

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 30, 2004
TO: Lee Colson, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DNV*
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.** 040002-EG ; **Company Name:** Tampa Electric Co. ; **Audit Purpose:** Energy Conservation Cost Recovery Audit ;
Audit Control No. 04-070-2-2

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 Regulatory Compliance and Consumer Assistance (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

Ms. Angela Llewellyn, Administrator,
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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING*

Tampa District Office

TAMPA ELECTRIC COMPANY

ENERGY CONSERVATION COST RECOVERY AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003

**Docket Number 040002-EG
Audit Control Number 04-070-2-2**

A handwritten signature in black ink that reads "Tom Stambaugh".

**Thomas E. Stambaugh
Audit Staff**

A handwritten signature in black ink that reads "Joe W. Rohrbacher".

**Joseph W. Rohrbacher
Tampa District Supervisor**

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

JUNE 17, 2004

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the Energy Conservation Cost Recovery (ECCR) schedules for the twelve month period ended December 31, 2003 for Tampa Electric Company. These schedules were prepared by the utility in support of Docket No. 040002-EG. 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.

REVENUES: Compiled Energy Conservation Cost Recovery (ECCR) revenue and agreed to the filing. Recomputed revenues using approved FPSC rate factors and company provided KWH sales. Verified two months of customer bills, from each rate schedule, for compliance to factors approved by FPSC Order No. PSC-02-1738-FOF-EG.

EXPENSES: Compiled ECCR expenses and agreed to the filing. Scheduled expenses by program and by categories of expense. Verified the calculation of Depreciation and Return on Investment for the Prime Time program. Judgementally tested advertising charges to verify that they were properly recoverable through the ECCR and did not compare electric vs. gas technologies. Prepared a schedule of salaries and benefits for supervisory, operational, and office personnel by program. Identified conservation programs that exceeded the budgeted amount by 5% or more. Determined which expenses were over budget in selected programs and tested same.

TRUE-UP: Recomputed ECCR true-up and interest calculation using FPSC approved beginning of period amounts and interest rates.

OTHER: Ascertained that the utility's accounting procedures are consistent with FPSC Rule 25-17.015, F.A.C. for Energy Conservation Cost Recovery. Verified that the KWH and KW savings reported in TECO's 2003 Demand Side Management Annual Report were calculated according to Commission Order and that each conservation program complies with the Commission's cost effective tests.

Disclosure No. 1

Subject: ECCR Adjustments

Statement of Fact: In March there was an adjustment to KWH sales on a time of day account which was reflected in the General Ledger Revenues but not on the ECCR Schedule CT-3, p. 2. Consequently, the ECCR revenues were overstated by \$5,100.

The utility uses an outside company, Xenergy, to facilitate its mail-in and on-line energy audits. In June 2003 taxes were paid on a Xenergy invoice under the assumption that the printed material that Xenergy produced to process information for the mail-in audit was received by Tampa Electric.

After further review, it has been determined that Tampa Electric is only purchasing information from the results of the surveys that Xenergy produces and processes. Sales tax is not due on services, therefore, the utility is due a refund. The amount of the tax paid was \$8,632.

In addition, the utility leases three billboards to promote its Home Energy Check Conservation Program. During 2003 twelve monthly payments of \$8,250 were recorded in the ECCR filing. In December 2003 an additional payment of \$25,680 was recorded for the January - March 2004 billboard rental. This overstated the 2003 ECCR expenses.

Auditor Opinion: Utility staff stated an adjustment will be made in the June 2004 filing to correct the overstated revenues and remove the taxes charged. The prepayment on the billboards should catch up in the 2004 ECCR filing. Once these adjustments are made, Conservation revenues will decrease by \$5,100 and expenses will decrease \$8,632.

Accept the company's corrections in the 2004 filing.

Disclosure No. 2

Subject: Advertising Expenses - Sponsorship Agreement

Statement of Fact: In January 2001 TECO Energy, Inc. entered into an agreement with Tampa Bay Arena, L.P. for promotional services with the Tampa Bay Lightning, a hockey team, and the Ice Palace, now called The St. Pete Times Forum. The term of this agreement began January 26, 2001 and ends January 26, 2006. The Master Agreement outlined the services to be provided by Tampa Bay Arena.

The sponsorship package includes radio and TV commercial time, signage in the arena, print and web site advertisement. Also included are non ECCR related items such as: sponsor mention on television and public address announcements for Lightning games, VIP tickets and parking at home games, receptions, giveaways for hockey and other arena events, player appearances and community affairs. The sponsorship was packaged at a discount from individually priced services.

The cost for these services was \$375,856 for the year 2003, which was split evenly between TECO Energy, Tampa Electric Company and Peoples Gas System at \$125,285 each. Tampa Electric's share was charged to the Energy Conservation Cost Recovery Clause (ECCR). Based on the Ice Palace price list the total retail value of the sponsorship package was \$602,525.

Opinion: It is the auditors opinion that only a proportionate amount of the cost applicable to the ECCR items should be recovered through the clause. An analysis of the services to be provided under the agreement determined that approximately 50 percent of the services are ECCR related and 50 percent should be considered non ECCR expenses. The ECCR costs should be split equally between Tampa Electric Company and Peoples Gas System.

| | |
|----------------------|--------------------|
| Total cost for 2002 | <u>\$375,856</u> |
| 50% ECCR | <u>187,928</u> |
| Tampa Electric share | 93,964 |
| Tampa Electric paid | <u>125,285</u> |
| Difference | <u>(\$ 31,321)</u> |

Tampa Electric's opinion is that if Tampa Electric received at least retail value for its advertising dollars it should recover the total cost through the ECCR clause. In 2003 Tampa Electric received \$193,812 of retail value advertising for its \$125,285 share of total costs.

Recommendation: Information is provided to staff for determination of ECCR allocations. No adjustment was made to the ECCR filing in the audit.

TAMPA ELECTRIC COMPANY
Actual Conservation Program Costs per Program
Actual for Months January 2003 through December 2003

| Program Name | Capital Investment | Payroll & Benefits | Materials & Supplies | Outside Services | Advertising | Incentives | Vehicles | Other | Program Revenues | Total |
|-------------------------------|--------------------|--------------------|----------------------|------------------|----------------|-------------------|----------------|----------------|------------------|-------------------|
| 1 Heating and Cooling | 0 | 77,296 | 13 | 28,964 | 38,273 | 641,900 | 188 | 5,841 | 0 | 792,475 |
| 2 Prime Time | 1,869,778 | 696,104 | 119,499 | 169,776 | 41,304 | 8,772,219 | 44,580 | 51,742 | 0 | 11,765,002 |
| 3 Energy Audits | 0 | 768,732 | 6,930 | 460,336 | 343,801 | 0 | 44,657 | 43,524 | (2,235) | 1,665,745 |
| 4 Cogeneration | 0 | 202,708 | 0 | 0 | 0 | 0 | 1,267 | 1,713 | 0 | 205,688 |
| 5 Ceiling Insulation | 0 | 148,397 | 0 | 6,249 | 9,414 | 318,380 | 4,271 | 3,713 | 0 | 490,424 |
| 6 Commercial Load Management | 0 | 5,460 | 0 | 1,344 | 0 | 7,100 | 472 | 0 | 0 | 14,376 |
| 7 Commerical Indoor Lighting | 0 | 6,757 | 0 | 0 | 7,306 | 108,269 | 253 | 0 | 0 | 122,585 |
| 8 Standby Generator | 0 | 26,535 | 1,341 | 0 | 0 | 702,900 | 1,847 | 0 | 0 | 732,623 |
| 9 Conservation Value | 0 | 5,729 | 27 | 0 | 0 | 48,088 | 42 | 0 | 0 | 53,886 |
| 10 Duct Repair | 0 | 166,027 | 317 | 9,692 | 178,446 | 992,621 | 10,003 | 14,494 | 0 | 1,371,600 |
| 11 Green Pricing Initiative | 0 | 20,117 | 449 | 16,819 | 0 | 0 | 38 | 220 | 0 | 37,643 |
| 12 Industrial Load Management | 0 | 1,035 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,035 |
| 13 DSM R&D | 0 | 7,141 | 9,395 | 14,725 | 0 | 0 | 324 | 0 | 0 | 31,585 |
| 14 Common Expenses | 0 | 156,912 | 0 | 0 | 0 | 0 | 26 | 51 | 0 | 156,989 |
| 15 Commercial Cooling | 0 | 1,019 | 0 | (11) | 2,935 | 54,305 | 0 | 0 | 0 | 58,248 |
| 16 Energy Plus Homes | <u>0</u> | <u>489</u> | <u>0</u> | <u>11</u> | <u>17,369</u> | <u>1,100</u> | <u>1</u> | <u>0</u> | <u>0</u> | <u>18,970</u> |
| 17 Total All Programs | <u>1,869,778</u> | <u>2,290,458</u> | <u>137,971</u> | <u>707,905</u> | <u>638,848</u> | <u>11,646,882</u> | <u>107,969</u> | <u>121,298</u> | <u>(2,235)</u> | <u>17,518,874</u> |

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EXHIBIT NO. _____
 DOCKET NO. 040002-EG
 TAMPA ELECTRIC COMPANY
 (HTB-1)
 SCHEDULE CT-2
 PAGE 2 OF 4

TAMPA ELECTRIC COMPANY
Energy Conservation Adjustment
Calculation of True-up and Interest Provision
For Months January 2003 through December 2003

| Description | January | February | March | April | May | June | July | August | September | October | November | December | Total |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| 1 Residential Conservation Audit Fees (A) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 Conservation Adjustment Revenues * | 1,445,659 | 1,331,012 | 1,197,345 | 1,286,775 | 1,526,619 | 1,639,169 | 1,687,282 | 1,694,868 | 1,697,003 | 1,568,740 | 1,375,235 | 1,344,967 | 17,794,674 |
| 3 Total Revenues | 1,445,659 | 1,331,012 | 1,197,345 | 1,286,775 | 1,526,619 | 1,639,169 | 1,687,282 | 1,694,868 | 1,697,003 | 1,568,740 | 1,375,235 | 1,344,967 | 17,794,674 |
| 4 Prior Period True-up | <u>94,891</u> | <u>94,891</u> | <u>94,891</u> | <u>94,891</u> | <u>94,891</u> | <u>94,891</u> | <u>94,891</u> | <u>94,891</u> | <u>94,891</u> | <u>94,891</u> | <u>94,891</u> | <u>94,891</u> | <u>1,138,692</u> |
| 5 Conservation Revenue Applicable to Period | 1,540,550 | 1,425,903 | 1,292,236 | 1,381,666 | 1,621,510 | 1,734,060 | 1,782,173 | 1,789,759 | 1,791,894 | 1,663,631 | 1,470,126 | 1,439,858 | 18,933,366 |
| 6 Conservation Expenses | <u>1,428,941</u> | <u>1,572,331</u> | <u>1,469,240</u> | <u>1,265,875</u> | <u>1,410,113</u> | <u>1,463,730</u> | <u>1,478,236</u> | <u>1,354,144</u> | <u>1,370,677</u> | <u>1,392,935</u> | <u>1,609,554</u> | <u>1,703,098</u> | 17,518,874 |
| 7 True-up This Period (Line 5 - Line 6) | 111,609 | (146,428) | (177,004) | 115,791 | 211,397 | 270,330 | 303,937 | 435,615 | 421,217 | 270,696 | (139,428) | (263,240) | 1,414,492 |
| 8 Interest Provision This Period | 1,227 | 1,088 | 788 | 649 | 725 | 802 | 905 | 1,180 | 1,474 | 1,697 | 1,615 | 1,381 | 13,531 |
| 9 True-up & Interest Provision Beginning of Period | 1,138,692 | 1,156,637 | 916,406 | 645,299 | 666,848 | 784,079 | 960,320 | 1,170,271 | 1,512,175 | 1,839,975 | 2,017,477 | 1,784,773 | 1,138,692 |
| 10 Prior Period True-up Collected (Refunded) | <u>(94,891)</u> | <u>(94,891)</u> | <u>(94,891)</u> | <u>(94,891)</u> | <u>(94,891)</u> | <u>(94,891)</u> | <u>(94,891)</u> | <u>(94,891)</u> | <u>(94,891)</u> | <u>(94,891)</u> | <u>(94,891)</u> | <u>(94,891)</u> | <u>(1,138,692)</u> |
| 11 End of Period Total Net True-up | <u>1,156,637</u> | <u>916,406</u> | <u>645,299</u> | <u>666,848</u> | <u>784,079</u> | <u>960,320</u> | <u>1,170,271</u> | <u>1,512,175</u> | <u>1,839,975</u> | <u>2,017,477</u> | <u>1,784,773</u> | <u>1,428,023</u> | <u>1,428,023</u> |

* Net of Revenue Taxes

(A) Included in Line 6