



# Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: August 3, 1999

TO: Division of Records and Reporting (Flynn)

FROM: Division of Auditing and Financial Analysis (Freeman, Vandiver) *F W*  
Division of Appeals (Bellak) *RCD* *197*

RE: Docket 981462-EI, Request for specified confidential treatment of specified portions of staff audit work papers for Affiliate Transaction Audit for calendar year 1997 (Audit Control Number 98-082-2-1) by Tampa Electric Company

This is a request that the Division of Records and Reporting declassify and return to the audit staff audit report pages 17 and 18 from document 11433-98.

At the October 18, 1999, audit exit conference which audit staff held with Tampa Electric Company concerning staff's audit of TECO's Affiliate Transactions, the utility requested that audit report pages 17 and 18 and other materials be granted temporary confidential protection pursuant to Rule 25-22.006(3)(a)(2), Florida Administrative Code (FAC). Subsequently, audit staff filed document 11433-98 as confidential with the Division of Records and Reporting. Document 11433-98 included audit report pages 17 and 18 along with the other materials.

Rule 25-22.006(3)(a)(2), FAC, provides that temporary confidential protection lapses 21 days after the audit exit conference if a company does not formally request confidential protection for materials obtained during an audit.

The Company request (Document 12844-98, Exhibit A, Page 2) explicitly does not request confidential protection for these two audit report pages and the subsequent Commission Order (PSC-99-0901-CFO-EI) does not grant protection for audit report pages 17 and 18. Therefore, since 21 days since the audit exit conference has passed, we recommend that confidential protection for pages 17 and 18 of the audit report has lapsed and these audit report pages should be declassified and released to the Division of Auditing and Financial Analysis.

*RAR note: Pages 17 and 18 copied from conf. files and attached to this memorandum. Original pages stamped "declassified" and will remain with audit material in conf. files.*

DOCUMENT NUMBER DATE

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**DISCLOSURE NO. 7 (con't.)**

Also, Bosek Gibson and TeCom are producing operating revenues which are either significantly higher than the prior year or are from non-affiliate sources. It does not appear that the acquisition by TECO Energy or the development of energy systems is hindering the operations of either of these two companies.

TECO Finance and TECO Investment are also producing operating revenues and with no employees are certainly receiving services other than legal and accounting costs. Tax and financial reporting are two that come directly to mind.

It is concluded that Bosek Gibson, TeCom, TECO Finance and TECO Investment should be included in the allocation process which would have the effect of reducing the percent of allocable expenses charged to Tampa Electric by TECO Energy.

Staff prepared a schedule computing allocation percentages that would result if the above listed companies were included in the computation. Staff's schedule used year-end balances for operating assets, and year-to-date balances for operating revenues and operating income to calculate applicable percentages. Percentages were then blended and applied to total allocable year-to-date costs of TECO Energy. When a sale or purchase of any includible company occurred, total allocable costs were adjusted to include only those applicable expenses.

<u>Company Name</u>	<u>1997 Alloc (per Staff)</u>	<u>1997 Allocation (per TECO Energy)</u>	<u>TECO Enrgy Alloc by Sub</u>	<u>Redistribution of Alloc. Cost</u>	<u>Staff Adjusted Allocation</u>
Tampa Electric Company	11,932,460	12,219,137	69.58%	(338,203)	11,880,933
TECO Transport & Trade	1,365,803	1,315,789	7.49%	(36,419)	1,279,371
TECO Coal	1,161,403	1,202,826	6.85%	(33,292)	1,169,534
TECO Properties	145,129	126,196	0.72%	(3,493)	122,703
TECO Coalbed Methane	813,262	855,630	4.87%	(23,682)	831,947
TECO Oil & Gas (1/97)	37,100	38,428	0.22%	(1,064)	37,365
TECO Power	570,042	813,393	4.63%	(22,513)	790,879
Peoples Gas System	930,441	875,465	4.99%	(24,231)	851,234
Peoples Gas Company	74,068	71,573	0.41%	(1,981)	69,592
Peoples Sales and Service	18,864	19,209	0.11%	(532)	18,678
Gator Gas	27,327	24,331	0.14%	(673)	23,657
Bosek Gibson	38,955	0		38,955	38,955
TeCom	20,184	0		20,184	20,184
TECO Finance	324,644	0		324,644	324,644
TECO Investment	102,301	0		102,301	102,301
	<u>17,561,981</u>	<u>17,561,976</u>		<u>0</u>	<u>17,561,977</u>

The results of staff schedule are as follows:

Sum of staff allocation for Bosek, Gibson, TeCom, TECO Finance and TECO Investment = \$486,084. This amount, redistributed over the original companies receiving allocated expenses, would result in a decrease of allocated costs to Tampa Electric and Peoples Gas System of \$338,203 and \$24,231, respectively.

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**AUDITOR RECOMMENDATION:**

As a result of the staff recalculation, we recommend that Tampa Electric reduce its allocated expenses from TECO Energy and Peoples Gas System by \$362,435. We further recommend that TECO Energy's computation for Tampa Electric's portion of allocable expenses be expanded to include Bosek, Gibson and Associates, TeCom Inc., TECO Finance and TECO Investment.

**DECLASSIFIED**