

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 5, 2017  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 170001-EI  
Company Name: Tampa Electric Company  
Company Code: EI806  
Audit Purpose: A3a: Capacity Cost Recovery Clause  
Audit Control No: 17-023-2-4

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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 are no confidential work papers associated with this audit.

LMD/cmm

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, 2016**

Docket No. 170001-EI  
Audit Control No. 17-023-2-4  
**April 25, 2017**

A handwritten signature in black ink, appearing to read "Simon Ojada", written over a horizontal line.

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Simon Ojada  
Audit Manager

A handwritten signature in black ink, appearing to read "Linda Hill", written over a horizontal line.

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Linda Hill  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting and Finance in its audit service request dated January 20, 2017. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2016 filing for the Capacity Cost Recovery Clause in Docket No. 170001-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. 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, 2016, through December 31, 2016, 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 2016 Filing. We randomly tested the Utility's revenue calculations using the KWH times the Commission authorized rates for the months of February, April, June, August and October 2016. A random sampling of residential and commercial customers' bills test was performed by rate class in the Environmental Cost Recovery Clause Audit, Docket No. 170007-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 month of May 2016 to the 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 invoices of the three largest counterparts with the highest dollar value capacity cost for all the months of 2016 for analysis. We traced capacity costs from the Capacity Purchases Detail Schedule to the vendor invoices. 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, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission approved beginning balance as of December 31, 2015, the Financial Commercial Paper rates, and the 2016 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 2016 to 2015 and 2014 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 2016 THROUGH DECEMBER 2016

	Actual Jan-16	Actual Feb-16	Actual Mar-16	Actual Apr-16	Actual May-16	Actual Jun-16	Actual Jul-16	Actual Aug-16	Actual Sep-16	Actual Oct-16	Actual Nov-16	Actual Dec-16	Total
1 UNIT POWER CAPACITY CHARGES	0	0	0	0	0	0	0	0	0	0	0	0	0
2 CAPACITY PAYMENTS TO COGENERATORS	0	0	0	0	0	0	0	0	0	0	0	0	0
3 SCHEDULE J, D. & EMERG CAPACITY CHARGES	1,231,451	2,244,153	2,242,223	2,252,253	3,205,047	4,476,611	3,832,517	3,826,358	3,841,230	3,810,497	3,811,172	2,249,023	37,022,535
4 INCREMENTAL SECURITY O&M COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
5 (CAPACITY REVENUES)	(188,374)	(67,143)	(45,918)	(75,099)	(17,741)	(27,459)	(233,227)	(117,789)	(111,666)	(118,743)	17,738	(33,089)	(1,018,510)
6 TOTAL CAPACITY DOLLARS	1,043,077	2,177,010	2,196,305	2,177,154	3,187,306	4,449,152	3,599,290	3,708,569	3,729,564	3,691,754	3,828,910	2,215,934	36,004,025
7 JURISDICTIONAL PERCENTAGE	0.9958367	0.9958367	0.9958367	0.9958367	0.9958367	0.9958367	0.9958367	0.9958367	0.9958367	0.9958367	0.9958367	0.9958367	
8 JURISDICTIONAL CAPACITY DOLLARS	1,038,734	2,167,946	2,187,181	2,168,090	3,174,037	4,430,629	3,584,305	3,693,129	3,714,037	3,676,384	3,812,969	2,206,709	35,854,130
9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes)	2,237,815	2,089,102	1,983,140	2,085,524	2,287,751	2,700,140	2,891,092	2,846,712	2,869,565	2,568,498	2,119,338	2,054,680	28,713,357
10 PRIOR PERIOD TRUE-UP PROVISION	183,647	183,647	183,647	183,647	183,647	183,647	183,647	183,647	183,647	183,647	183,647	183,652	2,203,769
11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes)	2,421,462	2,272,749	2,146,787	2,269,171	2,471,398	2,883,787	3,074,739	3,030,359	3,053,212	2,752,145	2,302,985	2,238,332	30,917,126
12 TRUE-UP PROVISION FOR PERIOD OVER/(UNDER) RECOVERY (Line 11 - Line 8)	1,382,728	104,803	(40,374)	101,081	(702,639)	(1,548,842)	(509,566)	(662,770)	(660,825)	(924,239)	(1,509,984)	31,823	(4,937,004)
13 INTEREST PROVISION FOR PERIOD	117	311	275	201	40	(402)	(814)	(1,108)	(1,485)	(1,996)	(2,557)	(3,659)	(11,077)
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	(245,925)	953,273	874,740	650,994	568,629	(317,617)	(2,048,508)	(2,742,535)	(3,590,060)	(4,436,017)	(5,545,899)	(7,242,087)	(245,925)
16 PRIOR PERIOD TRUE-UP PROVISION COLLECTED/(REFUNDED) THIS PERIOD	(183,647)	(183,647)	(183,647)	(183,647)	(183,647)	(183,647)	(183,647)	(183,647)	(183,647)	(183,647)	(183,647)	(183,652)	(2,203,769)
17 END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 12 - 16)	953,273	874,740	650,994	568,629	(317,617)	(2,048,508)	(2,742,535)	(3,590,060)	(4,436,017)	(5,545,899)	(7,242,087)	(7,397,775)	(7,397,775)



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

TAMPA ELECTRIC COMPANY  
CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF FINAL TRUE-UP AMOUNT  
FOR THE PERIOD JANUARY 2016 THROUGH DECEMBER 2016

	Actual Jan-16	Actual Feb-16	Actual Mar-16	Actual Apr-16	Actual May-16	Actual Jun-16	Actual Jul-16	Actual Aug-15	Actual Sep-16	Actual Oct-16	Actual Nov-16	Actual Dec-16	Total
1 BEGINNING TRUE-UP AMOUNT	(245,925)	953,273	874,740	650,994	568,629	(317,617)	(2,048,508)	(2,742,535)	(3,590,060)	(4,438,017)	(5,545,699)	(7,242,087)	(245,925)
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST	953,156	874,429	650,719	568,428	(317,657)	(2,048,106)	(2,741,721)	(3,588,952)	(4,434,532)	(5,543,903)	(7,239,530)	(7,394,116)	(7,388,698)
3 TOTAL BEGINNING & ENDING TRUE-UP AMT (LINE 1 + LINE 2)	707,231	1,827,702	1,525,459	1,219,422	250,972	(2,365,723)	(4,790,229)	(6,331,487)	(8,024,592)	(9,979,920)	(12,785,429)	(14,636,203)	(7,632,623)
4 AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	353,616	913,851	762,730	609,711	125,486	(1,182,862)	(2,395,115)	(3,165,744)	(4,012,296)	(4,989,960)	(6,392,715)	(7,318,102)	(3,816,312)
5 INTEREST RATE % - 1ST DAY OF MONTH	0.400	0.400	0.420	0.440	0.340	0.430	0.380	0.430	0.410	0.480	0.480	0.480	NA
6 INTEREST RATE % - 1ST DAY OF NEXT MONTH	0.400	0.420	0.440	0.340	0.430	0.380	0.430	0.410	0.480	0.480	0.480	0.720	NA
7 TOTAL (LINE 5 + LINE 6)	0.800	0.820	0.860	0.780	0.770	0.810	0.810	0.840	0.890	0.960	0.960	1.200	NA
8 AVERAGE INTEREST RATE % (50% OF LINE 7)	0.400	0.410	0.430	0.390	0.385	0.405	0.405	0.420	0.445	0.480	0.480	0.600	NA
9 MONTHLY AVERAGE INTEREST RATE % (LINE 8/12)	0.033	0.034	0.036	0.033	0.032	0.034	0.034	0.035	0.037	0.040	0.040	0.050	NA
10 INTEREST PROVISION (LINE 4 X LINE 9)	117	311	275	201	40	(402)	(814)	(1,108)	(1,485)	(1,996)	(2,557)	(3,659)	(11,077)