

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 8, 2023

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

RE: Docket No.: 20230001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2023-010-2-3

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

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

Auditor's Report

Tampa Electric Company
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230001-EI

Audit Control No. 2023-010-2-3

May 2, 2023

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

Ronald A. Mavrides
Audit Manager

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

Hymavathi Vedula
Reviewer

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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 9, 2023. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its 2022 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20230001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Tampa Electric Company.

Fuel Clause refers to the Fuel and Purchased Power Cost Recovery Clause.

Analytical Review

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

Procedures: We compared 2022 revenues and expenses to 2021. We requested explanations from the Utility for any significant changes to revenues and expenses. Explanations provided by the Utility were sufficient. Further follow-up was not required.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2022, through December 31, 2022, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the Fuel Clause.

Procedures: We reconciled the 2022 filing to the Utility's monthly revenue reports and general ledger. We computed the factors by rate code and compared them to the last Commission Order, Order No. PSC-2021-0442-FOF-EI, issued November 30, 2021. We selected a sample of residential and commercial customers' bills for the month of March 2022 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Fuel and Purchased Power

Objectives: The objectives were to review the expenses which the utility has included in the Fuel Filing 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 sample months of April and November 2022. 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 Fuel Filing as set forth in Order No. PSC-2000-1744-PAA-EI, issued September 2, 2000.

Procedures: We calculated generation-related gains from Schedule A6 of the Fuel Filing to ensure the Utility complied with the Commission Order. No exceptions were noted.

Objective: The objective was to determine whether energy payments to qualifying facilities in Schedule A8 were 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 2022 as reflected on Schedule A8 – Energy Payments to Qualifying Facilities. We reconciled the MWH purchased to the monthly billing detail and traced to supporting invoices for the sample months of March and December 2022.

Objectives: The objectives were to determine whether the amounts of gas storage expense recovered through the Fuel Filing for the gas storage facility for 2022 were calculated correctly and payments were made in accordance with the applicable contracts.

Procedures: We reviewed all contracts and amendments for 2022 gas storage expense between the vendor and the Utility. We reviewed all invoices for the sample months of February and June 2022 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 2022. We obtained company tariff rates for Florida Gas Transmission (FGTC). We selected FGTC sample invoices for the months of June and November 2022. 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 requested a listing of all documentation supporting the February and July 2022 aerial survey calculations and recorded adjustments to determine compliance with Order No. PSC-1997-0359-FOF-EI. No exceptions were noted.

Other Issues

Objectives: The objectives were to review and verify payments made under the 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 2022. We selected sample 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 2022 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 traced transmission revenues from source documentation to the general ledger and to the Utility’s filing. 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 Utility Schedule A5, the general ledger, contractual obligations, and source documents.

Procedures: We traced purchases recorded on Schedule A5 to the fuel ledger. We reconciled tonnage and unit costs to the respective vendor invoices for March, May and August 2022. We verified that the invoice unit costs were in compliance with the contract. No exceptions were noted.

Objective: The objective was to review the Optimization Mechanism discussed in the Stipulation and Settlement approved in Order No. PSC-2017-0456-S-EI, issued November 27, 2017.

Procedures: We reviewed the amount of the incremental gains and the calculation of the gains and the 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” transactions. 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, issued March 11, 1997. No exceptions were noted.

Objective: The objective was to verify that the revenue expansion factor applied to any capital investment being recovered through the fuel clause did not contain a component for bad debt expense.

Procedures: We requested verification of whether the revenue expansion factor applied to any capital investment being recovered through the Fuel Clause contained a component for bad debt expense. According to the Utility, the revenue expansion factor applied to capital investments being recovered through the Fuel Clause does contain a component for bad debt expense. However, there is no financial impact due to the inclusion of bad debt expense in the revenue expansion factor in the Fuel Clause. The revenue expansion factor is a component of the return on investment (ROI) calculation for clause assets. Since the Fuel Clause does not have any assets, the revenue expansion factor does not apply to this clause. No additional work was performed.

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, 2022, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2022, using the Commission-approved beginning balance as of December 31, 2021, the Financial Commercial Paper rates, and the 2022 Fuel Clause revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True up

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: December 2022**

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
C. TRUE-UP CALCULATION								
1. JURISDICTIONAL FUEL REVENUE	63,280,460	58,843,231	4,637,229	7.6%	791,841,708	768,086,899	23,554,809	3.1%
2. JURISDICTIONAL FUEL REVENUE CREDIT	0	0	0	0.0%	0	0	0	0.0%
2a. TRUE-UP PROVISION	(10,811,513)	(10,811,513)	0	0.0%	(97,384,947)	(97,384,947)	0	0.0%
2b. GPF PROVISION	(306,142)	(306,142)	0	0.0%	(3,673,726)	(3,673,726)	0	0.0%
2c. 2020 OPTIMIZATION MECHANISM GAIN	(107,102)	(107,106)	4	0.0%	(1,285,224)	(1,285,228)	4	0.0%
3. JURIS. FUEL REVENUE APPL. TO PERIOD	52,055,703	47,418,470	4,637,233	9.8%	689,297,811	665,742,998	23,554,813	3.5%
4. ADJ. TOTAL FUEL & NET PWR. TRANS. (LINE A7)	87,997,327	51,036,729	36,960,598	72.4%	1,225,416,677	682,665,234	542,751,443	79.5%
5. JURISDC. SALES- % TOTAL MWH SALES (LINE B4)	1.0000000	1.0000000	0.0000000	0.0%	-	-	-	-
6. JURISDC. TOTAL FUEL & NET PWR. TRANS.	87,997,327	51,036,729	36,960,598	72.4%	1,225,416,677	682,665,234	542,751,443	79.5%
6a. JURISDC. LOSS MULTIPLIER	1.00000	1.00000	0.00000	0.0%	-	-	-	-
6b. (LINE C6 x LINE C6a)	87,997,327	51,036,729	36,960,598	72.4%	1,225,416,677	682,665,234	542,751,443	79.5%
6c. ADJUSTMENT	0	0	0	0.0%	0	0	0	0.0%
6d. JURISDC. TOTAL FUEL & NET PWR INCL. ALL ADJ. (LNS. C6b+C6c)	87,997,327	51,036,729	36,960,598	72.4%	1,225,416,677	682,665,234	542,751,443	79.5%
7. TRUE-UP PROV. FOR MO. +/- COLLECTED (LINE C3 - LINE C6d)	(35,941,624)	(3,618,259)	(32,323,365)	893.3%	(536,116,886)	(18,922,236)	(519,196,630)	3068.1%
8. INTEREST PROVISION FOR THE MONTH	-1757798	-1568	(1,756,230)	112004.5%	(7,084,387)	(233,472)	(6,850,915)	2934.4%
9. TRUE-UP & INT. PROV. BEG. OF MONTH	(491,101,861)	(7,953,098)	(483,148,763)	6075.0%	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
10. TRUE-UP COLLECTED (REFUNDED)	10,811,513	10,811,513	0	0.0%	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
11. END OF PERIOD TOTAL NET TRUE-UP (LINE C7 through C10)	(517,989,765)	(761,412)	(517,228,353)	67930.2%	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE

CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: December 2022

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
D. INTEREST PROVISION								
1. BEGINNING TRUE-UP AMOUNT (LINE C10)	(491,101,861)	(7,953,098)	(483,148,763)	6075.0%	NOT APPLICABLE			
2. ENDING TRUE-UP AMOUNT BEFORE INT. (LINES C7 + C9 + C10 + C11)	(516,231,972)	(759,844)	(515,472,128)	67839.2%	NOT APPLICABLE			
3. TOTAL BEG. & END. TRUE-UP AMOUNT	(1,007,333,833)	(8,712,942)	(998,620,891)	11461.4%	NOT APPLICABLE			
4. AVG. TRUE-UP AMOUNT - (50% OF LINE D3)	(503,666,917)	(4,356,471)	(499,310,446)	11461.4%	NOT APPLICABLE			
5. INT. RATE-FIRST DAY REP. BUS. MONTH	4.010	0.430	3.580	832.6%	NOT APPLICABLE			
6. INT. RATE-FIRST DAY SUBSEQUENT MONTH	4.370	0.430	3.940	916.3%	NOT APPLICABLE			
7. TOTAL (LINE D5 + LINE D6)	8.380	0.860	7.520	874.4%	NOT APPLICABLE			
8. AVERAGE INT. RATE (50% OF LINE D7)	4.190	0.430	3.760	874.4%	NOT APPLICABLE			
9. MONTHLY AVG. INT. RATE (LINE D8/12)	0.349	0.036	0.313	869.4%	NOT APPLICABLE			
10. INT. PROVISION (LINE D4 x LINE D9)	(1,757,798)	(1,568)	(1,756,230)	112004.5%	NOT APPLICABLE			