

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: April 11, 2005
TO: Todd Bohrmann, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DN*
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.** 050001-EI ; **Company Name:** Tampa Electric Company ;
Audit Purpose: Fuel Adjustment Clause ; **Audit Control No.** 05-028-2-1

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 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, Regulatory Coordination
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DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING
TAMPA DISTRICT OFFICE

TAMPA ELECTRIC COMPANY
FUEL COST RECOVERY CLAUSE AUDIT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

DOCKET NO. 050001-EI
AUDIT CONTROL NO.: 05-028-2-1



Simon O. Ojada, Audit Manager



Joseph W. Rohrbacher, Tampa District Supervisor

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

MARCH 28, 2005

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, 2004 for Tampa Electric Company. These schedules were prepared by the utility in support of Docket No. 050001-EI. No confidential information is 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.

Fuel Revenue: Compiled general ledger revenue accounts for all customer classes for each of the twelve months of the audit period. Agreed the accounts to the Fuel and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor 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 FPSC Order No. PSC-03-1461-FOF-EI.

Fuel Cost of System Net Generation: Compiled applicable general ledger accounts for recoverable fuel expense for each of the twelve months of the audit period. Agreed the accounts to the Fuel Clause filing. Verified judgmentally selected coal, oil and natural gas purchases to invoices and agreed to supporting documents. 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 and jurisdictional portion of Peabody coal contract buy-out. Verified that the Company has credited vendor rebates and refunds to its recoverable fuel costs.

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 selected months to original invoices. Determined that Energy payments to QFs are based on the appropriate negotiated contract price. Reconciled schedule A-5 amounts and dollars to Form 423 amounts and dollars for June, July, and August 2004.

True-up: Compiled Fuel True-up. Agreed amounts to be collected for prior period under recovery 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: Verified service hours, reserve shutdown hours, and unavailable hours for GPIF units as shown on annual GPIF filings to source documents. Confirmed and recalculated the regulatory assessment fee (RAF) return using the approved rate. Traced revenues reported on the RAF to the general ledger. Reconciled revenues from sales of natural gas transportation capacity on the secondary market between the general ledger and the fuel clause. Verified that accounting treatment for futures, options, and swap contracts are consistent with Order No. PSC-02-1484-FOF-EI. Verified that the treatment of gains (losses) associated with financial hedging are consistent with Order No. PSC-02-1484-FOF-EI.

COMPARISON OF ESTIMATED AND ACTUAL
FUEL AND PURCHASED POWER COST RECOVERY FACTOR
TAMPA ELECTRIC COMPANY

PERIOD TO DATE THROUGH: DECEMBER 2004

	\$		DIFFERENCE		MWH		DIFFERENCE		CENTS/KWH		DIFFERENCE	
	ACTUAL	ESTIMATED	AMOUNT	%	ACTUAL	ESTIMATED	AMOUNT	%	ACTUAL	ESTIMATED	AMOUNT	%
1. Fuel Cost of System Net Generation (A3)	803,838,834	825,448,633	(21,809,799)	-3.5%	17,501,595	19,250,235	(1,748,640)	-9.1%	3.44605	3.24904	0.20001	6.2%
2. Spent Nuclear Fuel Disposal Cost	0	0	0	0.0%	0	0	0	0.0%	0.00000	0.00000	0.00000	0.0%
3. Coal Car Investment	0	0	0	0.0%	0	0	0	0.0%	0.00000	0.00000	0.00000	0.0%
4a. Adj. to Fuel Cost (FLMeads/Wauch. Wheeling Losses)	(79,149)	(72,000)	(7,149)	9.9%	17,501,595 (a)	19,250,235 (a)	(1,748,640)	-9.1%	(0.00045)	(0.00037)	(0.00008)	20.8%
4b. Adjustments to Fuel Cost	(1,855)	0	(1,855)	0.0%	17,501,595 (a)	19,250,235 (a)	(1,748,640)	-9.1%	(0.00001)	0.00000	(0.00001)	0.0%
4c. Adjustments to Fuel Cost	210,045	280,847	(70,802)	-25.2%	17,501,595 (a)	19,250,235 (a)	(1,748,640)	-9.1%	0.00120	0.00146	(0.00026)	-17.7%
5. TOTAL COST OF GENERATED POWER (Lines 1 through 4c)	803,768,073	825,657,480	(21,889,405)	-3.5%	17,501,595	19,250,235	(1,748,640)	-9.1%	3.44879	3.25013	0.19866	6.1%
6. Fuel Cost of Purchased Power - Firm (A7)	111,328,821	46,121,600	65,207,221	141.4%	2,056,551	862,113	1,194,438	138.5%	5.41338	5.34983	0.06354	1.2%
7. Energy Cost of Sch. C,X Econ. Purch. (Broker) (A9)	0	0	0	0.0%	0	0	0	0.0%	0.00000	0.00000	0.00000	0.0%
8. Energy Cost of Other Econ. Purch. (Non-Broker) (A9)	0	0	0	0.0%	0	0	0	0.0%	0.00000	0.00000	0.00000	0.0%
9. Energy Cost of Sch. E Economy Purchases (A9)	0	0	0	0.0%	0	0	0	0.0%	0.00000	0.00000	0.00000	0.0%
10. Capacity Cost of Sch. E Economy Purchases	0	0	0	0.0%	0 (a)	0 (a)	0	0.0%	0.00000	0.00000	0.00000	0.0%
11. Payments to Qualifying Facilities (A8)	13,870,315	13,185,200	705,115	5.4%	509,893	455,607	54,286	11.9%	2.72024	2.88960	(0.16836)	-5.9%
12. TOTAL COST OF PURCHASED POWER (Lines 6 through 11)	125,199,136	59,286,800	65,912,336	111.2%	2,566,444	1,317,720	1,248,724	94.8%	4.87631	4.49920	0.37712	8.4%
13. TOTAL AVAILABLE KWH (LINE 5 + LINE 12)					20,068,039	20,567,955	(499,916)	-2.4%				
14. Fuel Cost of Sch. D Jurisd. Sales (A6)	875,168	618,700	256,468	8.1%	20,915	23,718	(2,803)	-11.8%	3.22815	2.60857	0.61958	23.8%
15. Fuel Cost of Sch. OATT Jurisd. Sales (A8)	(491,033)	0	(491,033)	0.0%	(17,353)	0	(17,353)	0.0%	2.82967	0.00000	2.82967	0.0%
16. Fuel Cost of Other Sales (A5)	0	0	0	0.0%	0	0	0	0.0%	0.00000	0.00000	0.00000	0.0%
17. Fuel Cost of Market Based Sales (A6)	3,126,484	12,648,200	(9,521,716)	-75.3%	85,560	280,272	(194,712)	-69.5%	3.65412	4.51212	(0.85800)	-19.0%
18. Gains on Market Based Sales	783,203	1,945,500	(1,162,297)	-59.7%								
19. TOTAL FUEL COST AND GAINS OF POWER SALES (LINE 14 + 15 + 16 + 17 + 18)	4,083,802	15,210,400	(11,126,598)	-73.1%	89,122	303,990	(214,868)	-70.7%	4.59348	5.00359	(0.41010)	-8.2%
20. Net Inadvertent Interchange					1,297	0	1,297	0.0%				
21. Wheeling Rec'd. less Wheeling Del'vd.					34,288	0	34,288	0.0%				
22. Interchange and Wheeling Losses					34,677	6,200	28,477	459.3%				
23. TOTAL FUEL AND NET POWER TRANSACTIONS (LINE 5 + 12 - 19 + 20 + 21 - 22)	724,873,409	669,733,880	55,139,529	8.2%	19,979,825	20,257,765	(277,940)	-1.4%	3.62803	3.30606	0.32197	9.7%
24. Net Unbilled	334,833 (a)	178,245 (a)	156,588	87.9%	12,149	(7,443)	19,592	-263.2%	2.75688	(2.39480)	5.15168	-215.1%
25. Company Use	1,370,882 (a)	1,681,375 (a)	(290,693)	-17.5%	38,130	50,400	(12,270)	-24.3%	3.59476	3.29638	0.29838	9.1%
26. T & D Losses	33,569,154 (a)	30,704,340 (a)	2,864,814	9.4%	921,502	635,194	286,308	-1.5%	3.64613	3.28321	0.36292	11.1%
27. System KWH Sales	724,873,409	669,733,880	55,139,529	8.2%	19,008,044	19,279,814	(271,570)	-1.4%	3.81351	3.47379	0.33972	9.8%
28. Wholesale KWH Sales	(21,994,511)	(17,839,129)	(4,155,382)	23.3%	(575,483)	(510,729)	(64,754)	12.7%	3.82192	3.48288	0.32905	9.4%
29. Jurisdictional KWH Sales	702,878,898	651,894,751	50,984,147	7.8%	18,432,561	18,768,885	(336,324)	-1.8%	3.81325	3.47327	0.33997	9.8%
30. Jurisdictional Loss Multiplier - 1.00114									1.00114	1.00114	0.00000	0.0%
31. Jurisdictional KWH Sales Adjusted for Line Losses	703,680,181	652,635,471	51,044,710	7.8%	18,432,561	18,768,885	(336,324)	-1.8%	3.81759	3.47722	0.34037	9.8%
32. Peabody Coal Contract Buy-Out Amort. Jurisd.	2,799,823	2,810,037	(10,214)	-0.4%	18,432,561	18,768,885	(336,324)	-1.8%	0.01519	0.01497	0.00022	1.5%
33. Gannon O&M Offset Credit Per FPSC Decision 11/14/03	0	(8,418,800)	8,418,800	-100.0%	18,432,561	18,768,885	(336,324)	-1.8%	0.00000	(0.04484)	0.04484	-100.0%
34. Waterborne Transportation Refund Per FPSC Decision 9/21/04	(13,426,496)	0	(13,426,496)	0.0%	18,432,561	18,768,885	(336,324)	-1.8%	(0.07284)	0.00000	(0.07284)	0.0%
35. True-up *	91,007,445	91,007,445	0	0.0%	18,432,561	18,768,885	(336,324)	-1.8%	0.49373	0.48488	0.00885	1.8%
36. Total Jurisdictional Fuel Cost (Excl. GPIF)	784,000,953	738,036,153	46,024,800	6.2%	18,432,561	18,768,885	(336,324)	-1.8%	4.25367	3.93223	0.32144	8.2%
37. Revenue Tax Factor									1.00072	1.00072	0.00000	0.0%
38. Fuel Cost Adjusted for Taxes (Excl. GPIF)									4.25674	3.93506	0.32168	8.2%
39. GPIF* (Already Adjusted for Taxes)	(2,496,021)	(2,496,021)	0	0.0%	18,432,561	18,768,885	(336,324)	-1.8%	(0.01354)	(0.01330)	(0.00024)	1.8%
40. Fuel Cost Adjusted for Taxes (Incl. GPIF)	781,504,932	735,540,132	46,024,800	6.3%	18,432,561	18,768,885	(336,324)	-1.8%	4.24320	3.92176	0.32144	8.2%
41. Fuel FAC Rounded to the Nearest .001 cents per KWH									4.243	3.922	0.321	8.2%

* Based on Jurisdictional Sales (a) Included for informational purposes only

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CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: DECEMBER 2004

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
C. TRUE-UP CALCULATION								
1. 1. JURISDICTIONAL FUEL REVENUE	56,379,920	58,307,019	(1,927,099)	-3.3%	717,144,709	735,095,731	(17,951,022)	-2.4%
2. 2. FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0%	0	0	0	0.0%
2a. TRUE-UP PROVISION	(7,583,951)	(7,583,951)	0	0.0%	(91,007,445)	(91,007,445)	0	0.0%
2b. INCENTIVE PROVISION	207,999	207,999	0	0.0%	2,496,021	2,496,021	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	49,003,968	50,931,067	(1,927,099)	-3.8%	628,633,285	646,584,307	(17,951,022)	-2.8%
4. ADJ. TOTAL FUEL & NET PWR. TRANS. (LINE A7)	58,382,125	51,104,223	7,257,902	14.2%	724,873,409	669,733,880	55,139,529	8.2%
5. JURISDIC. SALES- % TOTAL MWH SALES (LINE B4)	0.9878493	0.9803444	(0.0124951)	-1.3%	NA	NA	-	0.0%
6. JURISDIC. TOTAL FUEL & NET PWR.TRANS.	56,485,743	50,099,739	6,386,004	12.7%	702,878,898	651,894,751	50,984,147	7.8%
6a. JURISDIC. LOSS MULTIPLIER	1.00114	1.00114	0.00000	0.0%	NA	NA	-	0.0%
6b. (LINE C6 x LINE C6a)	56,560,137	50,156,666	6,393,472	12.7%	703,680,181	652,635,471	51,044,710	7.8%
6c. PEABODY COAL CONTR. BUY-OUT AMORT	226,607	226,607	0	0.0%	2,886,686	2,886,686	0	0.0%
6d. (LINE C6c x LINE C5) PB. JURISD.	219,321	222,153	(2,832)	-1.3%	2,799,823	2,810,037	(10,214)	-0.4%
6e. GANNON O&M OFFSET CREDIT PER FPSC DECISION 11/14/03	0	(701,400)	701,400	-100.0%	0	(8,416,800)	8,416,800	-100.0%
6f. WATERBORNE TRANSPORTATION REFUND PER FPSC DECISION 9/21/04	(851,410)	0	(851,410)	0.0%	(13,426,496)	0	(13,426,496)	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)	55,918,048	49,677,418	6,240,630	12.6%	693,053,508	647,028,708	46,024,800	7.1%
7. TRUE-UP PROV. FOR MO. +/- COLLECTED (LINE C3 - LINE C6h)	(8,914,080)	1,253,649	(8,167,729)	-651.5%	(64,420,223)	(444,401)	(63,975,822)	14396.0%
8. INTEREST PROVISION FOR THE MONTH	(49,710)	(12,527)	(37,183)	296.8%	(496,490)	(1,172,050)	675,560	-57.6%
9. TRUE-UP & INT. PROV. BEG. OF MONTH	(26,497,831)	(10,441,524)	(16,056,307)	153.8%	NOT APPLICABLE			
10. TRUE-UP COLLECTED (REFUNDED)	7,583,951	7,583,951	0	0.0%	NOT APPLICABLE			
11. END OF PERIOD TOTAL NET TRUE-UP (LINE C7 through C10)	(25,877,870)	(1,616,451)	(24,261,219)	1500.9%	NOT APPLICABLE			

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