

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20230010-EI - Storm protection plan cost recovery clause

WITNESS: Direct Testimony of Donna D. Brown appearing on behalf of the Staff of the Florida Public Service Commission

DATE FILED: July 12, 2023

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION STAFF

DIRECT TESTIMONY OF DONNA D. BROWN

DOCKET NO. 20230010-EI

JULY 12, 2023

Q. Please state your name and business address.

A. My name is Donna D. Brown. My business address is 2540 Shumard Oak Blvd.; Tallahassee, FL 32399.

Q. By whom are you presently employed and in what capacity?

A. I am employed by the Florida Public Service Commission (FPSC or Commission) as a Regulatory Analyst Supervisor. I have been employed by the Commission since February 2008.

Q. Please give a brief description of your educational background and professional experience.

A. I graduated from Florida A&M University in 2006 with a Bachelor of Science degree in Accounting. In 2018, I received my Masters in Business Administration from Troy University. I have worked for the FPSC for 15 years, and I have varied experience in the electric, gas, and water and wastewater industries. My work experience includes various types of rate cases, cost recovery clauses, and utility audits.

Q. Please describe your current responsibilities.

A. I currently manage the Bureau of Auditing's Financial Review Section within the FPSC's Office of Auditing & Performance Analysis. My responsibilities consist of performing audits, as well as supervising staff during audits, to ensure utility compliance with FPSC rules, policies and procedures.

1 **Q. Have you previously presented testimony before this Commission?**

2 A. Yes. I have presented testimony in numerous dockets before this Commission. Those
3 dockets include Dockets 20110001-EI; 20160186-EI; 20160001-EI; 20160251-EI; 20180001-
4 EI, and 20230023-GU.

5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to sponsor staff's Auditor Report of Tampa Electric
7 Company, Inc. (TECO or Utility), which addresses the Utility's filing in Docket No.
8 20230010-EI. An Auditor's Report was issued in the docket on July 12, 2023. This report is
9 filed with my testimony and is identified as Exhibit DDB-2.

10 **Q. Was this audit prepared by you or under your direction?**

11 A. Yes. It was prepared under my direction.

12 **Q. Please describe the objectives of the audit and the procedures performed during**
13 **the audit?**

14 A. The objectives and procedures are listed in the Objectives and Procedures section of
15 the attached Exhibit DDB-2, pages 4 through 6.

16 **Q. Were there any audit findings in the Auditor's Report (Exhibit DDB-2) which**
17 **address the schedules prepared by the Utility in support of its filing in Docket No.**
18 **20230010-EI?**

19 A. Yes. There was one finding presented in the audit. The finding can be found in the
20 attached Exhibit DDB-2 on page 7, and it is summarized below:

21 **Finding 1 – Revenue Expansion Factor**

22 Audit staff determined that the Utility's revenue expansion factor applied to capital
23 investment projects, inappropriately includes a component for uncollectible accounts or bad
24 debt expense. The appropriate recovery mechanism for uncollectible accounts is base rates
25 and not the storm clause.

1 **Q. Does that conclude your testimony?**

2 **A. Yes, it does.**

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State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Tampa Electric Company
Storm Protection Plan Cost Recovery Clause

As of December 31, 2022

Docket No. 20230010-EI
Audit Control No. 2023-011-1-2
July 12, 2023

Handwritten signature of Demetrius Jones in cursive script.

Demetrius Jones
Audit Manager

Handwritten signature of Donna D. Brown in cursive script.

Donna D. Brown
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 Office of Industry Development & Market Analysis in its audit service request dated January 9, 2023. We have applied these procedures to the attached schedules prepared by Tampa Electric Company in support of its filing for Storm Protection Plan Cost Recovery in Docket No. 20230010-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Tampa Electric Company.

SPPCRC refers to the Storm Protection Plan Cost Recovery Clause.

SPP refers to the Storm Protection Plan.

Background

On April 3, 2023, Tampa Electric Company filed support for its Storm Protection Cost Recovery factor, actual for the period January 2022 through December 2022, and the 2022 Storm Protection Plan Accomplishments.

Objectives: The objectives were to reconcile the Vegetation Management Operation and Maintenance expenses to the general ledger, and review a statistical or judgmental sample of the Transmission and Distribution activities.

Procedures: We reconciled the Vegetation Management Operation and Maintenance (O&M) expenses to the general ledger. We judgmentally selected the 10 largest invoices/vouchers for transmission and distribution activities for testing. We then statistically sampled Vegetation Management O&M expenses. No exceptions were noted.

Objectives: The objectives were to reconcile the Common SPP Operation and Maintenance expenses to the general ledger, and review a statistical or judgmental sample of Common SPP Operation and Maintenance expense.

Procedures: We reconciled the Common SPP O&M expenses to the general ledger. We judgmentally selected the 10 largest invoices for Common SPP O&M expenses for testing. We then statistically sampled the remaining Common SPP O&M expenses. No exceptions were noted.

Objectives: The objectives were to audit the following capital investments: Distribution Overhead Feeder Hardening Program, Distribution Lateral Undergrounding Program, and Transmission Assets Upgrade, and Transmission Exchange. In addition, our objectives were to: 1) Verify the investment amounts are recorded in the correct plant accounts; 2) Reconcile the corresponding plant-in-service/depreciation base; 3) Verify the calculations of non-interest bearing construction work-in-progress (CWIP); 4) Verify the most recent Commission-approved depreciation and amortization periods are used in calculating depreciation expense; and 5) Reconcile depreciation savings for retired assets that have depreciation recovered through base rates.

Procedure: We reconciled the capital investments to the Utility's general ledger. We verified the calculations of the non-interest bearing CWIP. We also verified that the most recent

Commission-approved depreciation and amortization periods were used in calculating the depreciation expenses. We verified that the depreciation savings for retired assets that have depreciation recovered through base rates, reconciled with the SPPCRC program-related additions, retirements, and adjustments to the general ledger. We initially selected a sample of SPPCRC program-related additions, retirements, and adjustments for the period January 1, 2022, through December 31, 2022, by selecting the 20 largest invoices/vouchers documentation for the Feeder Hardening Program, the Distribution Lateral Undergrounding Program, and Transmission Asset Upgrade, and Transmission Exchange. We then created a statistical sample for the remaining expenses. No exceptions were noted.

Objective: The objective was to verify the SPPCRC program-related plant additions, retirements, and adjustments for the period January 1, 2022, through December 31, 2022.

Procedures: We reconciled the additions and adjustments to the general ledger. Audit staff noticed there was a \$194,149.25 variance for Transmission Assets Upgrades and a \$119,296.30 variance for Overhead Feeder Hardening in December 2022. We determined the variances mentioned above were due to an adjustment to the mapping of the Funding project completed in Power Plan in December 2022. Once the adjustments were made, Power Plan then automatically completed true-ups to all associated charges, re-classifying them per the adjusted as-built percentages. In December 2022, the Utility calculated the adjustments needed to correct the ROI. The estimated amount was applied as a credit to the effected capital programs.

Objectives: The objectives were to reconcile operation and maintenance expenses of the projects listed on Form A-5 of the filing, to the general ledger.

Procedures: We reconciled the operation and maintenance expenses to the general ledger. We selected the top 10 largest invoices/vouchers from each program, and performed statistical sampling of the remaining O&M programs listed on Form A-5. No exceptions were noted.

Other

Objectives: The objectives were to: 1) Substantiate if the Utility changed any of its accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause, and 2) Verify if the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause.

Procedures: We requested and reviewed the accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. We reviewed whether the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. We determined that the Utility had made changes to its allocation method. 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 verified the True-Up and Interest Provision amounts as of December 31, 2022, using the Financial Commercial Paper rates, and 2022 revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: Revenue Expansion Factor

Audit Analysis: Audit staff determined that the Utility's revenue expansion factor applied to capital investment projects, inappropriately includes a component for uncollectible accounts or bad debt expense. The appropriate recovery mechanism for uncollectible accounts is base rates and not the storm clause. In an informal meeting with Commission technical staff on June 28, 2023, TECO agreed to remove bad debt expense from the calculation for the ROI rate moving forward for all clauses where the factor had been used on capital investments. The Utility also agreed to file an updated SPPCRC projection with adjustments to the calculation of ROI rate in mid-July 2023 for 2024.

This finding is for informational purposes only.

Exhibits

Exhibit 1: True-Up Calculation

Tampa Electric Company
 Storm Protection Plan Cost Recovery Clause
 Final True-Up
 Prior Period: January through December 2022

Form A-2
 Page 1 of 1

Calculation of 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. Clause Revenues (net of Revenue Taxes)	\$ 3,527,255	\$ 3,561,633	\$ 3,438,779	\$ 3,555,142	\$ 4,030,065	\$ 4,627,108	\$ 4,959,331	\$ 4,978,535	\$ 5,038,642	\$ 4,092,304	\$ 3,670,986	\$ 3,535,570	\$ 49,015,350
2. True-Up Provision	119,473	119,473	119,473	119,473	119,473	119,473	119,473	119,473	119,473	119,473	119,473	119,472	1,433,675
3. Clause Revenues Applicable to Period (Lines 1 + 2)	3,646,728	3,681,106	3,558,252	3,674,615	4,149,538	4,746,581	5,078,804	5,098,008	5,158,115	4,211,777	3,790,459	3,655,042	50,449,025
4. Jurisdictional SPPCRC Costs													
a. O&M Activities (Form 5A, Line 13) (A)	2,009,938	2,219,575	2,584,703	2,234,212	1,544,136	4,826,292	1,445,374	1,302,096	2,640,433	1,248,277	2,212,137	3,925,411	28,192,583
b. Capital Investment Projects (Form 7A, Line 7.c.)	802,303	871,214	959,338	1,043,432	1,126,693	1,232,531	1,373,043	1,524,092	1,651,073	1,764,999	1,887,887	1,689,094	15,925,704
c. Total Jurisdictional SPPCRC Costs	2,812,241	3,090,789	3,544,041	3,277,644	2,670,835	6,058,823	2,818,416	2,826,187	4,291,506	3,013,275	4,100,024	5,614,505	44,118,287
5. Over/Under Recovery (Line 3 - Line 4c)	834,488	590,317	14,211	396,972	1,478,704	(1,312,242)	2,260,387	2,271,821	866,609	1,198,501	(309,565)	(1,959,464)	6,330,739
6. Interest Provision (Form A-3, Line 10)	606	1,172	2,253	3,950	6,567	10,067	15,145	21,723	28,863	36,523	42,188	43,552	212,589
7. Beginning Balance True-Up & Interest Provision	6,373,523	7,089,144	7,561,160	7,458,151	7,739,600	9,105,398	7,693,750	9,839,809	12,013,880	12,789,879	13,905,430	13,518,560	6,373,523
a. Deferred True-Up from January to December 2021 (Order No. PSC-2022-0418-FOF-EI)	0	0	0	0	0	0	0	0	0	0	0	0	0
8. True-Up Collected/(Refunded) (see Line 2)	(119,473)	(119,473)	(119,473)	(119,473)	(119,473)	(119,473)	(119,473)	(119,473)	(119,473)	(119,473)	(119,473)	(119,472)	(1,433,675)
9. End of Period Total True-Up (Lines 5+6+7+8)	7,089,144	7,561,160	7,458,151	7,739,600	9,105,398	7,683,750	9,839,809	12,013,880	12,789,879	13,905,430	13,518,560	11,483,176	11,483,176
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)	\$ 7,089,144	\$ 7,561,160	\$ 7,458,151	\$ 7,739,600	\$ 9,105,398	\$ 7,683,750	\$ 9,839,809	\$ 12,013,880	\$ 12,789,879	\$ 13,905,430	\$ 13,518,560	\$ 11,483,176	\$ 11,483,176

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Docket No. 20230010-EI
 Auditor's Report - TECO
 Exhibit DDB-2, Page 8 of 9
 DOCKET NO. 20230010-EI
 FINAL SPPCRC 2022 TRUE-UP
 EXHIBIT MRR-1, SCHEDULE FORM

DOCKET NO. 20230010-EI
 FINAL SPPCRC 2022 TRUE-UP
 EXHIBIT MRR-1, SCHEDULE FORM A-3,

Form A-3
 Page 1 of 1

TECO Electric Company
 Storm Protection Post-Cost Recovery Charge
 Final True-Up
 Prior Period: January through December 2022

Calculation of Interest Provision for 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. Beginning True-Up Amount (Form A-2, Line 7 + 10)	\$ 4,373,623	\$ 7,209,144	\$ 7,561,160	\$ 7,458,451	\$ 7,231,600	\$ 8,105,398	\$ 7,683,750	\$ 5,819,809	\$ 12,019,880	\$ 10,786,819	\$ 13,906,430	\$ 13,518,660	
2. Ending True-Up Amount Before Interest	7,288,658	7,559,385	7,455,846	7,235,160	6,996,431	7,617,683	8,154,684	11,622,157	12,281,016	13,145,997	11,570,392	11,439,614	
3. Total of Beginning & Ending True-Up (Lines 1 + 2)	13,662,281	14,849,112	15,017,006	15,193,611	16,828,431	16,779,281	17,508,414	21,831,966	24,274,896	26,659,786	27,881,812	24,958,154	
4. Average True-Up Amount (Line 3 x 12)	673,103	732,596	750,589	759,961	8419,216	830,541	8794,207	10,915,603	12,387,446	13,329,383	13,560,911	12,479,692	
5. Interest Rate (First Day of Reporting Business Month)	0.06%	0.14%	0.24%	0.49%	0.75%	1.12%	1.76%	2.40%	2.38%	3.20%	3.37%	4.01%	
6. Interest Rate (First Day of Subsequent Business Month)	0.14%	0.24%	0.49%	0.75%	1.12%	1.76%	2.40%	2.38%	3.20%	3.37%	4.01%	4.37%	
7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.20%	0.38%	0.73%	1.25%	1.87%	2.88%	4.16%	4.78%	5.58%	6.57%	7.38%	8.38%	
8. Average Interest Rate (Line 7 x 1/2)	0.10%	0.19%	0.26%	0.62%	0.94%	1.44%	2.08%	2.76%	2.79%	3.26%	3.69%	4.19%	
9. Monthly Average Interest Rate (Line 8 x 1/12)	0.009%	0.016%	0.020%	0.052%	0.078%	0.120%	0.173%	0.230%	0.233%	0.272%	0.308%	0.349%	
10. Interest Provision for the Month (Line 4 x Line 9)	\$ 662	\$ 1,172	\$ 1,253	\$ 2,960	\$ 6,987	\$ 10,067	\$ 15,146	\$ 21,721	\$ 28,163	\$ 36,623	\$ 42,168	\$ 43,652	\$ 210,689

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm protection plan cost recovery
clause

DOCKET NO. 20230010-EI

DATED: July 12, 2023

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Donna D. Brown on behalf of the staff of the Florida Public Service Commission was electronically filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished by electronic mail to the following on this 12th day of July, 2023.

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