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DATE: June 11, 2009

TO: Jenny Wu , Economic Analyst - PSC, Division of Economic Regulation

FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance DM

RE: Docket No. 090007-EI - Company Name: Tampa Electric Company
Audit Purpose: Environmental Cost Recovery Clause; Company Code: EI806
Audit Control No: 09-012-2-2

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 a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

DNM/ch
Attachment: Audit Report and Audit Work Papers (Analyst Copy)

cc: Division of Regulatory Compliance (Salak, Mailhot, Harvey, District Offices, File Folder)
Office of Commission Clerk (2)
Office of the General Counsel

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

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING

TAMPA DISTRICT OFFICE

TAMPA ELECTRIC COMPANY

ENVIRONMENTAL COST RECOVERY CLAUSE AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2008

DOCKET NO. 090007-EI

AUDIT CONTROL NO. 09-012-2-2

Tomer Kopelovich, Audit Manager

Joseph W. Rohrbacher, Tampa District Supervisor

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DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT

May 29, 2008

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 (TEC) in support of its filing for Environmental Cost Recovery in Docket 090007-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 and the report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Objective: Verify all negative depreciation expense amounts reported by TEC for any of its Environmental Cost Recovery Clause (ECRC) projects regardless of whether the negative depreciation expense amount is shown or noted on Form 42-8A of the company filing. Review TEC's justification for each negative depreciation amount including applicable company 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 2008. Also, we scanned the filing and we did not find any negative depreciation.

Objective: Using sampling procedures, reconcile Plant In Service (PIS) (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: We reconciled Plant In Service, per filing, to the General Ledger. Staff examined a summary of ECRC capital expenditures for 2008. We judgmentally selected various projects for further analysis. This 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 testing included tracing amounts to vendor vouchers to determine if items purchased were properly includible as ECRC investment.

Using beginning and end of period PIS balances by project and by account, we calculated average PIS for the year and applied PSC authorized depreciation rates (Order No. PSC-08-0014-PAA-EI). 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. 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 for all units of property replacing retired plant. We determined that there was no replacement of existing plant for any of the ECRC projects in 2008.

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 TEC's 1991 rate case in Docket No. 920324-EI. As a result, there is no ECRC PIS being recovered through base rates and no adjustment is necessary 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 42-5A.

Procedures: Using judgmental sampling, we traced selected O&M costs for the projects listed in Form-42-5A. The sample items were taken from general ledger queries for ECRC accounts, sub accounts and resource codes.

Objective: List the monthly SO2 allowance expenses for 2008 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 six months (April, May, July, August, October, and November) for testing. We traced SO2 allowance expense to SO2 emissions from market based sales, co-generation purchases and consumption.

Objective: To verify that True-Up and Interest were properly calculated.

Procedures: We recomputed the 2008 ECRC True-Up and Interest using the approved recoverable True-Up amount per Commission Order PSC-07-0922-FOF-EI and 30-day commercial interest rates.

Objective: 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 2008 ECRC revenues billed. We compared this balance to the ECRC filing.

Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2008 to December 2008

Current Period True-Up Amount
(in Dollars)

Line		Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	End of Period Total
1.	ECRC Revenues (net of Revenue Taxes)	$1,638,579	$1,370,190	$1,402,163	$1,497,358	$1,604,847	$1,896,228	$1,838,115	$1,859,793	$1,976,888	$1,751,627	$1,464,969	$1,484,593	$19,785,350
2.	True-Up Provision	(189,293)	(189,293)	(189,293)	(189,293)	(189,293)	(189,293)	(189,293)	(189,293)	(189,293)	(189,293)	(189,293)	(189,287)	(2,271,510)
3.	ECRC Revenues Applicable to Period (Lines 1 + 2)	1,449,286	1,180,897	1,212,870	1,308,065	1,415,554	1,706,935	1,648,822	1,670,500	1,787,595	1,562,334	1,275,676	1,295,306	17,513,840
4.	Jurisdictional ECRC Costs													
	a. O & M Activities (Form 42-5A, Line 9)	934,271	952,608	(142,256)	828,339	63,219	997,223	(77,784)	1,171,490	(1,883,087)	1,590,404	(3,475,832)	1,714,251	2,672,846
	b. Capital Investment Projects (Form 42-7A, Line 9)	2,134,304	2,110,308	2,120,016	2,105,726	2,116,026	2,149,067	2,919,008	3,010,781	3,014,505	3,029,460	3,035,487	3,067,296	30,811,984
	c. Total Jurisdictional ECRC Costs	3,068,575	3,062,916	1,977,760	2,934,065	2,179,245	3,146,290	2,841,224	4,182,271	1,131,418	4,619,864	(440,345)	4,781,547	33,484,830
5.	Over/Under Recovery (Line 3 - Line 4c)	(1,619,289)	(1,882,019)	(764,890)	(1,626,000)	(763,691)	(1,439,355)	(1,192,402)	(2,511,771)	656,177	(3,057,530)	1,716,021	(3,486,241)	(15,970,990)
6.	Interest Provision (Form 42-3A, Line 10)	31,846	20,427	16,266	13,326	10,676	8,020	5,778	2,398	1,353	(1,878)	(1,950)	(1,489)	104,773
7.	Beginning Balance True-Up & Interest Provision	(2,271,510)	(3,669,660)	(5,341,959)	(5,901,290)	(7,324,671)	(7,888,393)	(9,130,435)	(10,127,766)	(12,447,846)	(11,601,023)	(14,471,138)	(12,567,774)	(2,271,510)
	a. Deferred True-Up from January to December 2005 (Order No. PSC-xx-xxxx-FOF-EI)	12,464,395	12,464,395	12,464,395	12,464,395	12,464,395	12,464,395	12,464,395	12,464,395	12,464,395	12,464,395	12,464,395	12,464,395	12,464,395
8.	True-Up Collected/(Refunded) (see Line 2)	189,293	189,293	189,293	189,293	189,293	189,293	189,293	189,293	189,293	189,293	189,293	189,287	2,271,510
9.	End of Period Total True-Up (Lines 5+6+7+7a+8)	8,794,735	7,122,436	6,563,105	5,139,724	4,576,002	3,333,960	2,336,629	16,549	863,372	(2,006,743)	(103,379)	(3,401,822)	(3,401,822)
10.	Adjustment to Period True-Up Including Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
11.	End of Period Total True-Up (Lines 9 + 10)	$8,794,735	$7,122,436	$6,563,105	$5,139,724	$4,576,002	$3,333,960	$2,336,629	$16,549	$863,372	($2,006,743)	($103,379)	($3,401,822)	($3,401,822)

EXHIBIT 1

Form 42 - 5A

Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2008 to December 2008

O&M Activities
(in Dollars)

Line		Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	End of Period Total	Method of Classification Demand	Method of Classification Energy
1.	Description of O&M Activities															
a.	Big Bend Unit 3 Flue Gas Desulfurization Integration	$248,401	$275,121	$243,730	$227,130	$290,194	$337,808	$331,185	$315,747	$284,635	$316,972	$274,971	$196,615	$3,342,509		$3,342,509
b.	Big Bend Units 1 & 2 Flue Gas Conditioning	0												0		0
c.	SO_2 Emissions Allowances	11,881	28,579	(953,364)	17,936	(985,484)	12,269	(1,433,367)	5,070	(3,177,141)	5,750	(5,194,241)	5,919	(11,656,193)		(11,656,193)
d.	Big Bend Units 1 & 2 FGD	423,620	382,952	346,081	421,332	449,234	498,635	669,195	559,910	584,009	909,929	998,774	1,299,016	7,542,688		7,542,688
e.	Big Bend PM Minimization and Monitoring	55,967	32,902	21,123	23,341	20,830	30,439	14,092	21,448	24,230	25,177	14,518	28,875	312,943		312,943
f.	Big Bend NO_x Emissions Reduction	125,150	176,174	21,314	0	33,096	66,702	51,277	0	1,603	575	0	0	475,890		475,890
g.	NPDES Annual Surveillance Fees	34,500	0	0	0	0	0	0	0	0	0	0	0	34,500	34,500	
h.	Gannon Thermal Discharge Study	0	0	25,195	12,362	10,997	3,450	0	0	10,277	0	17,575	6,479	86,335	86,335	
i.	Polk NO_x Reduction	6	4,220	4,656	2,347	1,721	1,717	5,849	3,776	3,026	4,451	3,889	2,588	38,246		38,246
j.	Bayside SCR and Ammonia	8,054	8,852	8,489	0	23,366	0	24,956	11,420	11,711	16,873	0	32,377	146,098		146,098
k.	Big Bend Unit 4 SOFA	0	17,661	(17,661)	0	52,492	(19,516)	(32,976)	0	0	0	0	24,282	24,282		24,282
l.	Big Bend Unit 1 Pre-SCR	0	0	0	0	0	0	0	0	0	0	0	0	0		0
m.	Big Bend Unit 2 Pre-SCR	0	0	0	0	6,188	0	0	0	0	0	0	763	6,951		6,951
n.	Big Bend Unit 3 Pre-SCR	2	0	0	0	0	0	0	0	0	0	0	0	2		2
o.	Clean Water Act Section 316(b) Phase II Study	(15,310)	29,792	46,229	33,330	2,134	4,221	14,204	11,799	8,909	0	14,000	595	149,902	149,902	
p.	Arsenic Groundwater Standard Program	0	0	155	0	27,840	0	0	15,204	0	2,424	12,522	14,511	72,656	72,656	
q.	Big Bend 3 SCR	0	0	0	0	0	0	137,356	182,628	50,971	257,768	183,506	87,413	899,642		899,642
r	Big Bend 4 SCR	73,080	41,212	105,026	134,633	133,185	93,901	137,374	94,010	239,774	102,944	93,794	52,091	1,301,024		1,301,024
2.	Total of O&M Activities	965,351	997,464	(149,026)	872,411	65,793	1,029,625	(80,855)	1,221,012	(1,957,995)	1,642,863	(3,580,692)	1,751,523	2,777,475	$343,393	$2,434,081
3.	Recoverable Costs Allocated to Energy	946,161	967,672	(220,605)	826,719	24,822	1,021,954	(95,059)	1,194,009	(1,977,181)	1,640,439	(3,624,788)	1,729,938	2,434,082		
4.	Recoverable Costs Allocated to Demand	19,190	29,792	71,579	45,692	40,971	7,671	14,204	27,003	19,186	2,424	44,096	21,585	343,393		
5.	Retail Energy Jurisdictional Factor	0.9678275	0.9546721	0.9585015	0.9485322	0.9513098	0.9685443	0.9627142	0.9592781	0.9617904	0.9680708	0.9706658	0.9788701			
6.	Retail Demand Jurisdictional Factor	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743			
7.	Jurisdictional Energy Recoverable Costs (A)	915,721	923,809	(211,450)	784,170	23,613	989,808	(91,515)	1,145,387	(1,901,634)	1,588,061	(3,518,458)	1,693,385	2,340,897		
8.	Jurisdictional Demand Recoverable Costs (B)	18,550	28,799	69,194	44,169	39,606	7,415	13,731	26,103	18,547	2,343	42,626	20,866	331,949		
9.	Total Jurisdictional Recoverable Costs for O&M Activities (Lines 7 + 8)	$934,271	$952,608	($142,256)	$828,339	$63,219	$997,223	($77,784)	$1,171,490	($1,883,087)	$1,590,404	($3,475,832)	$1,714,251	$2,672,846		

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

EXHIBIT 2

Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2008 to December 2008

Capital Investment Projects-Recoverable Costs

(in Dollars)

Line		Description (A)	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	End of Period Total	Method of Classification Demand	Method of Classification Energy
1.	a.	Big Bend Unit 3 Flue Gas Desulfurization Integration	$68,185	$68,032	$67,879	$67,725	$67,572	$67,419	$67,266	$67,113	$66,959	$66,806	$66,653	$66,500	$808,109		$808,109
	b.	Big Bend Units 1 and 2 Flue Gas Conditioning	39,001	38,872	38,741	38,611	38,481	38,351	38,221	38,091	37,960	37,831	37,700	37,571	459,431		459,431
	c.	Big Bend Unit 4 Continuous Emissions Monitors	6,973	6,958	6,943	6,929	6,914	6,900	6,884	6,870	6,855	6,841	6,826	6,811	82,704		82,704
	d.	Big Bend Fuel Oil Tank # 1 Upgrade	4,729	4,719	4,709	4,699	4,688	4,678	4,667	4,657	4,646	4,636	4,625	4,615	56,068	$ 56,068	
	e.	Big Bend Fuel Oil Tank # 2 Upgrade	7,780	7,762	7,744	7,727	7,710	7,693	7,676	7,658	7,641	7,624	7,607	7,590	92,212	92,212	
	f.	Phillips Upgrade Tank # 1 for FDEP	513	511	510	509	507	506	505	503	502	501	499	498	6,064	6,064	
	g.	Phillips Upgrade Tank # 4 for FDEP	806	804	801	800	797	795	793	791	788	787	784	782	9,528	9,528	
	h.	Big Bend Unit 1 Classifier Replacement	12,181	12,146	12,110	12,076	12,040	12,006	11,970	11,935	11,900	11,865	11,829	11,795	143,853		143,853
	i.	Big Bend Unit 2 Classifier Replacement	8,806	8,782	8,757	8,732	8,708	8,683	8,658	8,633	8,609	8,584	8,559	8,535	104,046		104,046
	j.	Big Bend Section 114 Mercury Testing Platform	1,166	1,163	1,162	1,159	1,158	1,156	1,154	1,152	1,150	1,148	1,146	1,144	13,858		13,858
	k.	Big Bend Units 1 & 2 FGD	750,451	748,492	746,532	744,573	742,637	741,193	741,160	740,684	738,819	737,109	738,520	746,237	8,916,407		8,916,407
	l.	Big Bend FGD Optimization and Utilization	218,109	217,704	217,301	216,897	216,493	216,089	215,684	215,280	214,876	214,473	214,069	213,664	2,590,639		2,590,639
	m.	Big Bend NO_x Emissions Reduction	66,231	66,150	66,069	66,004	65,954	65,903	65,939	66,456	67,136	67,342	67,202	67,057	797,443		797,443
	n.	Big Bend PM Minimization and Monitoring	90,591	90,396	90,199	90,004	89,807	89,612	89,415	89,220	89,075	89,082	89,109	89,161	1,075,671		1,075,671
	o.	Polk NO_x Emissions Reduction	17,559	17,517	17,473	17,431	17,388	17,345	17,302	17,258	17,216	17,173	17,130	17,087	207,879		207,879
	p.	Big Bend Unit 4 SOFA	27,948	27,898	27,848	27,799	27,749	27,699	27,650	27,600	27,551	27,501	27,451	27,402	332,096		332,096
	q.	Big Bend Unit 1 Pre-SCR	23,579	23,539	23,499	23,451	23,401	23,357	23,313	23,269	23,225	23,181	23,137	23,093	280,044		280,044
	r.	Big Bend Unit 2 Pre-SCR	18,960	18,921	18,881	18,841	18,802	18,762	18,723	18,683	18,643	18,604	18,564	18,525	224,909		224,909
	s.	Big Bend Unit 3 Pre-SCR	22,793	25,253	25,918	29,315	32,464	32,031	31,975	32,386	32,337	32,282	32,226	32,168	361,148		361,148
	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	815,255	923,533	922,724	921,641	920,542	920,130	5,423,825		5,423,825
	w.	Big Bend Unit 4 SCR	707,557	706,732	705,859	705,392	702,934	700,469	699,413	698,254	697,070	695,882	694,694	693,507	8,407,763		8,407,763
	x.	Big Bend FGD System Reliability	110,065	114,980	117,554	125,303	132,098	132,395	132,498	132,528	132,470	132,351	132,117	131,888	1,526,247		1,526,247
	y.	Clean Air Mercury Rule	1,934	3,617	5,799	6,334	6,383	6,412	6,434	6,466	6,537	6,607	6,733	8,353	71,609		71,609
	z.	SO_2 Emissions Allowances (B)	(648)	(616)	(603)	(590)	(577)	(564)	(550)	(534)	(494)	(453)	(445)	(439)	(6,513)		(6,513)
2.		Total Investment Projects - Recoverable Costs	2,205,269	2,210,332	2,211,685	2,219,721	2,224,108	2,218,890	3,032,005	3,138,486	3,134,195	3,129,398	3,127,277	3,133,674	31,985,040	$ 163,872	$ 31,821,168
3.		Recoverable Costs Allocated to Energy	2,191,441	2,196,536	2,197,921	2,205,986	2,210,406	2,205,218	3,018,364	3,124,877	3,120,618	3,115,850	3,113,762	3,120,189	31,821,168		
4.		Recoverable Costs Allocated to Demand	13,828	13,796	13,764	13,735	13,702	13,672	13,641	13,609	13,577	13,548	13,515	13,485	163,872		
5.		Retail Energy Jurisdictional Factor	0.9678275	0.9546721	0.9585015	0.9485322	0.9513098	0.9685443	0.9627142	0.9592781	0.9617004	0.9680708	0.9700656	0.9766701			
6.		Retail Demand Jurisdictional Factor	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743	0.9666743			
7.		Jurisdictional Energy Recoverable Costs (C)	2,120,937	2,096,972	2,106,711	2,092,449	2,102,781	2,135,851	2,905,822	2,997,626	3,001,380	3,016,363	3,022,422	3,054,260	30,653,574		
8.		Jurisdictional Demand Recoverable Costs (D)	13,367	13,336	13,305	13,277	13,245	13,216	13,186	13,155	13,125	13,097	13,065	13,036	158,410		
9.		Total Jurisdictional Recoverable Costs for Investment Projects (Lines 7 + 8)	$2,134,304	$2,110,308	$2,120,016	$2,105,726	$2,116,026	$2,149,067	$2,919,008	$3,010,781	$3,014,505	$3,029,460	$3,035,487	$3,067,296	$30,811,984		

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

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Depreciation Memo Entry	447,792.65	441,807.43	443,618.89	447,834.86	457,709.40	465,754.34	542,852.63	620,752.53	622,671.14	626,877.49	628,631.09	634,121.72	6,380,424
ROI	1,686,511	1,668,501	1,676,397	1,657,891	1,658,317	1,683,313	2,376,155	2,390,028	2,391,834	2,402,583	2,406,856	2,433,174	24,431,560
TOTAL													

EXHIBIT 3