

State of Florida



Public Service Commission

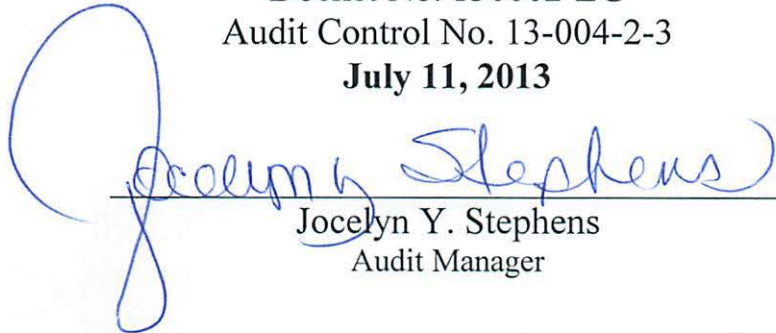
Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Tampa Electric Company
Energy Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2012

Docket No. 130002-EG
Audit Control No. 13-004-2-3
July 11, 2013



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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 Economics in its audit service request dated January 3, 2013. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2012 filing for the Energy Conservation Cost Recovery Clause in Docket No. 130002-EG.

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. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to the Tampa Electric Company.

ECCR refers to the Energy Conservation Cost Recovery Clause.

Capital Investments

Utility Plant in Service

Objective: The objective was to verify the Utility's ECCR project related additions, retirements, and adjustments for the period January 1, 2012, through December 31, 2012.

Procedures: We obtained the Utility's subsidiary ledger of all ECCR plant balances as of December 31, 2012. We reconciled each to the ECCR 2012 filing. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2012, through December 31, 2012, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECCR Clause.

Procedures: We reconciled the revenues in the 2012 ECCR filing to the Utility's monthly ECCR Revenue Reports. We recomputed the net revenues for the period using Commission approved cost recovery factors. A sample of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates in the Utility's Capacity Cost Recovery Clause audit, in Docket No. 130001-EI. No material exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on the Utility's Form CT-3 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECCR Clause.

Procedures: We traced expenses in the filing to the general ledger detail. We judgmentally selected a sample of ECCR Program Costs for testing. The source documentation for selected items was reviewed to ensure that the expense was charged to the correct accounts, in the correct amount and period, and was appropriately recoverable through the ECCR Clause. We also traced advertisement costs to the source documents and verified that costs are consistent with Rule 25-17.015(5), Florida Administrative Code. We reviewed the advertisement contracts and the associated ads. No exceptions were noted.

Depreciation Expense

Objective: The objective was to verify that the most recent Commission approved depreciation rates were used in calculating Depreciation Expense.

Procedure: We recalculated Depreciation Expense as reported in the 2012 ECCR filing for the program assets using the approved depreciation rates. Depreciation Expense was reconciled to the general ledger. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A was properly calculated.

Procedures: We traced the December 31, 2011, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2012, using the Commission approved beginning balance as of December 31, 2011, the Financial Commercial Paper rates, and the 2012 ECCR revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECCR Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2012 to 2011 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

Finding 1: Advertising Expenses Charged to Energy Audits Program

Audit Analysis: In October, 2012, the Utility incorrectly charged on its ECCR Filing \$36,426.27 to Renewable Energy Initiative instead of to the Free Energy Check Program. The Renewable Energy Initiative Program was overstated by \$36,426.27. Therefore, the Free Home Energy Check Program was understated by \$36,426.27.

The Utility has stated that it will adjust the Program Costs in both Programs in its Actual/Estimated True-Up & Projection Filing which will be filed with the Commission on September 9, 2013..

Effect on the General Ledger: None.

Effect on the Filing: The Free Home Energy Check Program should be increased by \$36,426.27. The Renewable Energy Initiative Program should be decreased by \$36,426.27.

Finding 2: Duplicate Charges – Depreciation Expense

Audit Analysis: In our analysis of the Conservation Program Costs, we reconciled amounts from each program in the ECCR filing to the amounts in the general ledger. The reconciliation of the Price Responsive Load Management Program, for the period July to December 2012, revealed that the Utility included Depreciation Expense of \$424,229 in the Capital Investment category. The Utility also included \$138,128 of the \$424,229 in the Other Expense category of the Price Responsive Load Management Program.

Effect on the General Ledger: None.

Effect on the Filing: Decrease Other Expense recorded in the Price Response Load Management Program by \$138,128.

Finding 3: Program Revenues

Audit Analysis: As stated in Finding 1, the Utility erroneously posted an expense of \$36,427 to the Renewable Energy Initiative Program in the 2012 ECCR filing. The Renewable Energy Initiative Program is a five-year pilot program. This program is funded by a \$5.00 monthly charge to those customers voluntarily participating in the program. All program costs incurred in the program are offset against the revenues received. When revenues received exceed program costs, the difference is a credit to Account 2530302 - Other Deferred Credit – Renewable. When program costs exceed revenues, the difference is a debit to Account 2530302 - Other Deferred Credit - Renewable.

As a result of the Utility incorrectly posting the \$36,427 to the Renewable Energy Initiative Program (see Finding 1), program costs were overstated on the filing. Additionally, Account 2530302 was overcharged resulting in an understatement of the account balance in the General Ledger. The Utility has stated that it will correct the overstatement in the Renewable Energy Initiative Program in its April, 2013 filing. The error in the general ledger will be corrected in May, 2013.

Effect on the General Ledger: Increase the balance in the Account 2530302- Other Deferred Credit - Renewable \$36,427.

Effect on the Filing: Reduce revenues received under the Renewable Energy Initiative Program by \$36,427.

Exhibit

Exhibit 1: True Up

C1-3
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TAMPA ELECTRIC COMPANY
Energy Conservation Adjustment
Calculation of True-up and Interest Provision
For Months January 2012 through December 2012

Description	January	February	March	April	May	June	July	August	September	October	November	December	Total
1 Residential Conservation Audit Fees (A)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2 Conservation Adjustment Revenues *	3,782,812	3,563,828	3,550,456	3,913,722	4,128,956	4,627,639	4,716,761	4,825,671	4,857,436	4,379,332	3,678,171	3,415,676	49,438
3 Total Revenues	3,782,812	3,563,828	3,550,456	3,913,722	4,128,956	4,627,639	4,716,761	4,825,671	4,857,436	4,379,332	3,678,171	3,415,676	49,438
4 Prior Period True-up	49,758	49,758	49,758	49,758	49,758	49,758	49,758	49,758	49,758	49,758	49,758	49,758	597
5 Conservation Revenue Applicable to Period	3,832,670	3,613,684	3,600,214	3,963,480	4,178,714	4,677,597	4,766,519	4,875,429	4,907,193	4,429,090	3,727,929	3,465,431	50,035
6 Conservation Expenses	3,766,244	3,730,145	3,977,528	4,271,771	3,722,773	4,040,188	3,282,652	3,822,148	3,879,584	3,314,368	4,139,103	4,677,521	48,593
7 True-up This Period (Line 5 - Line 6)	76,326	(116,561)	(377,312)	(308,291)	456,941	637,409	1,504,057	1,053,283	1,027,609	1,114,722	(411,174)	(1,212,090)	3,441
8 Interest Provision This Period	37	54	20	(13)	(13)	37	139	314	326	417	642	367	2
9 True-up & Interest Provision Beginning of Period	\$597,093	623,698	457,433	30,383	(327,679)	78,491	664,179	2,118,617	3,122,458	4,100,632	5,168,613	4,765,723	597
10 Prior Period True-up Collected (Refunded)	(49,758)	(49,758)	(49,758)	(49,758)	(49,758)	(49,758)	(49,758)	(49,758)	(49,758)	(49,758)	(49,758)	(49,758)	(597)
11 End of Period Total Net True-up	<u>\$523,638</u>	<u>\$457,433</u>	<u>\$30,383</u>	<u>(\$327,679)</u>	<u>\$75,491</u>	<u>\$584,179</u>	<u>\$2,118,617</u>	<u>\$3,122,458</u>	<u>\$4,100,632</u>	<u>\$5,168,613</u>	<u>\$4,765,723</u>	<u>\$3,444,245</u>	<u>\$3,444</u>