

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 7, 2019
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20190001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 2019-017-2-4

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

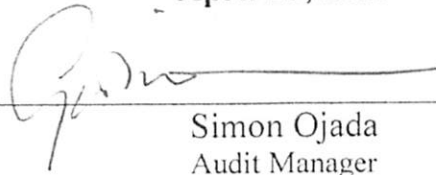
Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Tampa Electric Company
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2018

Docket No. 20190001-EI
Audit Control No. 2019-017-2-4
April 25, 2019



Simon Ojada
Audit Manager



Linda Hill
Reviewer

Table of Contents

Purpose1

Objectives and Procedures.....2

Audit Findings

 None.....4

Exhibit

 1: True-Up5

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, 2019. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2018 filing for the Capacity Cost Recovery Clause in Docket No. 20190001-EI.

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, 2018, through December 31, 2018, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled Capacity Revenues reported in the 2018 CCRC Filing to the Utility's monthly reports and the general ledger. We recalculated general ledger revenues net of regulatory assessment fees and reconciled to the CCRC Filing. We traced Capacity Revenues by rate class for January – December 2018 to the monthly Capacity 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. 20190007-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 2018 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 2018 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, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the Commission approved beginning balance as of December 31, 2017, the Financial Commercial Paper rates, and the 2018 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 2018 to 2017 and 2016 revenues and expenses. There were no 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 2018 THROUGH DECEMBER 2018

	Actual Jan-18	Actual Feb-18	Actual Mar-18	Actual Apr-18	Actual May-18	Actual Jun-18	Actual Jul-18	Actual Aug-18	Actual Sep-18	Actual Oct-18	Actual Nov-18	Actual Dec-18	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	1,033,633	927,808	842,124	905,476	1,224,568	1,278,897	1,274,398	1,358,180	1,338,480	1,301,772	897,269	847,079	13,227,684
4 INCREMENTAL SECURITY O&M COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
5 (CAPACITY REVENUES)	(449,731)	(54,848)	(174,015)	(265,506)	(150,282)	(134,875)	(90,928)	(106,910)	(89,496)	(96,920)	(41,393)	(101,012)	(1,755,916)
6 TOTAL CAPACITY DOLLARS	583,902	872,960	668,109	639,970	1,074,286	1,142,022	1,183,470	1,251,270	1,248,984	1,204,852	855,876	746,067	11,471,768
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	1.0000000
8 JURISDICTIONAL CAPACITY DOLLARS	583,902	872,960	668,109	639,970	1,074,286	1,142,022	1,183,470	1,251,270	1,248,984	1,204,852	855,876	746,067	11,471,768
9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes)	869,605	795,335	788,043	763,069	812,583	940,249	1,044,781	1,027,112	1,108,445	1,021,640	886,813	780,156	10,823,831
10 PRIOR PERIOD TRUE-UP PROVISION	(230,245)	(230,245)	(230,245)	(230,245)	(230,245)	(230,245)	(230,245)	(230,245)	(230,245)	(230,245)	(230,245)	(230,243)	(2,762,938)
11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes)	639,360	565,090	537,798	532,824	582,338	710,004	814,530	796,867	878,200	791,395	656,568	555,913	8,060,893
12 TRUE-UP PROVISION FOR PERIOD OVER/(UNDER) RECOVERY (Line 11 - Line 8)	55,458	(307,870)	(130,311)	(107,146)	(491,948)	(432,018)	(368,934)	(454,403)	(370,784)	(413,457)	(199,308)	(190,154)	(3,410,875)
13 INTEREST PROVISION FOR PERIOD	(5,807)	(5,727)	(6,479)	(6,763)	(6,881)	(7,485)	(8,012)	(8,325)	(9,163)	(10,111)	(10,437)	(10,772)	(95,962)
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	(4,714,987)	(4,435,091)	(4,518,443)	(4,424,988)	(4,308,652)	(4,577,236)	(4,786,494)	(4,933,195)	(5,165,678)	(5,315,380)	(5,508,703)	(5,488,203)	(4,714,987)
16 PRIOR PERIOD TRUE-UP PROVISION COLLECTED/(REFUNDED) THIS PERIOD	230,245	230,245	230,245	230,245	230,245	230,245	230,245	230,245	230,245	230,245	230,245	230,243	2,762,938
17 END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 12 - 16)	(4,435,091)	(4,518,443)	(4,424,988)	(4,308,652)	(4,577,230)	(4,786,494)	(4,933,195)	(5,165,678)	(5,315,380)	(5,508,703)	(5,488,203)	(5,458,886)	(5,458,886)

Exhibit 1: True-Up (Cont'd)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2018 THROUGH DECEMBER 2018

	Actual Jan-18	Actual Feb-18	Actual Mar-18	Actual Apr-18	Actual May-18	Actual Jun-18	Actual Jul-18	Actual Aug-18	Actual Sep-18	Actual Oct-18	Actual Nov-18	Actual Dec-18	Total
1 BEGINNING TRUE-UP AMOUNT	(4,714,987)	(4,435,091)	(4,518,443)	(4,424,988)	(4,308,652)	(4,577,236)	(4,786,494)	(4,933,195)	(5,165,678)	(5,315,380)	(5,508,703)	(5,488,203)	(4,714,987)
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST	(4,429,284)	(4,512,716)	(4,418,509)	(4,301,889)	(4,570,355)	(4,779,009)	(4,925,183)	(5,157,353)	(5,306,217)	(5,498,592)	(5,477,766)	(5,448,114)	(5,362,924)
3 TOTAL BEGINNING & ENDING TRUE-UP AMT (LINE 1 + LINE 2)	(9,144,271)	(8,947,807)	(8,936,952)	(8,726,877)	(8,879,007)	(9,356,245)	(9,711,677)	(10,090,548)	(10,471,895)	(10,813,972)	(10,986,469)	(10,936,317)	(10,077,911)
4 AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	(4,572,136)	(4,473,904)	(4,468,476)	(4,363,439)	(4,439,504)	(4,678,123)	(4,855,839)	(5,045,274)	(5,235,948)	(5,406,986)	(5,493,235)	(5,468,159)	(5,038,956)
5 INTEREST RATE % - 1ST DAY OF MONTH	1.580	1.460	1.620	1.860	1.850	1.860	1.980	1.980	1.980	2.210	2.270	2.300	NA
6 INTEREST RATE % - 1ST DAY OF NEXT MONTH	1.460	1.620	1.860	1.850	1.860	1.980	1.980	1.980	2.210	2.270	2.300	2.420	NA
7 TOTAL (LINE 5 + LINE 6)	3.040	3.080	3.480	3.710	3.710	3.840	3.960	3.960	4.190	4.480	4.570	4.720	NA
8 AVERAGE INTEREST RATE % (50% OF LINE 7)	1.520	1.540	1.740	1.855	1.855	1.920	1.980	1.980	2.095	2.240	2.285	2.360	NA
9 MONTHLY AVERAGE INTEREST RATE % (LINE 8/12)	0.127	0.128	0.145	0.155	0.155	0.160	0.165	0.165	0.175	0.187	0.190	0.197	NA
10 INTEREST PROVISION (LINE 4 X LINE 9)	(5,807)	(5,727)	(6,479)	(6,763)	(6,881)	(7,485)	(8,012)	(8,325)	(9,163)	(10,111)	(10,437)	(10,772)	(95,962)