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State of Florida



Public Service Commission

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DATE: June 14, 2007
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: 070001-EI; Company Name: Tampa Electric Company;
Audit Purpose: Fuel Adjustment Clause Audit; Audit Control No: 07-022-2-2;

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. 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)
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FLORIDA PUBLIC SERVICE COMMISSION

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

TAMPA DISTRICT OFFICE

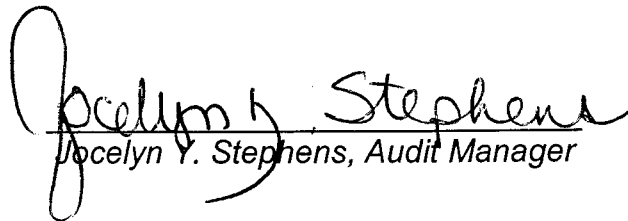
TAMPA ELECTRIC COMPANY

FUEL ADJUSTMENT CLAUSE AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2006

DOCKET NO. 070001-EI

AUDIT CONTROL NO. 07-022-2-2


Jocelyn Y. Stephens, Audit Manager


Joseph W. Rohrbacher, Tampa District Supervisor

DOCUMENT NUMBER-DATE

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

May 31, 2007

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 fuel cost recovery in Docket 070001-EI.

This audit was 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: Reconcile lines 5, 12, 19 and 40 of Schedule A1, page 2 of 2, for December, 2006 with the general ledger and source documents. Trace differences to source documents.

Procedures: Using individual line items embedded in the summary lines above, we analyzed selected components from each cost category as described further in the following objectives and procedures.

Objective: List those expenses which Tampa Electric has recovered through the fuel clause that do not meet the criteria set forth in Order No. 14546, in Docket No. 850001-EI-B, issued July 8, 1985.

Procedures: We read an excerpt from PSC Order 14546 to determine those costs considered recoverable expenses for fuel clause purposes. The company stated that all its recoverable fuel expenses met the criteria of PSC Order 14546 with the exception of hedging costs which relate to PSC Order PSC-02-1484-FOF-EI. We analyzed cost categories and tested invoices to assure that all examined costs met established criteria.

Objective: Verify that Tampa Electric has credited vendor rebates and refunds to its recoverable fuel cost.

Procedures: We analyzed all quality discounts and refunds provided to the company. Traced refunds and quality discounts to Accounts Receivable Miscellaneous (ARM) schedule, Fuel Expense documentation (Journal Entry 32), and fuel inventory schedules.

Objective: Verify that any adjustments to coal inventory due to differences between the "per books" inventory quantities and the semi-annual coal inventory survey quantities have been recorded as set forth in Order No. PSC-97-0359-FOF-EI, in Docket No. 970001-EI, issued March 31, 1997.

Procedures: We reviewed all documentation supporting aerial survey calculations and recorded adjustments to determine compliance with PSC procedures established in Order No. PSC-97-0359-FOF-EI. We received a company letter, stating that inventory procedures and equipment used to measure and determine quantity of fuel consumed have not changed from the prior audit period.

Objective: Reconcile net generation and fuel burned as shown on the monthly Schedule A4 for GPIF units with annual GPIF filings and source documents. Trace differences to source documents.

Procedures: We traced each month's net generation (MWH) and fuel burned (GBTU) between Schedule A4 and the GPIF filing. We could not trace amounts to source

documents. The company provided a statement that the source of this information is the TECO Generation System – an in-house software that automatically extracts system data to prepare the applicable filing amounts. In order to perform this objective, we would need to perform a special process audit to review the TECO Generation System on a “real time” basis to evaluate the inputs and controls as they are entered.

Objective: Verify that Tampa Electric has credited generation-related gains derived from non-separated wholesale energy sales to the fuel clause as set forth in Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000.

Procedures: We randomly selected one month for analysis. Traced selected amounts to invoices. Determined that both fuels and O&M cost, of Schedule D sales, were credited to operating revenues in accordance with Order No. PSC-00-1744-PAA-EI as well as Order No. PSC-01-2371-FOF-EI, in Docket No. 010283-EI, issued December 7, 2001. Accordingly, no gains were recorded for Schedule D sales. Determined that only fuel cost for Market Based sales were credited to operating revenues.

Objective: Verify that energy payments to qualifying facilities are based on the appropriate standard offer or negotiated contract rate.

Procedures: We randomly selected one month for analysis. Traced fuel cost recorded on Schedule A8 to invoices. Compared rates per contract to rates per invoice. No exceptions were noted.

Objective: Reconcile service hours, reserve shutdown hours and unavailable hours for GPIF units as shown on annual GPIF filings with source documents. Trace differences to source documents.

Procedures: We requested that the company provide source documents to substantiate selected hours. We determined that auditable source documents do not exist to trace service, reserve shutdown and unavailable hours. This information is compiled by the Generating Availability Data System (GADS) “... an industry recognized plant data reporting system.” GADS data is maintained within the system and a report writer is used to extract the necessary information that becomes part of the GPIF schedules. In order to perform this objective, we would need to perform a special process audit to review the GADS on a “real time” basis to evaluate the inputs and controls as they are entered.

Objective: Reconcile coal and oil purchases as shown on monthly FPSC Form 423 with monthly Schedule A5, general ledger, contractual obligations, and source documents. Trace differences to source documents.

Procedures: We made monthly comparisons between the Forms 423 and Schedule A5. Determined that all differences were due to recording procedures. Forms 423 represent only the current month's purchases, whereas the Schedule A5's include prior month adjustments and do not include adjustments made in subsequent months. We randomly selected purchases recorded in Schedule A5 for testing and traced amounts to invoices.

Objective: Verify that accounting treatment for futures, options, and swap contracts between Tampa Electric and one or more counterparties are consistent with Order No. PSC-02-1484-FOF-EI, in Docket No. 011605-EI, issued October 30, 2002, and applicable FASB statements.

Procedures: We read the Commission order regarding referenced accounting treatment and read the company's interpretation of what would be compliance to the PSC Order. Determined that the company's compliance consisted of the establishment of new accounts to capture all unrealized gains and losses, as well as unsettled position balances related to Derivative Instrument Accounting. Requested and received the detail recorded in all new accounts recording unrealized gain and loss. At month-end, all balances were zero. Also, we determined that the company recorded for recovery incremental O&M cost for the purpose of maintaining a hedging program designed to mitigate fuel price volatility.

Objective: Verify the level of gains (losses) associated with each financial hedging instrument that Tampa Electric implemented is consistent with Order No. PSC-02-1484-FOF-EI, in Docket No. 011605-EI, issued October 30, 2002.

Procedures: We analyzed a schedule of hedging activity, determined recoverable amounts and traced to the fuel filing. Determined payroll component of internal hedging cost, and requested additional documentation supporting this cost. The company provided schedules showing percentage of time each employee charged to hedging on a monthly basis and also provided a description of each person's duties. Determined monthly external hedging cost. Traced amounts to vendor invoices, and verified the computation of realized gains and losses.

Objective: Verify that recovered amounts for services provided by TECO Transport for waterborne coal transportation are limited to those amounts set forth in Order No. PSC-04-0999-FOF-EI, in Docket No. 03-1033-EI, issued October 12, 2004.

Procedures: We read contracts and escalation clauses between Tampa Electric Company and TECO Transport. Analyzed the monthly waterborne transportation disallowance schedules for 2006. Verified tonnage in the disallowance schedule using a Company prepared monthly "Coal Moved" schedule. Recalculated river transportation rate for non-affiliates (January). Traced ocean transportation rates for coal and pet coke to Commission Order PSC-04-0999-FOF-EI. Also made a comparison of tonnage and cost between the "Coal Moved" and the coal inventory schedules for January. Determined that differences were the result of

coal in transit for both the prior month and the current month. No exceptions were noted.

Objective: Summarize and verify accuracy of amounts recorded for Purchased Power Firm (Schedule A7).

Procedures: We randomly selected one month for analysis. For selected line items, traced MWH purchased and total dollars for Fuel Adjustment to company prepared schedule of purchases. No exceptions were noted.

COMPARISON OF ESTIMATED AND ACTUAL
FUEL AND PURCHASED POWER COST RECOVERY FACTOR
TAMPA ELECTRIC COMPANY
PERIOD TO DATE THROUGH: DECEMBER 2006

	\$				MWH				CENTS/KWH			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
1. Fuel Cost of System Net Generation (A3)	815,520,812	757,482,986	58,037,826	7.7%	18,177,372	17,619,266	558,106	3.2%	4.48646	4.29917	0.18729	4.4%
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 (Ft.Meade/Wauch. Wheeling Losses)	(104,970)	(80,808)	(24,162)	29.9%	18,177,372 (a)	17,619,266 (a)	558,106	3.2%	(0.00058)	(0.00046)	(0.00012)	25.9%
4b. Adjustments to Fuel Cost	0	0	0	0.0%	18,177,372 (a)	17,619,266 (a)	558,106	3.2%	0.00000	0.00000	0.00000	0.0%
4c. Adjustments to Fuel Cost	210,649	235,801	(25,152)	-10.7%	18,177,372 (a)	17,619,266 (a)	558,106	3.2%	0.00116	0.00134	(0.00018)	-13.4%
5. TOTAL COST OF GENERATED POWER (Lines 1 through 4c)	815,626,491	757,637,979	57,988,512	7.7%	18,177,372	17,619,266	558,106	3.2%	4.48704	4.30005	0.18699	4.3%
6. Fuel Cost of Purchased Power - Firm (A7)	52,865,384	199,538,600	(146,673,216)	-73.5%	895,968	3,371,639	(2,475,671)	-73.4%	5.90037	5.91815	(0.01778)	-0.3%
7. Energy Cost of Sch. C,X Econ. Purch. (Broker) (A9)	87,398,492	0	87,398,492	0.0%	1,271,296	0	1,271,296	0.0%	6.87476	0.00000	6.87476	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	0	0	0.0%	0.00000	0.00000	0.00000	0.0%
11. Payments to Qualifying Facilities (A8)	18,505,045	13,090,300	5,414,745	41.4%	0	0 (a)	0	0.0%	0.00000	0.00000	0.00000	0.0%
12. TOTAL COST OF PURCHASED POWER (Lines 6 through 11)	158,768,921	212,628,900	(53,859,979)	-25.3%	2,742,983	3,806,714	(1,063,731)	-27.9%	5.78818	5.58563	0.20256	3.6%
13. TOTAL AVAILABLE KWH (LINE 5 + LINE 12)					20,920,355	21,425,980	(505,625)	-2.4%				
14. Fuel Cost of Sch. D Jurisd. Sales (A6)	798,656	508,800	289,856	57.0%	20,296	17,564	2,732	15.6%	3.93514	2.89683	1.03830	35.8%
15. Fuel Cost of Sch. OATT Jurisd. Sales (A6)	(21,020)	0	(21,020)	0.0%	29	0	29	0.0%	(72.48276)	0.00000	(72.48276)	0.0%
16. Fuel Cost of Sch. D Sales (A6)	4,171,455	0	4,171,455	0.0%	87,600	0	87,600	0.0%	4.76193	0.00000	4.76193	0.0%
17. Fuel Cost of Market Based Sales (A6)	3,444,712	12,224,700	(8,779,988)	-71.8%	70,180	211,046	(140,866)	-66.7%	4.90840	5.79243	(0.88404)	-15.3%
18. Gains on Market Based Sales	695,073	3,146,520	(2,451,447)	-77.9%								
19. TOTAL FUEL COST AND GAINS OF POWER SALES (LINE 14 + 15 + 16 + 17 + 18)	9,088,876	15,880,020	(6,791,144)	-42.8%	178,105	228,610	(50,505)	-22.1%	5.10310	6.94634	(1.84324)	-26.5%
20. Net Inadvertant Interchange					(1,203)	0	(1,203)	0.0%				
21. Wheeling Rec'd. less Wheeling Delv'd.					47,766	0	47,766	0.0%				
22. Interchange and Wheeling Losses					41,233	4,200	37,033	881.7%				
23. TOTAL FUEL AND NET POWER TRANSACTIONS (LINE 5 + 12 - 19 + 20 + 21 - 22)	965,306,536	954,386,859	10,919,677	1.1%	20,747,580	21,193,170	(445,590)	-2.1%	4.65262	4.50328	0.14935	3.3%
24. Net Unbilled	(4,812,742) (a)	567,925 (a)	(5,380,667)	-947.4%	(148,764)	3,366	(152,130)	-4519.6%	3.23515	16.87240	(13.63725)	-80.8%
25. Company Use	1,641,877 (a)	1,670,046 (a)	(28,169)	-1.7%	35,480	37,200	(1,720)	-4.6%	4.62761	4.48937	0.13824	3.1%
26. T & D Losses	52,690,833 (a)	43,613,253 (a)	9,077,580	20.8%	1,155,446	971,481	183,965	18.9%	4.56022	4.48936	0.07086	1.6%
27. System KWH Sales	965,306,536	954,386,859	10,919,677	1.1%	19,705,418	20,181,123	(475,705)	-2.4%	4.89869	4.72911	0.16958	3.6%
28. Wholesale KWH Sales	(33,146,900)	(24,345,718)	(8,801,182)	36.2%	(683,998)	(510,625)	(173,373)	34.0%	4.84605	4.76783	0.07822	1.6%
29. Jurisdictional KWH Sales	932,159,636	930,041,141	2,118,495	0.2%	19,021,420	19,670,498	(649,078)	-3.3%	4.90058	4.72810	0.17248	3.6%
30. Jurisdictional Loss Multiplier									1.00086	1.00086	0.00000	0.0%
31. Jurisdictional KWH Sales Adjusted for Line Losses	932,961,293	930,840,978	2,120,315	0.2%	19,021,420	19,670,498	(649,078)	-3.3%	4.90479	4.73217	0.17263	3.6%
32. Other	0	0	0	0.0%	19,021,420	19,670,498	(649,078)	-3.3%	0.00000	0.00000	0.00000	0.0%
33. Waterborne Transportation Disallowance Per FPSC Decision 9/21/04	(15,314,802)	(15,315,000)	198	0.0%	19,021,420	19,670,498	(649,078)	-3.3%	(0.08051)	(0.07786)	(0.00266)	3.4%
34. Other	0	0	0	0.0%	19,021,420	19,670,498	(649,078)	-3.3%	0.00000	0.00000	0.00000	0.0%
35. True-up *	147,656,222	147,656,222	0	0.0%	19,021,420	19,670,498	(649,078)	-3.3%	0.77626	0.75065	0.02561	3.4%
36. Total Jurisdictional Fuel Cost (Excl. GPIF)	1,065,302,713	1,063,182,200	2,120,513	0.2%	19,021,420	19,670,498	(649,078)	-3.3%	5.60054	5.40496	0.19558	3.6%
37. Revenue Tax Factor	0	0	0	0.0%	19,021,420	19,670,498	(649,078)	-3.3%	1.00072	1.00072	0.00000	0.0%
38. Fuel Cost Adjusted for Taxes (Excl. GPIF)	1,066,069,730	1,063,947,691	2,122,039	0.2%	19,021,420	19,670,498	(649,078)	-3.3%	5.60457	5.40885	0.19572	3.6%
39. GPIF * (Already Adjusted for Taxes)	729,534	729,534	0	0.0%	19,021,420	19,670,498	(649,078)	-3.3%	0.00384	0.00371	0.00013	3.4%
40. Fuel Cost Adjusted for Taxes (Incl. GPIF)	1,066,799,264	1,064,677,225	2,122,039	0.2%	19,021,420	19,670,498	(649,078)	-3.3%	5.60841	5.41256	0.19585	3.6%
41. Fuel FAC Rounded to the Nearest .001 cents per KWH									5.608	5.413	0.195	3.6%

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

CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: DECEMBER 2006

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
C. TRUE-UP CALCULATION								
1. JURISDICTIONAL FUEL REVENUE	78,600,381	83,123,151	(4,522,770)	-5.4%	1,022,670,248	1,063,835,037	(41,164,789)	-3.9%
2. FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0%	0	0	0	0.0%
2a. TRUE-UP PROVISION	(12,304,687)	(12,304,685)	(2)	0.0%	(147,656,222)	(147,656,222)	0	0.0%
2b. INCENTIVE PROVISION	(60,789)	(60,789)	0	0.0%	(729,534)	(729,534)	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	66,234,905	70,757,677	(4,522,772)	-6.4%	874,284,492	915,449,281	(41,164,789)	-4.5%
4. ADJ. TOTAL FUEL & NET PWR. TRANS. (LINE A7)	63,004,621	69,524,142	(6,519,521)	-9.4%	965,306,536	954,386,859	10,919,677	1.1%
5. JURISDIC. SALES- % TOTAL MWH SALES (LINE B4)	0.9728931	0.9801621	(0.0072690)	-0.7%	NA	NA	-	0.0%
5a. JUNE 2006 THRESHOLD CALC. ADJ. FOR SCHEDULES D & MA SALES	0	0	0	0.0%	0	0	0	0.0%
6. JURISDIC. TOTAL FUEL & NET PWR.TRANS.	61,296,761	68,144,928	(6,848,167)	-10.0%	932,159,636	930,041,141	2,118,495	0.2%
6a. JURISDIC. LOSS MULTIPLIER	1.00086	1.00086	0.00000	0.0%	NA	NA	-	0.0%
6b. (LINE C6 x LINE C6a)	61,349,476	68,203,533	(6,854,057)	-10.0%	932,961,293	930,840,978	2,120,315	0.2%
6c. OTHER	0	0	0	0.0%	0	0	0	0.0%
6d. (LINE C6c x LINE C5) PB. JURISD.	0	0	0	0.0%	0	0	0	0.0%
6e. WATERBORNE TRANSP. DISALLOWANCE PER FPSC DECISION 9/21/04	(798,185)	(1,276,250)	478,065	-37.5%	(15,314,802)	(15,315,000)	198	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)	60,551,291	66,927,283	(6,375,992)	-9.5%	917,646,491	915,525,978	2,120,513	0.2%
7. TRUE-UP PROV. FOR MO. +/- COLLECTED (LINE C3 - LINE C6h)	5,683,614	3,830,394	1,853,220	48.4%	(43,361,999)	(76,697)	(43,285,302)	56436.8%
8. INTEREST PROVISION FOR THE MONTH	(737,520)	(44,172)	(693,348)	1569.7%	(10,247,987)	(3,679,223)	(6,568,764)	178.5%
9. TRUE-UP & INT. PROV. BEG. OF MONTH	(177,377,604)	(19,846,827)	(157,530,777)	793.7%	-----NOT APPLICABLE-----			
10. TRUE-UP COLLECTED (REFUNDED)	12,304,687	12,304,685	2	0.0%	-----NOT APPLICABLE-----			
11. END OF PERIOD TOTAL NET TRUE-UP (LINE C7 through C10)	(160,126,823)	(3,755,920)	(156,370,903)	4163.3%	-----NOT APPLICABLE-----			