

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: July 25, 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.: 20230002-EG
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3b: Energy Conservation Cost Recovery Clause
Audit Control No.: 2023-018-2-2

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.

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
Energy Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230002-EG
Audit Control No. 2023-018-2-2

July 24, 2023

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

Brian Lenberg
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 Economics in its audit service request dated January 18, 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 Energy Conservation Cost Recovery Clause in Docket No. 20230002-EG.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Tampa Electric Company.

ECCR refers to the Energy Conservation Cost Recovery Clause.

Analytical Review

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

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

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify the Utility's ECCR project related additions, retirements, and adjustments for the period January 1, 2022, through December 31, 2022.

Procedure: We obtained the Utility's subsidiary ledger of all ECCR plant balances as of December 31, 2022. We reconciled each to the 2022 ECCR filing. We audited a statistical sample from the following ECCR programs: Price Responsive Load Management, Integrated Renewable Energy Systems, and Energy Education Awareness. We traced the transactions to the respective invoice and support documentation. No exceptions were noted.

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 ECCR.

Procedures: We traced the 2022 filing to the Utility's monthly ECCR revenue reports. We recalculated revenues for the months of January through December by multiplying KWH sales

by Commission-approved ECCR factors. A statistical sample of residential and commercial customer bill tests were performed by rate class in Docket No. 20230001-EI, Audit Control Number 2023-010-2-3, to verify that the correct tariff rate was used. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether operation and maintenance (O&M) expense listed on Schedule CT-3 of the filing was supported by adequate documentation and that the expenses were appropriately recoverable through the ECCR.

Procedures: We traced expenses in the filing to the general ledger detail. We selected a statistical sample of O&M expenses for testing. The source documentation for selected items were reviewed to ensure that the expenses were for the current period, charged to the correct accounts, and appropriately recoverable through the ECCR. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Florida Administrative Code. No exceptions were noted.

Depreciation and Amortization

Objective: The objective was to verify that the most recent Commission-approved depreciation rates or amortization periods were used in calculating depreciation expense.

Procedures: We reconciled the depreciation expense to the general ledger. We recalculated depreciation expense for the program assets using the approved depreciation rates. No exceptions were noted.

Other Issues

Objective: The objective was to verify the number of program participants reported in the Utility's Florida Energy Efficiency and Conservation Act (FEECA) filing.

Procedures: We requested and verified the number of program participants reported in the Utility's FEECA filing for the following programs: Neighborhood Weatherization, Commercial Cool Roof, LED Street and Outdoor Conversion Program, and Integrated Renewable Energy System. We verified the type of the above-mentioned program participants, and whether the participants had access to the programs through walk-through, computer-assisted, online, phone, or other means. No exceptions were noted.

Objective: The objective was to verify that the revenue expansion factor applied to any capital investment being recovered through the Energy Conservation 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 recovered through the Energy Conservation Clause contained a component for bad debt expense. According to the Utility, the revenue expansion factor being recovered through the Energy Conservation Clause does contain a component for bad debt expense. Multiple accounts had this component for bad debt. See Finding 1.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision, as filed on schedule CT-3, was properly calculated.

Procedures: We traced the December 31, 2021, 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 ECCR revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: Revenue Expansion Factor

Audit Analysis: Audit staff determined that the Utility's revenue expansion factor applied to capital investment projects, inappropriately includes a component for uncollectible accounts or bad debt expense. The appropriate recovery mechanism for uncollectible accounts is base rates and not the ECCR clause. In an informal meeting with Commission technical staff on June 28, 2023, TECO agreed to remove bad debt expense from the calculation for its Return on Investment (ROI) rate moving forward for all clauses where the factor had been used on capital investments. The Utility also agreed to file an updated ECCR projection with adjustments to the calculation of its ROI rate in mid-July 2023 for 2024.

This finding is for informational purposes only

Exhibit

Exhibit 1: True Up

TAMPA ELECTRIC COMPANY
Energy Conservation Adjustment
Calculation of True-up and Interest Provision
For Months January 2022 through December 2022

Description	January	February	March	April	May	June	July	August	September	October	November	December	Total
1 Residential Conservation Audit Fees (A)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2 Conservation Adjustment Revenues *	3,078,239	3,166,412	3,072,077	3,152,747	3,518,783	4,016,354	4,216,852	4,295,541	4,317,771	3,641,903	3,244,334	3,213,514	42,923,937
3 Total Revenues	3,078,239	3,166,412	3,072,077	3,152,747	3,518,783	4,016,354	4,216,852	4,295,541	4,317,771	3,641,903	3,244,334	3,213,514	42,923,937
4 Prior Period True-up	388,885	388,885	388,885	388,885	388,885	388,885	388,885	388,885	388,885	388,885	388,885	388,885	4,666,531
5 Conservation Revenue Applicable to Period	3,467,125	3,545,298	3,460,953	3,541,633	3,907,069	4,405,240	4,605,748	4,664,427	4,706,657	4,030,789	3,633,220	3,602,399	47,590,566
6 Conservation Expenses	3,450,939	3,752,931	4,069,059	4,002,310	3,943,241	4,595,899	4,485,170	4,823,267	4,012,353	1,844,853	5,255,843	4,737,455	48,985,457
8 Regulatory Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0
7 True-up This Period (Line 5 - Line 6)	6,185	(207,633)	(608,095)	(460,677)	(36,722)	(191,659)	119,578	(138,820)	694,264	2,185,820	(1,622,623)	(1,135,057)	(1,394,889)
9 Interest Provision This Period	956	1,622	2,603	4,380	6,076	8,752	11,897	12,916	14,893	20,435	22,703	19,635	127,058
10 True-up & Interest Provision Beginning of Period	10,818,285	10,436,542	9,841,545	8,847,456	8,002,283	7,583,301	7,011,508	6,754,997	6,239,307	6,559,578	8,376,947	6,388,141	10,818,285
11 Prior Period True-up Collected (Refunded)	(388,885)	(388,885)	(388,885)	(388,885)	(388,885)	(388,885)	(388,885)	(388,885)	(388,885)	(388,885)	(388,885)	(388,885)	(4,666,531)
12 End of Period Total Net True-up	10,436,542	9,841,645	8,847,456	8,002,283	7,583,301	7,011,508	6,754,997	6,239,307	6,559,578	8,376,947	6,388,141	4,883,534	4,883,534

* Net of Revenue Taxes

(A) Included In Line 6