

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, 2017
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 170001-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 17-023-2-3

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, 2016

Docket No. 170001-EI
Audit Control No. 17-023-2-3
April 25, 2017

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 "Linda Hill", written over a horizontal line.

Linda Hill
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 20, 2017. We have applied these procedures to the attached summary exhibit prepared by the Tampa Electric Company in support of its 2016 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 170001-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. 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, 2016, through December 31, 2016, 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 2016 FAC Filing to the Utility's monthly revenue reports and the general ledger. We calculated general ledger revenues net of regulatory assessment fees and agreed to the general ledger. We traced Fuel Revenue by rate class for January – December 2016 to the monthly 2016 Fuel Revenue Summary Reports. A random sampling of residential and commercial customers' bills test was performed by rate class in the Environmental Cost Recovery Clause Audit, Docket No. 170007-EI 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 month of April 2016. 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-00-1744-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 2016 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 April and October 2016. 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 2016 were calculated correctly and payments were made in accordance with the applicable contracts.

Procedures: We reviewed all contracts and amendments for 2016 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 2016. We obtained company tariff rates for Florida Gas Transmission (FGTC). We randomly selected FGTC invoices for the months of August and October 2016. 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-97-0359-FOF-EI, issued March 31, 1997.

Procedures: We reviewed all documentation supporting the February and August 2016 aerial survey calculations and recorded adjustments to determine compliance with Order No. PSC-97-0359-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 2016. 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 2016 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 2016 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 February, April, and October 2016. 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 March, August and October 2016. We verified that the invoice unit costs were in compliance with the contract. 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, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission approved beginning balance as of December 31, 2015, the Financial Commercial Paper rates, and the 2016 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 2016 from previous years.

Procedures: We compared 2016 revenues and expenses to 2015 and 2014. We requested explanations of the variances from the Utility. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

SCHEDULE A2
PAGE 1 OF 3

CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: December 2016

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
A. FUEL COST & NET POWER TRANSACTION								
1 FUEL COST OF SYSTEM NET GENERATION	50,228,428	51,344,723	(1,116,295)	-2.2%	577,321,449	672,037,541	(94,716,092)	-14.1%
1a FUEL REL. R & D AND DEMO. COST	0	0	0	0.0%	0	0	0	0.0%
2 FUEL COST OF POWER SOLD	135,015	56,482	78,533	139.0%	4,139,767	760,561	3,373,216	440.1%
2a GAINS FROM SALES	10,852	4,664	6,228	133.5%	626,835	59,599	527,236	1052.4%
3 FUEL COST OF PURCHASED POWER	1,869,242	509,450	1,359,792	266.9%	52,805,943	19,799,520	33,007,423	166.7%
3a DEMAND & NONFUEL COST OF PUR. PWR	0	0	0	0.0%	0	0	0	0.0%
3b PAYMENT TO QUALIFIED FACILITIES	587,034	217,640	369,394	169.7%	5,037,816	2,333,480	2,754,136	118.0%
4 ENERGY COST OF ECONOMY PURCHASES	258,732	1,005,680	(746,928)	-74.3%	9,190,981	13,554,320	(4,373,339)	-32.3%
5 TOTAL FUEL & NET POWER TRANSACTION	52,797,529	53,016,327	(218,798)	-0.4%	639,570,357	708,698,711	(67,328,324)	-9.5%
6a ADJ. - BIG BEND UNITS 1-4 CONVERTERS CONVERSION PROJECT	455,219	395,292	59,927	15.2%	5,839,186	4,894,041	745,147	15.2%
6b ADJ. - POLK 1 CONVERSION DEPRECIATION & ROI	308,255	308,265	(100)	-0.1%	3,810,057	3,812,311	(2,244)	-0.1%
6c ADJ. - POLK WARM GAS CLEANUP	0	0	0	0.0%	(478,413)	0	(478,413)	0.0%
7. ADJUSTED TOTAL FUEL & NET PWR TRANS	53,669,001	53,718,205	(49,201)	-0.2%	648,541,229	715,025,053	(67,063,834)	-9.4%
B. MWH SALES								
1. JURISDICTIONAL SALES	1,334,214	1,365,348	8,868	0.6%	19,234,183	19,790,524	443,059	2.4%
2. NONJURISDICTIONAL SALES	0	0	0	0.0%	8,504	0	8,504	0.0%
3. TOTAL SALES	1,334,214	1,365,348	8,868	0.6%	19,242,687	19,790,524	452,163	2.4%
4. JURISDIC. SALES-% TOTAL MWH SALES	1,000,000	1,000,000	0,000,000	0.0%	1,000,000	(1,000,000)	-100.0%	

Exhibit 1 (cont'd)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
TAMPA ELECTRIC COMPANY
MONTH OF: December 2016

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
C. TRUE-UP CALCULATION								
1. JURISDICTIONAL FUEL REVENUE	50,371,501	50,118,915	254,586	0.5%	704,630,354	688,605,216	16,025,138	2.3%
2. FUEL ADJUSTMENT NOT APPLICABLE	0	0	0	0.0%	0	0	0	0.0%
2a. TRUE-UP PROVISION	2,299,207	2,299,207	0	0.0%	27,590,560	27,590,560	0	0.0%
2b. INCENTIVE PROVISION	(104,887)	(104,887)	0	0.0%	(1,258,600)	(1,258,600)	0	0.0%
2c. ADJUSTMENT	0	0	0	0.0%	0	0	0	0.0%
3. JURIS FUEL REVENUE APPL TO PERIOD	52,565,821	52,311,235	254,586	0.5%	731,018,334	714,937,166	16,081,168	2.2%
4. ADJ TOTAL FUEL & NET PWR TRANS (LINE A7)	53,569,004	53,718,205	(149,201)	-0.3%	648,541,229	715,605,063	(67,063,834)	-9.4%
5. JURISDIC SALES- % TOTAL MWH SALES (LINE B4)	1.0000000	1.0000000	0.0000000	0.0%	-	-	-	-
6. JURISDIC TOTAL FUEL & NET PWR TRANS	53,569,004	53,718,205	(149,201)	-0.3%	648,254,782	715,605,063	(67,350,281)	-9.4%
6a. JURISDIC LOSS MULTIPLIER	1.00018	1.00000	0.00018	0.0%	-	-	-	-
6b. (LINE C6 ÷ LINE C6a)	53,569,644	53,718,205	(149,561)	-0.3%	648,355,747	715,605,063	(67,249,316)	-9.4%
6c. OTHER	0	0	0	0.0%	0	0	0	0.0%
6d. JURISDIC TOTAL FUEL & NET PWR INCL ALL ADJ (LNS C6b + C6c)	53,569,644	53,718,205	(149,561)	-0.3%	648,355,747	715,605,063	(67,249,316)	-9.4%
7. TRUE-UP PROV FOR MO +/- COLLECTED (LINE C3 - LINE C6d)	(1,002,823)	(1,406,970)	404,147	-28.7%	82,652,587	(667,897)	83,330,484	-12476.5%
8. INTEREST PROVISION FOR THE MONTH	51,334	1,058	49,376	2521.8%	347,354	122,224	225,130	184.2%
9. TRUE-UP & INT. PROV. BEG OF MONTH	104,318,935	3,158,546	101,160,389	3202.8%	NOT APPLICABLE			
10. TRUE-UP COLLECTED (REFUNDED)	(2,299,207)	(2,299,207)	0	0.0%	NOT APPLICABLE			
11. END OF PERIOD TOTAL NET TRUE-UP	101,069,239	(545,673)	101,613,912	-16621.3%	NOT APPLICABLE			