

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** May 7, 2015  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 150001-EI  
Company Name: Tampa Electric Company  
Company Code: EI806  
Audit Purpose: Capacity Cost Recovery Clause  
Audit Control No: 15-023-2-4

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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 is no confidential work papers associated with this audit.

LMD/cp

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



**Public Service Commission**

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

**Auditor's Report**

Tampa Electric Company  
Capacity Cost Recovery Clause

**Twelve Months Ended December 31, 2014**

Docket No. 150001-EI  
Audit Control No. 15-023-2-4  
**May 05, 2015**

A blue ink signature of Simon Ojada, written in a cursive style, positioned above a horizontal line.

Simon Ojada  
Audit Manager

A blue ink signature of Linda Hill, written in a cursive style, positioned above a horizontal line.

Linda Hill  
Reviewer

Table of Contents

Purpose ..... 1

Objectives and Procedures..... 2

Audit Findings

    None..... 4

Exhibit

    1: True-Up ..... 5

## 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 Accounting and Finance in its audit service request dated January 22, 2015. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2014 filing for the Capacity Cost Recovery Clause in Docket No. 150001-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. The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Utility refers to the Tampa Electric Company.  
CCRC refers to the Capacity Cost Recovery Clause.

### **Revenues**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2014, through December 31, 2014, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

**Procedures:** We reconciled the Utility's revenue to the monthly revenue reports and the general ledger. We recalculated general ledger revenues net of RAF and reconciled to the CCRC 2014 Filing. We randomly tested the Utility's revenue calculations using the KWH times the Commission authorized rates for the months of January, May, September, and November 2014. A random sampling of residential and commercial customers' bills test was performed by rate class in the Environmental Cost Recovery Clause Audit, Docket No. 150007-EI, to verify that the correct tariff rate was used. No exceptions were noted.

#### Transmission Revenues

**Objective:** The objective was to determine whether Transmission Revenues derived from the non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC per Commission Order No. PSC-99-2512-FOF-EI.

**Procedures:** We verified that Transmission Revenues were a net component of capacity costs recorded in the CCRC by reconciling the Utility's Capacity Purchases and Capacity Sales Detail Schedules for the months of March, June, and September 2014 to invoices and other supporting documentation and to Schedule A12. No exceptions were noted.

### **Expenses**

#### Operation and Maintenance Expense

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

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expense invoices for testing. The source documentation for selected items was reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

#### Purchase Power Contracts

**Objective:** The objective was to determine whether invoices for the capacity purchase amounts are in accordance with the terms and conditions of the contract.

**Procedures:** We selected the months of April, and July 2014 for analysis. We traced capacity costs from the Capacity Purchases Detail Schedule to the vendor invoices. We selected those vendors having the largest dollar value of capacity cost. We selectively recalculated invoices and verified that vendors are in compliance with the latest contract conditions and terms. No exceptions were noted.

#### Incremental Security Cost

**Objective:** The objective was to determine whether the security costs recovered are incremental to the security costs recovered in base rates.

**Procedure:** We reviewed the general ledger account detail for vendors charging security costs to the Utility. No security costs were included in the CCRC. No exceptions were noted.

### **True-Up**

**Objective:** The objective was to determine if the True-Up and Interest Provision as filed was properly calculated.

**Procedures:** We traced the December 31, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Financial Commercial Paper rates, and the 2014 CCRC revenues and costs. No exceptions were noted.

### **Analytical Review**

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

**Procedures:** We compared 2014 to 2013 and 2012 revenues and expenses. We requested explanations from the Utility for significant variances. Further follow-up was not required.

Audit Findings

**None**

## Exhibit

### Exhibit 1: True-Up

TAMPA ELECTRIC COMPANY  
CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF FINAL TRUE-UP AMOUNT  
FOR THE PERIOD JANUARY 2014 THROUGH DECEMBER 2014

	Actual Jan-14	Actual Feb-14	Actual Mar-14	Actual Apr-14	Actual May-14	Actual Jun-14	Actual Jul-14	Actual Aug-14	Actual Sep-14	Actual Oct-14	Actual Nov-14	Actual Dec-14	Total
1 UNIT POWER CAPACITY CHARGES	0	0	0	0	0	0	0	0	0	0	0	0	0
2 CAPACITY PAYMENTS TO COGENERATORS	1,186,340	1,186,340	1,186,340	1,186,340	1,186,340	1,186,340	1,186,340	1,186,340	1,186,340	1,186,340	1,186,340	1,186,340	14,236,060
3 SCHEDULE J.D. & EMERG CAPACITY CHARGES	1,514,523	1,532,630	1,482,474	1,438,378	1,561,019	1,607,610	1,614,305	1,616,882	1,600,353	1,597,468	1,504,835	1,421,571	18,492,048
4 INCREMENTAL SECURITY O&M COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
5 (CAPACITY REVENUES)	(319,292)	(354,157)	(66,194)	(92,254)	(48,052)	(80,762)	(84,015)	(165,671)	(63,159)	(262,736)	(249,951)	(59,226)	(1,845,469)
6 TOTAL CAPACITY DOLLARS	2,381,571	2,364,813	2,602,620	2,532,464	2,699,307	2,713,188	2,716,630	2,637,551	2,723,534	2,521,072	2,441,224	2,548,685	30,882,659
7 JURISDICTIONAL PERCENTAGE	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	
8 JURISDICTIONAL CAPACITY DOLLARS	2,381,571	2,364,813	2,602,620	2,532,464	2,699,307	2,713,188	2,716,630	2,637,551	2,723,534	2,521,072	2,441,224	2,548,685	30,882,659
9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes)	2,418,172	2,403,121	2,189,324	2,197,626	2,583,032	2,990,707	3,144,444	3,087,313	3,162,703	2,741,851	2,328,376	2,342,985	31,589,654
10 PRIOR PERIOD TRUE-UP PROVISION	(49,314)	(49,314)	(49,314)	(49,314)	(49,314)	(49,314)	(49,314)	(49,314)	(49,314)	(49,314)	(49,314)	(49,311)	(591,765)
11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes)	2,368,858	2,353,807	2,140,010	2,148,312	2,533,718	2,941,393	3,095,130	3,037,999	3,113,389	2,692,537	2,279,062	2,293,674	30,997,889
12 TRUE-UP PROVISION FOR PERIOD OVER/(UNDER) RECOVERY (Line 11 - Line 8)	(12,713)	(11,006)	(462,610)	(384,152)	(165,589)	228,205	378,500	400,448	389,855	171,465	(162,162)	(255,011)	115,230
13 INTEREST PROVISION FOR PERIOD	(35)	(27)	(37)	(66)	(67)	(50)	(45)	(23)	(1)	16	22	17	(296)
14 OTHER ADJUSTMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
15 TRUE-UP AND INT. PROVISION BEGINNING OF PERIOD - OVER/(UNDER) RECOVERY	(599,839)	(563,273)	(524,992)	(938,325)	(1,273,229)	(1,389,571)	(1,112,102)	(684,333)	(234,594)	204,574	425,369	312,543	(599,839)
16 PRIOR PERIOD TRUE-UP PROVISION COLLECTED/(REFUNDED) THIS PERIOD	49,314	49,314	49,314	49,314	49,314	49,314	49,314	49,314	49,314	49,314	49,314	49,311	591,765
17 END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY ( SUM OF LINES 12 - 16)	(563,273)	(524,992)	(938,325)	(1,273,229)	(1,389,571)	(1,112,102)	(684,333)	(234,594)	204,574	425,369	312,543	106,860	<b>106,860</b>



## Exhibit 1: True-Up (Cont'd)

TAMPA ELECTRIC COMPANY  
CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF FINAL TRUE-UP AMOUNT  
FOR THE PERIOD JANUARY 2014 THROUGH DECEMBER 2014

	Actual Jan-14	Actual Feb-14	Actual Mar-14	Actual Apr-14	Actual May-14	Actual Jun-14	Actual Jul-14	Actual Aug-14	Actual Sep-14	Actual Oct-14	Actual Nov-14	Actual Dec-14	Total
BEGINNING TRUE-UP AMOUNT	(599,839)	(563,273)	(524,992)	(938,325)	(1,273,229)	(1,389,571)	(1,112,102)	(684,333)	(234,594)	204,574	425,369	312,543	(599,839)
ENDING TRUE-UP AMOUNT BEFORE INTEREST	(563,238)	(524,965)	(938,288)	(1,273,163)	(1,389,504)	(1,112,052)	(684,288)	(234,571)	204,575	425,353	312,521	106,843	107,156
TOTAL BEGINNING & ENDING TRUE-UP AMT. (LINE 1 + LINE 2)	(1,163,077)	(1,088,238)	(1,463,280)	(2,211,488)	(2,662,733)	(2,501,623)	(1,796,390)	(918,904)	(30,019)	629,927	737,890	419,386	(492,683)
AVERAGE TRUE-UP AMOUNT ( 50% OF LINE 3 )	(581,539)	(544,119)	(731,640)	(1,105,744)	(1,331,367)	(1,250,812)	(898,195)	(459,452)	(15,010)	314,964	368,945	209,693	(246,342)
INTEREST RATE % - 1ST DAY OF MONTH	0.080	0.070	0.060	0.070	0.080	0.040	0.060	0.060	0.070	0.060	0.070	0.080	NA
INTEREST RATE % - 1ST DAY OF NEXT MONTH	0.070	0.060	0.070	0.080	0.040	0.060	0.060	0.070	0.060	0.070	0.080	0.100	NA
TOTAL ( LINE 5 + LINE 6 )	0.150	0.130	0.130	0.150	0.120	0.100	0.120	0.130	0.130	0.130	0.150	0.180	NA
AVERAGE INTEREST RATE % ( 50% OF LINE 7 )	0.075	0.065	0.065	0.075	0.060	0.050	0.060	0.065	0.065	0.065	0.075	0.090	NA
MONTHLY AVERAGE INTEREST RATE % ( LINE 8/12 )	0.006	0.005	0.005	0.006	0.005	0.004	0.005	0.005	0.005	0.005	0.006	0.008	NA
INTEREST PROVISION ( LINE 4 X LINE 9 )	(35)	(27)	(37)	(66)	(67)	(50)	(45)	(23)	(1)	16	22	17	(296)