

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 9, 2021
TO: Office of Commission Clerk *OM by AT*
FROM: Dale Mailhot, Director, Office of Auditing and Performance Analysis
RE: Docket No.: 20210007-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3d: Environmental Cost Recovery Clause
Audit Control No: 2021-019-2-2

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.

/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, 2020

Docket No. 20210007-EI
Audit Control No. 2021-019-2-2
June 21, 2021

A handwritten signature in blue ink, appearing to read "Intesar Terkawi", written above a horizontal line.

Intesar Terkawi
Audit Manager

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

Simon O Ojada
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 Engineering in its audit service request dated January 15, 2021. 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 2020 filing for the Environmental Cost Recovery Clause in Docket No. 20210007-EI.

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, 2020, through December 31, 2020.

Procedures: We traced Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2020 Form 42-8A. No exceptions were noted.

Construction Work in Progress

Objectives: The objectives were to verify net investments associated with Big Bend Coal Combustion Residual Rule (CCR Rule), Project Coal Combustion Residuals (CCR Rule – Phase II), Project Big Bend ELG Compliance, Project Big Bend Unit 1 Sec. 316 (b) Impingement Mortality capital projects 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, 2020, through December 31, 2020, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2020 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-2019-0500-FOF-EI. We selected a random sample of residential and commercial customers' bills for the months of August and September 2020. 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 O&M Expenses for testing for the months of April, June, and July 2020. We requested the payroll support for the same three months; the company stated that there was no payroll charged to the O&M through the ECRC. 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 2020 Depreciation Expense on a test basis using the plant balances and depreciation rates per Order No. PSC-2012-0175-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

SO₂ 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 2020 consumption for SO₂ 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 all auction proceeds. We verified 2020 Cogen Purchases, and sampled Cogen January and December purchase invoices. We traced the jurisdictional factors to Order No. PSC-2019-0500-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, 2019, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2020, using the Commission approved beginning balance as of December 31, 2019, the Financial Commercial Paper rates, and the 2020 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 2020 to 2019 and 2018 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

Form 42 - 2.

Tampa Electric Company
 Environmental Cost Recovery Clause (ECRC)
 Calculation of Final True-up Amount for the Period
 January 2020 to December 2020

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	Estimate December	End of Period Total
1. ECRC Revenues (net of Revenue Taxes)	3,526,547	3,344,653	3,299,802	3,727,610	3,712,808	4,312,993	4,857,739	4,981,456	4,692,523	4,364,942	4,085,145	3,542,527	\$48,448,746
2. True-Up Provision	542,054	542,054	542,054	542,054	542,054	542,054	542,054	542,054	542,054	542,054	542,054	542,055	6,504,645
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	4,068,601	3,886,707	3,841,856	4,269,664	4,254,862	4,855,047	5,399,793	5,523,510	5,234,577	4,906,996	4,627,199	4,084,582	54,953,391
4. Jurisdictional ECRC Costs													
a. O & M Activities (Form 42-5A, Line 9)	738,601	332,017	1,464,995	2,638,880	1,012,431	2,176,969	1,915,644	180,958	1,398,973	1,189,367	334,852	995,500	14,379,187
b. Capital Investment Projects (Form 42-7A, Line 9)	3,725,028	3,714,545	3,704,392	3,694,361	3,684,230	3,674,442	3,691,189	3,681,542	3,673,518	3,665,880	3,657,410	3,657,269	44,223,806
c. Total Jurisdictional ECRC Costs	4,463,629	4,046,562	5,169,387	6,333,241	4,696,661	5,851,411	5,606,833	3,862,500	5,072,491	4,855,247	3,992,262	4,652,769	58,602,993
5. Over/(Under) Recovery (Line 3 - Line 4c)	(395,028)	(159,855)	(1,327,531)	(2,063,577)	(441,799)	(996,364)	(207,040)	1,661,010	162,086	51,749	634,937	(568,187)	(3,649,596)
6. Interest Provision (Form 42-3A, Line 10)	13,532	12,260	12,473	5,433	236	240	153	154	208	165	145	94	45,497
7. Beginning Balance True-Up & Interest Provision	6,504,649	5,581,099	4,891,450	3,034,338	434,140	(549,477)	(2,087,655)	(2,836,596)	(1,717,486)	(2,097,246)	(2,587,386)	(2,494,358)	6,504,645
a. Deferred True-Up from January to December 2019 (Order No. PSC-xx-xxxx-FOF-EI)	3,987,915	3,987,915	3,987,915	3,987,915	3,987,915	3,987,915	3,987,915	3,987,915	3,987,915	3,987,915	3,987,915	3,987,915	3,987,915
8. True-Up Collected/(Refunded) (see Line 2)	(542,054)	(542,054)	(542,054)	(542,054)	(542,054)	(542,054)	(542,054)	(542,054)	(542,054)	(542,054)	(542,054)	(542,055)	(6,504,645)
9. End of Period Total True-Up (Lines 5+6+7+8)	9,569,014	8,879,365	7,022,253	4,422,055	3,438,438	1,900,260	1,151,319	2,270,429	1,890,669	1,400,529	1,493,557	383,409	383,813
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)	\$9,569,014	\$8,879,365	\$7,022,253	\$4,422,055	\$3,438,438	\$1,900,260	\$1,151,319	\$2,270,429	\$1,890,669	\$1,400,529	\$1,493,557	\$383,409	\$383,813