

State of Florida



## Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** May 29, 2018  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 20180007-EI  
Company Name: Tampa Electric Company  
Company Code: EI806  
Audit Purpose: A3d: Environmental Cost Recovery Clause  
Audit Control No: 2018-036-2-2

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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

State of Florida



## Public Service Commission

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

### Auditor's Report

Tampa Electric Company  
Environmental Cost Recovery Clause

**Twelve Months Ended December 31, 2017**

Docket No. 20180007-EI  
Audit Control No. 2018-036-2-2  
**May 10, 2018**

Handwritten signature of Intesar Terkawi in black ink.

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Intesar Terkawi  
Audit Manager

Handwritten signature of Linda Hill in black ink.

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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 Engineering in its audit service request dated February 1, 2018. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by the Tampa Electric Company in support of its 2017 filing for the Environmental Cost Recovery Clause in Docket No. 20180007-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.

ECRC refers to the Environmental Cost Recovery Clause.

### **Capital Investments**

#### Utility Plant in Service

**Objectives:** The objectives were to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2017, through December 31, 2017.

**Procedures:** We traced Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2017 Form 42-8A. No exceptions were noted.

#### Construction Work in Progress

**Objectives:** The objectives were to verify net investments associated with Big Bend PM Minimization and Monitoring, Big Bend Unit 2 SCR, and Big Bend Unit 3 SCR capital projects and to determine whether any project which involved the replacement or retirement of an existing plant asset was retired at the installed costs by the Utility in accordance with Florida Public Service Commission Rule 25-6.0142(4) (b), Florida Administrative Code.

**Procedures:** We selected samples of additions for each project. We determined whether additions had appropriate supporting documentation and were recorded to the correct project and account. We determined whether items that were replaced had a corresponding retirement. We compared the ledger to the depreciation base and the non-interest bearing amounts on Form 42-8A. No exceptions were noted.

### **Revenue**

#### 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 ECRC.

**Procedures:** We reconciled the 2017 filing to the Utility's monthly Environmental Revenue Reports. We verified that the rate code factors used in the Utility's calculation of revenues were in agreement with the last Commission Order No. PSC-2016-0535-FOF-EI. We selected a random sample of residential and commercial customers' bills for the months of September and October 2017. We recalculated each to verify the use of the correct tariff rate for the Capacity, Fuel, Conservation and Environmental Clauses. No exceptions were noted.

## **Expense**

### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expenses listed on the Utility's Form 42-5A filing were supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of payroll and non-payroll O&M Expenses for testing for the months of April, June, and October 2017. The source documentation for selected items was reviewed to ensure the expenses were related to the ECRC and that the expenses were charged to the correct accounts. No exceptions were noted.

### Depreciation and Amortization

**Objective:** The objective was to determine whether the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

**Procedures:** We recalculated 2017 Depreciation Expense on a test basis using the plant balances and depreciation rates per Order No. PSC-2010-0131-FOF-EI. We traced total year Depreciation Expense for each capital project listed on Form 42-8A to the general ledger detail. No exceptions were noted.

## **Other**

### SO<sub>2</sub> Allowances

**Objectives:** The objectives were to verify investments, inventory, expensed amounts, allowance auction proceeds and to verify amounts included in Working Capital, Form 42-8A.

**Procedures:** We traced 2017 consumption for SO<sub>2</sub> Allowances from the Utility's detailed Allowances Reports to the Total Emissions Schedule on Form 42-5E. We determined whether NOx sales were made. We verified the 2017 vintage allowance for the sale of Hooker's Point. We verified all auction proceeds. We traced the jurisdictional factors to Order No. PSC-2016-0535-FOF-EI. 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, 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 ECRC revenues and costs. No exceptions were noted.

## **Analytical Review**

**Objective:** The objective was to perform an analytical review of the Utility's ECRC 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. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

**None**



# Exhibit

## Exhibit 1: True-Up

**Jama Electric Company**  
Environmental Cost Recovery Clause (ECRC)  
Calculation of Final True-Up Amount by the Period  
January 2017 to December 2017

Form 42 - DA

Current Period True-Up Amount  
(in Dollars)

Line	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	End of Period Total
1. ECRC Revenues (net of Revenue Taxes)	\$7,062,155	\$4,999,935	\$9,252,411	\$5,530,940	\$6,443,130	\$6,796,223	\$7,011,635	\$7,910,117	\$7,544,633	\$6,822,423	\$4,689,604	\$5,250,332	\$74,127,332
2. True-Up Provision	623,066	623,066	623,066	623,066	623,066	623,066	623,066	623,066	623,066	623,066	623,066	623,101	7,477,157
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	6,316,251	5,623,034	8,629,347	6,154,006	7,066,222	7,389,319	7,634,731	7,639,213	8,167,699	7,445,519	5,312,670	5,873,433	81,604,489
4. Jurisdictional ECRC Costs													
a. O & M Activities (Form 42-5A, Line 6)	1,877,404	1,360,494	2,492,143	2,616,166	1,722,398	1,766,545	1,279,618	1,792,326	1,224,125	2,011,654	910,665	1,775,261	21,197,124
b. Capital Investment Projects (Form 42-7A, Line 9)	4,429,954	4,415,520	4,404,261	4,396,212	4,389,479	4,377,934	4,328,749	4,318,216	4,296,924	4,264,923	4,282,634	4,271,200	52,216,859
c. Total Jurisdictional ECRC Costs	6,304,358	5,776,014	6,896,404	7,012,378	6,109,377	6,177,479	5,608,364	6,110,542	5,521,049	6,266,577	5,193,314	6,046,461	73,414,022
5. Over/Under Recovery (Line 3 - Line 4c)	11,893,005	(172,980)	(1,267,057)	(1,156,372)	956,845	1,211,840	2,026,367	1,828,671	2,641,650	1,178,942	1,119,286	(171,028)	8,250,467
6. Interest Provision (Form 42-5A, Line 10)	3,973	3,372	2,970	2,621	1,479	2,070	3,159	4,314	4,794	5,643	8,130	2,425	51,620
7. Beginning Balance True-Up & Interest Provision	7,477,157	9,669,627	9,077,323	4,243,250	2,483,124	2,766,956	3,389,770	4,766,200	6,026,547	9,019,315	8,541,102	9,942,824	7,477,157
a. Deferred True-Up from January to December 2016 (Order No. PSC-15-0535-FCF-E)	(658,063)	(658,063)	(658,063)	(658,063)	(658,063)	(658,063)	(655,080)	(658,063)	(658,063)	(658,063)	(658,063)	(658,063)	(658,063)
8. True-Up Collected/Refunded (see Line 2)	(623,066)	(623,066)	(623,066)	(623,066)	(623,066)	(623,066)	(623,066)	(623,066)	(623,066)	(623,066)	(623,066)	(623,101)	(7,477,157)
9. End of Period Total True-Up (Lines 5+6+7a+8)	6,011,647	5,419,313	5,565,176	1,605,644	2,140,876	2,731,666	4,138,120	5,347,967	7,591,336	7,853,022	6,394,744	7,600,016	7,000,016
10. Adjustment to Period True-Up including Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
11. End of Period Total True-Up (Lines 9 + 10)	\$6,011,647	\$5,419,313	\$5,565,176	\$1,605,644	\$2,140,876	\$2,731,666	\$4,138,120	\$5,347,967	\$7,591,336	\$7,853,022	\$6,394,744	\$7,600,016	\$7,000,016