

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-

DATE: May 4, 2018
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20180001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2018-019-2-3

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
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2017

Docket No. 20180001-EI
Audit Control No. 2018-019-2-3
April 25, 2018

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

Simon Ojada
Audit Manager

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

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 18, 2018. We have applied these procedures to the attached summary exhibit prepared by the Tampa Electric Company in support of its 2017 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20180001-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.

FAC refers to the Fuel and Purchased Power Cost Recovery Clause.

Revenue

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the FAC.

Procedures: We reconciled Fuel Revenues reported in the 2017 FAC Filing to the Utility's monthly revenue reports and the general ledger. We calculated general ledger revenues net of regulatory assessment fees and agreed to the general ledger. We traced Fuel Revenue by rate class for January – December 2017 to the monthly 2017 Fuel Revenue Summary Reports. A random sampling of residential and commercial customers' bills test was performed by rate class in the Environmental Cost Recovery Clause Audit, Docket No. 20180007-EI to verify that the correct tariff rate was used. No exceptions were noted.

Expenses

Objectives: The objectives were to review the expenses which the Utility has included in the FAC and determine whether those expenses were properly recoverable as required by Order No. 14546, issued July 8, 1985.

Procedures: We reviewed and sampled fuel expenses as reported on Schedules A1 and A2. We reviewed expenses for the month of June 2017. We concluded that the expenses examined complied with the standards set forth in Order No. 14546. No exceptions were noted.

Objective: The objective was to determine whether generation-related gains derived from non-separated wholesale energy sales were credited to the FAC as set forth in Order No. PSC-2000-1744-PAA-EI, issued September 26, 2000.

Procedures: We calculated generation related gains from FAC Schedule A6 to ensure the Utility complied with Commission Order. No exceptions were noted.

Objective: The objective was to determine whether energy payments to qualifying facilities in Schedule A8 are based on the appropriate standard offer or negotiated contract rate.

Procedures: We prepared a schedule accumulating total monthly Megawatt Hours (MWH) and total monthly fuel purchases for 2017 as reflected on FAC Schedule A8 – Energy Payments to Qualifying Facilities. We reconciled the MWH purchased to the monthly billing detail and traced to supporting invoices for the months of April and November 2017. No exceptions were noted.

Objectives: The objectives were to determine whether the amounts of gas storage expense recovered through the FAC for the gas storage facility for 2017 were calculated correctly and payments were made in accordance with the applicable contracts.

Procedures: We reviewed all contracts and amendments for 2017 gas storage expense between the vendor and the Utility. We reviewed all invoices to verify that the unit cost was in agreement with the contract rate. No exceptions were noted.

Objective: The objective was to determine whether Firm Transportation Service (FTS) charges for natural gas transportation agree with the appropriate FTS rate schedules from pipeline company tariffs.

Procedures: We reviewed all existing FTS vendor contracts and amendments in effect for 2017. We obtained company tariff rates for Florida Gas Transmission (FGTC). We randomly selected FGTC invoices for the months of April, June, August, and October 2017. We reconciled FGTC invoice rates to the contract and respective amendments. No exceptions were noted.

Inventory

Objective: The objective was to determine whether adjustments made to coal inventory, due to differences between the book inventory and the semi-annual coal inventory survey, have been recorded as set forth in Order No. PSC-1997-0359-FOF-EI, issued March 31, 1997.

Procedures: We reviewed all documentation supporting the February and August 2017 aerial survey calculations and recorded adjustments to determine compliance with Order No. PSC-1997-0359-FOF-EI. No exceptions were noted.

Other

Objectives: The objectives were to review and verify payments made under the new waterborne and rail transportation contracts.

Procedures: We requested a listing of all transport carriers used by the Utility for coal deliveries to the coal terminals and plant locations for 2017. We selected on a judgmental basis, invoices and supporting contracts for review. No exceptions were noted.

Objective: The objective was to determine whether vendor rebates and refunds were credited by the Utility to its recoverable fuel costs.

Procedures: We obtained a summary of all 2017 refunds and demurrages. We traced all refunds and demurrages to the Fuel Ledger for correct disposition. No exceptions were noted.

Objectives: The objectives were to reconcile service hours, reserve shutdown hours, and unavailable hours for the Generating Performance Incentive Factor (GPIF) units as shown on the annual GPIF filing with source documents and trace the differences to source documents.

Procedures: We obtained the Actual Unit Performance Data Forms for January – December 2017 from the GPIF filing. Using the Generating Availability Data System (GADS) for Big Bend, Polk 1 and Bayside Unit 1, we reconciled service hours, reserve shutdown hours and unavailable hours to the Unit Report Data Forms for March, May, July, and October 2017. No exceptions were noted.

Objectives: The objectives were to reconcile coal and oil purchases as shown on the monthly Florida Public Service Commission (FPSC) Form 423 to FAC Schedule A-5, the general ledger, contractual obligations, and source documents.

Procedures: We traced purchases recorded on FAC Schedule A5 to the fuel ledger. We reconciled tonnage and unit costs to the respective vendor invoices for April, June, and August 2017. We verified that the invoice unit costs were in compliance with the contract. No exceptions were noted.

True-Up

Objective: The objective was to determine whether the Utility's True-Up and Interest Provision as filed on FAC Schedule A-2 was properly calculated.

Procedures: We traced the December 31, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Financial Commercial Paper rates, and the 2017 FAC Revenues and Costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's FAC Revenues and Expenses to determine whether there were any material changes or inconsistencies in 2017 from previous years.

Procedures: We compared 2017 revenues and expenses to 2016 and 2015. We requested explanations of the variances from the Utility. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

SCHEDULE A2
PAGE 1 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: December 2017

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
A. FUEL COST & NET POWER TRANSACTION								
1. FUEL COST OF SYSTEM NET GENERATION	44,592,399	50,530,825	(5,938,426)	-11.8%	610,588,418	663,929,452	(53,341,034)	-8.0%
1a. FUEL REL. R & D AND DEMO. COST	0	0	0	0.0%	0	0	0	0.0%
2. FUEL COST OF POWER SOLD	331,048	38,954	292,094	749.8%	5,550,018	651,108	4,898,910	752.4%
2a. GAINS FROM SALES	82,155	2,937	79,218	2697.2%	1,644,930	47,796	1,597,134	3341.6%
3. FUEL COST OF PURCHASED POWER	272,982	8,050	264,932	3291.1%	5,523,189	1,172,410	4,350,779	371.1%
3a. DEMAND & NONFUEL COST OF PUR. PWR	0	0	0	0.0%	0	0	0	0.0%
3b. PAYMENT TO QUALIFIED FACILITIES	445,662	179,650	266,012	148.1%	4,254,162	2,449,180	1,804,982	73.7%
4. ENERGY COST OF ECONOMY PURCHASES	65,025	696,680	(631,655)	-90.7%	23,161,177	10,162,220	12,998,957	127.9%
5. TOTAL FUEL & NET POWER TRANSACTION	44,962,865	51,373,314	(6,410,449)	-12.5%	636,331,998	677,014,358	(40,682,360)	-6.0%
6a. ADJ. - BIG BEND UNITS 1-4 IGNITERS CONVERSION PROJECT	423,093	424,123	(1,030)	-0.2%	5,253,790	5,260,518	(6,728)	-0.1%
6b. ADJ. - POLK 1 CONVERSION DEPRECIATION & ROI	282,059	282,238	(179)	-0.1%	3,517,466	3,518,938	(1,472)	0.0%
6c. ADJ. - POLK WARM GAS CLEANUP	0	0	0	0.0%	0	0	0	0.0%
7. ADJUSTED TOTAL FUEL & NET PWR. TRANS.	45,668,017	52,079,675	(6,411,658)	-12.3%	645,103,254	685,793,814	(40,690,560)	-5.9%
B. MWH SALES								
1. JURISDICTIONAL SALES	1,360,399	1,393,881	(33,482)	-2.4%	19,190,368	19,114,079	76,289	0.4%
2. NONJURISDICTIONAL SALES	0	120	(120)	-100.0%	1,885	14,360	(12,475)	-86.9%
3. TOTAL SALES	1,360,399	1,394,001	(33,602)	-2.4%	19,192,253	19,128,439	63,814	0.3%
4. JURISDIC. SALES-% TOTAL MWH SALES	1.0000000	0.9999217	0.0000783	0.0%	-	-	0.0000000	0.0%

Exhibit 1 (cont'd)

SCHEDULE A2
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: December 2017

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
C. TRUE-UP CALCULATION								
1. JURISDICTIONAL FUEL REVENUE	39,281,067	40,406,349	(1,125,282)	-2.8%	564,177,364	563,160,071	1,017,293	0.2%
2. FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0%	0	0	0	0.0%
2a. TRUE-UP PROVISION	10,219,983	10,219,983	0	0.0%	122,639,796	122,639,796	0	0.0%
2b. INCENTIVE PROVISION	(80,804)	(80,804)	0	0.0%	(969,593)	(969,593)	0	0.0%
2c. ADJUSTMENT	0	0	0	0.0%	0	0	0	0.0%
3. JURIS. FUEL REVENUE APPL TO PERIOD	49,420,246	50,545,528	(1,125,282)	-2.2%	685,847,567	684,830,274	1,017,293	0.1%
4. ADJ. TOTAL FUEL & NET PWR TRANS (LINE A7)	45,668,017	52,079,675	(6,411,658)	-12.3%	645,103,254	685,793,814	(40,690,560)	-5.9%
5. JURISDIC. SALES- % TOTAL MVH SALES (LINE B4)	1.0000000	0.9999217	0.0000783	0.0%	-	-	-	-
6. JURISDIC. TOTAL FUEL & NET PWR TRANS	45,668,017	52,075,597	(6,407,580)	-12.3%	645,027,516	685,342,648	(40,315,132)	-5.9%
6a. JURISDIC. LOSS MULTIPLIER	1.00000	1.00002	(0.00002)	0.0%	-	-	-	-
6b. (LINE C6 x LINE C6a)	45,668,017	52,076,639	(6,408,622)	-12.3%	645,050,464	685,355,389	(40,304,925)	-5.9%
6c. ADJUSTMENT-JURISDIC LOSS MULTIPLIER	0	0	0	0.0%	(25,648)	0	(25,648)	0.0%
6d. JURISDIC. TOTAL FUEL & NET PWR INCL. ALL ADJ (LNS. C6b+C6c)	45,668,017	52,076,639	(6,408,622)	-12.3%	645,024,816	685,355,389	(40,330,573)	-5.9%
7. TRUE-UP PROV. FOR MO +/- COLLECTED (LINE C3 - LINE C6d)	3,752,229	(1,531,111)	5,283,340	-345.1%	40,822,751	(525,115)	41,347,866	-7874.1%
7a. ADJUSTMENT-BB UNIT 2 OUTAGE REPLACEMENT POWER COST	4,524,936	0	4,524,936	0.0%	4,529,041	0	4,529,041	0.0%
8. INTEREST PROVISION FOR THE MONTH	27,096	7,125	19,971	280.3%	500,808	643,967	(143,149)	-22.2%
9. TRUE-UP & INT. PROV. BEG. OF MONTH	26,196,766	11,862,811	14,333,955	120.8%	-----NOT APPLICABLE-----			
10. TRUE-UP COLLECTED (REFUNDED)	(10,219,983)	(10,219,983)	0	0.0%	-----NOT APPLICABLE-----			
11. END OF PERIOD TOTAL NET TRUE-UP (LINE C7 through C10)	24,281,044	118,842	24,162,202	20331.4%	-----NOT APPLICABLE-----			

SCHEDULE A2
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