

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, 2013

Docket No. 140001-EI
Audit Control No. 14-027-2-4

May 5, 2014

A handwritten signature in blue ink, reading "Linda Hill-Slaughter", written over a horizontal line.

Linda Hill-Slaughter
Audit Manager

A handwritten signature in blue ink, reading "Tomer", written over a horizontal line.

Tomer Kopelovich
Reviewer

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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 Accounting and Finance Division in its audit service request dated January 27, 2014. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2013 filing for the Capacity Cost Recovery Clause in Docket No. 140001-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, 2013, through December 31, 2013, 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 2013 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 2013. A random sampling of residential and commercial customers' bills test was performed by rate class 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 Clause by reconciling the Utility's Capacity Purchases and Capacity Sales Detail Schedules for the months of April, August, and October 2013 to invoices and other supporting documentation and to Schedule A12. No exceptions were noted.

Expense

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.

Procedure: 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.

Security Expense

Objective: The objective was to verify that security cost items that should be recovered in base rates are not included in CCRC for recovery.

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.

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, August and October 2013 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.

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, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Financial Commercial Paper rates, and the 2013 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 2013 to 2012 and 2011 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

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2013 THROUGH DECEMBER 2013

	Actual Jan-13	Actual Feb-13	Actual Mar-13	Actual Apr-13	Actual May-13	Actual Jun-13	Actual Jul-13	Actual Aug-13	Actual Sep-13	Actual Oct-13	Actual Nov-13	Actual Dec-13	Total
1 UNIT POWER CAPACITY CHARGES	0	0	0	0	0	(24,417)	0	0	0	0	0	0	(24,417)
2 CAPACITY PAYMENTS TO COGENERATORS	1,115,270	1,115,269	1,115,270	1,115,270	1,115,270	1,115,299	1,115,270	1,115,270	1,115,269	1,115,271	1,115,270	1,115,270	13,353,238
3 SCHEDULE J.D. & EMERG CAPACITY CHARGES	1,411,229	1,408,204	1,408,399	1,434,056	2,053,921	1,903,485	1,508,378	1,593,502	1,595,382	1,500,266	1,428,583	1,342,040	18,382,341
4 INCREMENTAL SECURITY O&M COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
5 (CAPACITY REVENUES)	(13,105)	(34,687)	(141,219)	(241,293)	(206,895)	(121,697)	(91,820)	(73,328)	(132,514)	(257,664)	(84,455)	(83,647)	(1,462,538)
6 TOTAL CAPACITY DOLLARS	2,513,394	2,488,606	2,382,449	2,308,072	2,982,296	2,572,450	2,589,656	2,605,534	2,578,137	2,425,699	2,477,368	2,374,563	30,278,824
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	2,513,394	2,488,606	2,382,449	2,308,072	2,982,296	2,572,450	2,589,656	2,605,534	2,578,137	2,425,699	2,477,368	2,374,563	30,278,824
9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes)	2,777,423	2,561,781	2,632,627	2,766,436	2,917,104	3,399,068	3,432,775	3,541,356	3,667,491	3,313,013	2,959,568	2,705,500	36,511,141
10 PRIOR PERIOD TRUE-UP PROVISION	(558,542)	(558,542)	(558,542)	(558,542)	(558,542)	(558,542)	(558,542)	(558,542)	(558,542)	(558,542)	(558,542)	(558,542)	(6,702,505)
11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes)	2,218,881	2,003,239	2,074,085	2,207,893	2,358,562	2,777,526	2,874,233	2,982,814	3,108,949	2,754,471	2,301,026	2,146,957	29,808,636
12 TRUE-UP PROVISION FOR PERIOD OVER(UNDER) RECOVERY (Line 11 - Line 8)	(294,513)	(485,387)	(306,394)	(100,179)	(603,734)	205,078	284,377	377,280	530,812	326,602	(176,352)	(227,606)	(469,686)
13 INTEREST PROVISION FOR PERIOD	(402)	(522)	(506)	(421)	(348)	(272)	(232)	(188)	(157)	(70)	(58)	(45)	(3,203)
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	(6,829,153)	(8,505,526)	(8,492,693)	(8,243,224)	(8,785,282)	(5,830,822)	(5,067,476)	(4,234,789)	(3,288,159)	(2,199,938)	(1,312,664)	(830,730)	(8,829,153)
16 PRIOR PERIOD TRUE-UP PROVISION COLLECTED(REFUNDED) THIS PERIOD	558,542	558,542	558,542	558,542	558,542	558,542	558,542	558,542	558,542	558,542	558,542	558,542	6,702,505
17 END OF PERIOD TRUE-UP - OVER(UNDER) RECOVERY (SUM OF LINES 12 - 16)	(8,665,529)	(8,492,693)	(8,243,224)	(8,785,282)	(8,630,822)	(5,067,476)	(4,234,789)	(3,289,155)	(2,199,630)	(1,312,684)	(830,730)	(569,639)	(899,639)

Exhibit 1: True-Up (Cont'd)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2013 THROUGH DECEMBER 2013

	Actual Jan-13	Actual Feb-13	Actual Mar-13	Actual Apr-13	Actual May-13	Actual Jun-13	Actual Jul-13	Actual Aug-13	Actual Sep-13	Actual Oct-13	Actual Nov-13	Actual Dec-13	Total
1 BEGINNING TRUE-UP AMOUNT	(8,828,153)	(8,665,526)	(8,492,893)	(8,243,224)	(8,785,282)	(8,830,822)	(8,067,478)	(4,224,786)	(3,289,156)	(2,198,938)	(1,312,864)	(930,730)	(8,828,153)
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST	(8,665,124)	(8,482,371)	(8,242,718)	(5,784,861)	(5,830,474)	(5,087,204)	(4,224,557)	(3,288,987)	(2,198,801)	(1,312,794)	(830,674)	(589,793)	(500,636)
3 TOTAL BEGINNING & ENDING TRUE-UP AMT. (LINE 1 + LINE 2)	(13,394,277)	(13,057,887)	(12,735,608)	(12,028,085)	(11,615,756)	(13,898,026)	(9,292,033)	(7,513,756)	(5,488,956)	(3,512,732)	(2,243,538)	(1,530,523)	(7,425,789)
4 AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	(6,697,139)	(6,528,944)	(6,367,804)	(6,014,043)	(5,807,878)	(5,448,013)	(4,646,017)	(3,758,878)	(2,744,478)	(1,756,366)	(1,121,769)	(765,262)	(3,712,895)
5 INTEREST RATE % - 1ST DAY OF MONTH	0.050	0.060	0.100	0.080	0.080	0.070	0.060	0.050	0.060	0.060	0.050	0.060	NA
6 INTEREST RATE % - 1ST DAY OF NEXT MONTH	0.060	0.100	0.080	0.080	0.070	0.060	0.050	0.060	0.050	0.050	0.060	0.060	NA
7 TOTAL (LINE 5 + LINE 6)	0.140	0.160	0.180	0.160	0.150	0.130	0.110	0.110	0.110	0.100	0.110	0.140	NA
8 AVERAGE INTEREST RATE % (50% OF LINE 7)	0.070	0.085	0.090	0.080	0.075	0.065	0.055	0.055	0.055	0.050	0.055	0.070	NA
9 MONTHLY AVERAGE INTEREST RATE % (LINE 8/12)	0.006	0.006	0.006	0.007	0.006	0.006	0.005	0.005	0.005	0.004	0.005	0.006	NA
10 INTEREST PROVISION (LINE 4 X LINE 9)	(402)	(522)	(509)	(421)	(348)	(272)	(232)	(188)	(137)	(70)	(56)	(46)	(3,203)