

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, 2021
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20210001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2021-007-2-3

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, 2020

Docket No. 20210001-EI
Audit Control No. 2021-007-2-3
April 21, 2021

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

Simon Ojada
Audit Manager

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

Lynn Deamer
Reviewer

Table of Contents

| | |
|--------------------------------|---|
| Purpose | 1 |
| Objectives and Procedures..... | 2 |
| Audit Findings | |
| None..... | 6 |
| Exhibit | |
| 1: True-Up | 7 |

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 07, 2021. We have applied these procedures to the attached summary exhibit prepared by the Tampa Electric Company in support of its 2020 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20210001-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, 2020, through December 31, 2020, 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 2020 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 2020 to the monthly Fuel Revenue summary reports. A random sampling of residential and commercial customers' bills test was performed by rate class 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 January and August 2020. 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 2020 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 2020. 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 2020 were calculated correctly and payments were made in accordance with the applicable contracts.

Procedures: We reviewed all contracts and amendments for 2020 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 2020. We obtained company tariff rates for Florida Gas Transmission (FGTC). We randomly selected FGTC invoices for the months of March and September 2020. 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 2020 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 2020. 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 2020 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 2020 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 2020. 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 2020. 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-2018-0456-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, 2019, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2020, using the Commission approved beginning balance as of December 31, 2019, the Financial Commercial Paper rates, and the 2020 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 2020 from previous years.

Procedures: We compared 2020 revenues and expenses to 2019 and 2018. There were no significant variances. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

SCHEDULE A3
PAGE 2 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION
TANPA ELECTRIC COMPANY
MONTH OF: December 2020

| | CURRENT MONTH | | | | PERIOD TO DATE | | | |
|--|---------------------|---------------------|----------------------|---------------|--------------------|--------------------|----------------------|--------------|
| | ACTUAL | ESTIMATED | DIFFERENCE AMOUNT | % | ACTUAL | ESTIMATED | DIFFERENCE AMOUNT | % |
| C. TRUE-UP CALCULATION | | | | | | | | |
| 1. JURISDICTIONAL FUEL REVENUE | 37,473,643 | 36,602,298 | 873,685 | 2.4% | 550,238,491 | 538,655,756 | 13,582,735 | 2.5% |
| 2. JURISDICTIONAL FUEL REVENUE CREDIT | 0 | 0 | 0 | 0.0% | (83,338,198) | (81,388,391) | (1,951,808) | 2.4% |
| 2a. TRUE-UP PROVISION | 0 | 0 | 0 | 0.0% | (12,808,180) | (12,808,180) | 0 | 0.0% |
| 2b. GPV PROVISION | (345,102) | (345,108) | 0 | 0.0% | (4,141,330) | (4,141,330) | 0 | 0.0% |
| 2c. 2018 OPTIMIZATION MECHANISM GAIN | (83,350) | (83,350) | 0 | 0.0% | (1,120,353) | (1,120,353) | 0 | 0.0% |
| 3. JURIS. FUEL REVENUE APPL. TO PERIOD | <u>37,028,424</u> | <u>36,181,629</u> | <u>873,695</u> | <u>2.4%</u> | <u>448,829,432</u> | <u>437,224,522</u> | <u>11,603,910</u> | <u>2.7%</u> |
| 4. ADJ. TOTAL FUEL & NET PWR. TRANS. (LINE A7) | 44,387,682 | 43,022,354 | 1,365,328 | 3.2% | 488,777,177 | 491,985,186 | (3,208,019) | -0.7% |
| 5. JURISDIC. SALES- % TOTAL MWH SALES (LINE B4) | <u>1.0000000</u> | <u>1.0000000</u> | <u>0.0000000</u> | <u>0.0%</u> | - | - | - | - |
| 6. JURISDIC. TOTAL FUEL & NET PWR. TRANS. | 44,387,682 | 43,022,354 | 1,365,328 | 3.2% | 488,777,177 | 491,985,186 | (3,208,019) | -0.7% |
| 6a. JURISDIC. LOSS MULTIPLIER | <u>1.00000</u> | <u>1.00000</u> | <u>0.00000</u> | <u>0.0%</u> | - | - | - | - |
| 6b. (LINE C6 ÷ LINE C6a) | 44,387,682 | 43,022,354 | 1,365,328 | 3.2% | 488,777,177 | 491,985,186 | (3,208,019) | -0.7% |
| 6c. ADJUSTMENT | <u>0</u> | <u>0</u> | <u>0</u> | <u>0.0%</u> | 0 | 0 | 0 | 0.0% |
| 6d. JURISDIC. TOTAL FUEL & NET PWR INCL. ALL ADJ. (LINES C6b+C6c) | <u>44,387,682</u> | <u>43,022,354</u> | <u>1,365,328</u> | <u>3.2%</u> | <u>488,777,177</u> | <u>491,985,186</u> | <u>(3,208,019)</u> | <u>-0.7%</u> |
| 7. TRUE-UP PROV. FOR MO. +A COLLECTED (LINE C3 - LINE C6d) | (7,382,258) | (8,860,630) | (91,733) | 7.2% | (59,947,745) | (54,758,684) | 14,808,949 | -27.0% |
| 8. INTEREST PROVISION FOR THE MONTH | (1,633) | (58,257) | 57,454 | -97.0% | 113,372 | 36,365 | 75,007 | 183.5% |
| 9. FUEL SAVINGS CREDIT FOR LAKE HANCOCK GENERATION PER SECOND SoGRA STIPULATION | 0 | 0 | 0 | 0.0% | 236,322 | 236,322 | 0 | 0.0% |
| 10. TRUE-UP & INT. PROV. BEG. OF MONTH | (14,355,736) | (28,673,672) | 15,318,254 | -61.0% | NOT APPLICABLE | | | |
| 11. TRUE-UP COLLECTED (REFUNDED) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0.0%</u> | NOT APPLICABLE | | | |
| 12. END OF PERIOD TOTAL NET TRUE-UP (LINE C7 Through C11) | <u>(21,709,791)</u> | <u>(29,593,751)</u> | <u>14,883,958</u> | <u>-40.7%</u> | NOT APPLICABLE | | | |

Exhibit 1 (cont'd)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: December 2020

| | CURRENT MONTH | | | | PERIOD TO DATE | | | |
|--|---------------|--------------|----------------------|--------|----------------|-----------|----------------------|---|
| | ACTUAL | ESTIMATED | DIFFERENCE AMOUNT | % | ACTUAL | ESTIMATED | DIFFERENCE AMOUNT | % |
| D. INTEREST PROVISION | | | | | | | | |
| 1. BEGINNING TRUE-UP AMOUNT (LINE C10) | (14,355,738) | (25,673,972) | 15,318,234 | -51.6% | NOT APPLICABLE | | | |
| 2. ENDING TRUE-UP AMOUNT BEFORE INT. (LINE B C7 + C8 + C10 + C11) | (21,727,895) | (35,634,437) | 14,606,551 | -43.6% | NOT APPLICABLE | | | |
| 3. TOTAL BEG. & END. TRUE-UP AMOUNT | (36,083,734) | (61,308,409) | 30,144,735 | -45.5% | NOT APPLICABLE | | | |
| 4. AVG. TRUE-UP AMOUNT - (30% OF LINE D3) | (18,031,867) | (33,104,225) | 15,072,358 | -45.5% | NOT APPLICABLE | | | |
| 5. INT. RATE-FIRST DAY REP. BUS. MONTH | 0.140 | 2.150 | (2.010) | -83.5% | NOT APPLICABLE | | | |
| 6. INT. RATE-FIRST DAY (SUBSEQUENT MONTH) | 0.100 | 2.150 | (2.050) | -85.3% | NOT APPLICABLE | | | |
| 7. TOTAL (LINE D5 + LINE D6) | 0.240 | 4.300 | (4.060) | -84.4% | NOT APPLICABLE | | | |
| 8. AVERAGE INT. RATE (50% OF LINE D7) | 0.120 | 2.150 | (2.030) | -84.4% | NOT APPLICABLE | | | |
| 9. MONTHLY AVG. INT. RATE (LINE D8/12) | 0.010 | 0.179 | (0.169) | -84.4% | NOT APPLICABLE | | | |
| 10. INT. PROVISION (LINE D4 + LINE D9) | (1,603) | (66,257) | 67,454 | -47.0% | NOT APPLICABLE | | | |