Recommendation: The utility should be required to remove \$30,976 plus accrued interest from its recoverable expenses for the year ended December 31, 2000.

Disclosure No. 2

Subject: Capitalized Payroll Costs

Statement of Fact: Utility records show that payroll and related fringe benefit costs in the amount of \$822,201 were capitalized and included in environmental projects during the twelve month period ending December 31, 2000. This is in addition to the \$3,527,227 in payroll and benefit costs that have been included in prior years ECRC filings.

Recommendation: This information is provided for informational purposes. No recommendation is made.

Disclosure No. 3

Subject: Beginning True Up Amount

Statement of Fact: The utility filed revisions to its annual ECRC filing for the period January 1999 through December 1999 on November 2, 2000 and November 8, 2000. FPSC Order No. PSC-00-2391-FOF-EI, issued December 13, 2000 contains figures related to the Final True-up amount for the period ending December 31, 1999 (\$281,469- page 2) and the Total True-up amount to be collected during the period January 2001 through December 2001 (\$2,892,660- page 3) that do not agree to the utility's final revision to its ECRC filing, filed on November 8, 2000. The differences are as follows:

Page 2, paragraph II.A. - Final True-up Amounts for the Period Ending December 31, 1999

| | |
|------------------------------------|------------------|
| Per Order Amount: | \$281,469 |
| Per Utility Revised Filing Amount: | <u>\$273,995</u> |
| Difference | \$ 7,474 |

Page 3, paragraph II.C. - Total True-up Amounts to be Collected During the Period January 2001 Through December 2001

| | |
|------------------------------------|--------------------|
| Per Order Amount: | \$2,892,660 |
| Per Utility Revised Filing Amount: | <u>\$2,792,660</u> |
| Difference | \$ 100,000 |

The utility used the \$273,995 figure to calculate the Beginning True-up amount for its ECRC filing for the period January 2000 through December 2000, filed April 2, 2001. That filing is the subject of this audit. This resulted in a difference in the End of Period True-up amount of \$7,956, including interest.

The \$100,000 difference noted above appears to be a typographical error that does not directly impact the ECRC filing for the period January 2000 through December 2000, but will affect future filings if not corrected and is therefore noted here.

Recommendation: This information is provided to help the analyst determine the correct true-up amount and inform the utility of the correct amount to be collected during 2001.

Disclosure No. 4

Subject: Legal Expenses

Statement of Fact: The utility incurred \$3,706 in legal expenses pertaining to the installation of the scrubbers on Big Bend 1 & 2.

Recommendation: This information is provided for informational purposes. No recommendation is made.

Tampa Electric Company
Environmental Cost Recovery Clause
Calculation of the Actual True-Up Amount for the Period
January 2000 to December 2000

Form 42 - 2A

Current Period True-Up Amount
(in Dollars)

| Line | Actual Jan-00 | Actual Feb-00 | Actual Mar-00 | Actual Apr-00 | Actual May-00 | Actual Jun-00 | Actual Jul-00 | Actual Aug-00 | Actual Sep-00 | Actual Oct-00 | Actual Nov-00 | Actual Dec-00 | End of Period Total |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------------|
| 1. BCRC Revenues (net of Revenue Taxes) | \$1,860,981 | \$1,815,601 | \$1,619,960 | \$1,735,472 | \$1,920,601 | \$2,303,348 | \$2,198,612 | \$2,220,501 | \$2,259,458 | \$2,110,679 | \$1,787,545 | \$1,892,683 | \$23,725,441 |
| 2. True-Up Provision | (278,078) | (278,078) | (278,078) | (278,078) | (278,078) | (278,078) | (278,078) | (278,078) | (278,078) | (278,078) | (278,078) | (278,078) | (3,336,936) |
| 3. BCRC Revenues Applicable to Period (Lines 1 + 2) | 1,582,903 | 1,537,523 | 1,341,882 | 1,457,394 | 1,642,523 | 2,025,270 | 1,920,534 | 1,942,423 | 1,981,380 | 1,832,601 | 1,509,467 | 1,614,605 | 20,388,505 |
| 4. Jurisdictional BCRC Costs | | | | | | | | | | | | | |
| a. O & M Activities (Form 42-5A, Line 9) | 318,714 | 309,133 | 700,562 | 933,228 | 530,852 | 500,568 | 329,565 | 385,787 | 549,173 | 473,890 | 371,838 | 753,479 | 6,156,789 |
| b. Capital Investment Projects (Form 42-7A, Line 9) | 1,341,954 | 1,322,800 | 1,349,268 | 1,352,943 | 1,364,988 | 1,383,288 | 1,389,621 | 1,388,635 | 1,386,479 | 1,384,711 | 1,388,109 | 1,394,622 | 16,447,418 |
| c. Total Jurisdictional BCRC Costs | 1,660,668 | 1,631,933 | 2,049,830 | 2,286,171 | 1,895,840 | 1,883,856 | 1,719,186 | 1,774,422 | 1,935,652 | 1,858,601 | 1,759,947 | 2,148,101 | 22,604,207 |
| 5. Over/Under Recovery (Line 3 - Line 4c) | (77,765) | (94,410) | (707,948) | (828,777) | (253,317) | 141,414 | 201,348 | 168,001 | 45,728 | (26,000) | (250,480) | (533,496) | (2,215,702) |
| 6. Interest Provision (Form 42-3A, Line 10) | (14,073) | (13,451) | (14,461) | (17,473) | (19,682) | (19,203) | (16,753) | (14,217) | (12,211) | (10,720) | (10,151) | (10,831) | (173,226) |
| 7. Beginning Balance True-Up & Interest Provision | (3,336,936) | (3,150,696) | (2,980,479) | (3,424,809) | (3,992,982) | (3,987,903) | (3,587,615) | (3,124,942) | (2,693,079) | (2,381,484) | (2,140,126) | (2,122,679) | (3,336,936) |
| Deferred True-Up from January to December 2000 (Order No. PSC-00-2391-PCF-EI) | 273,995 | 273,995 | 273,995 | 273,995 | 273,995 | 273,995 | 273,995 | 273,995 | 273,995 | 273,995 | 273,995 | 273,995 | 273,995 |
| 8. True-Up Collected/(Refunded) (see Line 2) | 278,078 | 278,078 | 278,078 | 278,078 | 278,078 | 278,078 | 278,078 | 278,078 | 278,078 | 278,078 | 278,078 | 278,078 | 3,336,936 |
| 9. End of Period Total True-Up (Lines 5 + 6 + 7 + 7a + 8) | (2,876,701) | (2,706,484) | (3,150,814) | (3,718,987) | (3,713,908) | (3,313,620) | (2,850,947) | (2,419,084) | (2,107,489) | (1,866,131) | (1,848,684) | (2,114,933) | (2,114,933) |
| 10. Adjustment to Period True-Up Including Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. End of Period Total Net True-Up (Lines 9 + 10) | (2,876,701) | (2,706,484) | (3,150,814) | (3,718,987) | (3,713,908) | (3,313,620) | (2,850,947) | (2,419,084) | (2,107,489) | (1,866,131) | (1,848,684) | (2,114,933) | (2,114,933) |

EXHIBIT NO. _____
DOCKET NO. 010007-EI
TAMPA ELECTRIC COMPANY
(HTB-1)
DOCUMENT NO. 2
PAGE 1 OF 1
FORM 42-2A
FILED: APRIL 2, 2001