

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 5, 2022
TO: Office of the Commission Clerk
FROM: Rhonda L. Hicks, Director, Office of Auditing and Performance Analysis *RH*
RE: Docket No.: 20220001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 2022-003-2-2

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

RLH/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, 2021

Docket No. 20220001-EI

Audit Control No. 2022-003-2-2

April 26, 2022

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

Simon Ojada
Audit Manager

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

Tomer Kopelovich
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 December 21, 2021. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2021 filing for the Capacity Cost Recovery Clause in Docket No. 20220001-EI.

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, 2021, through December 31, 2021, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled Capacity Revenues reported in the 2021 CCRC Filing to the Utility's monthly reports and the general ledger. We recalculated general ledger revenues net of regulatory assessment fees and reconciled to the CCRC Filing. We traced Capacity Revenues by rate class for January – December 2021 to the monthly Capacity summary reports. A random sampling of residential and commercial customers' bills test was performed by rate class in the Fuel Cost Recovery Clause Audit, Docket No. 20220001-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-1999-2512-FOF-EI, issued December 22, 1999.

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 months of January and February 2021 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 January and February 2021 capacity costs 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 terms and conditions. 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, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2021, using the Commission-approved beginning balance as of December 31, 2020, the Financial Commercial Paper rates, and the 2021 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 annual 2021, 2020 and 2019 revenues and expenses. There were no 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 2021 THROUGH DECEMBER 2021

| | Actual Jan-21 | Actual Feb-21 | Actual Mar-21 | Actual Apr-21 | Actual May-21 | Actual Jun-21 | Actual Jul-21 | Actual Aug-21 | Actual Sep-21 | Actual Oct-21 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1 UNIT POWER CAPACITY CHARGES | 2,069,886 | 1,125,101 | 385,048 | 704,882 | (152,489) | 1,179,112 | 1,178,306 | 1,194,682 | 709,319 | 876,804 |
| 2 CAPACITY PAYMENTS TO COGENERATORS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 SCHEDULE J.D. & EMERG CAPACITY CHARGES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 INCREMENTAL SECURITY O&M COSTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 (CAPACITY REVENUES) | (16,605) | (45,584) | (79,663) | (82,822) | (88,010) | (57,180) | (82,510) | (51,454) | (282,119) | (181,111) |
| 6 TOTAL CAPACITY DOLLARS | 2,053,281 | 1,079,517 | 305,385 | 621,860 | (220,509) | 1,121,932 | 1,095,796 | 1,143,218 | 427,200 | 685,493 |
| 7 JURISDICTIONAL PERCENTAGE | 1.0000000 | 1.0000000 | 1.0000000 | 1.0000000 | 1.0000000 | 1.0000000 | 1.0000000 | 1.0000000 | 1.0000000 | 1.0000000 |
| 8 JURISDICTIONAL CAPACITY DOLLARS | 2,053,281 | 1,079,517 | 305,385 | 621,860 | (220,509) | 1,121,932 | 1,095,796 | 1,143,218 | 427,200 | 685,493 |
| 9 CAPACITY COST RECOVERY REVENUES (Net of Revenue Taxes) | 28,368 | 28,712 | 28,523 | 30,704 | 33,405 | 38,878 | 37,682 | 39,040 | 2,922,470 | 2,840,631 |
| 10 PRIOR PERIOD TRUE-UP PROVISION | 147,623 | 147,623 | 147,623 | 147,623 | 147,623 | 147,623 | 147,623 | 147,623 | (2,125,857) | (2,125,857) |
| 11 CAPACITY COST RECOVERY REVENUES APPLICABLE TO CURRENT PERIOD (Net of Revenue Taxes) | 175,989 | 176,335 | 176,146 | 178,327 | 181,028 | 184,501 | 185,305 | 188,863 | 796,613 | 514,774 |
| 12 TRUE-UP PROVISION FOR PERIOD OVER/(UNDER) RECOVERY (Line 11 - Line 9) | (1,877,292) | (803,182) | (129,219) | (443,533) | 401,537 | (937,431) | (910,491) | (958,555) | 369,413 | (170,711) |
| 13 INTEREST PROVISION FOR PERIOD | (234) | (372) | (384) | (419) | (279) | (291) | (413) | (399) | (364) | (30) |
| 14 OTHER ADJUSTMENT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 TRUE-UP AND INT. PROVISION BEGINNING OF PERIOD - OVER/(UNDER) RECOVERY | (1,583,299) | (3,608,448) | (4,659,625) | (4,936,851) | (5,528,426) | (5,274,782) | (6,360,127) | (7,418,654) | (8,523,231) | (8,028,32) |
| 16 PRIOR PERIOD TRUE-UP PROVISION COLLECTED/(REFUNDED) THIS PERIOD | (147,623) | (147,623) | (147,623) | (147,623) | (147,623) | (147,623) | (147,623) | (147,623) | 2,125,857 | 2,125,857 |
| 17 END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (SUM OF LINES 12 - 16) | (3,608,448) | (4,659,625) | (4,936,851) | (5,528,426) | (5,274,782) | (6,360,127) | (7,418,654) | (8,523,231) | (8,028,325) | (4,073,48) |

Exhibit 1: True-Up (Cont'd)

TAMPA ELECTRIC COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY 2021 THROUGH DECEMBER 2021

| | Actual Jan-21 | Actual Feb-21 | Actual Mar-21 | Actual Apr-21 | Actual May-21 | Actual Jun-21 | Actual Jul-21 | Actual Aug-21 | Actual Sep-21 | Actual Oct-21 |
|--|--------------------------|------------------|------------------|------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|
| 1 BEGINNING TRUE-UP AMOUNT | (1,583,299) | (3,808,448) | (4,859,825) | (4,938,851) | (5,528,428) | (5,274,782) | (6,360,127) | (7,418,654) | (8,523,231) | (8,028,325) |
| 2 ENDING TRUE-UP AMOUNT BEFORE INTEREST | (3,608,214) ^F | (4,659,253) | (4,936,487) | (5,528,007) | (5,274,512) ^F | (6,359,838) | (7,418,241) | (8,522,832) | (9,027,961) | (4,073,181) |
| 3 TOTAL BEGINNING & ENDING TRUE-UP AMT. (LINE 1 + LINE 2) | (5,191,513) | (8,267,701) | (9,596,092) | (10,464,858) | (10,802,935) | (11,834,618) | (13,778,368) | (15,941,486) | (14,551,192) | (10,101,506) |
| 4 AVERAGE TRUE-UP AMOUNT (50% OF LINE 3) | (2,595,757) | (4,133,851) | (4,798,046) | (5,232,429) | (5,401,468) | (5,817,309) | (6,889,184) | (7,970,743) | (7,275,596) | (5,050,753) |
| 5 INTEREST RATE % - 1ST DAY OF MONTH | 0.100 | 0.120 | 0.090 | 0.110 | 0.070 | 0.040 | 0.080 | 0.060 | 0.060 | 0.071 |
| 6 INTEREST RATE % - 1ST DAY OF NEXT MONTH | 0.120 | 0.090 | 0.110 | 0.070 | 0.040 | 0.080 | 0.060 | 0.060 | 0.070 | 0.081 |
| 7 TOTAL (LINE 5 + LINE 6) | 0.220 | 0.210 | 0.200 | 0.180 | 0.110 | 0.120 | 0.140 | 0.120 | 0.130 | 0.152 |
| 8 AVERAGE INTEREST RATE % (50% OF LINE 7) | 0.110 | 0.105 | 0.100 | 0.090 | 0.055 | 0.060 | 0.070 | 0.060 | 0.065 | 0.076 |
| 9 MONTHLY AVERAGE INTEREST RATE % (LINE 8/12) | 0.009 | 0.009 | 0.008 | 0.008 | 0.005 | 0.005 | 0.006 | 0.005 | 0.005 | 0.006 |
| 10 INTEREST PROVISION (LINE 4 X LINE 9) | (234) | (372) | (384) | (419) | (270) | (291) | (413) | (399) | (364) | (303) |