

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, 2006
TO: Peter H. Lester, Economic Analyst, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: **Docket No:** 060001-EI; **Company Name:** Tampa Electric Company
Audit Request: Capacity Cost Recovery Clause
Audit Control No: 06-045-2-2

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 Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV:sbj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk & Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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Regulatory Affairs
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Ausley Law Firm
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P.O. Box 391
Tallahassee, FL 32302

DOCUMENT NUMBER-DATE

03247 APR 11 08

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

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

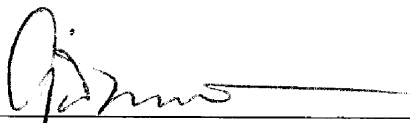
TAMPA DISTRICT OFFICE

TAMPA ELECTRIC COMPANY

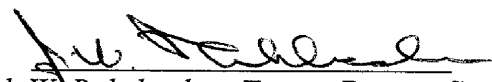
CAPACITY COST RECOVERY AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2005

**DOCKET NO. 060001-EI
AUDIT CONTROL NO. 06-045-2-2
Report Issued March 24, 2006**



Simon O. Ojada, Audit Manager



Joseph W. Rohrbacher, Tampa District Supervisor

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

March 24, 2006

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Tampa Electric Company in support of its filing for Capacity Cost Recovery Clause in Docket No. 060001-EI.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards of Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - To verify that Capacity Cost Recovery Clause (CCRC) revenue and KWH sold as filed were completely and properly recorded on the books of the company.

Procedures: - We compiled Capacity Cost Recovery (CCR) revenues and agreed to the filing. Recomputed CCR revenues using approved FPSC rate factors and company provided KWH sales and verified that the rates used comply with Commission Order. Reconciled filing to the General Ledger. Recalculated energy charge for customer bills selected from various rate classes and determined that company used the correct rates approved by the Commission.

EXPENSES

Objectives: - To verify that the Capacity Costs agree to the general ledger and reconcile to the books and records of the company.

Procedures: - We traced selected capacity costs to journal entry postings in the General Ledger and to Tampa Electric billing statements. We identified costs by vendor.

Objectives: - To verify 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.

Procedures: - We traced transmission revenues reported on the filings to Market Based Sales schedules and invoices.

Objectives: - To verify that the invoices for capacity purchase amounts are recorded according to the terms and conditions of the contracts.

Procedures: - We tested capacity cost payments. We verified the company was in compliance with contract terms of purchase power contract between Tampa Electric Company and Progress Energy Florida.

Objectives: - To verify that security costs recovered in capacity clause are incremental to the security costs included in base rates.

Procedures: - Auditor verified the computation of incremental security costs and the accuracy of adjustments contained in the incremental security costs and determined that the incremental security costs are in accordance with Commission Orders.

TRUE-UP

Objectives: - To determine if the True-up Calculation and interest provision as filed was properly calculated using the FPSC approved interest rates.

Procedures: - We recomputed 2005 CCRC true-up and interest using the FPSC approved recoverable true-up amount, interest rates and jurisdictional separation factor.

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2005 THROUGH DECEMBER 2005

	Actual Jan-05	Actual Feb-05	Actual Mar-05	Actual Apr-05	Actual May-05	Actual Jun-05	Actual Jul-05	Actual Aug-05	Actual Sep-05	Actual Oct-05	Actual Nov-05	Actual Dec-05	Total
1 UNIT POWER CAPACITY CHARGES	1,711,064	1,711,064	1,711,064	1,711,064	1,711,064	1,711,064	1,711,064	1,711,064	1,711,064	1,711,064	1,711,064	1,711,064	20,532,768
2 CAPACITY PAYMENTS TO COGENERATORS	1,742,335	1,742,335	1,742,335	1,742,335	1,829,275	1,785,805	1,785,805	1,785,805	1,791,385	1,791,385	1,791,385	1,791,385	21,321,570
3 EMERGENCY CAPACITY CHARGES	675,000	675,000	1,125,000	675,000	675,000	825,000	825,000	864,336	1,535,336	1,223,000	692,000	675,000	10,464,672
4 INCREMENTAL SECURITY O&M COSTS	32,948	(57,790)	(12,683)	74,886	16,758	28,458	36,590	17,974	105,191	35,172	21,796	43,057	342,158
5 (CAPACITY REVENUES)	(45,411)	(27,112)	(39,850)	(23,787)	(60,840)	(40,197)	10,263	(17,643)	(6,288)	0	(23,841)	(4,855)	(279,560)
6 TOTAL CAPACITY DOLLARS	4,115,936	4,043,497	4,525,866	4,179,299	4,171,257	4,310,130	4,368,722	4,361,537	5,136,688	4,760,621	4,192,405	4,215,652	52,381,608
7 JURISDICTIONAL PERCENTAGE	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	
8 JURISDICTIONAL CAPACITY DOLLARS	3,968,471	3,898,627	4,363,714	4,029,563	4,021,810	4,155,708	4,212,200	4,205,272	4,952,652	4,590,059	4,042,200	4,064,614	50,504,890
9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes)	4,347,080	3,956,129	3,778,274	4,005,649	4,130,732	5,183,019	5,706,613	5,843,660	5,873,602	5,101,001	4,277,237	4,262,192	56,865,188
10 PRIOR PERIOD TRUE-UP PROVISION	(639,082)	(639,082)	(639,082)	(639,082)	(639,082)	(639,082)	(639,082)	(639,082)	(639,082)	(639,082)	(639,082)	(639,077)	(7,668,979)
11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes)	3,707,998	3,317,047	3,139,192	3,366,567	3,491,650	4,543,937	5,067,531	5,304,578	5,334,520	4,461,919	3,638,155	3,623,115	48,996,209
12 TRUE-UP PROVISION FOR PERIOD OVER/(UNDER) RECOVERY (Line 11 - Line 8)	(260,473)	(581,580)	(1,224,522)	(662,996)	(530,160)	388,229	855,331	1,099,306	381,868	(128,140)	(404,045)	(441,499)	(1,508,681)
13 INTEREST PROVISION FOR PERIOD	(14,013)	(14,476)	(15,846)	(17,597)	(18,414)	(17,840)	(15,385)	(11,545)	(7,890)	(5,826)	(4,871)	(4,291)	(147,994)
14 TRUE-UP AND INT. PROVISION BEGINNING OF PERIOD - OVER/(UNDER) RECOVERY	(7,126,422)	(6,781,826)	(6,718,800)	(7,320,086)	(7,361,597)	(7,271,089)	(6,261,618)	(4,782,590)	(3,055,747)	(2,042,687)	(1,537,571)	(1,307,405)	(7,126,422)
15 PRIOR PERIOD TRUE-UP PROVISION COLLECTED/(REFUNDED) THIS PERIOD	639,082	639,082	639,082	639,082	639,082	639,082	639,082	639,082	639,082	639,082	639,082	639,077	7,668,979
16 END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 12 - 15)	(6,761,826)	(6,718,800)	(7,320,086)	(7,361,597)	(7,271,089)	(6,261,618)	(4,782,590)	(3,055,747)	(2,042,687)	(1,537,571)	(1,307,405)	(1,114,118)	(1,114,118)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2005 THROUGH DECEMBER 2005

	Actual Jan-05	Actual Feb-05	Actual Mar-05	Actual Apr-05	Actual May-05	Actual Jun-05	Actual Jul-05	Actual Aug-05	Actual Sep-05	Actual Oct-05	Actual Nov-05	Actual Dec-05	Total
1 BEGINNING TRUE-UP AMOUNT	(7,126,422)	(6,761,826)	(6,718,800)	(7,320,086)	(7,361,597)	(7,271,089)	(6,261,618)	(4,782,590)	(3,055,747)	(2,042,687)	(1,537,571)	(1,307,405)	(7,126,422)
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST	(6,747,813)	(6,704,324)	(7,304,240)	(7,344,000)	(7,252,675)	(6,243,778)	(4,767,205)	(3,044,202)	(2,034,797)	(1,531,745)	(1,302,534)	(1,109,827)	(966,124)
3 TOTAL BEGINNING & ENDING TRUE-UP AMT. (LINE 1 + LINE 2)	(13,874,235)	(13,466,150)	(14,023,040)	(14,664,086)	(14,614,272)	(13,514,867)	(11,028,823)	(7,826,792)	(5,090,544)	(3,574,432)	(2,840,105)	(2,417,232)	(8,092,546)
4 AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	(6,937,118)	(6,733,075)	(7,011,520)	(7,332,043)	(7,307,136)	(6,757,434)	(5,514,412)	(3,913,396)	(2,545,272)	(1,787,216)	(1,420,053)	(1,208,616)	(4,046,273)
5 INTEREST RATE % - 1ST DAY OF MONTH	2.340	2.500	2.650	2.780	2.980	3.060	3.270	3.430	3.640	3.790	4.030	4.210	NA
6 INTEREST RATE % - 1ST DAY OF NEXT MONTH	2.500	2.650	2.780	2.980	3.060	3.270	3.430	3.640	3.790	4.030	4.210	4.300	NA
7 TOTAL (LINE 5 + LINE 6)	4.840	5.150	5.430	5.760	6.040	6.330	6.700	7.070	7.430	7.820	8.240	8.510	NA
8 AVERAGE INTEREST RATE % (50% OF LINE 7)	2.420	2.575	2.715	2.880	3.020	3.165	3.350	3.535	3.715	3.910	4.120	4.255	NA
9 MONTHLY AVERAGE INTEREST RATE % (LINE 8/12)	0.202	0.215	0.226	0.240	0.252	0.264	0.279	0.295	0.310	0.326	0.343	0.355	NA
10 INTEREST PROVISION (LINE 4 X LINE 9)	(14,013)	(14,476)	(15,846)	(17,597)	(18,414)	(17,840)	(15,385)	(11,545)	(7,890)	(5,826)	(4,871)	(4,291)	(147,994)