

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: August 16, 2023

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

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

RE: Docket No.: 20230007-EI
Company Name: Tampa Electric Company
Company Code: EI806
Audit Purpose: A3d: Environmental Cost Recovery Clause
Audit Control No.: 2023-019-2-2

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 the Commission Clerk. There are no confidential work papers associated with this audit.

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

Auditor's Report

Tampa Electric Company
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230007-EI

Audit Control No. 2023-019-2-2

July 20, 2023

Ronald A. Mavrides

Ronald A. Mavrides
Audit Manager

Hymavathi Vedula

Hymavathi Vedula
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 19, 2023. 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. 20230007-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 2022 to 2021 and 2019 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, 2022, through December 31, 2022.

Procedure: We reconciled Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2022 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 SCR
- 2) Big Bend Coal Combustion Residual Rule (CCR Rule)
- 3) Bayside 316(b) Compliance
- 4) Bayside NESHAP

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 one new capital project that began in 2022, 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, 2022, through December 31, 2022, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2022 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 2023-010-2-3), in Docket No. 20230001-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 expense 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

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 2022 consumption for SO₂ 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 42-8A. We traced the jurisdictional factors 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, 2021, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2022, using the Commission-approved beginning balance as of December 31, 2021, the Financial Commercial Paper rates, and the 2022 ECRC revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: Revenue Expansion Factor

Audit Analysis: Audit staff determined that the Utility's revenue expansion factor applied to capital investment projects, inappropriately includes a component for uncollectible accounts or bad debt expense. The appropriate recovery mechanism for uncollectible accounts is base rates and not the ECRC clause. In an informal meeting with Commission technical staff on June 28, 2023, TECO agreed to remove bad debt expense from the calculation for its Return on Investment (ROI) rate moving forward for all clauses where the factor had been used on capital investments. The Utility also agreed to file an updated ECRC projection with adjustments to the calculation of its ROI rate in mid-July 2023 for 2024.

This finding is for informational purposes only.

Exhibit

Exhibit 1: True Up

Tampa Electric Company
Environmental Cost Recovery Clause
Calculation of Final True-up Amount for the Period
January 2022 to December 2022

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)	\$2,023,546	\$1,883,144	\$1,936,672	\$1,991,061	\$2,258,745	\$2,559,849	\$2,713,280	\$2,742,517	\$2,753,729	\$2,286,418	\$2,027,530	\$2,068,935	\$27,245,318
2. True-Up Provision	(4,369)	(4,369)	(4,369)	(4,369)	(4,369)	(4,369)	(4,369)	(4,369)	(4,369)	(4,369)	(4,369)	(4,373)	(52,432)
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	2,019,177	1,878,775	1,932,303	1,986,692	2,254,376	2,555,480	2,708,911	2,738,148	2,749,360	2,282,049	2,023,161	2,064,565	27,192,886
4. Jurisdictional ECRC Costs													
a. O & M Activities (Form 42-5A, Line 9)	(252,109)	(95,658)	335,395	72,765	201,543	135,080	72,812	170,903	53,754	152,215	379,340	58,649	1,283,980
b. Capital Investment Projects (Form 42-7A, Line 9)	1,414,493	1,410,099	1,417,688	1,431,635	1,434,064	1,433,993	1,450,119	1,452,032	1,459,007	1,478,973	1,494,376	1,499,953	17,375,232
c. Total Jurisdictional ECRC Costs	1,162,384	1,315,041	1,754,083	1,504,400	1,635,607	1,598,913	1,523,031	1,622,935	1,512,761	1,629,188	1,873,716	1,556,763	18,659,212
5. Over/(Under) Recovery (Line 3 - Line 4c)	856,793	563,734	178,220	482,292	618,769	956,407	1,182,880	1,115,213	1,236,599	652,861	149,445	507,772	8,533,675
6. Interest Provision (Form 42-3A, Line 10)	141	365	797	1,566	2,787	6,229	9,432	13,163	16,193	24,049	26,361	33,367	137,450
7. Beginning Balance True-Up & Interest Provision	(52,432)	808,871	1,377,339	1,580,625	2,048,832	2,674,537	3,670,542	4,867,223	5,969,868	7,259,129	7,043,408	8,125,583	(52,432)
a. Deferred True-Up from January to December 2021 (Order No. PSC-xx-xxxx-POF-EI)	1,187,656	1,187,656	1,187,656	1,187,656	1,187,656	1,187,656	1,187,656	1,187,656	1,187,656	1,187,656	1,187,656	1,187,656	1,187,656
8. True-Up Collected/(Refunded) (see Line 2)	4,369	4,369	4,369	4,369	4,369	4,369	4,369	4,369	4,369	4,369	4,369	4,373	52,432
9. End of Period Total True-Up (Lines 5+6+7a+8)	1,996,527	2,564,995	2,745,281	3,236,288	3,862,193	4,858,198	6,054,879	7,187,624	8,446,785	9,131,064	9,313,239	9,858,781	9,858,781
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)	\$1,996,527	\$2,564,995	\$2,745,281	\$3,236,288	\$3,862,193	\$4,858,198	\$6,054,879	\$7,187,624	\$8,446,785	\$9,131,064	\$9,313,239	\$9,858,781	\$9,858,781

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