

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 7, 2019
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20190001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2019-017-2-3

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 are no confidential work papers associated with this audit.

LMD/cmm

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, 2018

Docket No. 20190001-EI
Audit Control No. 2019-017-2-3
April 25, 2019

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

Simon Ojada
Audit Manager

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

Linda Hill
Reviewer

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 1: True-Up7

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 14, 2019. We have applied these procedures to the attached summary exhibit prepared by the Tampa Electric Company in support of its 2018 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20190001-EI.

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, 2018, through December 31, 2018, 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 2018 FAC Filing to the Utility's monthly revenue reports and the general ledger. We recalculated general ledger revenues net of regulatory assessment fees and reconciled to the FAC filing. We traced Fuel Revenues by rate class for January – December 2018 to the monthly 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. 20190007-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 for the months of March and July 2018. We concluded that the 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-2000-1744-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 2018 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 May and August 2018. 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 2018 were calculated correctly and payments were made in accordance with the applicable contracts.

Procedures: We reviewed all contracts and amendments for 2018 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 2018. We obtained company tariff rates for Florida Gas Transmission (FGTC). We randomly selected FGTC invoices for the months of March and September 2018. 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-1997-0359-FOF-EI, issued March 31, 1997.

Procedures: We reviewed all documentation supporting the February and August 2018 aerial survey calculations and recorded adjustments to determine compliance with Order No. PSC-1997-0359-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 2018. 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 2018 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 2018 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, May, July, and October 2018. 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 April, June, and August 2018. We verified that the invoice unit costs were in compliance with the contract. No exceptions were noted.

Objectives: The objective was to review the Optimization Mechanism discussed in the Stipulation and Settlement approved in Order No. PSC-2017-0456-S-EI.

Procedures: We reviewed the amount of the incremental gains and the calculation of the gains and reasonableness of the market price and index inputs used to calculate the gains. We spot checked several transactions to determine if the transactions reflect "arms-length" transaction. We reviewed and spot checked for gains on the short-term power sales and savings on the short-term purchases as determined by Order No. PSC-1997-0262-FOF-EI. 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, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the Commission approved beginning balance as of December 31, 2017, the Financial Commercial Paper rates, and the 2018 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 2018 from previous years.

Procedures: We compared 2018 revenues and expenses to 2017 and 2016. There were no significant variances. 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 2017

	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	44,592,399	60,530,825	(15,938,426)	-11.8%	610,508,418	663,929,452	(53,341,034)	-8.0%
1b FUEL REL R & D AND DEMO COST	0	0	0	0.0%	0	0	0	0.0%
2 FUEL COST OF POWER SOLD	331,048	38,964	292,084	749.8%	5,550,016	651,108	4,898,908	752.4%
2a GAINS FROM SALES	62,155	2,307	59,848	2697.2%	1,644,000	47,798	1,596,202	3341.6%
3 FUEL COST OF PURCHASED POWER	272,982	8,050	264,932	3201.1%	5,523,189	1,172,410	4,350,779	371.1%
3a DEMAND & NONFUEL COST OF PUR PWR	0	0	0	0.0%	0	0	0	0.0%
3b PAYMENT TO QUALIFIED FACILITIES	445,032	179,050	265,982	148.1%	4,254,162	2,449,180	1,804,982	73.7%
4 ENERGY COST OF ECONOMY PURCHASES	55,025	696,660	(631,635)	-90.7%	23,161,177	10,162,220	12,998,957	127.9%
5 TOTAL FUEL & NET POWER TRANSACTION	44,932,666	51,373,314	(6,410,449)	-12.5%	636,331,998	677,014,358	(40,682,360)	-6.0%
6a ADJ - BIG BEND UNITS 1-4 IGMTERS CONVERSION PROJECT	423,053	424,123	(1,030)	-0.2%	5,253,700	5,260,518	(6,728)	-0.1%
6b ADJ - POLK 1 CONVERSION DEPRECIATION & ROI	282,059	282,238	(179)	-0.1%	3,517,466	3,518,938	(1,472)	0.0%
6c ADJ - POLK WARM GAS CLEANUP	0	0	0	0.0%	0	0	0	0.0%
7 ADJUSTED TOTAL FUEL & NET PWR TRANS	45,668,017	52,079,675	(6,411,658)	-12.3%	645,103,254	685,793,814	(40,690,560)	-5.9%
B. MWH SALES								
1 JURISDICTIONAL SALES	1,360,309	1,393,881	(33,482)	-2.4%	19,190,368	19,114,079	76,289	0.4%
2 NONJURISDICTIONAL SALES	0	120	(120)	-100.0%	1,855	14,360	(12,475)	-66.9%
3 TOTAL SALES	1,360,309	1,394,001	(33,602)	-2.4%	19,192,223	19,128,439	63,784	0.3%
4 JURISDC SALES-% TOTAL MWH SALES	1.0000000	0.999217	0.000783	0.0%	-	-	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 2017

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
C. TRUE-UP CALCULATION								
1 JURISDICTIONAL FUEL REVENUE	39,281,067	40,406,340	(1,125,273)	-2.8%	564,177,364	563,160,071	1,017,293	0.2%
2 FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0%	0	0	0	0.0%
2a TRUE-UP PROVISION	10,219,583	10,219,983	0	0.0%	122,639,796	122,639,796	0	0.0%
2b INCENTIVE PROVISION	(82,804)	(82,804)	0	0.0%	(509,593)	(509,593)	0	0.0%
2c ADJUSTMENT	0	0	0	0.0%	0	0	0	0.0%
3 JURIS FUEL REVENUE APPL TO PERIOD	49,420,246	50,545,528	(1,125,282)	-2.2%	685,847,587	684,830,274	1,017,313	0.1%
4 ADJ TOTAL FUEL & NET PWR TRANS (LINE A7)	45,668,017	52,079,676	(6,411,658)	-12.3%	645,103,254	685,783,814	(40,680,560)	-5.9%
5 JURISDC SALES-% TOTAL MWH SALES (LINE B4)	1.0000000	0.9992217	0.0007783	0.0%	-	-	-	-
6 JURISDC TOTAL FUEL & NET PWR TRANS	45,668,017	52,075,597	(6,407,580)	-12.3%	645,077,516	685,342,648	(40,265,132)	-5.9%
6a JURISDC LOSS MULTIPLIER	1.00000	1.00002	(0.00002)	0.0%	-	-	-	-
6b (LINE C6 + LINE C6a)	45,668,017	52,076,639	(6,408,622)	-12.3%	645,050,484	685,355,389	(40,304,905)	-5.9%
6c ADJUSTMENT-JURISDC LOSS MULTIPLIER	0	0	0	0.0%	(25,648)	0	(25,648)	0.0%
6d JURISDC TOTAL FUEL & NET PWR INCL ALL ADJ (LNS. C6b+C6c)	45,668,017	52,076,639	(6,408,622)	-12.3%	645,024,836	685,355,389	(40,330,553)	-5.9%
7 TRUE-UP PROV. FOR MD +/- COLLECTED (LINE C3 - LINE C6d)	3,752,229	(1,531,111)	5,283,340	-345.1%	40,827,751	(525,115)	41,347,066	-7874.1%
7a ADJUSTMENT-BB UNIT 2 OUTAGE REPLACEMENT POWER COST	4,524,836	0	4,524,836	0.0%	4,529,041	0	4,529,041	0.0%
8 INTEREST PROVISION FOR THE MONTH	27,006	7,125	19,881	260.3%	500,008	643,957	(143,949)	-22.2%
9 TRUE-UP & INT PROV. BEG. OF MONTH	26,196,766	11,862,811	14,333,955	120.8%	NOT APPLICABLE			
10 TRUE-UP COLLECTED (REFUNDED)	(10,219,263)	(10,219,983)	0	0.0%	NOT APPLICABLE			
11 END OF PERIOD TOTAL NET TRUE-UP (LINE C7 THROUGH C10)	24,281,044	118,842	24,162,202	20331.4%	NOT APPLICABLE			

SCHEDULE A2
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