

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:** September 15, 2017

**TO:** Office of Commission Clerk

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

**RE:** Docket No.: 20170001-EI  
Company Name: Tampa Electric Company  
Company Code: EI806  
Audit Purpose: A3a: Hedging Activities  
Audit Control No.: 2017-048-2-2

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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 Commission Clerk.

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  
Hedging Activities

**Twelve Months Ended July 31, 2017**

Docket No. 20170001-EI  
Audit Control No. 2017-048-2-2  
**September 7, 2017**

A handwritten signature in black ink, appearing to read "Intesar Terkawi".

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Intesar Terkawi  
Audit Manager

A handwritten signature in black ink, appearing to read "Simon Ojada".

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Simon Ojada  
Reviewer

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## Purpose

To: Florida Public Service Commission

We 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 February 13, 2017. We applied these procedures to the schedules prepared by Tampa Electric Company in support of its filing for hedging activities in Docket No. 20170001-EI for the twelve months ended July 31, 2017.

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**

#### Definition

TECO or Utility refers to the Tampa Electric Company.

### **Accounting Treatment**

**Objective:** The objective was to determine whether the accounting treatment for futures, options, and swap contracts between TECO and its counterparties is consistent with Commission Order No. PSC-2002-1484-FOF-EI, issued October 30, 2002, in Docket No. 011605-EI, and as clarified by Order No. PSC-2008-0316-PAA-EI, issued May 14, 2008, and Order No. PSC-2008-0667-PAA-EI, issued October 8, 2008, in Docket No. 080001-EI.

**Procedures:** We obtained TECO's supporting detail of the hedging settlements for the twelve months ended July 31, 2017. The support documentation was traced to the general ledger transaction detail. We verified that the accounting treatment for hedging transactions and transactions costs are consistent with Commission orders relating to hedging activities. No exceptions were noted.

### **Gains and Losses**

**Objective:** The objective was to determine whether the gains and losses associated with each financial hedging instrument that TECO implemented are in compliance with Commission Order Numbers PSC-2002-1484-FOF-EI, PSC-2008-0316-PAA-EI, and PSC-2008-0667-PAA-EI, relating to hedging activities.

**Procedures:** We traced the monthly balances of hedging transactions from TECO's Hedging Information Report to its Mark to Market Position Report for the period August 1, 2016, to July 31, 2017. We selected all gas hedging transactions from September and October 2016 and traced them from the Mark to Market Position Report to the third-party confirmation notices and contracts. We traced a sample of the purchase prices to the Gas daily NYMEX-Henry Hub gas futures contract rates. We traced the related settlements prices to the Gas Daily-NYMEX Henry Hub gas futures contract rate. We recalculated the gains and losses and traced them to the Utility's journal entries for realized gains and losses. We confirmed with the Utility that hedging transactions did not include tolling agreements. No exceptions were noted.

### **Hedged Volume and Limits**

**Objective:** The objective was to determine whether the quantities of natural gas, residual fuel oil, and purchased power are hedged within the limits (percentage range) as listed in the Utility's Risk Management Plan.

**Procedures:** We reviewed the quantity limits and authorizations. We also obtained TECO's analysis of the monthly percent of fuel hedged in relation to fuel burned for the year ended July 31, 2017, and compared August 2016 through December 2016 to the Utility's 2016 Risk Management Plan. Audit Staff could not compare January 2017 through July 2017 to the 2017 Risk Management Plan as it is withdrawn. No exceptions were noted.

## **Separation of Duties**

**Objectives:** The objectives were to review TECO's procedures for separating duties related to hedging activities for Front Office, Middle Office, and Back Office and their internal and external auditors' workpapers.

**Procedures:** We reviewed the Utility's procedures for separating duties related to hedging activities. There were no internal or external audits specifically performed on the separation of duties related to hedging activities. No exceptions were noted.

Audit Findings

**None**