

MEMORANDUM

December 29, 1997

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 970002-EG -- TAMPA ELECTRIC COMPANY
CONSERVATION AUDIT REPORT - PERIOD ENDED SEPTEMBER 30, 1997
AUDIT CONTROL NO. 97-269-2-2

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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
Post Office Box 111
Tampa, FL 33601-0111

DNV/sp

Attachment

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

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE
13257 DEC 29 97
FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1997

Field Work Completed

December 15, 1997

TAMPA ELECTRIC COMPANY

Tampa, Florida

Hillsborough County

Energy Conservation Audit

Docket Number 970002-EG

Audit Control Number 97-269-2-2



**Thomas E. Stambaugh
Audit Manager**



**James A. McPherson
Regulatory Analyst Supervisor**

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I. EXECUTIVE SUMMARY

Audit Purpose: We have applied the procedures described in Section II of this report to audit the appended Energy Conservation Cost Recovery (ECCR) schedule CT-2, pg. 1 for the twelve month period ended September 30, 1997 prepared by Tampa Electric Company for Energy Conservation Cost Recovery, FPSC Docket Number 970002-EG.

Disclaim Public Use: This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this document must 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.

Opinion: The actual amounts recorded in the appended ECCR schedule CT-2, pg. 1, filed by Tampa Electric Company for the twelve month period ending September 30, 1997 in support of Docket Number 970002-EG represent the Utility's books and records maintained in substantial compliance with Commission Directives. The expressed opinions extend only to the scope of work described in Section II of this report.

II. AUDIT SCOPE:

The opinions contained in this report are based on the audit work described below. When used in this report, the following definitions shall apply.

COMPILED: - The audit staff reconciled exhibit amounts with the general ledger, visually scanned accounts for error or inconsistency, disclosed any unresolved error, irregularity or inconsistency, and, except as noted, performed no other audit work.

ECCR Program Expenses: Compiled ECCR program expenses. Recalculated depreciation and return on investment for investments recorded in the Prime Time and the Commercial/Industrial Load Management Program. Used analytical review to compare program costs in current period to prior periods. Further investigated those costs which were outside of predetermined parameters. On a judgementally selected basis tested components of the Ceiling Insulation, Commercial Lighting, Standby Generation, and Natural Gas Research and Development Programs. Tested the dollars of payroll expense associated with Account 908.49, Common Expenses, for June and July, 1997. Analyzed payroll by salary, operating and office categories for June, 1997. Tested advertising expense to verify that it had documentary support and to determine whether any advertising dollars had been spent to compare electric with natural gas technologies.

ECCR Revenues: Tested utility's calculation of ECCR revenues. Agreed Conservation revenues and KWH sales to utility billing summary report, "Calculation of Revenues".

ECCR True-up: Recomputed ECCR True-up balance for the twelve months ended September 30, 1997.

AUDIT DISCLOSURE NO. 1

SUBJECT: Programs over Budget.

STATEMENT OF FACT: The Utility incurred significantly greater expenditures in four ECCR programs than those budgeted in original Utility estimates.

AUDIT OPINION AND CONCLUSION: The actual expenses of four programs were significantly different from their estimated totals and were investigated. The four programs were:

<u>PROGRAM</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>DIFFERENCE</u>
Ceiling Insulation	\$303,690	\$396,815	(\$93,125)
Commercial Lighting	\$246,835	\$444,572	(\$197,737)
Standby Generation	\$575,011	\$648,577	(\$73,566)
Natural Gas R & D	\$73,288	\$149,992	(\$76,704)

The Utility stated that the Ceiling Insulation program was higher than budget due to higher customer participation than anticipated. Commercial Lighting was over budget due to the payment of a larger incentive payment per customer than that which was originally projected. In the Standby Generator program, incentives increased in the current period as a result of an increase in the average controllable load of participating customers. Natural Gas R&D field work and data collection is progressing faster than planned, which results in greater costs in the audited period.

The over-budget programs were investigated by audit test work of the Payroll, Outside Services and Incentives cost categories. No errors were found in Utility ECCR filing. Therefore, these explanations appear reasonable.

AUDIT DISCLOSURE NO. 2

SUBJECT: Payroll

STATEMENT OF FACT: The Utility classified in its general ledger subaccounts the following payroll dollars recovered in its ECCR filing for the twelve months ended September 30, 1997.

<u>G/L Subacct</u>	<u>Amount</u>	<u>Percent</u>
Salary-00	\$1,529,038	70
Operating-01	385,921	18
Office-02	<u>254,286</u>	<u>12</u>
Total	<u>\$2,169,245</u>	<u>100</u>

AUDIT OPINION: Allocation of payroll and benefit dollars is determined by a pre-set percentage for some jobs and by actual timesheet allocation for others, based on actual work in the various ECCR programs. For this reason, the numbers of employees, and the associated payroll and benefit dollars, will not remain constant from one month to the next.

We examined a typical month, June 1997, and determined the following specific information:

<u>G/L Subacct</u>	<u>Dollars</u>		<u>Employees</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Mgt-Sal-00	\$19,975	8	9	7
Oth-Sal-00	105,849	47	50	37
Operating-01	69,391	31	55	40
Office-02	<u>31,049</u>	<u>14</u>	<u>22</u>	<u>16</u>
Total	<u>\$226,264</u>	<u>100</u>	<u>136</u>	<u>100</u>

Audit test work revealed no errors in payroll and benefit dollars filed by the Utility for ECCR recovery.

AUDIT CONCLUSION: Accept the Utility pay and benefit totals as pertinent to ECCR cost recovery for the twelve months ended September 30, 1997.

AUDIT DISCLOSURE NO. 3

SUBJECT: Advertising Costs.

STATEMENT OF FACT: Utility was asked to provide information about its advertising costs, specifically, what advertising costs were charged to ECCR and how much of this amount related to a comparison of electric with natural gas technologies.

AUDIT OPINION: Utility stated that, for the twelve months ended September 30, 1997, it had charged the following amounts to advertising costs by program:

Program	Amount
Heating & Cooling	335,175
Prime Time	34,109
Free Home Energy Check	16,296
Free Comm/Indus Audit	17,943
Ceiling Insulation	1,520
Commercial Lighting	1,559
Conservation Value	633
Residential Duct Efficiency	7,735
Total	414,970

Audit test work verified that the indicated dollars had been spent as shown by program. No evidence was found in the test work that any dollars had been spent to present to the public any comparison of electric vs. gas technologies.

AUDIT CONCLUSION: Accept advertising dollars as properly recoverable ECCR expenditures for the twelve months ended September 30, 1997.

TAMPA ELECTRIC COMPANY
Analysis of Energy Conservation Program Costs
Actual vs. Projected
For Months October 1996 through September 1997

Description	(A) Actual	(B) Projected	(C) Difference
1. Capital Investment	\$1,075,137	\$1,084,309	(\$9,172)
2. Payroll	2,169,245	2,514,861	(345,616)
3. Materials and Supplies	265,046	150,380	114,666
4. Outside Services	808,503	742,305	66,198
5. Advertising	414,970	412,339	2,631
6. Incentives	14,047,741	14,037,106	10,635
7. Vehicles	163,896	159,468	4,428
8. Other	<u>25,784</u>	<u>29,346</u>	(3,562)
9. Subtotal	18,970,322	19,130,114	(159,792)
10. Less: Program Revenues	(75)	0	(75)
11. Total Program Costs	18,970,247	19,130,114	(159,867)
12. Adjustments	0	0	0
13. Beginning of Period True-up Overrecovery	(834,801)	(834,801)	0
14. Amounts included in Base Rates	0	0	0
15. Conservation Adjustment Revenues	<u>(19,191,594)</u>	<u>(19,388,118)</u>	196,524
16. True-up Before Interest	1,056,148	1,092,805	(36,657)
17. Interest Provision	<u>10,964</u>	<u>8,038</u>	2,926
18. End of Period True-up	<u>\$1,067,112</u>	<u>\$1,100,843</u>	(\$33,731)

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA



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

Public Service Commission

December 30, 1997

Ms. Angela Llewellyn
Tampa Electric Company
Post Office Box 111
Tampa, Florida 33601-0111

Re: Docket No. 970002 - EG - Tampa Electric Company
Conservation Audit Report - Period Ended September 30, 1997
Audit Control # 97-269-2-2

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 date 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. Bayó
Blanca S. Bayó

BSB/cl
Enclosure
cc: Public Counsel
Ausley Law Firm