

MEMORANDUM

ORIGINAL

July 6, 1998

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 980001-EI -- TAMPA ELECTRIC COMPANY
AUDIT REPORT - CAPACITY COST - PERIOD ENDED MARCH 31, 1998
AUDIT CONTROL NO. 98-094-2-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

Tampa Electric Company
Angela Llewellyn
P. O. Box 111
Tampa, FL 33601-0111

DNV/sp

Attachment

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Jacobs
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Ging)
Tampa District Office (McPherson)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

07085 JUL -6 8

DIVISION OF RECORDS AND REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING**

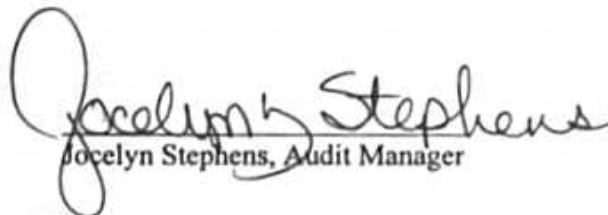
TAMPA DISTRICT OFFICE

TAMPA ELECTRIC COMPANY

CAPACITY COST RECOVERY AUDIT

FOR THE TWELVE MONTHS ENDED MARCH 31, 1998

**DOCKET NO. 980001-EI
AUDIT CONTROL NO. 98-094-2-1**


Jocelyn Stephens, Audit Manager

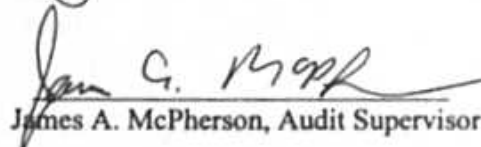

James A. McPherson, Audit Supervisor

TABLE OF CONTENTS

I	AUDITOR'S REPORT	PAGE
	PURPOSE	1
	DISCLAIM PUBLIC USE	1
	OPINION	1
	SUMMARY OF SIGNIFICANT PROCEDURES	2
II	EXHIBITS	
	CALCULATION OF FINAL TRUE-UP (9/30/97)	3
	CALCULATION OF INTEREST PROVISION (9/30/97)	4
	CALCULATION FINAL TRUE-UP (3/31/98)	5
	CALCULATION OF INTEREST PROVISION (3/31/98)	6

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

JUNE 24, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Capacity Cost Recovery True-up schedules for the two historical six month periods ended September 30, 1997 and March 31, 1998 for Tampa Electric Company. These schedules were prepared by the Utility as part of its petition for cost recovery in Docket 980001-EI. There is no confidential information associated with this audit, and there are no audit staff minority opinions.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

REVENUE: Compiled Capacity Cost Recovery (CCR) revenue and agreed to the filing. Recomputed CCR revenues using approved FPSC rate factors and company-provided KWH sales. Reconciled Utility "revenue recap" report to the general ledger on a test basis. Judgementally selected a sample of customer bills (from Fuel Clause Audit) to verify the proper CCR revenue rate was charged.

EXPENSES: Compiled capacity costs. Agreed capacity costs to Tampa Electric Company billing statements. Identified costs by vendor. Performed audit test work of capacity cost payments to verify that Qualifying Facilities were paid according to contract for electric power supplied to the utility.

TRUE-UP: Recomputed CCR true-up and interest using FPSC approved amounts and interest rates.

OTHER: Performed analytical review on capacity costs and recovery revenues as an aid in determining scope and level of risk of the audit. Reviewed notes from reading Board of Director's Minutes and outside auditor workpapers.

TAMPA ELECTRIC COMPANY
 CAPACITY COST RECOVERY CLAUSE
 CALCULATION OF FINAL TRUE-UP AMOUNT
 FOR THE PERIOD APRIL 1997 THROUGH SEPTEMBER 1997

	(1) ACTUAL APRIL	(2) ACTUAL MAY	(3) ACTUAL JUNE	(4) ACTUAL JULY	(5) ACTUAL AUGUST	(6) ACTUAL SEPTEMBER	(7) TOTAL
1 UNIT POWER CAPACITY CHARGES	\$ 1,135,048	\$ 1,128,078	\$ 1,128,078	\$ 1,128,078	\$ 1,128,078	\$ 1,128,078	\$ 68,765,438
2 CAPACITY PAYMENTS TO COGENERATORS	1,028,545	1,028,545	1,028,545	1,028,545	1,028,545	1,028,545	6,171,270
3 EMERGENCY CAPACITY CHARGES	0	0	0	0	0	0	0
4 (CAPACITY REVENUES)	(113,706)	(107,014)	(110,965)	(44,489)	113,099	(107,691)	(370,766)
5 TOTAL CAPACITY CHARGES - CURRENT PERIOD	\$ 2,048,887	\$ 2,047,609	\$ 2,043,658	\$ 2,110,134	\$ 2,267,722	\$ 2,046,932	\$ 12,565,942
6 JURISDICTIONAL PERCENTAGE	98.46438%	98.46438%	98.46438%	98.46438%	98.46438%	98.46438%	
7 JURISDICTIONAL CAPACITY PAYMENTS	\$ 2,018,409	\$ 2,018,166	\$ 2,012,275	\$ 2,077,730	\$ 2,232,808	\$ 2,015,499	\$ 12,372,977
8 CAPACITY COST RECOVERY REVENUES (NET OF REVENUE TAXES)	1,494,358	1,559,543	1,957,004	2,089,870	1,968,560	2,103,530	11,192,665
9 PRIOR PERIOD TRUE-UP PROVISION	40,156	40,156	40,156	40,156	40,156	40,157	240,937
10 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (NET OF REVENUE TAXES)	\$ 1,534,514	\$ 1,599,699	\$ 1,997,160	\$ 2,129,826	\$ 2,028,716	\$ 2,143,687	\$ 11,433,602
11 TRUE-UP PROVISION FOR MONTH - OVER/ (UNDER) RECOVERY (LINE 10 - LINE 7)	\$ (483,895)	\$ (418,467)	\$ (15,115)	\$ 52,096	\$ (204,182)	\$ 128,188	\$ (939,375)
12 INTEREST PROVISION FOR MONTH	(235)	(2,528)	(3,738)	(3,849)	(4,381)	(4,743)	(19,474)
13 TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH - OVER(Under) RECOVERY	240,937	(283,349)	(742,500)	(801,509)	(793,418)	(1,042,137)	240,937
14 DEFERRED TRUE-UP - OVER(Under) RECOVERY	(28,551)	(28,551)	(28,551)	(28,551)	(28,551)	(28,551)	(28,551)
15 PRIOR PERIOD TRUE-UP PROVISION - COLLECTED(REFUNDED) THIS MONTH	(40,156)	(40,156)	(40,156)	(40,156)	(40,156)	(40,157)	(240,937)
16 END OF PERIOD TRUE-UP - OVER(Under) RECOVERY (SUM OF LINES 11 - 15)	\$ (311,800)	\$ (771,051)	\$ (830,060)	\$ (821,969)	\$ (1,070,668)	\$ (987,400)	\$ (987,400)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD APRIL 1997 THROUGH SEPTEMBER 1997

	(1) ACTUAL APRIL	(2) ACTUAL MAY	(3) ACTUAL JUNE	(4) ACTUAL JULY	(5) ACTUAL AUGUST	(6) ACTUAL SEPTEMBER	(7) TOTAL
1. BEGINNING TRUE-UP AMOUNT	212,388	(311,900)	(771,051)	(830,060)	(821,969)	(1,070,688)	N/A
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST	(311,665)	(768,523)	(826,322)	(819,120)	(1,066,307)	(982,657)	N/A
3. TOTAL BEGINNING & ENDING TRUE-UP AMOUNT (LINES 1 + 2)	(99,279)	(1,080,423)	(1,597,373)	(1,648,180)	(1,888,276)	(2,053,345)	N/A
4. AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	<u>(49,640)</u>	<u>(540,212)</u>	<u>(798,687)</u>	<u>(824,090)</u>	<u>(944,138)</u>	<u>(1,026,673)</u>	N/A
5. INT. RATE % - FIRST DAY REP. BUS. MONTH	5.740	5.620	5.600	5.620	5.580	5.560	N/A
6. INT. RATE % - FIRST DAY SUBSEQUENT MONTH	5.620	5.600	5.620	5.580	5.560	5.530	N/A
7. TOTAL (LINE 5 + LINE 6)	11.360	11.220	11.220	11.200	11.140	11.090	N/A
8. AVERAGE INT. RATE % (50% OF LINE 7)	5.680	5.610	5.610	5.600	5.570	5.545	N/A
9. MONTHLY AVG. INT. RATE % (LINE 8/12)	0.473	0.468	0.468	0.467	0.464	0.462	N/A
10. INT. PROVISION (LINE 4 X LINE 9)	<u>(\$235)</u>	<u>(2,528)</u>	<u>(\$3,738)</u>	<u>(\$3,849)</u>	<u>(\$4,381)</u>	<u>(\$4,743)</u>	<u>(\$19,474)</u>

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD OCTOBER 1997 THROUGH MARCH 1998

	(1) ACTUAL OCTOBER	(2) ACTUAL NOVEMBER	(3) ACTUAL DECEMBER	(4) ACTUAL JANUARY	(5) ACTUAL FEBRUARY	(6) ACTUAL MARCH	(7) TOTAL
1. UNIT POWER CAPACITY CHARGES	\$ 1,126,078	\$ 794,691	\$ 1,126,078	\$ 1,126,090	\$ 1,117,184	\$ 1,086,924	\$ 6,377,045
2. CAPACITY PAYMENTS TO COGENERATORS	1,028,545	1,028,545	1,028,545	1,054,995	1,054,995	1,054,995	6,250,620
3. EMERGENCY CAPACITY CHARGES	0	0	0	0	0	0	0
4. (CAPACITY REVENUES)	(147,755)	(121,958)	(110,427)	(101,585)	(192,168)	(146,858)	(820,751)
5. TOTAL CAPACITY CHARGES - CURRENT PERIOD	\$ 2,006,868	\$ 1,701,278	\$ 2,044,196	\$ 2,079,500	\$ 1,980,011	\$ 1,995,061	\$ 11,806,914
6. JURISDICTIONAL PERCENTAGE	98.46438%	98.46438%	98.46438%	98.46438%	98.46438%	98.46438%	
7. JURISDICTIONAL CAPACITY PAYMENTS	\$ 1,976,050	\$ 1,675,153	2,012,805	\$ 2,047,567	\$ 1,949,606	\$ 1,964,424	\$ 11,625,605
8. CAPACITY COST RECOVERY REVENUES (NET OF REVENUE TAXES)	2,325,888	1,862,384	1,934,775	2,089,852	1,885,669	1,884,758	11,983,326
9. PRIOR PERIOD TRUE-UP PROVISION	(57,515)	(57,515)	(57,515)	(57,515)	(57,515)	(57,513)	(345,088)
10. CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (NET OF REVENUE TAXES)	\$ 2,268,373	\$ 1,804,869	\$ 1,877,260	\$ 2,032,337	\$ 1,828,154	\$ 1,827,245	\$ 11,638,238
11. TRUE-UP PROVISION FOR MONTH - OVER/ (UNDER) RECOVERY (LINE 10 - LINE 7)	\$ 292,323	\$ 129,716	\$ (135,545)	\$ (15,230)	\$ (121,452)	\$ (137,179)	\$ 12,633
12. INTEREST PROVISION FOR MONTH	(3,746)	(2,530)	(2,334)	(2,419)	(2,434)	(2,787)	(16,250)
13. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH - OVER/(UNDER) RECOVERY	(345,088)	1,004	185,705	105,341	145,207	78,836	(345,088)
14. DEFERRED TRUE-UP - OVER/(UNDER) RECOVERY	(642,312)	(642,312)	(642,312)	(642,312)	(642,312)	(642,312)	(642,312)
15. PRIOR PERIOD TRUE-UP PROVISION - COLLECTED/(REFUNDED) THIS MONTH	57,515	57,515	57,515	57,515	57,515	57,513	345,088
16. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 11 - 15)	\$ (641,308)	\$ (456,607)	\$ (536,971)	\$ (497,105)	\$ (563,476)	\$ (645,929)	\$ (645,929)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD OCTOBER 1997 THROUGH MARCH 1998

	(1) ACTUAL OCTOBER	(2) ACTUAL NOVEMBER	(3) ACTUAL DECEMBER	(4) ACTUAL JANUARY	(5) ACTUAL FEBRUARY	(6) ACTUAL MARCH	(7) TOTAL
1. BEGINNING TRUE-UP AMOUNT	(987,400)	(641,308)	(456,607)	(536,971)	(497,105)	(563,476)	N/A
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST	(637,562)	(454,077)	(534,637)	(494,686)	(561,042)	(643,142)	N/A
3. TOTAL BEGINNING & ENDING TRUE-UP AMOUNT (LINES 1 + 2)	(1,624,962)	(1,095,385)	(991,244)	(1,031,657)	(1,058,147)	(1,206,618)	N/A
4. AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	(812,481)	(547,693)	(495,622)	(515,829)	(529,074)	(603,309)	N/A
5. INT. RATE % - FIRST DAY REP. BUS. MONTH	5.530	5.530	5.560	5.750	5.500	5.530	N/A
6. INT. RATE % - FIRST DAY SUBSEQUENT MONTH	5.530	5.560	5.750	5.500	5.530	5.550	N/A
7. TOTAL (LINE 5 + LINE 6)	11.060	11.090	11.310	11.250	11.030	11.080	N/A
8. AVERAGE INT. RATE % (50% OF LINE 7)	5.530	5.545	5.655	5.625	5.515	5.540	N/A
9. MONTHLY AVG. INT. RATE % (LINE 8/12)	0.461	0.462	0.471	0.469	0.460	0.462	N/A
10. INT. PROVISION (LINE 4 X LINE 9)	(\$3,746)	(2,530)	(\$2,334)	(\$2,419)	(\$2,434)	(\$2,787)	(\$16,250)

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

July 7, 1998

Angela Llewellyn, Regulatory Affairs
Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601-0111

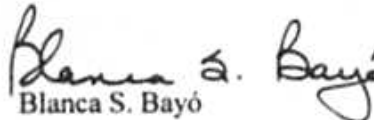
Re: Docket No. 980001 - EI - Tamp Electric Company
Audit Report - Capacity Cost - 12 Months Ended March 31, 1998
Audit Control # 98-094-2-1

Dear Ms. Llewellyn:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above case will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/ABF
Enclosure

cc: Public Counsel
Division of Audit and Financial Analysis
James Beasley