

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: July 2, 2024

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

FROM: Donna Brown, Bureau Chief, Office of Auditing & Performance Analysis *DB*

RE: Docket No.: 20240001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No.: 2024-008-1-3

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 confidential work papers associated with this audit.

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Tampa Electric Company
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2023

Docket No. 20240001-EI
Audit Control No. 2024-008-1-3

June 24, 2024

A handwritten signature in black ink, appearing to read "Yeh N. Ngo", written over a horizontal line.

Yeh N. Ngo
Audit Manager

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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 & Finance in its audit service request dated January 3, 2024. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2023 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20240001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Tampa Electric Company.

Fuel Clause refers to the Fuel and Purchased Power Cost Recovery Clause.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's Fuel Clause Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2023 revenues and expenses to 2022. We requested explanations from the Utility for any significant changes to revenues and expenses. The Utility-provided explanations were sufficient and further follow-up was not required.

Revenue

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2023, through December 31, 2023, and determine whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the Fuel Clause.

Procedures: We reconciled the 2023 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, Order No. PSC 2023-0343-FOF-EI issued February 23, 2023. We selected a sample of residential and commercial bills for the months of April and September 2023 and recalculated each billing statement to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Objectives: The objectives were to review the expenses the utility included in the Fuel Filing and determine whether those expenses were properly recoverable as required by Order No. 14546, issued July 8, 1985.

Procedures: We reviewed fuel expenses as reported on Schedules A1 and A2. We statistically sampled expenses reported on Schedules A1 and A2 for the months of April and September 2023. We concluded that the expenses examined complied with the standards set forth in Order No. 14546. No exceptions were noted.

Objective: The objective was to determine whether generation-related gains derived from non-separated wholesale energy sales were credited to the Fuel Filing as set forth in Order No. PSC-2000-1744-PAA-EI-S-EI, issued September 26, 2000.

Procedures: We calculated generation-related gains from Schedule A6 of the Fuel Filing to ensure the Utility complied with the Commission Order. No exceptions were noted.

Objective: The objective was to determine whether energy payments to qualifying facilities in Schedule A8 were based on the appropriate standard offer or negotiated contract rate.

Procedures: We prepared a schedule accumulating total monthly Megawatt Hours (MWH) and total monthly fuel purchases for 2023 as reflected on Schedule A8 – Energy Payments to Qualifying Facilities. We statistically sampled the MWH purchased for the months of April and September 2023 to the monthly billing detail and traced to supporting invoices.

Objectives: The objectives were to determine whether the amounts of gas storage expense recovered through the Fuel Filing for the gas storage facility for 2023 were calculated correctly and payments were made in accordance with the applicable contracts.

Procedures: We reviewed all contracts and amendments for 2023 gas storage expense between the vendor and the Utility. We statistically sampled invoices to verify that the unit cost was in agreement with the contract rate. No exceptions were noted.

Objective: The objective was to determine whether Firm Transportation Service (FTS) charges for natural gas transportation agree with the appropriate FTS rate schedules from pipeline company tariffs.

Procedures: We reviewed all existing FTS vendor contracts and amendments in effect for 2023. We obtained company tariff rates for Florida Gas Transmission (FGTC). We statistically selected FGTC invoices and reconciled the FGTC invoice rates to the contract and respective amendments. No exceptions were noted.

Inventory

Objective: The objective was to determine whether adjustments made to coal inventory, due to differences between the book inventory and the semi-annual coal inventory survey, have been recorded as set forth in Order No. PSC-1997-0359-FOF-EI, issued March 31, 1997.

Procedures: We statistically sampled a listing of documentation supporting aerial survey calculations and recorded adjustments to determine compliance for the months of January and July 2023 with Order No. PSC-1997-0359-FOF-EI. No exceptions were noted.

Other Issues

Objective: The objective was to verify payments made under the waterborne and rail transportation contracts.

Procedures: We requested a listing of all transport carriers used by the Utility for coal deliveries to the coal terminals and plant locations for 2023. We statistically sampled invoices and supporting contracts for review. No exceptions were noted.

Objective: The objective was to determine whether vendor rebates and refunds were credited by the Utility to its recoverable fuel costs.

Procedures: We requested a schedule and supporting documentation of all vendor rebates, quality discounts, and refunds that were credited to recoverable fuel. We were informed that the

Utility did not have any vendor rebates, discounts, or refunds for the period January through December 2023. No further work was performed.

Objectives: The objectives were to reconcile service hours, reserve shutdown hours, and unavailable hours for the Generating Performance Incentive Factor (GPIF) units as shown on the annual GPIF filing with source documents and trace the differences to source documents.

Procedures: We traced transmission revenues from the source documentation to the general ledger to the Utility's filing. No exceptions were noted.

Objectives: The objectives were to reconcile coal and oil purchases as shown on the monthly Florida Public Service Commission (FPSC) Form 423 to Utility A5, the general ledger, contractual obligations, and source documents.

Procedures: We traced purchases recorded on Schedule A5 to the fuel ledger. We statistically sampled tonnage and unit costs for the months of April and September of 2023 and reconciled them to the respective vendor invoices. We verified that the invoice unit costs were in compliance with the contract. No exceptions were noted.

Objective: The objective was to review the Optimization Mechanism discussed in the Stipulation and Settlement approved in Order No. PSC-2017-0456-S-EI, issued November 27, 2017. No exceptions were noted

Procedures: We reviewed the amount of the incremental gains and the calculation of the gains and the reasonableness of the market price and index inputs used to calculate the gains. We spot-checked several transactions to determine if the transactions reflect "arms-length" transactions. We reviewed and spot-checked for gains on the short-term power sales and savings on the short-term purchases as determined by Order No. PSC-2017-0056-S-EI, issued November 27, 2017. No exceptions were noted.

True-up and Interest Provision

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule A2 was properly calculated.

Procedures: We traced the December 31, 2023, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2023, using the Commission-approved beginning balance as of January 1, 2023, the Financial Commercial Paper rates, and the 2023 Fuel Clause revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True-Up and Interest Provision

DOCKET NO. 20240001-EI
FAC 2023 FINAL TRUE-UP
EXHIBIT NO. _____ (ZDJ-1)
DOCUMENT NO. 3
PAGE 1 OF 1

TAMPA ELECTRIC COMPANY
CALCULATION OF TRUE-UP AMOUNT
ACTUAL vs. MID-COURSE ESTIMATES
FOR THE PERIOD
JANUARY 2023 THROUGH DECEMBER 2023

	ACTUAL	per Mid-Course ESTIMATED	VARIANCE AMOUNT	%
A				
1 FUEL COST OF SYSTEM NET GENERATION	\$546,525,121	\$777,878,859	(\$231,352,779)	(29.7)
2 FUEL COST OF POWER SOLD	(4,939,205)	(1,442,850)	(3,496,355)	242.3
2a GAINS FROM SALES	(2,551,905)	(132,520)	(2,419,385)	1,825.7
3 FUEL COST OF PURCHASED POWER	37,762,280	3,617,720	34,174,560	944.6
3a DEMAND & NONFUEL COST OF PUR PWR	0	0	0	0.0
3b PAYMENT TO QUALIFIED FACILITIES	2,217,772	1,787,820	429,952	24.0
4 ENERGY COST OF ECONOMY PURCHASES	29,054,153	2,995,640	26,068,513	870.2
5 ADJUSTMENTS	0	0	0	0.0
6 ADJUSTED TOTAL FUEL & NET PWR TRANS (SUM OF LINES A1 THRU 5d)	<u>\$608,109,216</u>	<u>\$784,704,709</u>	<u>(\$176,595,493)</u>	<u>(22.5)</u>
C				
1 JURISDICTIONAL FUEL REVENUE	\$1,065,078,554	\$1,022,995,602	\$42,082,952	4.1
2 FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0
2a TRUE-UP PROVISION	(64,989,253)	(64,989,253)	0	0.0
2b INCENTIVE PROVISION	(546,170)	(546,170)	0	0.0
2c 2021 OPTIMIZATION MECHANISM GAIN	(4,819,866)	(4,819,866)	0	0.0
3 JURIS FUEL REVENUE APPL TO PERIOD (Sum of Lines C1 through C2c)	<u>\$994,723,265</u>	<u>\$952,640,313</u>	<u>\$42,082,952</u>	<u>4.4</u>
4d JURISD TOTAL FUEL & NET PWR TRANS	<u>608,109,216</u>	<u>784,704,709</u>	<u>(176,595,493)</u>	<u>(22.5)</u>
7 TRUE-UP PROV - THIS PER (LINE C3-C6d)	\$386,614,049	\$167,935,604	\$218,678,445	130.2
8 INTEREST PROVISION - THIS PERIOD	(16,049,722)	(13,423,670)	(2,626,052)	19.6
TOTAL TRUE-UP AMOUNT FOR PERIOD (LINE 7 through 8):	<u>\$370,564,327</u>	<u>\$154,511,934</u>	<u>\$216,052,393</u>	<u>139.8</u>
9 TRUE-UP & INT PROV BEG OF PERIOD (Beginning January 2023)	(517,989,768)	(517,989,768)	0	0.0
10 TRUE-UP COLLECTED (REFUNDED)	(64,989,253)	(64,989,253)	0	0.0
11 END OF PERIOD TOTAL NET TRUE-UP (LINE C8 through C10)	<u>(\$82,436,187)</u>	<u>(\$298,488,581)</u>	<u>\$216,052,394</u>	<u>(72.4)</u>