

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-**

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**DATE:** August 30, 2024

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

**FROM:** Donna Brown, Bureau Chief, Office of Auditing & Performance Analysis *DB*

**RE:** Docket No.: 20240007-EI  
Company Name: Tampa Electric Company  
Company Code: EI806  
Audit Purpose: A3d: Environmental Cost Recovery Claus (ECRC)  
Audit Control No.: 2024-031-1-1

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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 confidential work papers associated with this audit.

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

State of Florida



## Public Service Commission

Office of Auditing and Performance Analysis  
Bureau of Auditing

### Auditor's Report

Tampa Electric Company  
Environmental Cost Recovery Clause

**Twelve Months Ended December 31, 2023**

Docket No. 20240007-EI  
Audit Control No. 2024-031-1-1  
**August 19, 2024**

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

Simon O. Ojada  
Audit Manager

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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 Engineering in its audit service request dated January 29, 2024. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Tampa Electric Company in support of its filing for the Environmental Cost Recovery Clause in Docket No. 20240007-EI.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definition

Utility refers to Tampa Electric Company.  
ECRC refers to the Environmental Cost Recovery Clause.

### **Analytical Review**

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

**Procedures:** We compared 2023 to 2022 and 2021 revenues and expenses. We requested explanations from the Utility for any significant variances. The explanations provided by the Utility were sufficient. Further follow-up was not required.

### **Capital Investments**

#### Utility Plant in Service

**Objective:** The objective was to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2023, through December 31, 2023.

**Procedure:** We reconciled Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2023 Form 42-8A. No exceptions were noted.

#### Construction Work in Progress

**Objectives:** The objectives were to verify net investments associated with the following capital projects, and to verify that any project which involved the replacement or retirement of an existing plant asset is retired at the installed costs by the Utility in accordance with Rule 25-6.0142(4)(b), Florida Administrative Code (F.A.C.):

- 1) Big Bend Unit 4 SOFA
- 2) Big Bend Unit 1 Section 316(b) Impingement Mortality
- 3) Big Bend ELG Compliance

**Procedures:** We selected a statistical sample of the additions to the capital projects. We verified that the additions had appropriate supporting documentation and were recorded to the correct project and account. There was no new capital project that began in 2023 and no capital project retirements. No exceptions were noted.

## **Revenue**

### Operating Revenues

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2023, through December 31, 2023, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the ECRC.

**Procedures:** We reconciled the 2023 filing to the Utility’s monthly Environmental Revenue Reports. We computed the factors by rate code and compared them to the last Commission Order (Order No. PSC 2022-0424-FOF-EI). We selected a sample of residential and commercial customers’ bills to test. Testing was performed by rate class in the Fuel and Purchased Power Cost Recovery Clause Audit (ACN 2024-008-1-3), in Docket No. 20240001-EI, to verify the use of the correct tariff rate. No exceptions were noted.

## **Expense**

### Operation and Maintenance Expense

**Objectives:** The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility’s Form 42-5A filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

**Procedures:** We traced expenses in the filing to the general ledger. We statistically selected a sample of O&M expenses for testing, and traced the company provided invoices to the sub-ledgers. The source documentation for selected items was reviewed to ensure the expense was related to the ECRC and that the expense was charged to the correct accounts. 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 recalculated depreciation expenses and traced them to the Utility’s Depreciation Schedule and reconciled them to the filing. We traced total year depreciation expense for each capital project listed on Form 42-8A to the general ledger detail and traced the depreciation rates from the Commission Order for the last Depreciation Study, Order No. PSC-2021-0423-S-EI, to the Utility’s Depreciation and Amortization Schedule. No exceptions were noted.

## **Other Issues**

### SO<sub>2</sub> Allowances

**Objectives:** The objectives were to verify investments, inventory, expensed amounts, allowance auction proceeds and to verify amounts included in Working Capital, Form 42-8A.

**Procedures:** We traced 2023 consumption for SO<sub>2</sub> Allowances from the Utility's detailed Allowances Reports to the Total Emissions Schedule on Form 42-8A. We traced the monthly Co-Gen Billing Consumption schedules to the Emissions Schedule 42-5A. We traced the jurisdictional factor to Order No. PSC-2022-0424-FOF-EI. We verified all of the Co-Gen purchases. No exceptions were noted.

### **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, 2023, using the Commission-approved beginning balance as of December 31, 2022, the Financial Commercial Paper rates, and the 2023 ECRC revenues and costs. No exceptions were noted.

Audit Findings

**None**



## Exhibit

### Exhibit 1: True Up

| Tampa Electric Company<br>Environmental Cost Recovery Clause<br>Calculation of Final True-up Amount for the Period<br>January 2023 to December 2023 |                   |                    |                 |                 |               |                |                |                  |                     |                   |                    |                    | Form 42 - 2A              |
|---|-------------------|--------------------|-----------------|-----------------|---------------|----------------|----------------|------------------|---------------------|-------------------|--------------------|--------------------|---------------------------|
| Current Period True-Up Amount<br>(in Dollars)   |                   |                    |                 |                 |               |                |                |                  |                     |                   |                    |                    |                           |
| Line  | Actual<br>January | Actual<br>February | Actual<br>March | Actual<br>April | Actual<br>May | Actual<br>June | Actual<br>July | Actual<br>August | Actual<br>September | Actual<br>October | Actual<br>November | Actual<br>December | End of<br>Period<br>Total |
| 1. ECRC Revenues (net of Revenue Taxes)   | 1,354,126         | 1,217,985          | 1,266,221       | 1,384,727       | 1,467,413     | 1,596,290      | 1,843,415      | 1,853,964        | 1,924,029           | 1,612,101         | 1,322,844          | 1,274,934          | \$18,118,049              |
| 2. True-Up Provision  | 547,547           | 547,547            | 547,547         | 547,547         | 547,547       | 547,547        | 547,547        | 547,547          | 547,547             | 547,547           | 547,547            | 547,541            | 6,570,558                 |
| 3. ECRC Revenues Applicable to Period (Lines 1 + 2)'  | 1,901,673         | 1,765,532          | 1,813,768       | 1,932,274       | 2,014,960     | 2,143,837      | 2,390,962      | 2,401,511        | 2,471,576           | 2,159,648         | 1,870,391          | 1,822,475          | 24,688,607                |
| 4. Jurisdictional ECRC Costs  |                   |                    |                 |                 |               |                |                |                  |                     |                   |                    |                    |                           |
| a. O & M Activities (Form 42-5A, Line 9)  | 258,603           | 96,601             | 160,481         | 34,163          | 147,549       | 81,952         | 64,502         | 707,887          | (214,020)           | 77,854            | (1,165,990)        | (2,118,430)        | (1,868,848)               |
| b. Capital Investment Projects (Form 42-7A, Line 9)   | 1,532,723         | 1,531,434          | 1,537,085       | 1,595,831       | 1,608,527     | 1,619,167      | 1,648,719      | 1,655,306        | 1,671,717           | 1,687,337         | 1,707,314          | 1,703,519          | 19,498,679                |
| c. Total Jurisdictional ECRC Costs  | 1,791,326         | 1,628,035          | 1,697,566       | 1,629,994       | 1,756,076     | 1,701,119      | 1,713,221      | 2,363,193        | 1,457,697           | 1,765,191         | 541,324            | (414,911)          | 17,629,831                |
| 5. Over/(Under) Recovery (Line 3 - Line 4c)'  | 110,347           | 137,497            | 116,202         | 302,280         | 258,884       | 442,718        | 677,741        | 38,318           | 1,013,879           | 394,457           | 1,329,067          | 2,237,386          | 7,058,776                 |
| 6. Interest Provision (Form 42-3A, Line 10)   | 35,648            | 35,294             | 34,857          | 34,411          | 34,369        | 34,496         | 35,508         | 35,629           | 35,533              | 36,472            | 38,125             | 43,538             | 433,880                   |
| 7. Beginning Balance True-Up & Interest Provision'  | 6,570,558         | 6,060,341          | 5,685,585       | 5,289,097       | 5,078,241     | 4,823,947      | 4,753,614      | 4,919,316        | 4,445,716           | 4,947,581         | 4,830,963          | 5,650,608          | 6,570,558                 |
| a. Deferred True-Up from January to December 2022<br>(Order No. PSC-2023-0344-FOF-EI)   | 3,288,223         | 3,288,223          | 3,288,223       | 3,288,223       | 3,288,223     | 3,288,223      | 3,288,223      | 3,288,223        | 3,288,223           | 3,288,223         | 3,288,223          | 3,288,223          | 3,288,223                 |
| 8. True-Up Collected/(Refunded) (see Line 2)  | (547,547)         | (547,547)          | (547,547)       | (547,547)       | (547,547)     | (547,547)      | (547,547)      | (547,547)        | (547,547)           | (547,547)         | (547,547)          | (547,541)          | (6,570,558)               |
| 9. End of Period Total True-Up (Lines 5+6+7+8)'   | 9,457,229         | 8,973,808          | 8,577,320       | 8,366,464       | 8,112,170     | 8,041,837      | 8,207,539      | 7,733,939        | 8,235,804           | 8,119,186         | 8,938,831          | 10,672,214         | 10,780,879                |
| 10. Adjustment to Period True-Up Including Interest   | (108,665)         | 0                  | 0               | 0               | 0             | 0              | 0              | 0                | 0                   | 0                 | 0                  | 0                  | (108,665)                 |
| 11. End of Period Total True-Up (Lines 9 + 10)'   | \$9,348,564       | \$8,973,808        | \$8,577,320     | \$8,366,464     | \$8,112,170   | \$8,041,837    | \$8,207,539    | \$7,733,939      | \$8,235,804         | \$8,119,186       | \$8,938,831        | \$10,672,214       | \$10,672,214              |

## Exhibit 2: Interest Provision

| <b>Tampa Electric Company</b><br>Environmental Cost Recovery Clause<br>Calculation of Final True-up Amount for the Period<br>January 2023 to December 2023 |                   |                    |                   |                   |                   |                   |                   |                   |                     |                   |                    |                    | Form 42 - 3A              |
|--|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|--------------------|--------------------|---------------------------|
| Interest Provision<br>(in Dollars)   |                   |                    |                   |                   |                   |                   |                   |                   |                     |                   |                    |                    |                           |
| Line   | Actual<br>January | Actual<br>February | Actual<br>March   | Actual<br>April   | Actual<br>May     | Actual<br>June    | Actual<br>July    | Actual<br>August  | Actual<br>September | Actual<br>October | Actual<br>November | Actual<br>December | End of<br>Period<br>Total |
| 1. Beginning True-Up Amount (Form 42-2A, Line 7 + 7a + 10)   | \$9,750,116       | \$9,348,564        | \$8,973,808       | \$8,577,320       | \$8,366,464       | \$8,112,170       | \$8,041,837       | \$8,207,539       | \$7,733,939         | \$8,235,804       | \$8,119,186        | \$8,938,831        |                           |
| 2. Ending True-Up Amount Before Interest   | 9,312,916         | 8,938,514          | 8,542,463         | 8,332,053         | 8,077,801         | 8,007,341         | 8,172,031         | 7,698,310         | 8,200,271           | 8,082,714         | 8,900,706          | 10,628,676         |                           |
| 3. Total of Beginning & Ending True-Up (Lines 1 + 2)   | <u>19,063,032</u> | <u>18,287,078</u>  | <u>17,516,271</u> | <u>16,909,373</u> | <u>16,444,265</u> | <u>16,119,511</u> | <u>16,213,868</u> | <u>15,905,849</u> | <u>15,934,210</u>   | <u>16,318,518</u> | <u>17,019,892</u>  | <u>19,567,507</u>  |                           |
| 4. Average True-Up Amount (Line 3 x 1/2)   | 9,531,516         | 9,143,539          | 8,758,136         | 8,454,687         | 8,222,133         | 8,059,756         | 8,106,934         | 7,952,925         | 7,967,105           | 8,159,259         | 8,509,946          | 9,783,754          |                           |
| 5. Interest Rate (First Day of Reporting Business Month)   | 4.37%             | 4.61%              | 4.66%             | 4.88%             | 4.89%             | 5.14%             | 5.13%             | 5.37%             | 5.37%               | 5.33%             | 5.40%              | 5.34%              |                           |
| 6. Interest Rate (First Day of Subsequent Business Month)  | 4.61%             | 4.66%              | 4.88%             | 4.89%             | 5.14%             | 5.13%             | 5.37%             | 5.37%             | 5.33%               | 5.40%             | 5.34%              | 5.34%              |                           |
| 7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)  | 8.98%             | 9.27%              | 9.54%             | 9.77%             | 10.03%            | 10.27%            | 10.50%            | 10.74%            | 10.70%              | 10.73%            | 10.74%             | 10.68%             |                           |
| 8. Average Interest Rate (Line 7 x 1/2)  | 4.490%            | 4.635%             | 4.770%            | 4.885%            | 5.015%            | 5.135%            | 5.250%            | 5.370%            | 5.350%              | 5.365%            | 5.370%             | 5.340%             |                           |
| 9. Monthly Average Interest Rate (Line 8 x 1/12)   | <u>0.374%</u>     | <u>0.386%</u>      | <u>0.398%</u>     | <u>0.407%</u>     | <u>0.418%</u>     | <u>0.428%</u>     | <u>0.438%</u>     | <u>0.448%</u>     | <u>0.446%</u>       | <u>0.447%</u>     | <u>0.448%</u>      | <u>0.445%</u>      |                           |
| 10. Interest Provision for the Month (Line 4 x Line 9)   | <u>\$35,648</u>   | <u>\$35,294</u>    | <u>\$34,857</u>   | <u>\$34,411</u>   | <u>\$34,369</u>   | <u>\$34,496</u>   | <u>\$35,508</u>   | <u>\$35,629</u>   | <u>\$35,533</u>     | <u>\$36,472</u>   | <u>\$38,125</u>    | <u>\$43,538</u>    | <u>\$433,880</u>          |