

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:** June 12, 2017

**TO:** Office of Commission Clerk

**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

**RE:** Docket No.:170007-EI  
Company Name: Tampa Electric Company  
Company Code: EI806  
Audit Purpose: A3d: Environmental Cost Recovery Clause  
Audit Control No.: 17-044-2-2

---

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 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  
Environmental Cost Recovery Clause

**Twelve Months Ended December 31, 2016**

Docket No. 170007-EI  
Audit Control No. 17-044-2-2  
**May 30, 2017**

A handwritten signature in cursive script, appearing to read "Intesar Terkawi".

---

Intesar Terkawi  
Audit Manager

A handwritten signature in cursive script, appearing to read "Linda Hill".

---

Linda Hill  
Reviewer

Table of Contents

Purpose ..... 1

Objectives and Procedures.....2

Audit Findings

    None.....5

Exhibit

    1: True-Up .....6

## 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 February 8, 2017. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by the Tampa Electric Company in support of its 2016 filing for the Environmental Cost Recovery Clause in Docket No. 170007-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.  
ECRC refers to the Environmental Cost Recovery Clause.

### **Capital Investments**

#### Utility Plant in Service

**Objectives:** The objectives were to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2016, through December 31, 2016.

**Procedures:** We traced Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2016 Form 42-8A. No exceptions were noted.

#### Construction Work in Progress

**Objectives:** The objectives were to verify net investments associated with Big Bend PM Minimization and Monitoring, Big Bend Unit 2 SCR, and Big Bend Unit 3 SCR capital projects and to determine whether any project which involved the replacement or retirement of an existing plant asset was retired at the installed costs by the Utility in accordance with Florida Public Service Commission Rule 25-6.0142(4) (b), Florida Administrative Code.

**Procedures:** We selected samples of additions for each project. We determined whether additions had appropriate supporting documentation and were recorded to the correct project and account. We determined whether items that were replaced had a corresponding retirement. We compared the ledger to the depreciation base and the non-interest bearing amounts on Form 42-8A. No exceptions were noted.

### **Revenue**

#### Operating Revenues

**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 ECRC.

**Procedures:** We reconciled the 2016 filing to the Utility's monthly Environmental Revenue Reports. We verified that the rate code factors used in the Utility's calculation of revenues were in agreement with the last Commission Order No. PSC-15-0536-FOF-EI. We selected a random sample of residential and commercial customers' bills for the months of June and September 2016. We recalculated each to verify the use of the correct tariff rate for the Capacity, Fuel, Conservation and Environmental Clauses. No exceptions were noted.

## **Expense**

### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expenses listed on the Utility's Form 42-5A filing were 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 judgmentally selected a sample of payroll and non-payroll O&M Expenses for testing for the months of February, May, and October 2016. The source documentation for selected items was reviewed to ensure the expenses were related to the ECRC and that the expenses were charged to the correct accounts. No exceptions were noted.

### Depreciation and Amortization

**Objective:** The objective was to determine whether the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

**Procedures:** We recalculated 2016 Depreciation Expense on a test basis using the plant balances and depreciation rates per Order No. PSC-10-0131-FOF-EI. We traced total year Depreciation Expense for each capital project listed on Form 42-8A to the general ledger detail. No exceptions were noted.

## **Other**

### 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 2016 consumption for SO<sub>2</sub> Allowances from the Utility's detailed Allowances Reports to the Total Emissions Schedule on Form 42-5E. We determined whether NOx sales were made. We verified the 2016 vintage allowance for the sale of Hooker's Point. We verified all auction proceeds. We traced the jurisdictional factors to Order No. PSC-15-0536-FOF-EI. 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, 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 ECRC revenues and costs. No exceptions were noted.

## **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 2016 to 2015 and 2014 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None



## Exhibit

### Exhibit 1: True-Up

Jampa Electric Company  
Environmental Cost Recovery Clause (ECRC)  
Calculation of Final True-up Amount for the Period  
January 2016 to December 2016

Form 42-2A

Current Period True-Up Amount  
(in Dollars)

Line	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	End of Period Total
1 ECRC Revenues (net of Revenue Taxes)	\$6,465,436	\$5,833,053	\$5,569,045	\$6,053,756	\$6,524,006	\$7,729,599	\$9,309,661	\$8,183,684	\$8,310,732	\$7,412,696	\$6,183,433	\$5,980,021	\$82,554,732
2 True-Up Provision	51,636	51,636	51,636	51,636	51,636	51,636	51,636	51,636	51,636	51,636	51,636	51,641	619,637
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	6,517,072	5,884,689	5,620,681	6,105,392	6,575,642	7,781,235	9,361,297	8,235,320	8,362,368	7,464,332	6,235,069	6,031,662	83,174,369
4 Jurisdictional ECRC Costs													
a. O & M Activities (Form 42-5A Line 9)	1,662,720	1,542,279	1,246,764	1,399,896	1,590,453	1,583,819	1,890,585	3,109,512	2,518,406	2,192,406	1,848,842	3,327,269	24,141,974
b. Capital Investment Projects (Form 42-7A Line 9)	4,562,400	4,544,547	4,537,276	4,535,574	4,524,545	4,514,453	4,478,794	4,474,591	4,462,627	4,453,772	4,431,265	4,434,299	53,946,965
c. Total Jurisdictional ECRC Costs	6,225,120	6,086,826	5,784,040	5,935,430	6,115,398	6,198,272	6,369,379	7,584,103	6,981,033	6,646,178	6,280,107	7,761,568	78,088,939
5 Over/Under Recovery (Line 3 - Line 4c)	291,952	(202,137)	(163,359)	169,962	460,244	1,582,963	1,991,918	651,217	1,381,335	818,054	(155,258)	(1,729,506)	5,075,430
6 Interest Provision (Form 42-3A Line 10)	806	827	792	710	773	1,152	1,742	2,298	2,724	3,265	3,479	3,853	22,263
7 Beginning Balance True-Up & Interest Provision	619,637	836,761	595,825	371,620	490,656	506,637	2,433,116	4,374,140	4,976,959	6,309,179	7,079,002	6,875,587	619,637
a. Deferred True-Up from January to December 2015 (Order No. PSC-16-0535-FOF-EI)	1,721,184	1,721,184	1,721,184	1,721,184	1,721,184	1,721,184	1,721,184	1,721,184	1,721,184	1,721,184	1,721,184	1,721,184	1,721,184
8 True-Up Collected/(Refunded) (see Line 2)	(51,636)	(51,636)	(51,636)	(51,636)	(51,636)	(51,636)	(51,636)	(51,636)	(51,636)	(51,636)	(51,636)	(51,641)	(619,637)
9 End of Period Total True-Up (Lines 5+6+7+8)	2,559,545	2,307,009	2,062,804	2,211,840	2,621,821	4,154,300	5,095,324	6,696,143	8,030,363	8,800,186	8,596,771	6,819,077	6,819,077
10 Adjustment to Period True-Up Including Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
11 End of Period Total True-Up (Lines 9 + 10)	\$2,559,545	\$2,307,009	\$2,062,804	\$2,211,840	\$2,621,821	\$4,154,300	\$5,095,324	\$6,696,143	\$8,030,363	\$8,800,186	\$8,596,771	\$6,819,077	\$6,819,077