

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: Daniel Lee, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing ^W
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.** 050001-EI ; **Company Name:** Tampa Electric Company ;
Audit Purpose: Capacity Cost Recovery Clause ;
Audit Control No. 05-031-2-1

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

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

DOCUMENT NUMBER-DATE

03591 APR 13 05

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

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

TAMPA DISTRICT OFFICE

TAMPA ELECTRIC COMPANY

CAPACITY COST RECOVERY AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

DOCKET NO. 050001-EI

AUDIT CONTROL NO. 05-031-2-1


Jocelyn Y. Stephens, Audit Manager


Joseph W. Rohrbacher, Tampa District Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	PURPOSE	1
	DISCLAIM PUBLIC USE.....	1
	SUMMARY OF SIGNIFICANT FINDINGS.....	2
	SUMMARY OF SIGNIFICANT PROCEDURES	2
II.	DISCLOSURES	
	1. INCREMENTAL SECURITY COSTS.....	3
III.	EXHIBITS	
	CALCULATION OF FINAL TRUE-UP - 12 MONTHS ENDED 12/31/04.....	4
	CALCULATION OF INTEREST PROVISION - 12 MONTHS ENDED 12/31/04.....	5

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

March 24, 2005

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 ended December 31, 2004 for Tampa Electric Company. These schedules were prepared by the utility as part of its petition for a Fuel Cost Factor Adjustment in Docket 050001-EI. There is no confidential information associated with this audit and there are no staff 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 period January 2004 through December 2004, the Company included an amount for Incremental Security Costs totaling \$589,444.

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.

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. Reconciled filing to the General Ledger. Recalculated energy charge for customer bills selected from various rate classes.

EXPENSES: Recomputed capacity costs. Agreed capacity costs to Tampa Electric billing statements. Identified costs by vendor. Verified that transmission revenues derived from non-separated, non-Energy Broker Network, wholesale energy sales were credited to the clause per Order PSC-99-2512-FOF-EI. Performed test of capacity cost payments to verify that vendors were paid capacity charges according to contract terms for electric power supplied by the vendors. Verified the computation of incremental security costs. Verified compliance with contract terms for purchase power contract between Tampa Electric Company and Progress Energy Florida. Agreed selected capacity costs to journal entry postings in the General Ledger.

TRUE-UP: Recomputed 2004 CCRC true-up and interest using the FPSC approved recoverable true-up amount, interest rates and jurisdictional separation factor.

AUDIT DISCLOSURE NO. 1

SUBJECT: Incremental Security Costs

STATEMENT OF FACT:

In accordance with Commission Orders PSC-03-1461-FOF-EI and PSC-04-1276-FOF-EI, the company has recorded an amount of \$589,444 for actual incremental security costs in its 2004 Capacity Filing. These incremental costs were incurred by the company during the period January 2004 through December 2004.

In accordance with Commission Order PSC-03-1461-FOF-EI, the calculation of the company's incremental security costs for and 2003 and 2004 is shown below:

2003

Incremental Security, identified in General Ledger as costs with Originator Location 200 and Benefitor Locations 104, 262-265, 267, 268 = \$214,721.81

2004

Guard Services O&M Expenses – 2000	<u>\$1,927,252</u>
2000 Expense Adjusted for Energy Sales Growth	\$2,134,559
2004 O&M Savings Associated with Security Costs and Operational Changes	470,334
2004 Savings due to Reduction in Capital Spending	71,568

2004 Baseline Security Costs	\$ 2,676,461
2004 Security Costs(Guard Services)	\$ 3,265,905

2004 Incremental Security Costs	\$ <u>589,444</u>

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY ADJUSTMENT
For Months January 2004 through December 2004

REVISED JAN 05

Description	2003 DEC	2004 JAN	2004 FEB	2004 MAR	2004 APR	2004 MAY	2004 JUN	2004 JUL	2004 AUG	2004 SEP	2004 OCT	2004 NOV	2004 DEC	
Capacity Recovery Revenues	\$3,071,607	\$3,192,064	\$2,811,042	\$2,783,473	\$2,745,079	\$3,135,915	\$3,851,763	\$4,028,178	\$3,777,317	\$3,813,637	\$3,485,425	\$3,048,820	\$3,081,560	\$39,754,273
Prior True-up	<u>(127,336)</u>	<u>(180,126)</u>	<u>(180,126)</u>	<u>(180,126)</u>	<u>(180,126)</u>		<u>(180,126)</u>		<u>(180,126)</u>	<u>(180,126)</u>	<u>(180,126)</u>	<u>(180,126)</u>	<u>(180,123)</u>	<u>(2,161,509)</u>
Capacity Revenue Applicable to Period	2,944,271	3,011,938	2,630,916	2,603,347	2,564,953	2,955,789	3,671,637	3,848,052	3,597,191	3,633,511	3,305,299	2,868,694	2,901,437	37,592,764
Capacity Recovery Expense	<u>3,014,989</u>	<u>3,195,374</u>	<u>3,194,762</u>	<u>3,236,739</u>	<u>3,256,813</u>	<u>3,440,452</u>	<u>4,401,710</u>	<u>4,363,423</u>	<u>3,834,414</u>	<u>3,903,548</u>	<u>3,803,898</u>	<u>3,844,008</u>	<u>3,879,793</u>	<u>44,354,934</u>
True-up This Period	(70,718)	(183,436)	(563,846)	(633,392)	(691,860)	(484,663)	(730,073)	(515,371)	(237,223)	(270,037)	(498,599)	(975,314)	(978,356)	(6,762,170)
Interest Provision This Period	(2,136)	(2,139)	(2,230)	(2,522)	(2,991)	(3,416)	(4,358)	(5,674)	(6,465)	(7,184)	(8,281)	(10,220)	(12,758)	(68,238)
True-up & Interest Provision Beginning of Month	<u>(2,512,005)</u>	<u>(2,457,523)</u>	<u>(2,462,972)</u>	<u>(2,848,922)</u>	<u>(3,304,710)</u>	<u>(3,819,435)</u>	<u>(4,127,388)</u>	<u>(4,681,693)</u>	<u>(5,022,612)</u>	<u>(5,086,174)</u>	<u>(5,183,269)</u>	<u>(5,510,023)</u>	<u>(6,315,431)</u>	<u>(2,457,523)</u>
Prior True-up Collected/(Refunded)		<u>180,126</u>	<u>180,126</u>	<u>180,126</u>	<u>180,126</u>	<u>180,126</u>	<u>180,126</u>	<u>180,126</u>	<u>180,126</u>	<u>180,126</u>	<u>180,126</u>	<u>180,126</u>	<u>180,123</u>	<u>2,161,509</u>
End of Period Total Net True-up	<u>(2,457,523)</u>	<u>(2,462,972)</u>	<u>(2,848,922)</u>	<u>(3,304,710)</u>	<u>(3,819,435)</u>	<u>(4,127,388)</u>	<u>(4,681,693)</u>	<u>(5,022,612)</u>	<u>(5,086,174)</u>	<u>(5,183,269)</u>	<u>(5,510,023)</u>	<u>(6,315,431)</u>	<u>(7,126,422)</u>	<u>(7,126,422)</u>

**TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY ADJUSTMENT**

through January 2004 through December 2004

	2003	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	REVISIED JAN 05	Total
<u>Interest Provision</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>		
Beginning True-up	(\$2,512,005)	(\$2,457,523)	(\$2,462,972)	(\$2,848,922)	(\$3,304,710)	(\$3,819,435)	(\$4,127,388)	(\$4,681,693)	(\$5,022,612)	(\$5,086,174)	(\$5,183,269)	(\$5,510,023)	(\$6,315,431)		(\$7,126,422)
Ending True-up Amount Before Interest	<u>(2,455,387)</u>	<u>(2,460,833)</u>	<u>(2,846,692)</u>	<u>(3,302,188)</u>	<u>(3,816,444)</u>	<u>(4,123,972)</u>	<u>(4,677,335)</u>	<u>(5,016,938)</u>	<u>(5,079,709)</u>	<u>(5,176,085)</u>	<u>(5,501,742)</u>	<u>(6,305,211)</u>	<u>(7,113,664)</u>		
Total Beginning & Ending True-up	<u>(\$4,967,392)</u>	<u>(\$4,918,356)</u>	<u>(\$5,309,664)</u>	<u>(\$6,151,110)</u>	<u>(\$7,121,154)</u>	<u>(\$7,943,407)</u>	<u>(\$8,804,723)</u>	<u>(\$9,698,631)</u>	<u>(\$10,102,321)</u>	<u>(\$10,262,259)</u>	<u>(\$10,685,011)</u>	<u>(\$11,815,234)</u>	<u>(\$13,429,095)</u>		
Average True-up Amount	<u>(\$2,483,696)</u>	<u>(\$2,459,178)</u>	<u>(\$2,654,832)</u>	<u>(\$3,075,555)</u>	<u>(\$3,560,577)</u>	<u>(\$3,971,704)</u>	<u>(\$4,402,362)</u>	<u>(\$4,849,316)</u>	<u>(\$5,051,161)</u>	<u>(\$5,131,130)</u>	<u>(\$5,342,506)</u>	<u>(\$5,907,617)</u>	<u>(\$6,714,548)</u>		
Interest Rate - Last Day of Prior Month	1.000%	1.060%	1.030%	0.980%	0.980%	1.030%	1.040%	1.330%	1.470%	1.600%	1.770%	1.940%	2.220%		
Interest Rate - Last Day of Current Month	<u>1.060%</u>	<u>1.030%</u>		<u>0.980%</u>	<u>1.030%</u>	<u>1.040%</u>	<u>1.330%</u>	<u>1.470%</u>	<u>1.600%</u>	<u>1.770%</u>	<u>1.940%</u>	<u>2.220%</u>	<u>2.340%</u>		
Total	<u>2.060%</u>			<u>1.960%</u>	<u>2.010%</u>	<u>2.070%</u>	<u>2.370%</u>	<u>2.800%</u>	<u>3.070%</u>	<u>3.370%</u>	<u>3.710%</u>	<u>4.160%</u>	<u>4.560%</u>		
Average Interest Rate	<u>1.030%</u>	<u>1.045%</u>	<u>1.005%</u>	<u>0.980%</u>	<u>1.005%</u>	<u>1.035%</u>	<u>1.185%</u>	<u>1.400%</u>	<u>1.535%</u>	<u>1.685%</u>	<u>1.855%</u>	<u>2.080%</u>	<u>2.280%</u>		
Monthly Average Interest Rate	<u>0.086%</u>	<u>0.087%</u>	<u>0.084%</u>	<u>0.082%</u>	<u>0.084%</u>	<u>0.086%</u>	<u>0.099%</u>	<u>0.117%</u>	<u>0.128%</u>	<u>0.140%</u>	<u>0.155%</u>	<u>0.173%</u>	<u>0.190%</u>		
Interest Provision	<u>(\$2,136)</u>	<u>(\$2,139)</u>	<u>(\$2,230)</u>	<u>(\$2,522)</u>	<u>(\$2,991)</u>	<u>(\$3,416)</u>	<u>(\$4,358)</u>	<u>(\$5,674)</u>	<u>(\$6,465)</u>	<u>(\$7,184)</u>	<u>(\$8,281)</u>	<u>(\$10,220)</u>	<u>(\$12,758)</u>		<u>(\$68,238)</u>