

State of Florida



ORIGINAL

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 25, 2007
TO: William B. McNulty, Public Utilities Supervisor, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 070007-EI; Company Name: Tampa electric Company;
Audit Purpose: Environmental Cost Recovery Clause;
Audit Control No: 07-071-2-1

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

DNV:bj
Attachments

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

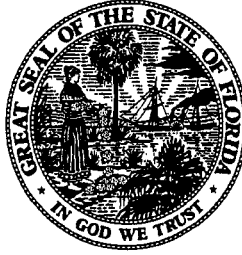
Ms. Paula K. Brown
Tampa Electric Company
P.O. Box 111
Tampa, FL 33601-0111

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

DOCUMENT NUMBER-DATE

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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

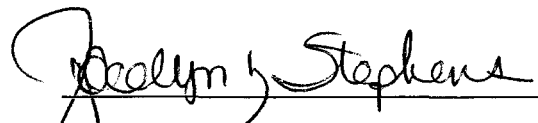
HISTORICAL YEAR ENDED DECEMBER 31, 2006

DOCKET NO. 070007-EI

AUDIT CONTROL NO. 07-071-2-1



Daniell Acheampong, Audit Staff



Jocelyn Y. Stephens, Audit Manager



Joseph W. Rohrbacher, Tampa District Supervisor

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

July 20, 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 Environmental Cost Recovery in Docket 070007-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: 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 2006. 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 (PIS), per filing, to the General Ledger, staff examined a summary of ECRC capital expenditures for 2006. Based upon the level of dollars charged, four projects representing 95% of ECRC capital expenditures, were selected for analysis. Four samples, based upon transactions over a selected threshold, were created for further analysis. This additional analysis included the examination of selected company expenditures. The expenditures were 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 items were selected for testing. The test included tracing amounts to vendor vouchers and/or contracts 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 PIS 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. No difference existed between staff computation and the company's computation for 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.
- We determined that there was no replacement of existing plant for any of the ECRC projects in 2006.
- 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: We determined that all ECRC Plant was placed in service subsequent to TECO's latest rate case. As a result, there is no ECRC PIS being recovered through base rates and no adjustment is necessary for the company to be in compliance with Commission Order PSC-99-2513-FOF-EI.
- Objective: Verify the accuracy of recoverable Operation and Maintenance (O&M) expenses recorded in the ECRC filing.
- 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 judgmental and block sampling, we 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.
- Immaterial differences occurred. No exceptions made.
- Objectives: Report the monthly SO₂ allowance expenses for 2006 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 and selected two months for analysis. We traced SO₂ allowance expense to SO₂ emissions from market based sales, co-generation purchases and consumption by Big Bend and Polk.
- Objectives: To verify that that True-Up and Interest were properly calculated.
- Procedures: We recomputed the 2006 ECRC True-Up and Interest using the approved recoverable True-Up amount per Commission Order PSC-05-1251-FOF-EI and 30-day commercial interest rates.

Objectives: Verify the accuracy of recoverable revenues recorded in the ECRC filing.

Procedures: Using KWH's for recoverable sales and Commission approved ECRC rates, we recalculated 2006 ECRC revenues billed. We compared this balance to the ECRC filing. Minor differences occurred as a result of rounding.

We adjusted 2006 ECRC revenues, per the filing, using the Regulatory Assessment Fee. This balance was compared to the 2006 ECRC revenues recorded in the General Ledger (G/L). Minor differences were noted as a result of manual adjustments to customer billing posted in the G/L.

No exception was made for the above immaterial differences.

Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2006 to December 2006

Form 42 - 2A

Current Period True-Up Amount
(in Dollars)

Line	January	February	March	April	May	June	July	August	September	October	November	December	End of Period Total
1. ECRC Revenues (net of Revenue Taxes)	(\$5,479,828)	(\$4,961,738)	(\$4,928,007)	(\$5,213,642)	(\$5,897,235)	(\$6,569,531)	(\$6,962,431)	(\$6,915,668)	(\$6,910,722)	(\$6,346,325)	(\$5,276,664)	(\$5,467,424)	(\$70,929,215)
2. True-Up Provision	8,424,774	8,424,774	8,424,774	8,424,774	8,424,774	8,424,774	8,424,774	8,424,774	8,424,774	8,424,774	8,424,774	8,424,777	101,097,291
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	2,944,946	3,463,036	3,496,767	3,211,132	2,527,539	1,855,243	1,462,343	1,509,106	1,514,052	2,078,449	3,148,110	2,957,353	30,168,078
4. Jurisdictional ECRC Costs													
a. O & M Activities (Form 42-5A, Line 9)	(31,161,586)	(5,699,263)	1,073,611	1,471,083	(213,103)	1,058,592	720,203	1,067,592	(2,160,724)	1,195,715	760,026	1,319,389	(30,568,465)
b. Capital Investment Projects (Form 42-7A, Line 9)	1,446,774	1,470,116	1,466,431	1,472,115	1,485,710	1,481,709	1,479,114	1,466,403	1,481,401	1,480,912	1,469,139	1,484,658	17,684,483
c. Total Jurisdictional ECRC Costs	(29,714,812)	(4,229,147)	2,540,042	2,943,198	1,272,607	2,540,301	2,199,317	2,533,995	(679,323)	2,676,627	2,229,165	2,804,047	(12,883,982)
5. Over/Under Recovery (Line 3 - Line 4c)	32,659,758	7,692,183	956,725	267,934	1,254,932	(685,058)	(736,974)	(1,024,889)	2,193,376	(598,178)	918,945	153,306	43,052,060
6. Interest Provision (Form 42-3A, Line 10)	329,006	383,513	380,282	367,749	345,624	323,847	296,045	255,466	219,860	187,342	151,538	117,650	3,357,922
7. Beginning Balance True-Up & Interest Provision	101,097,291	125,703,024	125,353,946	118,266,179	110,477,088	103,652,870	94,866,884	86,001,181	76,806,984	70,795,446	61,959,835	54,605,544	101,097,291
a. Deferred True-Up from January to December 2005 (Order No. PSC-06-0972-FOF-EI)	(23,609,173)	(23,609,173)	(23,609,173)	(23,609,173)	(23,609,173)	(23,609,173)	(23,609,173)	(23,609,173)	(23,609,173)	(23,609,173)	(23,609,173)	(23,609,173)	(23,609,173)
8. True-Up Collected/(Refunded) (see Line 2)	(8,424,774)	(8,424,774)	(8,424,774)	(8,424,774)	(8,424,774)	(8,424,774)	(8,424,774)	(8,424,774)	(8,424,774)	(8,424,774)	(8,424,774)	(8,424,777)	(101,097,293)
9. End of Period Total True-Up (Lines 5+6+7+7a+8)	102,052,108	101,744,773	94,657,006	86,867,915	80,043,697	71,257,711	62,392,008	53,197,811	47,186,273	38,350,662	30,996,371	22,842,550	22,800,807
10. Adjustment to Period True-Up Including Interest	41,743	0	0	0	0	0	0	0	0	0	0	0	41,743
11. End of Period Total True-Up (Lines 9 + 10)	\$102,093,851	\$101,744,773	\$94,657,006	\$86,867,915	\$80,043,697	\$71,257,711	\$62,392,008	\$53,197,811	\$47,186,273	\$38,350,662	\$30,996,371	\$22,842,550	\$22,842,550

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Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2006 to December 2006

O&M Activities
(in Dollars)

Line	January	February	March	April	May	June	July	August	September	October	November	December	End of Period Total	Method of Classification	
														Demand	Energy
1.	Description of O&M Activities														
a.	\$350,532	\$412,304	\$384,919	\$552,336	\$469,195	\$387,486	\$301,441	\$386,024	\$188,180	\$301,677	\$227,673	\$476,899	\$4,448,666		\$4,448,666
b.	0	0	0	0	0	0	0	0	0	0	0	0	0		0
c.	(33,886,042)	(6,800,603)	50,518	45,425	(1,375,078)	50,157	1,678	24,740	(2,825,009)	(21,108)	26,351	18,752	(44,690,220)		(44,690,220)
d.	514,156	375,246	434,394	437,111	541,765	511,954	377,726	622,443	313,635	888,135	407,579	597,626	6,021,770		6,021,770
e.	960	14,604	13,497	34,797	27,214	16,048	12,023	14,741	11,399	24,930	33,236	12,582	216,031		216,031
f.	7,524	44,098	204,311	316,660	49,264	26,752	2,538	45,723	(46)	(6,232)	30,952	82,402	803,946		803,946
g.	34,500	0	0	0	0	0	0	0	0	0	0	0	34,500	34,500	
h.	0	(338)	5,750	22,831	0	46,880	5,556	0	4,602	5,971	11,952	4,664	107,868	107,868	
i.	7,897	2,101	4,801	1,851	7,362	4,088	3,579	4,300	1,338	1,437	1,368	4,074	44,196		44,196
j.	0	0	8,896	0	18,187	9,061	0	7,876	8,365	0	15,704	0	68,089		68,089
k.	(158)	6,048	0	5,748	0	0	0	0	0	0	0	0	11,638		11,638
l.	1,544	0	0	0	0	(1,544)	0	0	0	0	0	0	0		0
m.	2,070	1,065	1,677	2,751	224	(7,787)	0	300	0	1,600	2,444	(4,344)	0		0
n.	0	0	0	0	0	0	0	0	0	0	0	0	0		0
o.	3,822	(10,176)	0	110,707	41,308	48,454	37,677	0	75,410	34,797	29,421	165,016	536,437	536,437	
p.	0	0	4,111	0	1,484	0	0	1,400	2,380	0	2,031	0	11,406	11,406	
2.	(32,963,185)	(5,955,651)	1,122,874	1,530,217	(219,074)	1,091,549	742,218	1,107,547	(2,219,746)	1,231,206	788,711	1,357,671	(32,385,673)	\$690,211	(\$33,075,884)
3.	(33,001,517)	(5,945,137)	1,113,013	1,396,679	(261,867)	896,215	698,985	1,106,147	(2,302,138)	1,190,438	745,307	1,187,991	(33,075,884)		
4.	38,322	(10,514)	9,861	133,538	42,793	95,334	43,233	1,400	82,392	40,768	43,404	169,680	690,211		
5.	0.9453867	0.9568978	0.9560560	0.9610864	0.9713433	0.9703464	0.9707197	0.9639242	0.9730798	0.9714136	0.9635894	0.9728931			
6.	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.	(31,198,535)	(5,689,126)	1,064,103	1,342,329	(254,363)	966,874	678,519	1,066,242	(2,240,164)	1,156,408	718,177	1,155,788	(31,233,948)		
8.	36,949	(10,137)	9,508	128,754	41,260	91,818	41,684	1,350	79,440	39,307	41,849	163,601	665,483		
9.	(\$31,161,586)	(\$5,699,263)	\$1,073,611	\$1,471,083	(\$213,103)	\$1,058,592	\$720,203	\$1,067,592	(\$2,160,724)	\$1,195,715	\$760,026	\$1,319,389	(\$30,568,465)		

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

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Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2006 to December 2006

Capital Investment Projects- Recoverable Costs
(in Dollars)

Line	Description (A)	January	February	March	April	May	June	July	August	September	October	November	December	End of Period Total	Method of Classification	
															Demand	Energy
1.	a. Big Bend Unit 3 Flue Gas Desulfurization Integration	\$75,679	\$75,492	\$75,306	\$75,120	\$74,933	\$74,746	\$74,560	\$74,373	\$74,187	\$74,000	\$73,814	\$73,627	\$895,837		\$895,837
	b. Big Bend Units 1 and 2 Flue Gas Conditioning	45,532	45,373	45,213	45,052	44,892	44,733	44,573	44,413	44,254	44,094	43,933	43,773	535,835		535,835
	c. Big Bend Unit 4 Continuous Emissions Monitors	7,807	7,788	7,770	7,750	7,731	7,713	7,693	7,675	7,656	7,637	7,618	7,599	92,437		92,437
	d. Big Bend Fuel Oil Tank # 1 Upgrade	4,981	4,971	4,960	4,950	4,939	4,929	4,918	4,907	4,897	4,886	4,876	4,865	59,079	\$ 59,079	
	e. Big Bend Fuel Oil Tank # 2 Upgrade	8,192	8,174	8,157	8,140	8,123	8,106	8,089	8,071	8,054	8,037	8,020	8,003	97,166		97,166
	f. Phillips Upgrade Tank # 1 for FDEP	563	562	559	558	557	555	554	552	550	549	547	546	6,652		6,652
	g. Phillips Upgrade Tank # 4 for FDEP	884	882	880	877	874	872	869	868	865	863	860	857	10,451		10,451
	h. Big Bend Unit 1 Classifier Replacement	13,633	13,593	13,553	13,512	13,471	13,431	13,391	13,350	13,310	13,269	13,228	13,189	160,930		160,930
	i. Big Bend Unit 2 Classifier Replacement	10,311	10,278	10,245	10,214	10,181	10,148	10,115	10,083	10,050	10,017	9,984	9,952	121,578		121,578
	j. Big Bend Section 114 Mercury Testing Platform	1,246	1,243	1,242	1,239	1,237	1,234	1,232	1,230	1,227	1,226	1,223	1,221	14,800		14,800
	k. Big Bend Units 1 & 2 FGD	887,186	884,424	881,673	878,924	876,170	873,433	870,714	868,026	865,977	863,842	861,722	859,047	10,471,438		10,471,438
	l. Big Bend FGD Optimization and Utilization	237,874	237,383	236,890	236,398	235,906	235,414	234,923	234,431	233,939	233,446	232,954	232,463	2,822,021		2,822,021
	m. Big Bend NO _x Emissions Reduction	69,560	79,483	79,282	79,051	78,834	78,637	78,442	78,247	78,051	77,856	77,661	77,464	932,568		932,568
	n. Big Bend PM Minimization and Monitoring	101,420	101,171	100,921	100,672	100,422	100,173	99,924	99,674	99,425	99,175	98,926	98,677	1,200,580		1,200,580
	o. Polk NO _x Emissions Reduction	18,445	18,403	18,362	18,320	18,279	18,237	18,195	18,154	18,112	18,070	18,028	17,987	218,592		218,592
	p. Big Bend Unit 4 SOFA	29,615	29,561	29,506	29,452	29,399	29,345	29,291	29,237	29,184	29,130	29,076	29,022	351,818		351,818
	q. Big Bend Unit 1 Pre-SCR	9,461	9,527	9,601	9,663	11,119	12,580	12,555	12,483	15,483	19,064	19,630	19,599	160,765		160,765
	r. Big Bend Unit 2 Pre-SCR	15,648	15,479	15,479	15,479	15,479	15,479	15,479	15,479	15,479	15,479	15,479	15,479	185,917		185,917
	s. Big Bend Unit 3 Pre-SCR	2,258	2,388	3,898	6,000	6,708	6,849	6,912	6,924	6,923	6,923	6,909	6,896	69,588		69,588
	t. Big Bend Unit 1 SCR	0	0	0	0	0	0	0	0	0	0	0	0	0		0
	u. Big Bend Unit 2 SCR	0	0	0	0	0	0	0	0	0	0	0	0	0		0
	v. Big Bend Unit 3 SCR	0	0	0	0	0	0	0	0	0	0	0	0	0		0
	w. Big Bend Unit 4 SCR	0	0	0	0	0	0	0	0	0	0	0	0	0		0
	x. Big Bend FGD System Reliability	0	0	0	0	0	0	722	1,921	3,799	5,497	8,303	13,996	34,238		34,238
	y. SO ₂ Emissions Allowances (B)	(10,202)	(10,014)	(9,787)	(9,698)	(9,605)	(9,532)	(9,324)	(9,117)	(8,907)	(8,461)	(8,163)	(8,110)	(110,920)		(110,920)
2.	Total Investment Projects - Recoverable Costs	1,530,093	1,536,161	1,533,710	1,531,673	1,529,649	1,527,082	1,523,827	1,521,281	1,522,515	1,524,599	1,524,628	1,526,152	16,351,405	\$ 173,348	\$ 18,158,022
3.	Recoverable Costs Allocated to Energy	1,515,473	1,521,572	1,519,154	1,517,148	1,515,156	1,512,620	1,509,397	1,506,883	1,508,149	1,510,264	1,510,325	1,511,881	18,158,022		
4.	Recoverable Costs Allocated to Demand	14,620	14,589	14,556	14,525	14,493	14,462	14,430	14,398	14,366	14,335	14,303	14,271	173,348		
5.	Retail Energy Jurisdictional Factor	0.9453667	0.9569378	0.9569560	0.9610864	0.9713433	0.9703464	0.9707197	0.9639242	0.9730798	0.9714136	0.9635994	0.9728931			
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)	1,432,678	1,456,050	1,452,396	1,458,110	1,471,737	1,467,765	1,465,201	1,452,521	1,467,549	1,467,091	1,455,348	1,470,899	17,517,346		
8.	Jurisdictional Demand Recoverable Costs (D)	14,096	14,066	14,034	14,005	13,974	13,944	13,913	13,882	13,851	13,821	13,791	13,760	167,137		
9.	Total Jurisdictional Recoverable Costs for Investment Projects (Lines 7 + 8)	\$1,446,774	\$1,470,116	\$1,466,431	\$1,472,115	\$1,485,710	\$1,481,709	\$1,479,114	\$1,466,403	\$1,481,401	\$1,480,912	\$1,469,139	\$1,484,658	\$17,684,483		

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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