

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: May 16, 2012
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120007-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3d Environmental Cost Recovery Clause
Audit Control No: 12-019-2-2

RECEIVED
FPSC
12 MAY 16 AM 11:58
COMMISSION
CLERK

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

CJP/klh

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER DATE

03107 MAY 16 2012

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Tampa Electric Company
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2011

Docket No. 120007-EI
Audit Control No. 12-019-2-2

May 8, 2012

A handwritten signature in cursive script, reading "Linda Hill-Slaughter", written over a horizontal line.

Linda Hill-Slaughter
Audit Manager

A handwritten signature in cursive script, reading "Tomer Kopelovich", written over a horizontal line.

Tomer Kopelovich
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 19, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2011 filing for the Environmental Cost Recovery Clause in Docket No. 120007-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Tampa Electric Company.
ECRC refers to the Environmental Cost Recovery Clause.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2011, through December 31, 2011, and to verify that any project which involved the replacement or retirement of an existing plant asset is retired at the installed costs by the Utility in accordance with Florida Public Service Commission Rule 25-6.0142(4)(b), F.A.C.

Procedure: We reconciled Plant in Service (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2011 Form 42-8A. No exceptions were noted.

Construction Work in Progress

Objective: The objective was to verify net investments associated with the following capital projects:

- 1) Big Bend Unit 3 Flue Gas Desulfurization (FGD) Integration
- 2) Big Bend Units 1 and 2 FGD
- 3) PM Minimization and Monitoring
- 4) Big Bend Unit 2 Selective Catalytic Reduction (SCR)
- 5) Big Bend FGD System Reliability
- 6) Clean Air Mercury Rule

Procedures: We selected a sample of the additions to the capital projects. We verified that additions had appropriate supporting documentation and were recorded to the correct project and account. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2011, through December 31, 2011, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2011 filing to the Utility's monthly Environmental Revenue Reports. We computed the factors by rate code and compared them to the last Commission Order No. PSC 10-0683-FOF-EI. We selected a random sample of residential and commercial customers' bills for the month of November 2011 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Form 42-5A filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing for the months of February, May and August 2011. The source documentation for selected items was reviewed to ensure the expense was related to the ECRC and that the expense was charged to the correct accounts. No exceptions were noted.

Depreciation and Amortization

Objective: The objective was to verify that the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

Procedures: We recalculated Depreciation Expense on a test basis. We traced total year Depreciation Expense for each capital project listed on Form 42-8A to the general ledger detail. No exceptions were noted.

Other Issues

SO₂ Allowances

Objectives: The objectives were to verify investments, inventory, expensed amounts and allowance auction proceeds. We also verified the amounts included in Working Capital, Form 42-8A.

Procedures: We traced 2011 consumption for SO₂ allowances from the Utility's detailed allowances reports to the total emissions schedule on Form 42-5E. We verified the single sale of NO_x allowance to Reedy Creek Improvement District. We traced the jurisdictional factors to PSC Order 10-0683-FOF-EI. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A was properly calculated.

Procedures: We traced the December 31, 2010, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates, and the 2011 ECRC revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECRC Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2011 to 2010 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True Up

Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2011 to December 2011
Docket 12-019-2-2
ACN 12-019-2-2

Form 42 - 2A

	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)	\$6,513,784	\$5,431,604	\$5,013,741	\$5,428,243	\$5,375,391	\$7,008,986	\$7,206,392	\$7,448,255	\$7,422,881	\$6,299,591	\$5,202,358	\$5,271,980	\$74,622,506
2. True-Up Provision	332,260	332,260	332,260	332,260	332,260	332,260	332,260	332,260	332,260	332,260	332,260	332,260	3,987,122
3. ECRC Revenues Applicable to Period (Lines 1 + 2) 1	6,846,044	5,763,864	5,346,001	5,760,503	5,707,651	7,341,246	7,538,652	7,780,515	7,754,341	6,631,951	5,534,618	5,604,242	78,609,628
4. Jurisdictional ECRC Costs													
a. O & M Activities (Form 42-5A, Line 9)	1,535,285	1,965,917	2,431,264	1,700,762	2,788,262	1,185,237	1,846,955	1,914,176	1,880,906	1,906,368	1,401,326	1,575,962	22,252,424
b. Capital Investment Projects (Form 42-7A, Line 9)	5,000,601	4,994,888	5,015,263	4,998,322	4,998,525	4,993,023	4,988,082	4,993,438	5,001,881	5,016,877	5,018,625	5,031,178	60,049,903
c. Total Jurisdictional ECRC Costs	6,635,886	6,960,805	7,446,527	6,699,084	7,786,787	6,178,260	6,835,037	6,907,616	6,882,789	6,923,245	6,419,951	6,607,140	82,302,327
5. Over/Under Recovery (Line 3 - Line 4c) 1	210,158	(1,216,141)	(2,100,526)	(938,581)	(1,079,136)	1,162,986	703,615	872,899	871,552	(291,294)	(885,333)	(1,002,898)	(3,692,699)
6. Interest Provision (Form 42-3A, Line 10)	275	100	(288)	(539)	(706)	(650)	(528)	(395)	(238)	(241)	(350)	(282)	(3,842)
7. Beginning Balance True-Up & Interest Provision 1	3,987,122	3,865,295	2,316,994	(116,080)	(1,387,460)	(2,799,562)	(1,969,486)	(1,598,659)	(1,058,415)	(519,361)	(1,143,156)	(2,361,099)	3,987,122
a. Deferred True-Up from January to December 2010 (Order No. PSC-xx-xxxx-POF-EI)	(2,616,808)	(2,616,808)	(2,616,808)	(2,616,808)	(2,616,808)	(2,616,808)	(2,616,808)	(2,616,808)	(2,616,808)	(2,616,808)	(2,616,808)	(2,616,808)	(2,616,808)
8. True-Up Collected/(Refunded) (see Line 2)	(332,260)	(332,260)	(332,260)	(332,260)	(332,260)	(332,260)	(332,260)	(332,260)	(332,260)	(332,260)	(332,260)	(332,260)	(3,987,122)
9. End of Period Total True-Up (Lines 5+6+7+8+9) 1	1,248,487	(299,814)	(2,732,888)	(4,094,266)	(5,416,370)	(4,586,294)	(4,215,467)	(3,675,223)	(3,136,169)	(3,759,964)	(4,977,967)	(6,313,349)	(6,313,349)
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) 1	\$1,248,487	(\$299,814)	(\$2,732,888)	(\$4,094,266)	(\$5,416,370)	(\$4,586,294)	(\$4,215,467)	(\$3,675,223)	(\$3,136,169)	(\$3,759,964)	(\$4,977,967)	(\$6,313,349)	(\$6,313,349)