

State of Florida



Public Service Commission

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COMMISSION
CLERK

DATE: May 2, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance *CJP*
Analysis
RE: Docket No.: 110007-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: Environmental Cost Recovery Clause
Audit Control No: 11-005-2-2

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

CJP/pld

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

02980 MAY-2 =

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 Audit
Twelve Months Ended December 31, 2010

Docket No. 110007-EI
Audit Control No. 11-005-2-2
April 20, 2011

A handwritten signature in cursive script, appearing to read "Tomer Kopelovich".

Tomer Kopelovich
Audit Manager

A handwritten signature in cursive script, appearing to read "Linda Hill - Slaughter".

Linda Hill - Slaughter
Reviewer

DOCUMENT NUMBER-DATE

02980 MAY-2 =

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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 5, 2011. We have applied these procedures to the attached summary exhibits prepared by Tampa Electric Company (TEC) and to several of its related schedules in support of its filing for the Environmental Cost Recovery Clause in Docket No. 110007-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 and the report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

The term "Company" used within this report refers to Tampa Electric Company.

Utility Plant in Service (UPIS)

Objectives: The objectives were to audit the capital investment project for Big Bend Unit SCR and 3 other projects, determined by sampling procedures, among lines 1a through 1z on Form 42-7A: (i) verify that the investment is recorded in the correct plant accounts; (ii) reconcile the corresponding UPIS/Depreciation Base (line 2, Form 42-8A); (iii) verify the calculations of the CWIP-Non Interest Bearing (line 4); (iv) verify that the most recent Commission approved depreciation rates and amortization periods are used in calculating the depreciation expenses (line 8a).

Procedures: We reconciled UPIS per filing to the General Ledger. Staff examined a summary of ECRC capital expenditures for 2010. We selected BB1 SCR, FGD Big Bend Units 1 & 2 projects, L7711, L7714, and L7716, PM Minimization project L8826 and Big Bend Unit 4 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 account numbers, and resources applicable to ECRC. Several items were selected for testing based upon the dollar amount that exceeded ten thousands dollars. The testing included tracing the amounts to vendor vouchers to determine if items purchased were properly included as an ECRC investment.

In addition, we recalculated the CWIP-Non Interest Bearing (line 4, Form 42-8A) for the following projects; BB1 SCR, FGD Big Bend Units 1 & 2, PM Minimization, Big Bend Unit 1 SCR, Big Bend Unit 2 SCR, and Big Bend Unit 3 SCR by adding beginning CWIP-Non Interest Bearing (line 4, Form 42-8A) and Expenditures/Additions (line 1a, Form 42-8A) and deducting Clearing to Plant (line 1b, Form 42-8A). Also, we recomputed the Return on Equity Component and Debt Component (line 7, Form 42-8A) for the following projects: Big Bend Unit 3 FGD, Big Bend Fuel Tank No. 1 Upgrade Big Bend Unit 2 Classifier Replacement, PM Minimization and Monitoring, Big Bend Unit 3 Pre-SCR, and Big Bend Unit 4 SCR by multiplying net average investment and interest rate for the equity component and debt component.

Using beginning and end of year UPIS balances by project and by account, we calculated average UPIS 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 UPIS and no differences were noted.

Retirements

Objectives: The objectives were to 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 received and reviewed the journal entry that supports plant retirements. We verified that the journal entry was correct by reviewing that the Company credited account 101.00, Electric Plant in Service and debited account 108.01, Accumulated Depreciation Expense Electric Utility Plant.

Objective: The objective was to verify the ECRC project-related plant additions, retirements, and adjustments for the period January 1, 2010 – December 31, 2010.

Procedure: We tested a sample of ECRC project related plant additions for proper amount, account and period. There were no retirements or adjustments.

Operation and Maintenance

Objective: The objective was to reconcile the Operation and Maintenance Expenses to the general ledger for a statistical sample or a judgmental sample of the projects listed in Form 42-5A.

Procedures: Using judgmental sampling, we traced selected Operation and Maintenance Expenses for the projects listed in Form 42-5A. For the months of April, May, August, and September 2010, we traced from a list of vouchers to the original invoices. The sample items were taken from general ledger queries for ECRC accounts, sub-accounts and resource codes. Nothing unusual was noted.

Other Issues

Objectives: The objectives were to audit the inventory balance of SO2 Emissions Allowance; verify the investments, the inventory (tonnages and dollars), the expensed amounts (tonnages and dollars), and the amount included in working capital (line 2, Form 42-8A).

Procedures: We obtained inventory schedules for SO2 allowances for each month in the test period. We traced SO2 allowance expense to SO2 emissions from allowances reports, co-generation purchases reports and consumption reports. We prepared an inventory amount schedule to include tonnage and dollars. Our calculation agrees with the Company's calculation. In addition, we traced the amount of SO2 expense account to working capital.

True-Up and Interest

Objective: The objective was to verify that True-Up and Interest were properly calculated.

Procedure: We recomputed the 2010 ECRC True-Up and Interest using the approved recoverable True-Up amount per Commission Order PSC-10-0683-FOF-EI and 30-day commercial paper interest rates. No differences were noted.

Revenues

Objective: The objective was to verify the accuracy of ECRC revenues recorded in the filing.

Procedures: Using Kilowatt Hours (KWH)s for recoverable sales and Commission approved ECRC rates, we recalculated 2010 ECRC revenues billed. We compared this balance to the ECRC filing. We reconciled the ECRC filing to the general ledger and to supporting documentation provided by the Company. We traced ECRC factors used to compute revenues to Order No. PSC-09-0759-FOF-EI. We reconciled the monthly revenue summary report to total monthly KWH sales. Staff's calculation agrees with the Company's calculation.

Analytical Procedures

Objectives: The objectives were to perform analytical review procedures; determine if there were any material changes or inconsistencies from prior year filings.

Procedures: We compared 2009 revenues and expenses to 2010 revenues and expenses. We reviewed the explanation given by the Company for the variances in revenues and expenses. No further investigation is needed.

Findings

There were no findings for this audit

**EXHIBIT I
TAMPA ELECTRIC COMPAN
CALCULATION OF THE FINAL TRUE-UP AMOUNT**

January 2010 to December 2010

Current Period True-Up Amount
(in Dollars)

Line	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	End of	
	January	February	March	April	May	June	July	August	September	October	November	December	Period Total	
1.	ECRC Revenues (net of Revenue Taxes)	7,934,894	7,069,607	6,921,761	6,444,462	7,270,720	8,864,432	8,906,899	9,331,985	8,875,143	7,738,490	6,691,865	6,910,607	92,960,865
2.	True-Up Provision	(1,449,344)	(1,449,344)	(1,449,344)	(1,449,344)	(1,449,344)	(1,449,344)	(1,449,344)	(1,449,344)	(1,449,344)	(1,449,344)	(1,449,344)	(1,449,344)	(17,392,132)
3.	ECRC Revenues Applicable to Period (Lines 1 + 2) ¹	6,485,550	5,620,263	5,472,417	4,995,118	5,821,376	7,415,088	7,457,555	7,882,641	7,425,799	6,289,146	5,242,521	5,461,259	75,568,733
4.	Jurisdictional ECRC Costs													
a.	O & M Activities (Form 42-5A, Line 9)	1,237,979	1,197,584	1,529,017	1,667,263	1,494,195	1,453,642	1,665,003	1,532,685	1,825,290	1,963,719	1,433,174	1,809,349	18,808,900
b.	Capital Investment Projects (Form 42-7A, Line 9)	4,029,769	4,052,084	4,053,214	4,375,897	4,975,629	4,973,761	4,978,926	4,974,786	5,000,022	5,024,067	5,020,303	4,946,027	56,404,485
c.	Total Jurisdictional ECRC Costs	5,267,748	5,249,668	5,582,231	6,043,160	6,469,824	6,427,403	6,643,929	6,507,471	6,825,312	6,987,786	6,453,477	6,755,376	75,213,385
5.	Over/Under Recovery (Line 3 - Line 4c) ¹	1,217,802	370,595	(109,814)	(1,048,042)	(648,448)	987,685	813,626	1,375,170	600,487	(698,640)	(1,210,956)	(1,294,117)	355,348
6.	Interest Provision (Form 42-3A, Line 10)	(2,589)	(2,208)	(2,054)	(1,897)	(2,386)	(2,414)	(1,554)	(790)	(220)	84	188	271	(15,569)
7.	Beginning Balance True-Up & Interest Provision ¹	(17,392,132)	(14,727,575)	(12,909,844)	(11,572,368)	(11,172,963)	(10,374,453)	(7,939,838)	(5,678,422)	(2,854,698)	(805,087)	(54,299)	184,277	(17,392,132)
a.	Deferred True-Up from January to December 2009 (Order No. PSC-xx-xxxx-PDF-ED)	831,322	831,322	831,322	831,322	831,322	831,322	831,322	831,322	831,322	831,322	831,322	831,322	831,322
8.	True-Up Collected (Refunded) (see Line 2)	1,449,344	1,449,344	1,449,344	1,449,344	1,449,344	1,449,344	1,449,344	1,449,344	1,449,344	1,449,344	1,449,344	1,449,348	17,392,132
9.	End of Period Total True-Up (Lines 5+6+7+7a+8) ¹	(13,896,253)	(12,078,522)	(10,741,046)	(10,341,641)	(9,543,131)	(7,108,516)	(4,847,100)	(2,023,376)	26,235	777,023	1,015,599	1,171,101	1,171,101
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	(13,896,253)	(12,078,522)	(10,741,046)	(10,341,641)	(9,543,131)	(7,108,516)	(4,847,100)	(2,023,376)	26,235	777,023	1,015,599	1,171,101	1,171,101