

State of Florida



**Public Service Commission**

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

**Auditor's Report**

Tampa Electric Company  
Fuel and Purchased Power Cost Recovery Clause

**Twelve Months Ended December 31, 2013**

Docket No. 140001-EI  
Audit Control No. 14-027-2-2  
**April 24, 2014**

  
Linda Hill-Slaughter  
Audit Manager



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Tomer Kopelovich  
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures ..... 2

Audit Findings

    None..... 6

Exhibit

    1: Calculation of True-Up and Interest Provision..... 7

## 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 Division of Accounting and Finance in its audit service request dated January 27, 2014. We have applied these procedures to the attached summary exhibit prepared by the Tampa Electric Company in support of its 2013 filing for the Fuel and Purchased Power 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.

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

### **Revenue**

#### 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 FAC.

**Procedures:** We reconciled Fuel Revenues reported in the 2013 FAC Filing to the Utility's monthly revenue reports and the general ledger. We calculated general ledger revenues net of regulatory assessment fees and agreed to the general ledger. We traced Fuel Revenue by rate class for January – December 2013 to the monthly 2013 Fuel Revenue Summary Reports. A random sampling of residential and commercial customers' bills test was performed by rate class in the Capacity Cost Recovery Clause Audit, Docket 140001-EI to verify that the correct tariff rate was used. No exceptions were noted.

### **Expense**

#### Recoverable Expenses

**Objectives:** The objectives were to review the expenses which the Utility has included in the FAC and determine whether those expenses were properly recoverable as required by Commission Order No. 14546, issued July 8, 1985, in Docket No. 850001-EI-B.

**Procedures:** We reviewed and tested expenses as reported on Schedule A6. We reviewed expenses associated with the adjustment for the Polk 1 Conversion. We concluded that those 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 FAC as set forth in Order No. PSC-00-1744-PAA-EI, issued September 26, 2000, in Docket No. 991779-EI.

**Procedures:** We calculated generation related gains from FAC Schedule A6 to ensure the Utility complied with Commission Order. No exceptions were noted.

**Objective:** The objective was to determine whether energy payments to qualifying facilities are 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 2013 as reflected on FAC Schedule A8 – Energy Payments to Qualifying Facilities. We reconciled the MWH purchased to the monthly billing detail and traced to supporting invoices for the months of March, August, and December 2013. No exceptions were noted.

**Objectives:** The objectives were to determine whether the amounts of gas storage expense recovered through the FAC for the gas storage facility for 2013 were calculated correctly and payments were made in accordance with the applicable contracts.

**Procedures:** We reviewed all contracts and amendments for 2013 gas storage expense between the vendor and the Utility. We reviewed all invoices to verify that the unit cost was in agreement with the contract rate. We reviewed that 2012 property taxes incurred by the Utility were properly allocated per contractual agreement. 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 2013. We obtained company tariff rates for Florida Gas Transmission (FGTC). We randomly selected FGTC invoices for the months of January and October 2013. We reconciled FGTC invoice rates to the contract and respective amendments. No exceptions were noted.

## **Inventory Cost**

**Objectives:** The objectives were to review and verify payments made under the new 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 2013. We selected on a judgmental basis, 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 obtained a summary of all 2013 refunds and demurrages. We traced all refunds and demurrages to the Fuel Ledger for correct disposition. No exceptions were noted.

**Objective:** The objective was to determine whether any adjustments 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-97-0359-FOF-EI, issued March 31, 1997, in Docket No. 970001-EI.

**Procedures:** We reviewed all documentation supporting the February and August 2013 aerial survey calculations and recorded adjustments to determine compliance with Commission Order. 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 FAC Schedule A-5, the general ledger, contractual obligations, and source documents.

**Procedures:** We traced purchases recorded on FAC Schedule A5 to the fuel ledger. We reconciled tonnage and unit costs to the respective vendor invoices for January, April, and August 2013. We verified that the invoice unit costs were in compliance with the contract. No exceptions were noted.

## **Energy Issues**

**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 obtained the Actual Unit Performance Data Forms for January – December 2013 from the GPIF filing. Using the Generating Availability Data System (GADS) for Big Bend, Polk 1 and Bayside Unit 1, we reconciled service hours, reserve shutdown hours and unavailable hours to the Unit Report Data Forms for March, June, and August 2013. No exceptions were noted.

## **True-up**

**Objective:** The objective was to determine whether the Utility's True-Up and Interest Provision as filed on FAC Schedule A-2 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 FAC Revenues and Costs. No exceptions were noted.

## **Analytical Review**

**Objectives** The objective was to perform an analytical review of the Utility's FAC Revenues and Expenses to determine whether there were any material changes or inconsistencies in 2013 from previous years.

**Procedures:** We compared 2013 revenues and expenses to 2012 and 2011. We requested explanations of variances from the Utility. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

**None**



## Exhibit

### Exhibit 1: Calculation of True-Up and Interest Provision

SCHEDULE A2  
PAGE 1 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
TAMPA ELECTRIC COMPANY  
MONTH OF: December 2013

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
<b>A. FUEL COST &amp; NET POWER TRANSACTION</b>								
1. FUEL COST OF SYSTEM NET GENERATION	60,230,411	53,412,829	(3,182,218)	-8.0%	632,755,820	719,428,459	(39,672,839)	-5.1%
1a. FUEL REL. R & D AND DEMO. COST	0	0	0	0.0%	0	0	0	0.0%
2. FUEL COST OF POWER SOLD	259,441	441,947	(183,506)	-41.5%	8,507,703	4,849,517	1,658,186	34.2%
2a. GAINS FROM SALES	28,589	44,243	(15,655)	-35.4%	894,047	455,483	408,564	84.2%
3. FUEL COST OF PURCHASED POWER	783,584	39,710	725,174	1873.4%	7,885,488	4,608,910	3,278,598	71.2%
3a. DEMAND & NONFUEL COST OF PUR. PWR.	0	0	0	0.0%	0	0	0	0.0%
3b. PAYMENT TO QUALIFIED FACILITIES	521,559	647,990	(126,404)	-19.5%	7,855,181	8,288,210	(443,029)	-5.3%
4. ENERGY COST OF ECONOMY PURCHASES	614,473	1,445,770	(831,297)	-57.5%	17,187,772	15,783,980	1,403,792	8.9%
5. TOTAL FUEL & NET POWER TRANSACTION	51,843,295	55,058,879	(3,215,584)	-5.8%	708,262,269	742,782,558	(34,500,287)	-4.6%
6a. ADJUSTMENTS TO FUEL COST (Pwk. 1 conversion depreciation & RO)	393,420	369,938	32,582	8.0%	2,444,403	2,571,400	(126,997)	-4.9%
6b. ADJUSTMENTS TO FUEL COST	0	0	0	0.0%	0	0	0	0.0%
7. ADJUSTED TOTAL FUEL & NET PWR. TRANS.	52,236,715	55,419,717	(3,183,002)	-5.7%	710,706,672	745,353,958	(34,627,284)	-4.6%
<b>B. MWH SALES</b>								
1. JURISDICTIONAL SALES	1,378,068	1,354,523	21,543	1.6%	18,417,682	18,202,018	215,664	1.2%
2. NONJURISDICTIONAL SALES	0	0	0	0.0%	0	0	0	0.0%
3. TOTAL SALES	1,378,068	1,354,523	21,543	1.6%	18,417,682	18,202,018	215,664	1.2%
4. JURISDIC. SALES-% TOTAL MWH SALES	1.000000	1.000000	0.000000	0.0%	1.000000	1.000000	0.000000	0.0%

Exhibit 1 (cont'd)

SCHEDULE A2  
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
TAMPA ELECTRIC COMPANY  
MONTH CP: December 2013

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
<b>C. TRUE-UP CALCULATION</b>								
1. JURISDICTIONAL FUEL REVENUE	50,275,793	48,784,004	491,789	1.0%	679,069,360	675,823,197	3,269,163	0.5%
2. FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0%	0	0	0	0.0%
2a. TRUE-UP PROVISION	5,779,653	5,779,653	0	0.0%	69,319,659	69,319,659	0	0.0%
2b. INCENTIVE PROVISION	44,834	44,834	0	0.0%	539,019	539,019	0	0.0%
2c. ADJUSTMENT	0	0	0	0.0%	0	0	0	0.0%
3. JURIS. FUEL REVENUE APPL. TO PERIOD	<u>59,097,260</u>	<u>55,905,491</u>	<u>491,769</u>	<u>0.9%</u>	<u>749,947,227</u>	<u>745,681,074</u>	<u>3,269,153</u>	<u>0.4%</u>
4. ADJ. TOTAL FUEL & NET PWR. TRANS. (LINE A7)	52,239,715	55,419,717	(3,183,002)	-5.7%	710,709,692	745,333,959	(34,627,264)	-4.6%
5. JURISDIC. SALES- % TOTAL MWH SALES (LINE B4)	<u>1.000000</u>	<u>1.000000</u>	<u>0.000000</u>	<u>0.0%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
6. JURISDIC. TOTAL FUEL & NET PWR. TRANS.	52,239,715	55,419,717	(3,183,002)	-5.7%	710,709,692	745,333,959	(34,627,264)	-4.6%
6a. JURISDIC. LOSS MULTIPLIER	<u>1.00000</u>	<u>1.00000</u>	<u>0.00000</u>	<u>0.0%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
6b. (LINE C9 x LINE C9a)	52,239,715	55,419,717	(3,183,002)	-5.7%	710,709,692	745,333,959	(34,627,264)	-4.6%
6c. OTHER	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
6d. JURISDIC. TOTAL FUEL & NET PWR INCL. ALL ADJ. (LNS. C9b+C9c)	<u>52,239,715</u>	<u>55,419,717</u>	<u>(3,183,002)</u>	<u>-5.7%</u>	<u>710,709,692</u>	<u>745,333,959</u>	<u>(34,627,264)</u>	<u>-4.6%</u>
7. TRUE-UP PROV. FOR MO. + COLLECTED (LINE C3 - LINE C9d)	3,960,595	165,774	3,974,791	1978.1%	39,240,645	347,119	37,893,427	10916.9%
8. INTEREST PROVISION FOR THE MONTH	2,408	912	1,496	164.0%	33,139	119,849	(77,710)	-69.5%
9. TRUE-UP & INT. PROV. BEG. OF MONTH	41,096,435	9,053,634	35,042,501	578.6%	NOT APPLICABLE			
10. TRUE-UP COLLECTED (REFUNDED)	<u>(5,779,653)</u>	<u>(5,779,653)</u>	<u>0</u>	<u>0.0%</u>	NOT APPLICABLE			
11. END OF PERIOD TOTAL NET TRUE-UP (LINE C7 through C10)	<u>39,182,755</u>	<u>483,957</u>	<u>38,719,798</u>	<u>8345.2%</u>	NOT APPLICABLE			

Exhibit 1 (cont'd)

SCHEDULE A2  
PAGE 3 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
TAMPA ELECTRIC COMPANY  
MONTH OF: December 2013

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
<b>D. INTEREST PROVISION</b>								
1. BEGINNING TRUE-UP AMOUNT (LINE C6)	41,096,435	4,053,634	35,042,801	678.6%	NOT APPLICABLE			
2. ENDING TRUE-UP AMOUNT BEFORE INT. (LINES C7 + C9 + C10)	39,180,347	483,065	38,717,282	6381.3%	NOT APPLICABLE			
3. TOTAL BEG. & END. TRUE-UP AMOUNT	80,276,782	6,518,989	73,757,793	1131.6%	NOT APPLICABLE			
4. AVG. TRUE-UP AMOUNT - (50% OF LINE D3)	40,138,391	3,259,495	36,878,896	1131.6%	NOT APPLICABLE			
5. INT. RATE-FIRST DAY REP. BUS. MONTH	0.080	0.330	(0.270)	-81.6%	NOT APPLICABLE			
6. INT. RATE-FIRST DAY SUBSEQUENT MONTH	0.080	0.330	(0.250)	-76.6%	NOT APPLICABLE			
7. TOTAL (LINE D5 + LINE D6)	0.140	0.660	(0.520)	-78.6%	NOT APPLICABLE			
8. AVERAGE INT. RATE (50% OF LINE D7)	0.070	0.330	(0.260)	-78.6%	NOT APPLICABLE			
9. MONTHLY AVG. INT. RATE (LINE D8/12)	0.006	0.028	(0.022)	-78.6%	NOT APPLICABLE			
10. INT. PROVISION (LINE D4 x LINE D9)	2,408	612	1,496	164.0%	NOT APPLICABLE			