

State of Florida



Public Service Commission

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

DATE: June 4, 2002
TO: Division of Economic Regulation (Breman)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: **Docket No.** 020007-EI; Tampa Electric Company; **Audit Purpose:**
Environmental Cost Recovery Clause Audit; **Audit Control No.** 02-032-2-1

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

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

Tampa District Office

TAMPA ELECTRIC COMPANY

ENVIRONMENTAL COST RECOVERY CLAUSE AUDIT

TWELVE MONTHS ENDED DECEMBER 31, 2001

**DOCKET 020007-EI
AUDIT CONTROL NO. 02-032-2-1**

V. Aldridge by JWR

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

MAY 15, 2002

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 historical twelve month period ending December 31, 2001 for Tampa Electric Company. These schedules were prepared by the utility in support of Docket 020007-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

Capital expenditures for the Big Bend 3 FGD Performance Upgrade were overstated by \$44,430.

Utility records show that payroll and related fringe benefit costs in the amount of \$808,605 were capitalized and included in environmental projects during the twelve month period ending December 31, 2001. This is in addition to the \$4,349,427 that were included in prior years ECRC filings.

Gypsum revenue in the amount of \$1,350,067 was credited against O&M costs.

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 Environmental Cost Recovery Clause (ECRC) revenue and agreed to the filing. Recomputed ECRC 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 cost for ECRC projects. Reconciled depreciation rates used by the utility to FPSC approved rates. Recomputed depreciation expense and accumulation and agreed to filing. Recalculated recoverable costs on capital investment. Verified that the utility is retiring the installed costs of replaced units of property and is not capitalizing the replacement cost of minor items of depreciable property.

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

DISCLOSURES

Disclosure No. 1

Subject: Overstated Capital Expenditures

Statement of Fact: The utility overstated the capitalized project costs of the Big Bend 3 FGD Performance Upgrade by \$44,430 in the 2001 Environmental Cost Recovery Clause filing. The utility later determined that these costs were not eligible for recovery through the (ECRC).

In addition, a keying error in the amount of (\$1,000) was made in the September 2001 filing.

The capitalized costs included in the ECRC filing for the twelve months ended December 31, 2001 was therefore overstated by a net amount of \$43,430 (\$44,430 - \$1,000).

Recommendation: The \$43,430 overstated capital expenditures has an immaterial effect on the ECRC recovery factors. The Utility staff stated they will adjust the May 2002 filing for this amount. Therefore, no recommendation is made to adjust the 2001 filing.

Disclosure No. 2

Subject: Capitalized Payroll Costs

Statement of Fact: Utility records show that payroll and related fringe benefit costs in the amount of \$808,605 were capitalized and included in environmental projects during the twelve month period ending December 31, 2001. This is in addition to the \$4,349,427 in payroll and benefit costs that have been included in prior years Environmental Cost Recovery Clause filings.

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

Disclosure No. 3

Subject: Gypsum Revenues

Statement of Fact: Gypsum is a by-product of the Big Bend 1 & 2 Scrubber operations undertaken by Tampa Electric Company (TECO) in compliance with the Clean Air Act. TECO sells the gypsum to third parties.

TECO is recovering all related capital and O&M costs related to the BB 1&2 Scrubber through the Environmental Cost Recovery Clause. Since gypsum revenues are directly related to the BB 1&2 Scrubber they should flow back through the ECRC as a credit against expenses.

For the twelve months ended December 31, 2001 gypsum revenues recorded in the ECRC filing totaled \$1,350,067.

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 2001 to December 2001

Form 42 - 2A

Current Period True-Up Amount
(in Dollars)

Line	Actual Jan-01	Actual Feb-01	Actual Mar-01	Actual Apr-01	Actual May-01	Actual Jun-01	Actual Jul-01	Actual Aug-01	Actual Sep-01	Actual Oct-01	Actual Nov-01	Actual Dec-01	End of Period Total
1. ECRC Revenues (net of Revenue Taxes)	\$2,628,507	\$2,116,894	\$1,978,434	\$2,018,286	\$2,133,503	\$2,590,128	\$2,506,601	\$2,606,872	\$2,763,437	\$2,266,506	\$2,047,557	\$1,974,293	\$27,631,018
2. True-Up Provision	(232,722)	(232,722)	(232,722)	(232,722)	(232,722)	(232,722)	(232,722)	(232,722)	(232,722)	(232,722)	(232,722)	(232,718)	(2,792,660)
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	2,395,785	1,884,172	1,745,712	1,785,564	1,900,781	2,357,406	2,273,879	2,374,150	2,530,715	2,033,784	1,814,835	1,741,575	24,838,358
4. Jurisdictional ECRC Costs													
a. O & M Activities (Form 42-5A, Line 9)	586,407	241,834	662,198	253,177	562,555	624,203	717,091	634,074	575,125	587,457	820,828	1,335,985	7,600,934
b. Capital Investment Projects (Form 42-7A, Line 9)	1,438,053	1,451,120	1,432,209	1,434,291	1,450,630	1,509,027	1,532,902	1,547,831	1,588,609	1,583,118	1,609,751	1,604,269	18,181,810
c. Total Jurisdictional ECRC Costs	2,024,460	1,692,954	2,094,407	1,687,468	2,013,185	2,133,230	2,249,993	2,181,905	2,163,734	2,170,575	2,430,579	2,940,254	25,782,744
5. Over/Under Recovery (Line 3 - Line 4c)	371,325	191,218	(348,695)	98,096	(112,404)	224,176	23,886	192,245	366,981	(136,791)	(615,744)	(1,198,679)	(944,386)
6. Interest Provision (Form 42-3A, Line 10)	(9,101)	(5,834)	(4,906)	(4,124)	(2,892)	(1,777)	(615)	436	1,684	2,055	1,541	307	(23,226)
7. Beginning Balance True-Up & Interest Provision	(2,792,660)	(2,197,714)	(1,779,608)	(1,900,487)	(1,573,793)	(1,456,367)	(1,001,246)	(745,253)	(319,850)	281,537	379,523	(1,958)	(2,792,660)
a. Deferred True-Up from January to December 2000 (Order No. PSC-01-2463-FOF-EI)	677,727	677,727	677,727	677,727	677,727	677,727	677,727	677,727	677,727	677,727	677,727	677,727	677,727
8. True-Up Collected/(Refunded) (see Line 2)	232,722	232,722	232,722	232,722	232,722	232,722	232,722	232,722	232,722	232,722	232,722	232,718	2,792,660
9. End of Period Total True-Up (Lines 5 + 6 + 7 + 7a + 8)	(1,519,987)	(1,101,881)	(1,222,760)	(896,066)	(778,640)	(323,519)	(67,526)	357,877	959,264	1,057,250	675,769	(289,885)	(289,885)
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)	(\$1,519,987)	(\$1,101,881)	(\$1,222,760)	(\$896,066)	(\$778,640)	(\$323,519)	(\$67,526)	\$357,877	\$959,264	\$1,057,250	\$675,769	(\$289,885)	(\$289,885)

EXHIBIT NO. _____
DOCKET NO. 020007-EI
TAMPA ELECTRIC COMPANY
(HTB-1)
DOCUMENT NO. 2
PAGE 1 OF 1
FORM 42-2A
FILED: APRIL 1, 2002