

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 8, 2023

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

RE: Docket No.: 20230001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 2023-010-2-4

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 the Commission Clerk. There are no confidential work papers associated with this audit.

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

Auditor's Report

Tampa Electric Company
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230001-EI
Audit Control No. 2023-010-2-4
May 2, 2023

A large, stylized handwritten signature in black ink, reading "Ronald A. Mavrides".

Ronald A. Mavrides
Audit Manager

A handwritten signature in black ink, reading "Hymavathi Vedula".

Hymavathi Vedula
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 9, 2023. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2022 filing for the Capacity Cost Recovery Clause in Docket No. 20230001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Tampa Electric Company.
CCRC refers to the Capacity Cost Recovery Clause.

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 2022 revenues and expenses to 2020 and 2021. We requested explanations from the Utility for any significant changes to revenues and expenses. Explanations provided by the Utility were sufficient. Further follow-up was not required.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2022, through December 31, 2022, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the 2022 filing to the Utility's monthly revenue reports and general ledger. We computed the factors by rate code and compared them to the last Commission Order No. PSC-2021-0442-FOF-EI. We selected a sample of residential and commercial customers' bills to test. Testing was performed by rate class in the Fuel and Purchased Power Cost Recovery Clause Audit (ACN 2023-010-2-3), in Docket No. 20230001-EI to verify 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, issued December 22, 1999.

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 months of April and July 2022 to the 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 were appropriately recoverable through the CCRC.

Procedures: We traced expenses in the filing to the general ledger. We 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.

Purchased Power Contracts

Objective: The objective was to determine whether invoices for the capacity purchase amounts were in accordance with the terms and conditions of the contract.

Procedures: We selected January, May, and September 2022 capacity costs 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 terms and conditions. No exceptions were noted.

Incremental Security Cost

Objective: The objective was to verify that there were no incremental security or cyber security costs recovered through the Capacity Clause.

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.

Other

Objective: The objective was to verify that the revenue expansion factor applied to any capital investment being recovered through the Capacity Clause did not contain a component for bad debt expense.

Procedures: We requested verification of whether the revenue expansion factor applied to any capital investment being recovered through the Capacity Clause contained a component for bad debt expense. According to the Utility, the revenue expansion factor applied to capital investments being recovered through the Capacity Clause does contain a component for bad debt expense. However, there is no financial impact due to the inclusion of bad debt expense in the revenue expansion factor in the Capacity Clause. The revenue expansion factor is a component of the return on investment (ROI) calculation for clause assets. Since the Capacity Clause does not have any assets, the revenue expansion factor does not apply to this clause. No additional work was performed.

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, 2021, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2022, using the Commission-approved beginning balance as of December 31, 2021, the Financial Commercial Paper rates, and the 2022 CCRC revenues and costs. No exceptions were noted.

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 2022 THROUGH DECEMBER 2022

	Actual Jan-22	Actual Feb-22	Actual Mar-22	Actual Apr-22	Actual May-22	Actual Jun-22	Actual Jul-22	Actual Aug-22	Actual Sep-22	Actual Oct-22	Actual Nov-22	Actual Dec-22	Total
1 UNIT POWER CAPACITY CHARGES	1,106,713	905,149	303,648	72,678	915,888	1,061,669	924,281	882,391	1,326,626	1,364,048	964,072	226,300	10,053,461
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	0	0	0	0	0	0	0	0	0	0	0	0	0
4 INCREMENTAL SECURITY O&M COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
5 (CAPACITY REVENUES)	(455,994)	(183,389)	(168,810)	(229,204)	(391,881)	(624,584)	(246,788)	(267,145)	(128,068)	(229,122)	(194,362)	(157,518)	(3,276,866)
6 TOTAL CAPACITY DOLLARS	650,719	721,760	134,838	(156,528)	524,007	437,085	677,493	615,246	1,198,558	1,134,926	769,710	68,781	6,776,595
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	650,719	721,760	134,838	(156,528)	524,007	437,085	677,493	615,246	1,198,558	1,134,926	769,710	68,781	6,776,595
9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes)	384,825	374,563	384,313	687,072	768,307	873,213	921,757	932,512	941,844	788,361	705,733	696,600	8,459,100
10 PRIOR PERIOD TRUE-UP PROVISION	(2,098)	(2,098)	(2,098)	(178,210)	(178,210)	(178,210)	(178,210)	(178,210)	(178,210)	(178,210)	(178,210)	(178,206)	(1,610,180)
11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes)	382,727	372,465	382,215	508,862	590,097	695,003	743,547	754,302	763,634	610,151	527,523	518,394	6,848,920
12 TRUE-UP PROVISION FOR PERIOD OVER/(UNDER) RECOVERY (Line 11 - Line 8)	(267,992)	(349,295)	247,377	665,390	66,090	257,918	66,054	139,056	(434,924)	(524,775)	(242,187)	449,613	72,325
13 INTEREST PROVISION FOR PERIOD	(18)	(70)	(133)	54	506	1,187	2,301	3,210	3,837	3,696	3,534	5,001	23,107
14 OTHER ADJUSTMENT- SOBRA TRUE-UP	0	85,648	0	0	0	0	0	0	0	0	0	0	85,648
15 TRUE-UP AND INT. PROVISION BEGINNING OF PERIOD - OVER/(UNDER) RECOVERY	(39,496)	(305,406)	(567,025)	(317,683)	525,971	770,777	1,208,092	1,454,657	1,775,133	1,522,256	1,179,387	1,118,944	(39,496)
16 PRIOR PERIOD TRUE-UP PROVISION COLLECTED/(REFUNDED) THIS PERIOD	2,098	2,098	2,098	178,210	178,210	178,210	178,210	178,210	178,210	178,210	178,210	178,206	1,610,180
17 END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 12 - 16)	(305,406)	(567,025)	(317,683)	525,971	770,777	1,208,092	1,454,657	1,775,133	1,522,256	1,179,387	1,118,944	1,751,764	1,751,764

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2022 THROUGH DECEMBER 2022

	Actual Jan-22	Actual Feb-22	Actual Mar-22	Actual Apr-22	Actual May-22	Actual Jun-22	Actual Jul-22	Actual Aug-22	Actual Sep-22	Actual Oct-22	Actual Nov-22	Actual Dec-22	Total
1 BEGINNING TRUE-UP AMOUNT	(39,496)	(305,406)	(567,025)	(317,683)	525,971	770,777	1,206,092	1,454,657	1,775,133	1,522,256	1,179,367	1,118,944	(39,496)
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST	(305,390)	(566,955)	(317,550)	525,917	770,271	1,206,905	1,452,356	1,771,923	1,518,419	1,175,691	1,115,410	1,746,763	1,643,009
3 TOTAL BEGINNING & ENDING TRUE-UP AMT. (LINE 1 + LINE 2)	(344,886)	(872,361)	(884,575)	208,234	1,296,242	1,977,682	2,660,448	3,226,590	3,293,552	2,697,947	2,294,797	2,865,707	1,603,513
4 AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	(172,443)	(436,181)	(442,288)	104,117	648,121	988,841	1,330,224	1,613,290	1,646,776	1,348,974	1,147,399	1,432,854	801,757
5 INTEREST RATE % - 1ST DAY OF MONTH	0.080	0.140	0.240	0.490	0.760	1.120	1.760	2.400	2.380	3.200	3.370	4.010	NA
6 INTEREST RATE % - 1ST DAY OF NEXT MONTH	0.140	0.240	0.490	0.760	1.120	1.760	2.400	2.380	3.200	3.370	4.010	4.370	NA
7 TOTAL (LINE 5 + LINE 6)	0.220	0.380	0.730	1.250	1.880	2.880	4.160	4.780	5.580	6.570	7.380	8.380	NA
8 AVERAGE INTEREST RATE % (50% OF LINE 7)	0.110	0.190	0.365	0.625	0.940	1.440	2.080	2.390	2.790	3.285	3.690	4.190	NA
9 MONTHLY AVERAGE INTEREST RATE % (LINE 8/12)	0.009	0.016	0.030	0.052	0.078	0.120	0.173	0.199	0.233	0.274	0.308	0.349	NA
10 INTEREST PROVISION (LINE 4 X LINE 9)	(16)	(70)	(133)	54	506	1,187	2,301	3,210	3,837	3,696	3,534	5,001	23,107