

ORIGINAL

State of Florida



Public Service Commission

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

DATE: April 15, 2002
TO: Division of Economic Regulation (Lee)
FROM: Division of Auditing and Safety (Vandiver)
RE: Docket #020001-EI ; Tampa Electric Company; Audit Purpose: Capacity Clause Audit for twelve months ended Dec. 31, 2001; Audit Control No. 02-044-2-1

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, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Lee L. Willis, Esq.
Ausley Law Firm
P. O. Box 391
Tallahassee, FL 32302

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

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

Tampa District Office

TAMPA ELECTRIC COMPANY

CAPACITY CLAUSE AUDIT

TWELVE-MONTHS ENDED DECEMBER 31, 2001

**DOCKET 020001-EI
AUDIT CONTROL NO. 02-044-2-1**

A handwritten signature in black ink, appearing to read "V. C. Aldridge".

Vincent C. Aldridge, Audit Staff

A handwritten signature in black ink, appearing to read "J. W. Rohrbacher".

Joseph W. Rohrbacher, Audit Manager

A handwritten signature in black ink, appearing to read "James A. McPherson".

James A. McPherson, Tampa District Supervisor

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

MARCH 18, 2002

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, 2001 for Tampa Electric Company. These schedules were prepared by the utility as part of its petition for a Fuel Cost Factor Adjustment in Docket 020001-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 FINDINGS

During the year 2001 TECO paid the Ringhaver company \$6,002,194 for the lease of generation equipment and \$1,557,012 for fuel purchases for peaking capacity.

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 and the internal and external audit workpapers since the previous audit.

DISCLOSURES

Disclosure No. 1

Subject: Capacity Lease Payments

Statement of Fact: Florida Public Service Commission Order No. PSC-01-2516-FOF-EI allowed Tampa Electric Company (TECO) to lease portable generation equipment for peaking capacity. During the year 2001 TECO paid the Ringhaver company \$6,002,194 for the lease of generation equipment and \$1,557,012 for fuel purchases. A total of 25,322 MWH were produced by the Ringhaver units.

The lease amount included charges for the following items:

Site preparation-Hooker's Point	\$ 175,096
Installation-Hooker's Point	2,151,241
Equipment rental-Hooker's Point	2,714,800
Generator operator-Hooker's Point	19,142
Installation generators-Substations	167,100
Containment berm-Substations	64,775
Equipment rental-Substations	697,950
Other misc charges	<u>12,089</u>
	<u>\$ 6,002,194</u>

**TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY ADJUSTMENT
For Months January 2001 through December 2001**

REVISED 2/6/02

Description	REVISED	REVISED	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001
	2000 DEC	2001 JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Capacity Recovery Revenues	\$2,606,421	\$3,266,251	\$2,540,650	\$2,289,147	\$2,402,763	\$2,539,924	\$3,198,505	\$3,204,279	\$3,249,696	\$3,451,016	\$2,719,780	\$2,412,702	\$2,442,049	\$33,716,762
Prior True-up	(839,892)	164,770	164,770	164,770	164,770	164,770	164,770	164,770	164,770	164,770	164,770	164,770	164,770	1,977,239
Capacity Revenue Applicable to Period	1,766,529	3,431,021	2,705,420	2,453,917	2,567,533	2,704,694	3,363,275	3,369,049	3,414,466	3,615,786	2,884,550	2,577,472	2,606,819	35,694,001
Capacity Recovery Expense	1,765,978	2,804,855	2,102,135	2,210,227	2,747,790	4,116,498	4,382,109	5,178,275	3,833,625	3,072,508	3,220,040	2,154,758	2,425,900	38,248,720
True-up This Period	551	626,166	603,285	243,690	(180,257)	(1,411,804)	(1,018,834)	(1,809,226)	(419,159)	543,278	(335,490)	422,714	180,919	(2,554,719)
Interest Provision This Period	5,275	8,127	9,263	9,919	8,665	4,393	(343)	(5,308)	(8,938)	(7,888)	(6,426)	(5,834)	(5,003)	627
True-up & Interest Provision Beginning of Month	542,442	1,388,160	1,857,683	2,305,461	2,394,300	2,057,938	485,757	(698,190)	(2,677,494)	(3,270,361)	(2,899,741)	(3,406,427)	(3,154,317)	1,388,160
Prior True-up Collected/(Refunded)	839,892	(164,770)	(164,770)	(164,770)	(164,770)	(164,770)	(164,770)	(164,770)	(164,770)	(164,770)	(164,770)	(164,770)	(164,770)	(1,977,239)
End of Period Total Net True-up	<u>1,388,160</u>	<u>1,857,683</u>	<u>2,305,461</u>	<u>2,394,300</u>	<u>2,057,938</u>	<u>485,757</u>	<u>(698,190)</u>	<u>(2,677,494)</u>	<u>(3,270,361)</u>	<u>(2,899,741)</u>	<u>(3,406,427)</u>	<u>(3,154,317)</u>	<u>(3,143,171)</u>	<u>(3,143,171)</u>

**TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY ADJUSTMENT
For Months January 2001 through December 2001**

REVISED 2/6/02

	REVISED	REVISED	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	Total
Interest Provision	2000 DEC	2001 JAN	2001 FEB	2001 MAR	2001 APR	2001 MAY	2001 JUN	2001 JUL	2001 AUG	2001 SEP	2001 OCT	2001 NOV	2001 DEC	
Beginning True-up	\$542,442	\$1,388,160	\$1,857,683	\$2,305,461	\$2,394,300	\$2,057,938	\$485,757	(\$698,190)	(\$2,677,494)	(\$3,270,361)	(\$2,899,741)	(\$3,406,427)	(\$3,154,317)	
Ending True-up Amount Before Interest	<u>1,382,885</u>	<u>1,849,556</u>	<u>2,296,198</u>	<u>2,384,381</u>	<u>2,049,273</u>	<u>481,364</u>	<u>(697,847)</u>	<u>(2,672,186)</u>	<u>(3,261,423)</u>	<u>(2,891,853)</u>	<u>(3,400,001)</u>	<u>(3,148,483)</u>	<u>(3,138,168)</u>	
Total Beginning & Ending True-up	<u>\$1,925,327</u>	<u>\$3,237,716</u>	<u>\$4,153,881</u>	<u>\$4,689,842</u>	<u>\$4,443,573</u>	<u>\$2,539,302</u>	<u>(\$212,090)</u>	<u>(\$3,370,376)</u>	<u>(\$5,938,917)</u>	<u>(\$6,162,214)</u>	<u>(\$6,299,742)</u>	<u>(\$6,554,910)</u>	<u>(\$6,292,485)</u>	
Average True-up Amount	<u>\$962,664</u>	<u>\$1,618,858</u>	<u>\$2,076,941</u>	<u>\$2,344,921</u>	<u>\$2,221,787</u>	<u>\$1,269,651</u>	<u>(\$106,045)</u>	<u>(\$1,685,188)</u>	<u>(\$2,969,459)</u>	<u>(\$3,081,107)</u>	<u>(\$3,149,871)</u>	<u>(\$3,277,455)</u>	<u>(\$3,146,243)</u>	
Interest Rate - Last Day of Prior Month	6.650%	6.500%	5.550%	5.150%	5.000%	4.370%	3.940%	3.800%	3.750%	3.470%	2.670%	2.220%	2.040%	
Interest Rate - Last Day of Current Month	6.500%	5.550%	5.150%	5.000%	4.370%	3.940%	3.800%	3.750%	3.470%	2.670%	2.220%	2.040%	1.780%	
Total	<u>13.150%</u>	<u>12.050%</u>	<u>10.700%</u>	<u>10.150%</u>	<u>9.370%</u>	<u>8.310%</u>	<u>7.740%</u>	<u>7.550%</u>	<u>7.220%</u>	<u>6.140%</u>	<u>4.890%</u>	<u>4.260%</u>	<u>3.820%</u>	
Average Interest Rate	<u>6.575%</u>	<u>6.025%</u>	<u>5.350%</u>	<u>5.075%</u>	<u>4.685%</u>	<u>4.155%</u>	<u>3.870%</u>	<u>3.775%</u>	<u>3.610%</u>	<u>3.070%</u>	<u>2.445%</u>	<u>2.130%</u>	<u>1.910%</u>	
Monthly Average Interest Rate	<u>0.548%</u>	<u>0.502%</u>	<u>0.446%</u>	<u>0.423%</u>	<u>0.390%</u>	<u>0.346%</u>	<u>0.323%</u>	<u>0.315%</u>	<u>0.301%</u>	<u>0.256%</u>	<u>0.204%</u>	<u>0.178%</u>	<u>0.159%</u>	
Interest Provision	<u>\$5,275</u>	<u>\$8,127</u>	<u>\$9,263</u>	<u>\$9,919</u>	<u>\$8,665</u>	<u>\$4,383</u>	<u>(\$343)</u>	<u>(\$5,308)</u>	<u>(\$8,938)</u>	<u>(\$7,888)</u>	<u>(\$6,426)</u>	<u>(\$5,834)</u>	<u>(\$5,003)</u>	<u>\$627</u>