

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 3, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: Capacity Cost Recovery Clause
Audit Control No: 16-020-2-4

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/cm

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
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2015

Docket No. 160001-EI
Audit Control No. 16-020-2-4
April 25, 2016

A handwritten signature in black ink, appearing to read "Intesar Terkawi".

Intesar Terkawi
Audit Manager

A handwritten signature in blue ink, appearing to read "Linda Hill".

Linda Hill
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	4
Exhibit	
1: True-Up.....	5

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 and Finance in its audit service request dated January 20, 2016. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2015 filing for the Capacity Cost Recovery Clause in Docket No. 160001-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to the Tampa Electric Company.

CCRC refers to the Capacity Cost Recovery Clause.

Revenues

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the Utility's revenue to the monthly revenue reports and the general ledger. We recalculated general ledger revenues net of RAF and reconciled to the CCRC 2015 Filing. We randomly tested the Utility's revenue calculations using the KWH times the Commission authorized rates for the months of January, February, March, and June 2015. A random sampling of residential and commercial customers' bills test was performed by rate class in the Environmental Cost Recovery Clause Audit, Docket No. 160007-EI, to verify that the correct tariff rate was used. No exceptions were noted.

Transmission Revenues

Objective: The objective was to determine whether Transmission Revenues derived from the non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC per Commission Order No. PSC-99-2512-FOF-EI.

Procedures: We verified that Transmission Revenues were a net component of capacity costs recorded in the CCRC by reconciling the Utility's Capacity Purchases and Capacity Sales Detail Schedules for the month of May 2015 to the invoices and other supporting documentation and to Schedule A12. No exceptions were noted.

Expenses

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expense invoices for testing. The source documentation for selected items was reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

Purchase Power Contracts

Objective: The objective was to determine whether invoices for the capacity purchase amounts are in accordance with the terms and conditions of the contract.

Procedures: We selected the invoices of the three largest counterparts with the highest dollar value capacity cost for all the months of 2015 for analysis. We traced capacity costs from the Capacity Purchases Detail Schedule to the vendor invoices. We selectively recalculated invoices and verified that vendors are in compliance with the latest contract conditions and terms. No exceptions were noted.

Incremental Security Cost

Objective: The objective was to determine whether the security costs recovered are incremental to the security costs recovered in base rates.

Procedure: We reviewed the general ledger account detail for vendors charging security costs to the Utility. No security costs were included in the CCRC. 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 traced the December 31, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the Commission approved beginning balance as of December 31, 2014, the Financial Commercial Paper rates, and the 2015 CCRC revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2015 to 2014 and 2013 revenues and expenses. We requested explanations from the Utility for significant variances. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2015 THROUGH DECEMBER 2015

	Actual Jan-15	Actual Feb-15	Actual Mar-15	Actual Apr-15	Actual May-15	Actual Jun-15	Actual Jul-15	Actual Aug-15	Actual Sep-15	Actual Oct-15	Actual Nov-15	Actual Dec-15	Total
1 UNIT POWER CAPACITY CHARGES	0	0	0	0	0	0	0	0	0	0	0	0	0
2 CAPACITY PAYMENTS TO COGENERATORS	1,261,780	1,261,780	1,261,780	1,261,780	1,261,780	1,261,780	1,261,780	1,261,780	1,261,780	1,261,780	1,261,780	1,261,780	15,141,360
3 SCHEDULE J, D, & EMERG CAPACITY CHARGES	1,438,481	1,452,587	1,476,211	1,490,199	1,599,706	1,602,103	1,648,716	1,656,960	1,663,831	1,620,770	1,579,383	1,436,485	18,665,432
4 INCREMENTAL SECURITY O&M COSTS	0	0	0	0	0	0	0	0	0	0	0	0	0
5 (CAPACITY REVENUES)	(109,297)	(97,554)	(62,789)	(170,898)	(13,413)	(8,635)	(16,785)	(11,793)	(15,432)	(38,041)	(22,307)	(215,068)	(782,012)
6 TOTAL CAPACITY DOLLARS	2,590,964	2,616,813	2,675,202	2,581,081	2,848,073	2,855,248	2,893,711	2,906,947	2,910,179	2,844,509	2,818,856	2,483,197	33,024,780
7 JURISDICTIONAL PERCENTAGE	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	1.0000000	
8 JURISDICTIONAL CAPACITY DOLLARS	2,590,964	2,616,813	2,675,202	2,581,081	2,848,073	2,855,248	2,893,711	2,906,947	2,910,179	2,844,509	2,818,856	2,483,197	33,024,780
9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes)	2,397,187	2,287,835	2,347,863	2,533,298	2,742,593	3,074,206	3,169,350	2,995,399	3,146,471	2,882,777	2,640,400	2,455,017	32,672,396
10 PRIOR PERIOD TRUE-UP PROVISION	(2,794)	(2,794)	(2,794)	(2,794)	(2,794)	(2,794)	(2,794)	(2,794)	(2,794)	(2,794)	(2,794)	(2,794)	(33,526)
11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes)	2,394,393	2,285,041	2,345,069	2,530,504	2,739,799	3,071,412	3,166,556	2,992,605	3,143,677	2,879,983	2,637,606	2,452,225	32,638,870
12 TRUE-UP PROVISION FOR PERIOD OVER/(UNDER) RECOVERY (Line 11 - Line 8)	(196,571)	(331,772)	(330,133)	(50,577)	(108,274)	216,164	272,845	85,658	233,498	35,474	(181,250)	(30,972)	(385,910)
13 INTEREST PROVISION FOR PERIOD	1	(20)	(46)	(46)	(59)	(63)	(43)	(32)	(20)	(6)	(14)	(53)	(401)
14 OTHER ADJUSTMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
15 TRUE-UP AND INT. PROVISION BEGINNING OF PERIOD - OVER/(UNDER) RECOVERY	106,860	(86,916)	(415,914)	(743,299)	(791,128)	(896,667)	(677,772)	(402,176)	(313,756)	(77,484)	(39,222)	(217,692)	106,860
16 PRIOR PERIOD TRUE-UP PROVISION COLLECTED/(REFUNDED) THIS PERIOD	2,794	2,794	2,794	2,794	2,794	2,794	2,794	2,794	2,794	2,794	2,794	2,794	33,526
17 END OF PERIOD TRUE-UP - OVER/(UNDER)	(86,916)	(415,914)	(743,299)	(791,128)	(896,667)	(677,772)	(402,176)	(313,756)	(77,484)	(39,222)	(217,692)	(245,925)	(245,925)

Exhibit 1: True-Up (Cont'd)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2015 THROUGH DECEMBER 2015

	Actual Jan-15	Actual Feb-15	Actual Mar-15	Actual Apr-15	Actual May-15	Actual Jun-15	Actual Jul-15	Actual Aug-15	Actual Sep-15	Actual Oct-15	Actual Nov-15	Actual Dec-15	Total
1 BEGINNING TRUE-UP AMOUNT	106,860	(86,916)	(415,914)	(743,299)	(791,128)	(896,667)	(677,772)	(402,176)	(313,756)	(77,484)	(39,222)	(217,692)	106,860
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST	(86,917)	(415,894)	(743,253)	(791,082)	(896,608)	(677,709)	(402,133)	(313,724)	(77,464)	(39,216)	(217,678)	(245,872)	(245,524)
3 TOTAL BEGINNING & ENDING TRUE-UP AMT. (LINE 1 + LINE 2)	19,943	(502,810)	(1,159,167)	(1,534,381)	(1,687,736)	(1,574,376)	(1,079,905)	(715,900)	(391,220)	(116,700)	(256,900)	(463,564)	(138,664)
4 AVERAGE TRUE-UP AMOUNT (50% OF LINE 3)	9,972	(251,405)	(579,584)	(767,191)	(843,868)	(787,188)	(539,953)	(357,950)	(195,610)	(58,350)	(128,450)	(231,782)	(69,332)
5 INTEREST RATE % - 1ST DAY OF MONTH	0.100	0.100	0.090	0.090	0.060	0.100	0.080	0.110	0.110	0.130	0.120	0.150	NA
6 INTEREST RATE % - 1ST DAY OF NEXT MONTH	0.100	0.090	0.090	0.060	0.100	0.080	0.110	0.110	0.130	0.120	0.150	0.400	NA
7 TOTAL (LINE 5 + LINE 6)	0.200	0.190	0.180	0.150	0.160	0.160	0.190	0.220	0.240	0.250	0.270	0.550	NA
8 AVERAGE INTEREST RATE % (50% OF LINE 7)	0.100	0.095	0.090	0.075	0.080	0.090	0.095	0.110	0.120	0.125	0.135	0.275	NA
9 MONTHLY AVERAGE INTEREST RATE % (LINE 8/12)	0.008	0.008	0.008	0.006	0.007	0.008	0.008	0.009	0.010	0.010	0.011	0.023	NA
10 INTEREST PROVISION (LINE 4 X LINE 9)	1	(20)	(46)	(46)	(59)	(63)	(43)	(32)	(20)	(6)	(14)	(53)	(401)