

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: June 15, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160007-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: Environmental Cost Recovery Clause
Audit Control No: 16-028-2-2

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 are 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

Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2015

Docket No. 160007-EI

Audit Control No. 16-028-2-2

May 6, 2016

Handwritten signature of Linda Hill in blue ink.

Linda Hill
Audit Manager

Handwritten signature of Ron Mavrides in blue ink.

Ron Mavrides
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

 None..... 5

Exhibit

 1: True-Up..... 6

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 Engineering in its audit service request dated January 28, 2016. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by the Tampa Electric Company in support of its 2015 filing for the Environmental Cost Recovery Clause in Docket No. 160007-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.

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, 2015, through December 31, 2015.

Procedures: We traced Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2015 Form 42-8A. No exceptions were noted.

Construction Work in Progress

Objective: The objective was 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 was retired at the installed costs by the Utility in accordance with Florida Public Service Commission Rule 25-6.0142(4)(b), Florida Administrative Code:

- 1) Big Bend PM Minimization and Monitoring
- 2) Big Bend Unit 2 SCR
- 3) Big Bend Unit 3 SCR

Procedures: We selected all additions to capital projects for 2015. 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, 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2015 filing to the Utility's monthly Environmental Revenue Reports. We verified that the rate code factors used in the Utility's calculation of revenues were in agreement with the last Commission Order No. PSC-14-0643-FOF-EI. We selected a random sample of residential and commercial customers' bills for the months of October, November, and December 2015. We recalculated each to verify the use of the correct tariff rate for the Capacity, Fuel, Conservation and Environmental Clauses. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expenses listed on the Utility's Form 42-5A filing were 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 payroll and non-payroll O&M Expenses for testing for the months of February, June, and July 2015. The source documentation for selected items was reviewed to ensure the expenses were related to the ECRC and that the expenses were charged to the correct accounts. 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 2015 Depreciation Expense on a test basis using the plant balances and depreciation rates per Order No. PSC-10-0131-FOF-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

SO₂ Allowances

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

Procedures: We traced 2015 consumption for SO₂ Allowances from the Utility's detailed Allowances Reports to the Total Emissions Schedule on Form 42-5E. We determined whether NOx sales were made. We verified the 2015 vintage allowance for the sale of Hooker's Point. We verified all auction proceeds. We traced the jurisdictional factors to Order No. PSC-14-0643-FOF-EI. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A 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 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 2015 to 2014 and 2013 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 Final True-up Amount for the Period
January 2015 to December 2015

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)	\$5,651,676	\$5,285,880	\$5,413,142	\$6,085,000	\$6,509,236	\$7,216,835	\$7,479,570	\$7,044,377	\$7,377,133	\$6,832,819	\$6,312,855	\$5,809,601	\$77,018,124
2. True-Up Provision	741,062	741,062	741,062	741,062	741,062	741,062	741,062	741,062	741,062	741,062	741,062	741,066	8,892,748
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	6,392,738	6,026,942	6,154,204	6,826,062	7,250,298	7,957,897	8,220,632	7,785,439	8,118,195	7,573,881	7,053,917	6,550,667	85,910,872
4. Jurisdictional ECRC Costs													
a. O & M Activities (Form 42-5A, Line 9)	2,276,755	1,920,574	1,722,232	1,774,001	2,590,735	2,578,303	2,033,433	1,826,016	1,842,047	1,869,365	1,927,187	2,052,041	24,452,729
b. Capital Investment Projects (Form 42-7A, Line 9)	4,661,016	4,652,145	4,641,268	4,630,346	4,622,601	4,616,582	4,570,983	4,568,115	4,562,004	4,560,158	4,556,517	4,564,623	55,204,378
c. Total Jurisdictional ECRC Costs	6,937,811	6,572,719	6,363,520	6,404,347	7,213,336	7,194,885	6,604,416	6,392,131	6,404,051	6,429,523	6,483,704	6,656,664	79,657,107
5. Over/Under Recovery (Line 3 - Line 4c)	(545,073)	(545,777)	(209,316)	421,715	36,962	763,012	1,616,216	1,393,308	1,714,144	1,144,358	570,213	(105,997)	6,253,765
6. Interest Provision (Form 42-3A, Line 10)	347	244	154	78	55	35	71	149	247	316	360	636	2,692
7. Beginning Balance True-Up & Interest Provision	8,892,748	7,606,960	6,320,365	5,370,141	5,050,872	4,346,827	4,368,812	5,244,037	5,896,432	6,669,761	7,273,373	7,102,884	8,892,748
a. Deferred True-Up from January to December 2014 (Order No. PSC-15-0536-PDF-EI)	(3,915,636)	(3,915,636)	(3,915,636)	(3,915,636)	(3,915,638)	(3,915,636)	(3,915,636)	(3,915,636)	(3,915,636)	(3,915,636)	(3,915,636)	(3,915,638)	(3,915,636)
8. True-Up Collected/(Refunded) (see Line 2)	(741,062)	(741,062)	(741,062)	(741,062)	(741,062)	(741,062)	(741,062)	(741,062)	(741,062)	(741,062)	(741,062)	(741,066)	(8,892,748)
9. End of Period Total True-Up (Lines 5+6+7+8)	3,691,324	2,404,729	1,454,505	1,135,236	431,191	453,176	1,328,401	1,980,796	2,954,125	3,357,737	3,187,248	2,340,821	2,340,821
10. Adjustment to Period True-Up Including Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
11. End of Period Total True-Up (Lines 9 + 10)	\$3,691,324	\$2,404,729	\$1,454,505	\$1,135,236	\$431,191	\$453,176	\$1,328,401	\$1,980,796	\$2,954,125	\$3,357,737	\$3,187,248	\$2,340,821	\$2,340,821