

State of Florida



Public Service Commission  
-M-E-M-O-R-A-N-D-U-M-

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**DATE:** April 25, 2003  
**TO:** Division of Economic Regulation (Bohrman)  
**FROM:** Division of Auditing and Safety (Vandiver)  
**RE:** **Docket No.** 030001-EI; **Company Name:** Tampa Electric Company; **Audit Purpose:** Fuel and PURchased Power Cost Recovery Clause and Generation Performance Incentive Factor; **Audit Control No.** 03-034-2-1

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

DOCUMENT NUMBER 030001-EI

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**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF AUDITING AND SAFETY*

*BUREAU OF AUDITING*


*TAMPA DISTRICT OFFICE*


**TAMPA ELECTRIC COMPANY**

**FUEL COST RECOVERY CLAUSE AUDIT**

**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

**DOCKET NO. 030001-EI**  
**AUDIT CONTROL NO.: 03-034-2-1**

  
***Simon O. Ojada, Audit Manager***

  
***James A. McPherson, Tampa District Supervisor***

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

**APRIL 15, 2003**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the Fuel and Purchased Power Cost Recovery Clause (Fuel Clause) schedules for the twelve month period ended December 31, 2003 prepared by Tampa Electric Company. These schedules were prepared by the utility in support of Docket No. 030001-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 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.

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**Fuel Revenue:** Compiled general ledger revenue accounts for all customer classes on a monthly basis for the twelve month audit period and agreed them to the Fuel and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor (Fuel Clause) final true-up filing. Recomputed fuel revenues using FPSC approved rate factors and company provided KWH sales. Verified two months of customer bills, from each rate schedule, for compliance to factors approved by PSC Order No. 01-2516-FOF-EI.

**Fuel Cost of System Net Generation:** Compiled applicable general ledger accounts for recoverable fuel expense on a monthly basis for the twelve month period and agreed to the Fuel Clause filing. Verified judgmentally selected coal, oil and natural gas purchases to invoices and agreed to supporting contracts. Recomputed and analyzed recoverable Fuel Costs for coal, No. 2 oil, No. 6 oil, natural gas and fuel additive. Recomputed ignition expense using No. 2 and No. 6 oil. Recalculated and traced coal inventory adjustments to the general ledger. Verified that the inventory adjustments were used in determination of generating costs. Reconciled net generation and fuel burned on the monthly schedule A-4 for GPIF units with annual GPIF filings. Recalculated monthly amortization of Peabody coal contract buy-out and calculated jurisdictional portion thereof.

**Total Cost of Purchased Power:** Tested the Fuel filing schedules A-6 (Power Sold), A-7 (Purchased Power- Firm), A-8 (Payments to Qualified Facilities - QF's) and A-9 (Economy Purchases) by tracing and/or reconciling several judgmentally selected months to original invoices. Determined that Energy payments to QFs are based on the appropriate negotiated contract price. Verified utility's compliance to the regulatory treatment for wholesale energy sold to the Florida Municipal Power Agency. Reconciled payments for wholesale energy transactions between the fuel clause and the general ledger. Compiled schedule A-5 barrels and dollar amounts purchased to Form 423 barrels and amounts purchased for light oil and heavy oil.

**True-up:** Compiled Fuel True-up. Agreed amounts to be collected for prior period underrecovery to the amounts authorized by the FPSC. Agreed generating performance incentive factor (GPIF) to the appropriate FPSC order. Verified interest rates used by the utility.

**Other:** Read Tampa Electric Board of Director's minutes since the previous audit. Verified Service hours, reserve shutdown hours, and unavailable hours for GPIF units as shown on annual GPIF filings to source documents.

**Disclosure No. 1****Subject:** Reconciliation of Fuel Purchases per Schedule A-5 to Form 423

**Statement of Fact:** For light and heavy oil, Schedule A-5 barrels purchased agreed to Form 423 barrels purchased. The dollar amounts on Schedule A-5 and Form 423 differed, but were reconciled. According to the company representative, not all fuel purchased in a month is paid for during the month, therefore, the company accrues the fuel amount at a weighted average on the Schedule A-5. The accrued amount is reversed the following month when the actual invoices are received. Since the Form 423 is prepared approximately one month after the A-5, all the invoices would have been received and therefore the actual dollar amounts are used.

Coal tons and dollar amount purchased on the Schedule A-5 did not agree to the Form 423. According to the company representative, the tons on the A-5 are those which were delivered to the generating stations from the bulk terminal transfer facility for consumption, whereas the 423 tons are those which were purchased during the reporting month which may be at, or in transit to or from the bulk terminal and not yet delivered to the power stations. Therefore, the tons purchased during a given month are not the same as delivered to the power stations from the bulk terminal for consumption.

**Recommendation:** For information purposes only.

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
TAMPA ELECTRIC COMPANY  
MONTH OF: DECEMBER 2002

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
<b>C. TRUE-UP CALCULATION</b>								
1. JURISDICTIONAL FUEL REVENUE	43,209,813	44,176,193	(966,380)	-2.2%	579,972,895	585,250,619	(5,277,724)	-0.9%
2. FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0%	0	0	0	0.0%
2a. TRUE-UP PROVISION	(7,389,390)	(7,389,390)	0	0.0%	(88,672,735)	(88,672,735)	0	0.0%
2b. INCENTIVE PROVISION	(91,250)	(91,250)	0	0.0%	(1,094,956)	(1,094,956)	0	0.0%
2c. TRANSITION ADJUSTMENT	0	0	0	0.0%	0	0	0	0.0%
2d. OTHER ADJUSTMENT	0	0	0	0.0%	0	0	0	0.0%
3. JURIS. FUEL REVENUE APPL. TO PERIOD	35,729,173	36,695,553	(966,380)	-2.6%	490,205,204	495,482,928	(5,277,724)	-1.1%
4. ADJ. TOTAL FUEL & NET PWR. TRANS. (LINE A7)	43,692,214	33,642,490	10,049,724	29.9%	523,259,217	524,987,155	(1,727,938)	-0.3%
5. JURISDIC. SALES- % TOTAL MWH SALES (LINE B4)	0.9737077	0.9737083	(0.0000006)	0.0%	NA	NA	-	0.0%
6. JURISDIC. TOTAL FUEL & NET PWR. TRANS.	42,543,444	32,757,972	9,785,472	29.9%	508,468,091	492,141,654	16,326,437	3.3%
6a. JURISDIC. LOSS MULTIPLIER	1.00066	1.00066	0.00000	0.0%	NA	NA	-	0.0%
6b. (LINE C6 x LINE C6a)	42,571,523	32,779,592	9,791,931	29.9%	508,803,680	492,466,467	16,337,213	3.3%
6c. PEABODY COAL CONTR. BUY-OUT AMORT.	287,383	287,383	0	0.0%	3,615,631	3,615,631	0	0.0%
6d. (LINE C6c x LINE C5) PB. JURISD.	279,827	279,827	0	0.0%	3,518,281	3,390,659	127,622	3.8%
6e. 1999 REVENUE REFUND ADJ	(254,359)	0	(254,359)	0.0%	(254,359)	0	(254,359)	0.0%
6f. OTHER	0	0	0	0.0%	0	0	0	0.0%
6g. OTHER	0	0	0	0.0%	0	0	0	0.0%
6h. JURISDIC. TOTAL FUEL & NET PWR INCL. ALL ADJ. (LNS. C6b+C6d+C6e+C6f+C6g)	42,596,991	33,059,419	9,537,572	28.8%	512,067,602	495,857,126	16,210,476	3.3%
7. TRUE-UP PROV. FOR MO. +/- COLLECTED (LINE C3 - LINE C6h)	(6,867,818)	3,636,134	(10,503,952)	-288.9%	(21,862,398)	(374,198)	(21,488,200)	5742.5%
8. INTEREST PROVISION FOR THE MONTH	(34,618)	(25,039)	(9,579)	38.3%	(981,360)	(1,657,379)	676,019	-40.8%
9. TRUE-UP & INT. PROV. BEG. OF MONTH	(32,314,872)	(13,032,062)	(19,282,810)	148.0%	-----NOT APPLICABLE-----			
10. TRUE-UP COLLECTED (REFUNDED)	7,389,390	7,389,390	(0)	0.0%	-----NOT APPLICABLE-----			
11. END OF PERIOD TOTAL NET TRUE-UP (LINE C7 through C10)	(31,827,918)	(2,031,577)	(29,796,341)	1466.7%	-----NOT APPLICABLE-----			

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