



ORIGINAL

Public Service Commission

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

RECEIVED-FPSC

JUN 21 PM 1:10

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

COMMISSION CLERK

DATE: June 21, 2006

TO: Ralph J. Von Fossen, Economic Analyst, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance

RE: **Docket No:** 060007-EI; **Company Name:** Tampa Electric Company
Audit Purpose: Environmental Cost Recovery Clause
Audit Control No: 06-044-2-2

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

- CMP _____
- COM _____ Ms. Brenda Irizarry
- CTR _____ Tampa Electric Company
- ECR _____ Regulatory Affairs
- GCL _____ P.O. Box 111
- OPC _____ Tampa, FL 33601-0111
- RCA _____ Ausley Law Firm
- SCR _____ Lee L. Willis/ James D. Beasley
- SGA _____ P.O. Box 391
- SEC Tallahassee, FL 32302
- OTH _____

DOCUMENT NUMBER-DATE

05381 JUN 21 06

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

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

TAMPA DISTRICT OFFICE

TAMPA ELECTRIC COMPANY


ENVIRONMENTAL COST RECOVERY CLAUSE AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2005

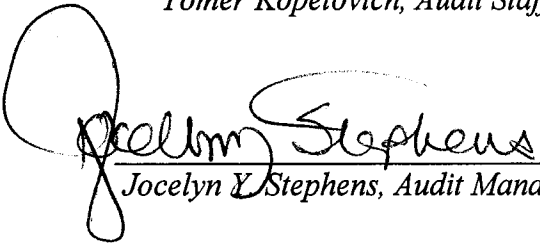
DOCKET NO. 060007-EI

AUDIT CONTROL NO. 06-044-2-2

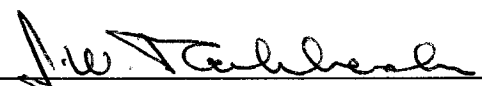
Report Issued June 12, 2006



Tomer Kopelovich, Audit Staff



Jocelyn Y. Stephens, Audit Manager



Joseph W. Rohrbacher, Tampa District Supervisor

TABLE OF CONTENTS

AUDITOR'S REPORT	PAGE
I. PURPOSE	1
II. OBJECTIVES AND PROCEDURES.....	2
III. DETAIL OF FINDINGS	
1. CALCULATION OF O&M EXPENSES FOR BB 1&2 FGD PROJECTS.....	4
IV. EXHIBITS	
CALCULATION OF FINAL TRUE-UP FOR PERIOD.....	5
CALCULATION OF O&M ACTIVITIES.....	6
CAPITAL INVEST PROJECTS – RECOVERABLE COSTS.....	7

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

June 12, 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 environmental cost recovery, Docket 060007-EI.

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

OBJECTIVES AND PROCEDURES:

Objective: Verify all negative depreciation expense amounts reported by TECO for any of its ECRC projects regardless of whether the negative depreciation expense amount is shown or noted on Form 42-8A. Review TECO's justification for each negative depreciation amount including applicable workpapers.

Procedures: We requested that the company provide instances of negative depreciation recorded during the audit period. The Company responded that there was no negative depreciation for any of the ECRC projects in 2005. This was verified in the next objective.

Objective: Using sampling procedures, reconcile Plant in Service (line 2) and Depreciation Expense (line 8a) for the capital projects listed in Form 42-8A. Verify that the investment is recorded in the correct plant account(s). Verify that the most recent Commission approved depreciation rate(s) or amortization period(s) is used in calculating the depreciation/amortization expense (line 8a, 8b). Verify that dismantlement expense (line 8c) is not included in the depreciation expense (line 8b and line 3).

Procedures: To reconcile Plant In Service, per filing, to the General Ledger, staff examined a summary of ECRC capital expenditures for 2005. Based upon the level of dollars charged, two projects representing 83% of ECRC capital expenditures were selected for analysis. Selected data was extracted from the general ledger using queries. The queries listed all capital expenditures for designated FERC accounts, subpoints and resources applicable to ECRC. Based upon dollar amount, several line items were selected for testing. The test included tracing amounts to vendor vouchers to determine if items purchased were properly includible as ECRC investment. All transactions tested were properly charged to ECRC.

Using beginning of period and end of period Plant-in-Service balances by project and by account, we calculated average PIS for the year and applied PSC authorized depreciation rates. We compared the resulting computation to the depreciation expense recorded by the company. The company calculated depreciation expense based upon the monthly average of PIS. Difference between staff computation and the company's computation is \$10,982 or .23% of the company's depreciation expense. We determined that no dismantlement expense is included in depreciation expense.

Objective: Verify that where an ECRC project involves the replacement of existing plant assets, the company is retiring the installed costs of replaced units of property according to Rule 25-6.0142(4)(b), F.A.C. [Book cost of retirement shall be credited to plant and debited to accumulated depreciation; cost of removal shall be debited to accumulated depreciation]

Procedures: We requested that the company provide a schedule and supporting documentation of all units of property replacing retired plant. The documentation supported the booked costs of the item being retired. The company also provided the calculation for cost of removal. All company calculations were verified by staff. Based on utility accounting the impact of retiring plant on net investment is zero dollars. The net plant-in-service is increased by the amount of the new ECRC investment.

Company is in compliance with Rule 25-6.0142(4)(b),F.A.C.

Objective: Verify calculations of the monthly depreciation expense offsets required by Order No. PSC-99-2513-FOF-EI to adjust ECRC costs for retirements and replacements recovered through base rates.

Procedures: The company offsets the depreciation related to the retired investment for recovery through the ECRC, in compliance with Commission Order PSC-99-2513-FOF-EI.

Objective: Reconcile actual O&M project costs for a statistical sample or judgment sample of the O&M projects listed in Form 42-4A.

Procedures: Using a judgement sample, staff traced selected O&M costs for the projects listed in Form-42A. The sample items were taken from general ledger queries for ECRC accounts, subpoints and resource codes. No exceptions noted.

Objectives: Report the monthly SO2 allowance expenses for 2005 including revenues, inventory amounts (tonnages and dollars), expensed amounts (tonnages and dollars), and the amount included in working capital.

Procedures: We obtained inventory schedules for SO2 allowances for each month in the test period. We selected two months for analysis. Traced SO2 allowance expense to SO2 emissions from market based sales, co-generation purchases and consumption by Big Bend and Polk.

AUDIT FINDING NO. 1

SUMMARY: CALCULATION OF O&M EXPENSES (BB 1&2 FGD)

STATEMENT OF FACT:

Staff calculated recoverable O&M cost for nonpayroll (actual & allocated) and payroll (actual and allocated) amounts. Staff total was compared with amount recorded in the filing for total recoverable ECRC costs. A difference of \$41,972 resulted.

In response to a document request, the company stated that an error had been made in its calculation of O&M actual expenses. "...In August 2005, a revision to the Gypsum revenues calculation was made to correct January through June Gypsum revenues..." This error occurred because the company used cumulative dry tons instead of monthly dry tons when calculating the allocation percentage. The error was corrected during the May 2006 closeout.

Staff verified the computation of the Journal entry the company prepared to correct the error.

Total correcting entry = \$41,743 (including interest).

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

The correction has been made to the general ledger totalling \$40,213 plus associated interest of \$1,530.

EFFECT ON FILING IF FINDING IS ACCEPTED:

In the company filing, the company corrected this error in its January 2006 activity.

Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2005 to December 2005

Current Period True-Up Amount
(in Dollars)

Line	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	End of Period Total
1. ECRC Revenues (net of Revenue Taxes)	\$1,516,756	\$1,385,091	\$1,344,565	\$1,420,799	\$1,452,915	\$1,765,826	\$1,921,157	\$1,978,551	\$1,990,191	\$1,747,704	\$1,473,800	\$1,487,875	\$19,465,230
2. True-Up Provision	589,055	589,055	589,055	589,055	589,055	589,055	589,055	589,055	589,055	589,055	589,055	589,055	7,068,660
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	2,105,811	1,974,146	1,933,620	2,009,854	2,041,970	2,354,881	2,510,212	2,567,606	2,579,246	2,336,759	2,062,855	2,056,900	26,533,890
4. Jurisdictional ECRC Costs													
a. O & M Activities (Form 42-5A, Line 9)	616,375	765,327	844,429	748,680	(427,631)	737,188	(14,566,770)	(59,339,908)	858,756	1,072,121	702,618	1,042,817	(66,945,998)
b. Capital Investment Projects (Form 42-7A, Line 9)	1,442,740	1,445,963	1,429,057	1,432,312	1,429,316	1,437,527	1,445,921	1,456,027	1,468,494	1,465,496	1,471,870	1,490,552	17,415,275
c. Total Jurisdictional ECRC Costs	2,059,115	2,211,290	2,273,486	2,180,992	1,001,685	2,174,715	(13,120,849)	(57,883,881)	2,327,250	2,537,617	2,174,488	2,533,369	(49,530,723)
5. Over/Under Recovery (Line 3 - Line 4c)	46,696	(237,144)	(339,866)	(171,138)	1,040,285	180,166	15,631,061	60,451,487	251,996	(200,858)	(111,633)	(476,439)	76,064,613
6. Interest Provision (Form 42-3A, Line 10)	13,826	13,274	12,000	10,745	11,118	11,733	32,845	145,310	245,413	257,043	268,772	275,994	1,298,073
7. Beginning Balance True-Up & Interest Provision	7,068,660	6,551,216	5,738,291	4,821,370	4,071,922	4,612,764	4,215,608	19,290,459	79,298,201	78,206,555	78,673,685	78,241,769	7,068,660
a. Deferred True-Up from January to December 2004 (Order No. PSC-05-1251-FOF-EI)	35,849	35,849	35,849	35,849	35,849	35,849	35,849	35,849	35,849	35,849	35,849	35,849	35,849
8. True-Up Collected/(Refunded) (see Line 2)	(589,055)	(589,055)	(589,055)	(589,055)	(589,055)	(589,055)	(589,055)	(589,055)	(589,055)	(589,055)	(589,055)	(589,055)	(7,068,660)
9. End of Period Total True-Up (Lines 5 + 6 + 7 + 7a + 8)	8,575,976	5,774,140	4,857,219	4,107,771	4,570,119	4,251,457	19,326,308	79,334,050	79,242,404	78,709,534	78,277,618	77,488,118	77,398,535
10. Adjustment to Period True-Up Including Interest	11,089	0	0	0	78,494	0	0	0	0	0	0	0	89,583
11. End of Period Total Net True-Up (Lines 9 + 10)	\$6,587,065	\$5,774,140	\$4,857,219	\$4,107,771	\$4,648,613	\$4,251,457	\$19,326,308	\$79,334,050	\$79,242,404	\$78,709,534	\$78,277,618	\$77,488,118	\$77,488,118

15

15

Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2005 to December 2005

Form 42-5A

O&M Activities
(in Dollars)

Line	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	End of	Method of Classification	
	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Period Total	Demand	Energy
1. Description of O&M Activities															
1a Big Bend Unit 3 Flue Gas Desulfurization Integration	\$213,450	\$298,358	\$221,647	\$207,267	\$226,608	\$215,775	\$250,461	\$210,317	\$277,235	\$146,588	\$193,711	\$240,253	\$2,702,370		\$2,702,370
1b Big Bend Units 1 & 2 Flue Gas Conditioning	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1c SO ₂ Emissions Allowances	11,372	(487)	34,052	21,923	(1,150,731)	65,863	(15,914,172)	(62,519,991)	28,806	31,919	30,636	38,720	(79,322,091)		(79,322,091)
1d Big Bend Units 1 & 2 FGD	396,054	454,302	404,193	334,512	413,631	434,867	454,684	521,197	507,976	705,464	425,661	428,741	5,481,282		5,481,282
1e Big Bend PM Minimization and Monitoring	16,709	15,843	11,945	69,700	20,339	15,476	12,445	20,887	17,880	27,661	50,360	67,540	346,585		346,585
1f Big Bend NO _x Emissions Reduction	(33,209)	9,613	205,683	95,683	23,884	2,619	68	854	136	138,784	7,318	35,157	486,590		486,590
1g NPDES Annual Surveillance Fees	34,500	0	0	0	0	0	0	0	0	0	0	0	34,500	\$34,500	
1h Gannon Thermal Discharge Study	80	0	(314)	0	0	17,320	11,344	0	9,865	38,392	0	117,039	193,720	193,720	
1i Polk NO _x Reduction	579	2,376	2,785	7,197	1,653	1,385	2,034	1,646	1,478	1,577	4,800	1,739	29,249		29,249
1j Bayside SCR and Ammonia	0	0	0	19,786	5,926	0	12,937	0	6,729	6,595	8,902	0	60,875		60,875
1k Big Bend Unit 4 SOFA	0	0	0	0	0	0	0	0	0	0	0	158	158		158
1l Big Bend Unit 1 Pre-SCR	0	0	0	0	0	0	0	0	0	0	0	0	0		0
1m Big Bend Unit 2 Pre-SCR	0	0	0	0	0	0	0	0	0	0	0	0	0		0
1n Big Bend Unit 3 Pre-SCR	0	0	0	0	0	0	0	0	0	0	0	0	0		0
1o Clean Water Act Section 316(b) Phase II Study	0	10,010	0	20,906	13,781	9,975	56,492	0	40,340	19,145	5,904	118,163	294,716	294,716	
1p Arsenic Groundwater Standard Program	0	0	0	0	0	0	0	0	0	607	0	21,145	21,752	21,752	
2. Total of O&M Activities	639,535	790,015	679,991	776,974	(444,909)	763,280	(15,113,707)	(61,765,090)	890,945	1,116,732	727,292	1,068,649	(69,670,294)	\$544,688	(\$70,214,982)
3. Recoverable Costs Allocated to Energy	604,955	780,005	880,305	756,068	(458,690)	735,985	(15,181,543)	(61,765,090)	840,740	1,058,588	721,388	812,308	(70,214,982)		
4. Recoverable Costs Allocated to Demand	34,580	10,010	(314)	20,906	13,781	27,295	67,836	0	50,205	58,144	5,904	256,941	544,688		
5. Retail Energy Jurisdictional Factor	0.9637635	0.9688090	0.9595898	0.9635683	0.9612539	0.9658764	0.9638135	0.9607354	0.9638530	0.9598259	0.9680905	0.9795053			
6. Retail Demand Jurisdictional Factor	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722			
7. Jurisdictional Energy Recoverable Costs (A)	583,034	755,676	844,732	728,523	(440,918)	710,871	(14,632,176)	(59,339,908)	810,350	1,016,060	686,926	795,660	(67,471,170)		
8. Jurisdictional Demand Recoverable Costs (B)	33,341	9,651	(303)	20,157	13,287	26,317	65,406	0	48,406	58,061	5,692	247,157	525,172		
9. Total Jurisdictional Recoverable Costs for O&M Activities (Lines 7 + 8)	\$616,375	\$765,327	\$844,429	\$748,680	(\$427,631)	\$737,188	(\$14,566,770)	(\$59,339,908)	\$858,756	\$1,072,121	\$702,618	\$1,042,817	(\$66,945,998)		

Notes:
 (A) Line 3 x Line 5
 (B) Line 4 x Line 6

18

9

Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2005 to December 2005

Form 42 - 7A

Capital Investment Projects- Recoverable Costs
(in Dollars)

Line	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	End of	Method of Classification	
	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Period Total	Demand	Energy
1. Description of Investment Projects															
1a	\$77,918	\$77,731	\$77,545	\$77,358	\$77,172	\$76,985	\$76,798	\$76,612	\$76,425	\$76,239	\$76,053	\$75,866	\$922,702		\$922,702
1b	47,451	47,290	47,130	46,971	46,811	46,651	46,492	46,332	46,171	46,011	45,852	45,692	558,854		558,854
1c	8,034	8,015	7,997	7,977	7,958	7,940	7,920	7,902	7,883	7,864	7,845	7,826	95,161		95,161
1d	5,107	5,096	5,086	5,075	5,064	5,054	5,043	5,033	5,022	5,012	5,001	4,992	60,585	\$60,585	
1e	8,399	8,381	8,364	8,347	8,330	8,313	8,296	8,278	8,261	8,244	8,227	8,210	99,650		99,650
1f	581	579	578	576	575	574	572	570	568	567	566	564	6,870		6,870
1g	913	910	909	906	904	901	898	897	894	892	889	886	10,799		10,799
1h	14,119	14,078	14,037	13,998	13,957	13,916	13,876	13,835	13,795	13,755	13,714	13,673	166,753		166,753
1i	10,703	10,670	10,637	10,604	10,573	10,540	10,507	10,475	10,442	10,409	10,376	10,344	126,280		126,280
1j	1,272	1,271	1,268	1,266	1,264	1,262	1,259	1,256	1,255	1,252	1,250	1,248	15,123		15,123
1k	914,873	912,118	909,361	906,606	906,898	907,214	904,474	901,706	898,943	896,221	893,515	890,357	10,842,286		10,842,286
1l	243,777	243,285	242,793	242,301	241,810	241,318	240,826	240,333	239,842	239,350	238,858	238,366	2,892,859		2,892,859
1m	50,897	51,005	51,017	51,038	51,205	51,529	51,731	53,597	56,593	58,100	58,584	59,137	644,533		644,533
1n	75,603	75,915	76,218	77,174	77,963	77,942	90,328	102,608	102,391	102,168	101,919	101,670	1,061,899		1,061,899
1o	18,945	18,903	18,862	18,820	18,779	18,737	18,695	18,654	18,612	18,571	18,528	18,487	224,593		224,593
1p	30,640	30,206	30,153	30,099	30,045	29,991	29,937	29,884	29,830	29,776	29,722	29,668	359,951		359,951
1q	1,366	1,380	1,415	1,455	1,578	3,383	5,467	6,023	6,697	7,282	7,460	8,481	51,987		51,987
1r	5,475	5,462	5,424	5,437	5,441	5,442	5,441	5,441	10,405	15,422	15,476	15,646	100,512		100,512
1s	0	0	0	0	0	0	0	0	0	0	7	1,081	1,088		1,088
1t	0	0	0	0	0	0	0	0	0	0	0	0	0		0
1u	0	0	0	0	0	0	0	0	0	0	0	0	0		0
1v	0	0	0	0	0	0	0	0	0	0	0	0	0		0
1w	0	0	0	0	0	0	0	0	0	0	0	0	0		0
1x	(19,194)	(19,707)	(19,628)	(19,551)	(19,443)	(19,352)	(18,357)	(13,955)	(10,468)	(10,367)	(10,281)	(10,225)	(190,528)		(190,528)
2. Total Investment Projects - Recoverable Costs	1,496,979	1,492,588	1,489,166	1,486,457	1,486,884	1,488,340	1,500,203	1,515,481	1,523,561	1,526,768	1,523,561	1,521,969	18,051,957	\$177,904	\$17,874,053
3. Recoverable Costs Allocated to Energy	1,481,979	1,477,622	1,474,229	1,471,553	1,472,011	1,473,498	1,485,394	1,500,703	1,508,816	1,512,053	1,508,878	1,507,317	17,874,053		
4. Recoverable Costs Allocated to Demand	15,000	14,966	14,937	14,904	14,873	14,842	14,809	14,778	14,745	14,715	14,683	14,652	177,904		
5. Retail Energy Jurisdictional Factor	0.9637635	0.9688090	0.9595898	0.9635683	0.9612539	0.9658764	0.9638135	0.9607354	0.9638530	0.9598259	0.9660905	0.9795053			
6. Retail Demand Jurisdictional Factor	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722	0.9641722			
7. Jurisdictional Energy Recoverable Costs (C)	1,428,277	1,431,533	1,414,655	1,417,942	1,414,976	1,423,217	1,431,643	1,441,778	1,454,277	1,451,308	1,457,713	1,476,425	17,243,744		
8. Jurisdictional Demand Recoverable Costs (D)	14,463	14,430	14,402	14,370	14,340	14,310	14,278	14,249	14,217	14,188	14,157	14,127	171,531		
9. Total Jurisdictional Recoverable Costs for Investment Projects (Lines 7 + 8)	\$1,442,740	\$1,445,963	\$1,429,057	\$1,432,312	\$1,429,316	\$1,437,527	\$1,445,921	\$1,456,027	\$1,468,494	\$1,465,496	\$1,471,870	\$1,490,552	\$17,415,275		

Notes:

- (A) Each project's Total System Recoverable Expenses on Form 42-8A, Line 9
- (B) Project's Total Return Component on Form 42-8A, Line 6
- (C) Line 3 x Line 5
- (D) Line 4 x Line 6

20

-7-