

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
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2017

Docket No. 20180001-EI
Audit Control No. 2018-019-2-4
April 25, 2018

A blue ink signature of Simon Ojada, written in a cursive style.

Simon Ojada
Audit Manager

A black ink signature of Linda Hill, written in a cursive style.

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 and to several related schedules prepared by Tampa Electric Company in support of its 2017 filing for the Capacity 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.

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, 2017, through December 31, 2017, 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 2017 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 2017. 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.

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-1999-2512-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 2017 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 2017 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, 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 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 2017 to 2016 and 2015 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 2017 THROUGH DECEMBER 2017

	Actual Jan-17	Actual Feb-17	Actual Mar-17	Actual Apr-17	Actual May-17	Actual Jun-17	Actual Jul-17	Actual Aug-17	Actual Sep-17	Actual Oct-17	Actual Nov-17	Actual Dec-17	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	2,267,401	428,660	880,127	936,842	1,038,324	844,758	1,039,305	1,081,445	1,549,133	1,100,376	811,869	843,762	12,822,002
4 INCREMENTAL SECURITY O&M COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
5 (CAPACITY REVENUES)	(53,676)	(37,225)	(77,934)	(277,590)	(391,790)	(120,705)	(64,481)	(51,049)	(73,834)	(87,603)	(61,025)	(126,795)	(1,423,707)
6 TOTAL CAPACITY DOLLARS	2,213,725	391,435	802,193	659,252	646,534	724,053	974,824	1,030,396 ^f	1,475,300	1,012,773 ^f	750,845	716,967	11,398,295
7 JURISDICTIONAL PERCENTAGE	0.9958992	0.9958992	0.9958992	0.9958992	0.9958992	0.9958992	0.9958992	0.9958992	1.0000000	1.0000000	1.0000000	1.0000000	
8 JURISDICTIONAL CAPACITY DOLLARS	2,204,647 ^f	389,831	798,903	656,549	643,883 ^f	721,083	970,826	1,026,171	1,475,300	1,012,773	750,845	716,967	11,367,778
9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes)	1,053,197	959,744	962,603	1,051,939	1,231,513	1,304,406	1,336,488	1,392,175	1,425,731	1,308,954	1,092,560	992,956	14,112,266
10 PRIOR PERIOD TRUE-UP PROVISION	(248,838)	(248,838)	(248,838)	(248,838)	(248,838)	(248,838)	(248,838)	(248,838)	(248,838)	(248,838)	(248,838)	(248,842)	(2,986,060)
11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes)	804,359	710,906	713,765	803,101	982,675	1,055,568	1,087,650	1,143,337	1,176,893	1,060,116	843,722	744,114	11,126,206
12 TRUE-UP PROVISION FOR PERIOD OVER/(UNDER) RECOVERY (Line 11 - Line 8)	(1,400,288)	321,075	(85,138)	146,552	338,792	334,485	116,824	117,166	(298,407)	47,343	92,877	27,147	(241,572)
13 INTEREST PROVISION FOR PERIOD	(4,864)	(4,796)	(5,219)	(5,725)	(5,360)	(5,582)	(5,610)	(5,221)	(4,189)	(4,263)	(5,151)	(5,720)	(61,700)
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	(7,397,775)	(8,554,089)	(7,988,972)	(7,830,491)	(7,440,826)	(6,858,556)	(6,280,815)	(5,920,763)	(5,559,980)	(5,613,738)	(5,321,820)	(4,985,256)	(7,397,775)
16 PRIOR PERIOD TRUE-UP PROVISION COLLECTED/(REFUNDED) THIS PERIOD	248,838	248,838	248,838	248,838	248,838	248,838	248,838	248,838	248,838	248,838	248,838	248,842	2,986,060
17 END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 12 - 16)	(8,554,089)	(7,988,972)	(7,830,491)	(7,440,826)	(6,858,556)	(6,280,815)	(5,920,763)	(5,559,980)	(5,613,738)	(5,321,820)	(4,985,256)	(4,714,987)	(4,714,987)

Exhibit 1: True-Up (Cont'd)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2017 THROUGH DECEMBER 2017

	Actual Jan-17	Actual Feb-17	Actual Mar-17	Actual Apr-17	Actual May-17	Actual Jun-17	Actual Jul-17	Actual Aug-17	Actual Sep-17	Actual Oct-17	Actual Nov-17	Actual Dec-17	Total
1 BEGINNING TRUE-UP AMOUNT	(7,397,775)	(8,554,089)	(7,988,972)	(7,830,491)	(7,440,826)	(6,858,556)	(6,280,815)	(5,920,763)	(5,559,980)	(5,613,738)	(5,321,820)	(4,985,256)	(7,397,775)
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST	(8,549,225)	(7,984,176)	(7,825,272)	(7,435,101)	(6,853,196)	(6,275,233)	(5,915,153)	(5,554,759)	(5,609,549)	(5,317,557)	(4,980,105)	(4,709,267)	(4,653,287)
3 TOTAL BEGINNING & ENDING TRUE-UP AMT. (LINE 1 + LINE 2)	(15,947,000)	(16,538,265)	(15,814,244)	(15,265,592)	(14,294,022)	(13,133,789)	(12,195,968)	(11,475,522)	(11,169,529)	(10,931,295)	(10,301,925)	(9,694,523)	(12,051,062)
4 AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	(7,973,500)	(8,269,133)	(7,907,122)	(7,632,796)	(7,147,011)	(6,566,895)	(6,097,984)	(5,737,761)	(5,584,765)	(5,465,648)	(5,150,963)	(4,847,262)	(6,025,531)
5 INTEREST RATE % - 1ST DAY OF MONTH	0.720	0.740	0.640	0.940	0.860	0.950	1.080	1.120	1.060	0.730	1.140	1.250	NA
6 INTEREST RATE % - 1ST DAY OF NEXT MONTH	0.740	0.640	0.940	0.860	0.950	1.080	1.120	1.060	0.730	1.140	1.250	1.580	NA
7 TOTAL (LINE 5 + LINE 6)	1.460	1.380	1.580	1.800	1.810	2.030	2.200	2.180	1.790	1.870	2.390	2.830	NA
8 AVERAGE INTEREST RATE % (50% OF LINE 7)	0.730	0.690	0.790	0.900	0.905	1.015	1.100	1.090	0.895	0.935	1.195	1.415	NA
9 MONTHLY AVERAGE INTEREST RATE % (LINE 8/12)	0.061	0.058	0.066	0.075	0.075	0.085	0.092	0.091	0.075	0.078	0.100	0.118	NA
10 INTEREST PROVISION (LINE 4 X LINE 9)	(4,864)	(4,796)	(5,219)	(5,725)	(5,360)	(5,582)	(5,610)	(5,221)	(4,189)	(4,263)	(5,151)	(5,720)	(61,700)