

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 6, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: Fuel Cost Recovery Clause
Audit Control No: 15-023-2-3

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

LMD/cp

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
Tampa District Office

Auditor's Report

Tampa Electric Company
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2014

Docket No. 150001-EI
Audit Control No. 15-023-2-3
April 22, 2015

A handwritten signature in blue ink, appearing to read "Simon Ojada", written over a horizontal line.

Simon Ojada
Audit Manager

A handwritten signature in blue ink, appearing to read "Linda Hill", written over a horizontal line.

Linda Hill
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 Accounting and Finance in its audit service request dated January 22, 2015. We have applied these procedures to the attached summary exhibit prepared by the Tampa Electric Company in support of its 2014 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 150001-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

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2014, through December 31, 2014, 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 2014 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 2014 to the monthly 2014 Fuel Revenue Summary Reports. A random sampling of residential and commercial customers' bills test was performed by rate class in the Environmental Cost Recovery Clause Audit, Docket No. 150007-EI to verify that the correct tariff rate was used. No exceptions were noted.

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 Order No. 14546, issued July 8, 1985.

Procedures: We reviewed and sampled fuel expenses as reported on Schedules A1 and A2. 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.

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 in Schedule A8 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 2014 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 2014. 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 2014 were calculated correctly and payments were made in accordance with the applicable contracts.

Procedures: We reviewed all contracts and amendments for 2014 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. 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 2014. We obtained company tariff rates for Florida Gas Transmission (FGTC). We randomly selected FGTC invoices for the months of January and October 2014. We reconciled 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-97-0359-FOF-EI, issued March 31, 1997.

Procedures: We reviewed all documentation supporting the February and August 2014 aerial survey calculations and recorded adjustments to determine compliance with Order No. PSC-97-0359-FOF-EI. No exceptions were noted.

Other

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 2014. 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 2014 refunds and demurrages. We traced all refunds and demurrages to the Fuel Ledger for correct disposition. No exceptions were noted.

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 2014 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 April, June, and October 2014. 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 2014. We verified that the invoice unit costs were in compliance with the contract. 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, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Financial Commercial Paper rates, and the 2014 FAC Revenues and Costs. No exceptions were noted.

Analytical Review

Objective: 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 2014 from previous years.

Procedures: We compared 2014 revenues and expenses to 2013 and 2012. We requested explanations of variances from the Utility. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

SCHEDULE A2
PAGE 1 OF 3

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: December 2014**

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
A. FUEL COST & NET POWER TRANSACTION								
1. FUEL COST OF SYSTEM NET GENERATION	55,111,158	53,061,862	2,049,296	3.9%	720,564,894	697,757,539	22,807,355	3.3%
1a. FUEL REL. R & D AND DEMO. COST	0	0	0	0.0%	0	0	0	0.0%
2. FUEL COST OF POWER SOLD	295,511	515,392	(219,881)	-42.7%	8,428,442	5,381,502	3,046,940	56.6%
2a. GAINS FROM SALES	27,895	51,145	(23,250)	-45.5%	2,775,429	522,912	2,252,517	430.8%
3. FUEL COST OF PURCHASED POWER	195,561	68,310	127,251	186.3%	11,238,146	7,983,730	3,254,416	40.8%
3a. DEMAND & NONFUEL COST OF PUR. PWR.	0	0	0	0.0%	0	0	0	0.0%
3b. PAYMENT TO QUALIFIED FACILITIES	778,322	496,020	282,302	56.9%	8,405,105	8,348,560	56,545	0.7%
4. ENERGY COST OF ECONOMY PURCHASES	<u>722,981</u>	<u>1,340,720</u>	<u>(617,739)</u>	<u>-46.1%</u>	<u>18,983,032</u>	<u>20,352,460</u>	<u>(1,369,448)</u>	<u>-6.7%</u>
5. TOTAL FUEL & NET POWER TRANSACTION	56,484,616	54,400,375	2,084,241	3.8%	747,987,306	728,537,895	19,449,411	2.7%
6a. ADJUSTMENTS TO FUEL COST (Polk 1 conversion depreciation & ROI)	356,172	343,052	13,120	3.8%	4,429,920	4,250,042	179,878	4.2%
6b. ADJUSTMENTS TO FUEL COST	<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>
7. ADJUSTED TOTAL FUEL & NET PWR. TRANS.	<u>56,840,788</u>	<u>54,743,427</u>	<u>2,097,361</u>	<u>3.8%</u>	<u>752,417,226</u>	<u>732,787,937</u>	<u>19,629,289</u>	<u>2.7%</u>
B. MWH SALES								
1. JURISDICTIONAL SALES	1,355,560	1,359,759	(4,199)	-0.3%	18,525,740	18,352,207	173,533	0.9%
2. NONJURISDICTIONAL SALES	<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>
3. TOTAL SALES	<u>1,355,560</u>	<u>1,359,759</u>	<u>(4,199)</u>	<u>-0.3%</u>	<u>18,525,740</u>	<u>18,352,207</u>	<u>173,533</u>	<u>0.9%</u>
4. JURISDIC. SALES-% TOTAL MWH SALES	1.0000000	1.0000000	0.0000000	0.0%	1.0000000	1.0000000	0.0000000	0.0%

Exhibit 1 (cont'd)

SCHEDULE A2
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: December 2014

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
C. TRUE-UP CALCULATION								
1. JURISDICTIONAL FUEL REVENUE	52,348,155	52,386,607	(38,452)	-0.1%	722,509,525	715,468,816	7,040,709	1.0%
2. FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0%	0	0	0	0.0%
2a. TRUE-UP PROVISION	1,302,541	1,302,541	0	0.0%	15,630,547	15,630,547	0	0.0%
2b. INCENTIVE PROVISION	98,091	98,091	0	0.0%	1,177,059	1,177,059	0	0.0%
2c. ADJUSTMENT	0	0	0	0.0%	0	0	0	0.0%
3. JURIS. FUEL REVENUE APPL. TO PERIOD	53,748,787	53,787,239	(38,452)	-0.1%	739,317,131	732,276,422	7,040,709	1.0%
4. ADJ. TOTAL FUEL & NET PWR. TRANS. (LINE A7)	56,840,788	54,743,427	2,097,361	3.8%	752,417,226	732,787,937	19,629,289	2.7%
5. JURISDIC. SALES- % TOTAL MWH SALES (LINE B4)	1.0000000	1.0000000	0.0000000	0.0%	-	-	-	-
6. JURISDIC. TOTAL FUEL & NET PWR.TRANS.	56,840,788	54,743,427	2,097,361	3.8%	752,417,226	732,787,937	19,629,289	2.7%
6a. JURISDIC. LOSS MULTIPLIER	1.00000	1.00000	0.00000	0.0%	-	-	-	-
6b. (LINE C6 x LINE C6a)	56,840,788	54,743,427	2,097,361	3.8%	752,417,226	732,787,937	19,629,289	2.7%
6c. OTHER	0	0	0	0.0%	0	0	0	0.0%
6d. JURISDIC. TOTAL FUEL & NET PWR INCL. ALL ADJ. (LNS. C6b+C6c)	56,840,788	54,743,427	2,097,361	3.8%	752,417,226	732,787,937	19,629,289	2.7%
7. TRUE-UP PROV. FOR MO. +/- COLLECTED (LINE C3 - LINE C6d)	(3,092,001)	(956,188)	(2,135,813)	223.4%	(13,100,095)	(511,515)	(12,588,580)	2461.0%
8. INTEREST PROVISION FOR THE MONTH	1,013	95	918	966.3%	15,069	12,653	2,416	19.1%
9. TRUE-UP & INT. PROV. BEG. OF MONTH	14,860,711	1,759,772	13,100,939	744.5%	NOT APPLICABLE			
10. TRUE-UP COLLECTED (REFUNDED)	(1,302,541)	(1,302,541)	0	0.0%	NOT APPLICABLE			
11. END OF PERIOD TOTAL NET TRUE-UP (LINE C7 through C10)	10,467,182	(498,862)	10,966,044	-2198.2%	NOT APPLICABLE			