

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: July 17, 2007

TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation

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

RE: Docket No: 070002-EG; Company Name: Tampa Electric Company
Audit Purpose: Energy Conservation Cost Recovery Clause;
Audit Control No: 07-071-2-3

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)
General Counsel
Office of Public Counsel

Ms. Paula K. Brown
Tampa Electric Company
P.O. Box 111
Tampa, FL 33601-0111

Lee Willis/ James D. Beasley
Ausley Law Firm
P.O. Box 391
Tallahassee, FL 32302

DOCUMENT NUMBER-DATE

06006 JUL 17 5

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

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

TAMPA DISTRICT OFFICE

TAMPA ELECTRIC COMPANY

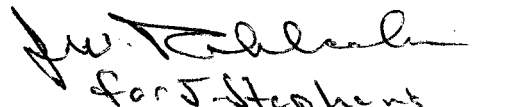
ENERGY CONSERVATION COST RECOVERY AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2006

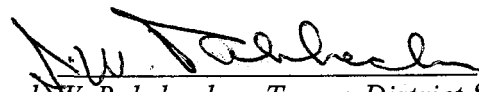
**DOCKET NO. 070002-EG
AUDIT CONTROL NO. 07-071-2-3**



Daniel Acheampong, Audit Staff



Jocelyn Stephens, Audit Manager



Joseph W. Rohrbacher, Tampa District Supervisor

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

July 13, 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 (TECO) in support of its filing for Energy Conservation Cost Recovery (ECCR) in Docket No. 070002-EG.

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 TECO has applied the approved ECCR adjustment factors to energy (kwh) sales during the period January 1, 2006 through December 31, 2006.

Procedures: - We recalculated revenues, by month and rate class, using approved FPSC rate factors and company provided KWH Recoverable sales. We reconciled the filing to the General Ledger. We recalculated the energy charge for customer bills selected from various rate classes and determined that the company used the correct rates as approved by the Commission.

EXPENSES

Objective: - To verify the accuracy of information filed by TECO regarding actual energy sales and conservation costs and revenues for the period per Commission Rule 25-17.015, F.A.C.

Procedures: - We reconciled the ECCR filing to the general ledger and to supporting documentation provided by the company. We performed specific testing as described in other paragraphs.

Objective: - Determine whether expenditures for which recovery is claimed through the ECCR are allowable expenses.

Procedures: - We compiled ECCR expenses and agreed same to the filing. We scheduled expenses by program and by categories of expense. We verified the calculation of Depreciation and Return on Investment for the Prime Time and Commercial Load Management programs. We prepared a schedule of salaries and benefits for supervisory, operational, and office personnel by program. We also tested judgmentally selected items in Materials and Supplies, Outside Services, Vehicles, Program Revenues and Other.

Objective: - To verify that advertising costs charged to ECCR are consistent with Rule 25-17.015 (5).

Procedures: - We tested advertising charges to verify that they were properly recoverable through the ECCR and did not compare electric vs. gas technologies.

Objective: - For all conservation programs that exceed the budgeted amount, identify the program and total dollar difference between budgeted and actual expenses.

Procedures: - We identified those programs that exceeded the budgeted amount by 5% or more. We determined which expenses were over budget in the selected programs and requested additional documentation from the company.

OTHER

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

Procedures: - We recomputed the 2006 ECCR true-up and interest using the FPSC approved recoverable true-up amount and interest rates.

Objective: - Verify that the information provided pursuant to Rule 25-17.0021 (5), h, l, and m is accurate for the following programs:

- Residential Heating and Cooling
- Residential Duct Repair
- Residential Load Management (Prime Time)
- Commercial/Industrial Indoor Lighting

Procedures: - We verified that the KWH and KW savings reported in TECO's 2006 Demand Side Management Annual Report were calculated according to Commission Order and that each conservation program complies with the Commission's cost effective test. We traced the number of program participants to company records and recalculated per installation cost and total program cost.

TAMPA ELECTRIC COMPANY
Actual Conservation Program Costs per Program
Actuals for Months January 2006 through December 2006

| Program Name | Capital Investment | Payroll & Benefits | Materials & Supplies | Outside Services | Advertising | Incentives | Vehicles | Other | Program Revenues | Total |
|-------------------------------------|--------------------|--------------------|----------------------|------------------|------------------|--------------------|------------------|------------------|--------------------|---------------------|
| 1 Heating and Cooling | \$0 | \$48,251 | \$116 | \$775 | \$4,307 | \$224,100 | \$130 | \$2,804 | \$0 | \$280,483 |
| 2 Prime Time | 1,196,183 | 312,865 | 23,187 | 56,399 | 0 | 7,083,980 | 26,137 | 33,146 | 0 | 8,731,897 |
| 3 Energy Audits | 0 | 937,420 | 5,954 | 73,596 | 426,523 | 0 | 59,290 | 40,944 | 0 | 1,543,727 |
| 4 Cogeneration | 0 | 64,187 | 0 | 0 | 0 | 0 | 1,080 | 3,184 | 0 | 68,451 |
| 5 Ceiling Insulation | 0 | 117,401 | 31 | 0 | 0 | 175,400 | 7,215 | 1,536 | 0 | 301,583 |
| 6 Commercial Load Management | 2,327 | 2,412 | 0 | 1,803 | 0 | 1,372 | 295 | 0 | 0 | 8,209 |
| 7 Commercial Indoor Lighting | 0 | 3,734 | 0 | 0 | 0 | 59,644 | 99 | 0 | 0 | 63,477 |
| 8 Standby Generator | 0 | 4,869 | 0 | 0 | 0 | 597,724 | 485 | 0 | 0 | 603,078 |
| 9 Conservation Value | 0 | 3,898 | 0 | 0 | 0 | 41,791 | 17 | 0 | 0 | 45,706 |
| 10 Duct Repair | 0 | 145,319 | 563 | 5,675 | 162,868 | 882,110 | 12,818 | 9,994 | 0 | 1,219,347 |
| 11 Renewable Energy Initiative | 0 | 29,612 | 3,648 | 268,180 | 0 | 0 | 357 | 6,404 | (104,835) | 203,366 |
| 12 Industrial Load Management | 0 | 329 | 0 | 0 | 0 | 18,900 | 0 | 60 | 0 | 19,289 |
| 13 DSM R&D | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 Common Expenses | 0 | 187,739 | 0 | 0 | 0 | 0 | 16 | 0 | 0 | 187,755 |
| 15 Commercial Cooling | 0 | 595 | 0 | 0 | 0 | 23,996 | 0 | 0 | 0 | 24,591 |
| 16 Energy Plus Homes | 0 | 1,670 | 0 | 0 | 0 | 900 | 0 | 0 | 0 | 2,570 |
| 17 Price Responsive Load Management | 0 | 328,073 | 9,291 | 433,392 | 0 | 0 | 6,890 | 18,463 | 0 | 796,109 |
| 18 Total All Programs | <u>\$1,198,510</u> | <u>\$2,188,374</u> | <u>\$42,790</u> | <u>\$839,820</u> | <u>\$593,698</u> | <u>\$9,109,917</u> | <u>\$114,829</u> | <u>\$116,535</u> | <u>(\$104,835)</u> | <u>\$14,099,638</u> |

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TAMPA ELECTRIC COMPANY
Energy Conservation Adjustment
Calculation of True-up and Interest Provision
For Months January 2006 through December 2006

| Description | January | February | March | April | May | June | July | August | September | October | November | December | Total |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1 Residential Conservation Audit Fees (A) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 Conservation Adjustment Revenues * | 972,397 | 881,080 | 861,663 | 913,411 | 1,041,846 | 1,176,011 | 1,250,037 | 1,241,638 | 1,235,943 | 1,127,916 | 926,597 | 958,505 | 12,587,044 |
| 3 Total Revenues | 972,397 | 881,080 | 861,663 | 913,411 | 1,041,846 | 1,176,011 | 1,250,037 | 1,241,638 | 1,235,943 | 1,127,916 | 926,597 | 958,505 | 12,587,044 |
| 4 Prior Period True-up | <u>217,883</u> | <u>217,883</u> | <u>217,883</u> | <u>217,883</u> | <u>217,883</u> | <u>217,883</u> | <u>217,883</u> | <u>217,883</u> | <u>217,883</u> | <u>217,883</u> | <u>217,883</u> | <u>217,880</u> | <u>2,614,593</u> |
| 5 Conservation Revenue Applicable to Period | 1,190,280 | 1,098,963 | 1,079,546 | 1,131,294 | 1,259,729 | 1,393,894 | 1,467,920 | 1,459,521 | 1,453,826 | 1,345,799 | 1,144,480 | 1,176,385 | 15,201,637 |
| 6 Conservation Expenses | <u>1,110,660</u> | <u>1,250,413</u> | <u>1,348,950</u> | <u>941,820</u> | <u>1,135,628</u> | <u>1,212,710</u> | <u>1,037,699</u> | <u>1,262,980</u> | <u>1,032,205</u> | <u>1,084,506</u> | <u>1,238,836</u> | <u>1,443,231</u> | 14,099,638 |
| 7 True-up This Period (Line 5 - Line 6) | 79,620 | (151,450) | (269,404) | 189,474 | 124,101 | 181,184 | 430,221 | 196,541 | 421,621 | 261,293 | (94,356) | (266,846) | 1,101,999 |
| 8 Interest Provision This Period | 9,342 | 8,675 | 7,300 | 6,621 | 6,542 | 6,511 | 7,157 | 7,596 | 7,961 | 8,538 | 7,968 | 6,257 | 90,468 |
| 9 True-up & Interest Provision Beginning of Period | 2,614,593 | 2,485,672 | 2,125,014 | 1,645,027 | 1,623,239 | 1,535,999 | 1,505,811 | 1,725,306 | 1,711,560 | 1,923,259 | 1,975,207 | 1,670,936 | 2,614,593 |
| 10 Prior Period True-up Collected (Refunded) | <u>(217,883)</u> | <u>(217,883)</u> | <u>(217,883)</u> | <u>(217,883)</u> | <u>(217,883)</u> | <u>(217,883)</u> | <u>(217,883)</u> | <u>(217,883)</u> | <u>(217,883)</u> | <u>(217,883)</u> | <u>(217,883)</u> | <u>(217,880)</u> | <u>(2,614,593)</u> |
| 11 End of Period Total Net True-up | <u>\$2,485,672</u> | <u>\$2,125,014</u> | <u>\$1,645,027</u> | <u>\$1,623,239</u> | <u>\$1,535,999</u> | <u>\$1,505,811</u> | <u>\$1,725,306</u> | <u>\$1,711,560</u> | <u>\$1,923,259</u> | <u>\$1,975,207</u> | <u>\$1,670,936</u> | <u>\$1,192,467</u> | <u>\$1,192,467</u> |

* Net of Revenue Taxes

(A) Included in Line 6