

FLORIDA PUBLIC SERVICE COMMISSION
AUDIT REPORT
FOR THE TWELVE MONTHS ENDED MARCH 31, 1997

Field Work Completed

May 30, 1997

TAMPA ELECTRIC COMPANY

Tampa, Florida

Hillsborough County

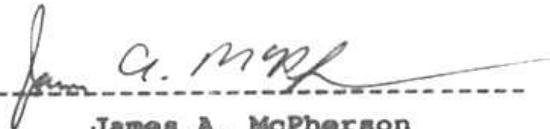
Environmental Cost Recovery Clause

Docket Number 970007-EI

Audit Control Number 97-064-2-2



Joseph W. Rohrbacher
Audit Manager



James A. McPherson
Regulatory Analyst Supervisor

DOCUMENT NUMBER-DATE

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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 Environmental Cost Recovery Clause schedules prepared by Tampa Electric Company in support of FPSC Docket Number 970007-EI for the two filing periods ended September 30, 1996 and March 31, 1997. There are no confidential workpapers associated with this report. The last day of field work was May 30, 1997.

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 appended exhibits for the Environmental Cost Recovery Clause for the six month periods ended September 30, 1996 and March 31, 1997 prepared by Tampa Electric Company in support of Docket Number 970007-EI represent utility 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, **COMPILED** means that audit work includes:

COMPILED - Means that 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 otherwise noted performed no other audit work.

REVENUE: Compiled Environmental Cost Recovery Clause (ECRC) revenue and agreed to the filing. Recomputed ECRC revenues using approved FPSC rate factors and company-provided KWH sales.

EXPENSES: Compiled ECRC expenses. Judgementally sampled 27.08% of O&M expenses for the 9/30/96 filing and 24.39% for the 3/31/97 filing to verify that they were recoverable pursuant to Order No. PSC-94-0044-FOF-EI. Recomputed allocations of expenses for Big Bend 3 Fuel Gas Desulfurization (BB3 FGD) Integration.

CAPITAL INVESTMENT: Compiled and scheduled Capital Investment for the ECRC projects. Examined selected contracts and other documentation supporting capitalized additions. Recalculated utility's allocation of costs to major units of property. Reconciled depreciation rates used by utility to FPSC approved rates. Recomputed depreciation expense and accumulated depreciation and agreed to the filing. Recalculated recoverable costs on capital investment.

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

AUDIT DISCLOSURE NO. 1

SUBJECT: Environmental Cost Recovery Clause (ECRC) Requirements

STATEMENT OF FACT: In Order No. PSC-94-0044-FOF-EI the Commission established criteria for allowing cost recovery through the ECRC. Part of that criteria required that:

1. Such costs were prudently incurred after April 13, 1993.
2. Such costs are not recovered through some other cost recovery mechanism or through base rates.

In September 1992 the utility purchased a packing tower at a cost of \$37,025.94. This amount was charged to a Storeroom Inventory account (163.04). The utility stated that in September 1996 it became necessary to change out the packing tower. At this time the item was expensed (recovered) through the ECRC.

The utility's last rate case was under Docket No. 920324-EI, issued 02/02/93. This was for the historical test year ending 12/31/91 and projected test years 1992 - 1994.

AUDITOR OPINION: Since this amount was purchased and charged to an inventory account in 1992; the amount appears to have been in Rate Base for the last rate case and is recoverable through base rates. Therefore, it should not be recovered through the ECRC.

AUDIT DISCLOSURE NO. 2

SUBJECT: GYPSUM SALES

STATEMENT OF FACT:

Gypsum sales by Tampa Electric Co.(TEC) have steadily increased from \$135,190 in 1991 to \$1,220,854 in 1996.

In discussions with TEC staff it was confirmed that gypsum is a by-product of the limestone used in the scrubbing operation for the removal of SO₂ at Big Bend 3 & 4. The utility is performing this operation on BB3 in compliance with the Clean Air Act Amendments of 1990 (CAAA)

TEC is recovering costs associated with the CAAA in the Environmental Cost Recovery Clause (ECRC) for the period June 1996 through March 1997. The recovery of limestone costs for BB3 is based on the ratio of tons of SO₂ removed at BB3 to the total removed at BB3 & 4 combined.

During the ECRC filing period \$1,079,297 was recorded as gypsum sales in the General Ledger. The utility did not allocate any of these sales to the ECRC filing. If the utility had allocated gypsum sales on the same ratio as limestone costs were allocated, \$394,716 of revenue would have been recovered through the ECRC filing.

The utility states that gypsum sales revenues were included in the calculation of base rates.

AUDITOR OPINION:

In discussions with FPSC Tallahassee staff it was not determined if all gypsum sales should be recovered in base rates or a portion allocated to the ECRC based on the allocated cost of limestone. Further follow-up by FPSC staff is needed to make a determination.

AUDIT DISCLOSURE NO. 3

SUBJECT: PAYROLL CHARGES

STATEMENT OF FACT:

The utility's last rate case was under Docket No. 920324-E1, issued 02/02/93. This was for the historical test year ending 12/31/91 and projected test years 1992 - 1994.

The utility is recovering payroll costs in the Environmental Cost Recovery Clause (ECRC) for the period June 1996 through March 1997. The recovery of payroll costs for Big Bend 3 (BB3) is based on the ratio of tons of SO₂ removed at BB3 to the total removed at BB3 & 4 combined.

Most of the employees whose payroll is being recovered through the ECRC were employed by the utility as of the last rate case in substantially the same capacity as their current position. TEC stated that no new positions were created for the ECRC.

During the ECRC filing period \$281,636 of payroll charges were recovered.

AUDITOR OPINION:

The possibility of payroll being recovered twice was discussed with FPSC staff. Further follow-up by FPSC staff is needed to make a determination on the appropriate payroll allocations.

Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
June 1996 to September 1996

End-of-Period True-Up Amount
(in Dollars)

<u>Line</u>	<u>June 96</u>	<u>July 96</u>	<u>August 96</u>	<u>September 96</u>	<u>End of Period Total</u>
1 ECRC Revenues (net of Revenue Taxes)	\$0	\$0	\$0	\$0	\$0
2 True-Up Provision	0	0	0	0	0
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
4 Jurisdictional ECRC Costs					
a. O & M Activities (Form 42-5A, Line 9)	114,629	144,024	143,738	161,563	563,954
b. Capital Investment Projects (Form 42-7A, Line 9)	155,106	153,112	154,890	155,687	618,795
c. Total Jurisdictional ECRC Costs	<u>269,735</u>	<u>297,136</u>	<u>298,628</u>	<u>317,250</u>	<u>1,182,749</u>
5 Over/Under Recovery (Line 3 - Line 4c)	(269,735)	(297,136)	(298,628)	(317,250)	(1,182,749)
6 Interest Provision (Form 42-3A, Line 10)	(614)	(1,914)	(3,249)	(4,655)	(10,432)
7 Beginning Balance True-Up & Interest Provision	0	(270,349)	(569,399)	(871,276)	0
8 True-Up Collected/(Refunded) (see Line 2)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
9 End of Period Total True-Up (lines 5+6+7+8)	<u>(270,349)</u>	<u>(569,399)</u>	<u>(871,276)</u>	<u>(1,193,181)</u>	<u>(1,193,181)</u>
10 Adjustments to Period Total True-Up Including Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
11 End of Period Total True-Up (lines 9 + 10)	<u>(\$270,349)</u>	<u>(\$569,399)</u>	<u>(\$871,276)</u>	<u>(\$1,193,181)</u>	<u>(\$1,193,181)</u>

Tampa Electric Company
 Environmental Cost Recovery Clause (ECRC)
 Calculation of the Final True-Up Amount for the Period
 October 1996 to March 1997

Form 42-2A

End-of-Period True-Up Amount
 (in Dollars)

Line	October 96	November 96	December 96	January 97	February 97	March 97	End of Period Total
1 ECRC Revenues (net of Revenue Taxes)	\$501,583	\$454,100	\$446,347	\$487,406	\$442,619	\$456,236	\$2,788,291
2 True-Up Provision	0	0	0	0	0	0	0
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	501,583	454,100	446,347	487,406	442,619	456,236	2,788,291
4 Jurisdictional ECRC Costs							
a O & M Activities (Form 42-5A, Line 9)	101,213	143,450	124,327	120,694	143,195	106,802	739,681
b Capital Investment Projects (Form 42-7A, Line 9)	154,557	152,605	152,237	153,045	155,079	153,691	921,214
c Total Jurisdictional ECRC Costs	255,770	296,055	276,564	273,739	298,274	260,493	1,660,895
5 Over/Under Recovery (Line 3 - Line 4c)	245,813	158,045	169,783	213,667	144,345	195,743	1,127,396
6 Interest Provision (Form 42-3A, Line 10)	(4,827)	(3,938)	(3,368)	(2,493)	(1,578)	(836)	(17,060)
7 Beginning Balance True-Up & Interest Provision							
a Deferred True-Up from June 1996 to September 1996 (Order No. PSC-97-0293-FOF-EI)	(1,193,181)	(952,195)	(798,088)	(631,693)	(420,519)	(277,752)	(1,193,181)
8 True-Up Collected/(Refunded) (see Line 2)	0	0	0	0	0	0	0
9 End of Period Total True-Up (Lines 5+6+7+8)	(952,195)	(798,088)	(631,693)	(420,519)	(277,752)	(82,845)	(82,845)
10 Adjustments to Period Total True-Up including Interest	0	0	0	0	0	0	0
11 End of Period Total True-Up (Lines 9 + 10)	(\$952,195)	(\$798,088)	(\$631,693)	(\$420,519)	(\$277,752)	(\$82,845)	(\$82,845)

EXHIBIT NO. _____
 DOCKET NO. 970007-EI
 TAMPA ELECTRIC COMPANY
 (KAB-1)
 DOCUMENT NO. 2
 PAGE 1 OF 1

State of Florida

Commissioners
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DIVISION OF RECORDS &
REPORTING
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Public Service Commission

June 18, 1997

Ms. Angela Llewellyn
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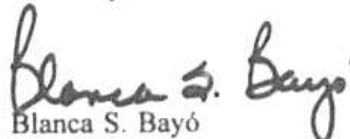
Re: Docket No. 970007-EI -- Tampa Electric Company
Environmental Compliance Cost Adjustment Audit Report
Audit Control # 97-064-2-2

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

BSB/DNV/cls
Enclosure
cc: Public Counsel
Ausley Law Firm