

State of Florida



Public Service Commission

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

Auditor's Report

Tampa Electric Company
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2013

Docket No. 140007-EI
Audit Control No. 14-010-2-2

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Reviewer

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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 Engineering in its audit service request dated January 9, 2014. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2013 filing for the Environmental Cost Recovery Clause in Docket No. 140007-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

Definition

Utility refers to the Tampa Electric Company.
ECRC refers to the Environmental Cost Recovery Clause.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify all ECRC project-related plant additions, retirements, and adjustments for the period January 1, 2013, through December 31, 2013.

Procedures: We reconciled Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2013 Form 42-8A. No exceptions were noted.

Construction Work in Progress

Objectives: The objectives were to verify net investments associated with the following capital projects and to determine whether any project which involved the replacement or retirement of an existing plant asset is retired at the installed costs by the Utility in accordance with Florida Public Service Commission Rule 25-6.0142(4) (b), F.A.C.

- 1) Project 12, PM Minimization And Monitoring
- 2) Project 18, Big Bend Unit 1 SCR
- 3) Project 23, Mercury Air Toxic Standards.

Procedures: We selected a sample of the additions to the capital projects. We determined whether additions had appropriate supporting documentation and were recorded to the correct project and account. We determined whether items that were replaced had a corresponding retirement. We compared the ledger to the Depreciation Base and the Non-Interest Bearing amounts on Form 42-8A. No exceptions were noted.

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 ECRC.

Procedures: We reconciled the 2013 filing to the Utility's monthly Environmental Revenue Reports. We applied the billing factors by rate class from Order No. PSC 12-0613-FOF-EI to KWH sales. A sample of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates in the Utility's Capacity Cost Recovery Clause proceedings, in Docket 140001-EI. 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 Form 42-5A filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing for the months of January, September, and December 2013. We reviewed selected expenses and traced them to the source documentation. We verified that expenses were charged to the correct ECRC accounts and in the correct amounts. No exceptions were noted.

Depreciation and Amortization

Objective: The objective was to determine whether the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

Procedures: We recalculated Depreciation Expense on a test basis using verified plant balances and depreciation rates per Order No. PSC-12-0175-PAA-EI. We traced total year Depreciation Expense for each capital project listed on Form 42-8A to the general ledger detail. No exceptions were noted.

Other Issues

SO₂ Allowances

Objectives: The objectives were to verify investments, inventory, expensed amounts and allowance auction proceeds. We also verified the amounts included in Working Capital on, Form 42-8A.

Procedures: We traced 2013 consumption for SO₂ allowances from the Utility's detailed allowances reports to the total emissions schedule on Form 42-5E. We traced the jurisdictional factors to Order No. PSC-12-0613-FOF-EI. No exceptions were noted.

True-Up

Objective: The objective was to determine whether the True-Up and Interest Provision as filed on Form 42-2A 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 ECRC revenues and costs. No exceptions were noted.

Analytical Review

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

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

Audit Findings

None

Exhibit

Exhibit 1: True-Up

Form 42 - 2A

Tampa Electric Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount for the Period
January 2013 to December 2013

Current Period 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. ECRC Revenues (net of Revenue Taxes)	\$7,726,247	\$7,091,903	\$7,253,756	\$7,662,922	\$8,127,650	\$9,406,124	\$9,601,662	\$9,939,130	\$10,319,496	\$9,285,264	\$8,077,788	\$7,604,906	\$102,097,849
2. True-Up Provision	(1,248,640)	(1,248,640)	(1,248,640)	(1,248,640)	(1,248,640)	(1,248,640)	(1,248,640)	(1,248,640)	(1,248,640)	(1,248,640)	(1,248,640)	(1,248,640)	(14,987,277)
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	6,477,607	5,843,263	6,005,116	6,414,282	6,879,010	8,157,484	8,353,022	8,690,490	9,070,856	8,036,624	6,829,148	6,356,266	87,110,572
4. Jurisdictional ECRC Costs													
a. O & M Activities (Form 42-5A, Line 9)	2,396,314	1,834,884	1,933,888	1,866,817	1,703,714	1,685,618	2,325,558	2,208,174	2,393,036	2,217,316	1,844,207	2,505,051	24,918,166
b. Capital Investment Projects (Form 42-7A, Line 9)	4,985,059	4,981,617	4,979,459	4,977,926	4,967,873	5,044,529	4,854,188	4,844,796	4,838,637	4,825,532	4,815,012	4,814,952	28,658,002
c. Total Jurisdictional ECRC Costs	7,382,013	6,816,501	6,913,327	6,844,743	6,701,387	6,730,147	7,179,726	7,053,972	7,229,672	7,042,848	6,659,219	7,320,603	83,876,168
5. Over/Under Recovery (Line 3 - Line 4c)	(904,709)	(973,238)	(908,211)	(430,461)	177,623	1,427,037	1,173,296	1,636,216	1,841,184	993,776	164,929	(664,337)	3,234,404
6. Interest Provision (Form 42-3A, Line 10)	(1,112)	(1,458)	(1,433)	(1,214)	(873)	(709)	(591)	(449)	(300)	(133)	(75)	(39)	(8,476)
7. Beginning Balance True-Up & Interest Provision	(14,987,277)	(14,659,688)	(14,385,724)	(14,046,728)	(13,232,763)	(11,807,473)	(9,132,205)	(6,710,650)	(3,834,141)	(744,617)	1,467,666	2,916,160	(14,987,277)
a. Deferred True-Up from January to December 2012 (Order No. PSC-13-0606-FOF-EI)	(3,702,886)	(3,702,886)	(3,702,886)	(3,702,886)	(3,702,886)	(3,702,886)	(3,702,886)	(3,702,886)	(3,702,886)	(3,702,886)	(3,702,886)	(3,702,886)	(3,702,886)
8. True-Up Collected/(Refunded) (see Line 2)	1,248,640	1,248,640	1,248,640	1,248,640	1,248,640	1,248,640	1,248,640	1,248,640	1,248,640	1,248,640	1,248,640	1,248,640	14,987,277
9. End of Period Total True-Up (Lines 5-6+7+8)	(19,347,041)	(18,089,610)	(17,749,614)	(16,935,646)	(15,510,359)	(12,835,091)	(10,413,736)	(7,537,027)	(4,447,503)	(2,205,220)	(786,726)	(502,462)	(498,949)
10. Adjustment to Period True-Up including Interest	(15,513)	0	0	0	0	0	0	0	0	0	0	0	(15,513)
11. End of Period Total True-Up (Lines 9 + 10)	(\$19,362,554)	(\$18,089,610)	(\$17,749,614)	(\$16,935,646)	(\$15,510,359)	(\$12,835,091)	(\$10,413,736)	(\$7,537,027)	(\$4,447,503)	(\$2,205,220)	(\$786,726)	(\$502,462)	(\$514,462)