

State of Florida



*Public Service Commission*

Office of Auditing and Performance Analysis  
Bureau of Auditing  
Tampa District Office

**Auditor's Report**

Duke Energy Florida, Inc.  
Fuel and Purchased Power Cost Recovery Clause

**Twelve Months Ended December 31, 2013**

Docket No. 140001-EI  
Audit Control No. 14-027-2-1  
**May 5, 2014**

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Simon O Ojada  
Audit Manager

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Linda Hill-Slaughter  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting and Finance in its audit service request dated January 27, 2014. We have applied these procedures to the attached summary exhibits and to several related schedules prepared by Duke Energy Florida, Inc. in support of its 2013 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No.140001-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Utility refers to Duke Energy Florida, Inc.

FAC refers to the Fuel and Purchased Power Cost Recovery Clause.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the 12-month period December 31, 2013, and whether fuel revenues were calculated using the recovery factors authorized by in Docket No. 130001-EI.

**Procedures:** We reconciled the fuel revenues reported in the 2013 FAC Filing to the Utility's monthly revenue reports and the general ledger. We recalculated 2013 fuel revenues using the KWH sold in the Utility's monthly revenue reports and the fuel factors authorized in the Utility's last FAC proceeding. A random sampling of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates in the Utility's Environmental Cost Recovery Clause proceeding in Docket No. 140007-EI. No exceptions were noted.

### **Expenses**

#### Recoverable 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 Commission Order No. 14546, issued July 8, 1985, in Docket No. 850001-EI-B.

**Procedures:** We reviewed and sampled fuel expenses reported on supporting Schedules A-1 and A-2 and other supporting documentation to determine that the fuel expense included in the FAC Filing complied with the requirements 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 Filing as set forth in Order No. PSC-00-1744-PAA-EI, issued September 26, 2000, in Docket No. 991779-EI.

**Procedure:** We calculated generation related gains from FAC Schedule A-6 to ensure the Utility complied with Commission Order. No exceptions were noted.

**Objective:** The objective was to determine whether energy payments to qualifying facilities are based on the appropriate standard offer or negotiated contract rate.

**Procedures:** We prepared a schedule accumulating total monthly KWH and total monthly fuel purchases for 2013 as reflected on FAC Schedule A-8 – Energy Payments to Qualifying Facilities. We traced all transactions on Schedule A-8 for the month of August to invoices and supporting documentation. 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 2013 were calculated correctly and payments were made in accordance with the applicable contracts.

**Procedures:** We prepared a schedule for natural gas transportation and storage expense for 2013. We traced a sample of the transportation and storage expenses in the FAC Filing to supporting invoices and vendor contracts. No exceptions were noted.

## **Inventory Cost**

**Objective:** The objective was to determine whether adjustments made to coal inventory due to the semi-annual coal inventory survey have been recorded as set forth in Order No. PSC-97-0359-FOF-EI, issued March 31, 1997, in Docket No. 970001-EI.

**Procedure:** We reviewed all documentation that supports the Utility's aerial survey calculations and recorded adjustments to coal inventory balances to determine compliance with Commission Order. No exceptions were noted.

## **Other Electric Issues**

**Objective:** The objective was to determine whether vendor rebates and refunds were credited by the Utility to its recoverable fuel costs.

**Procedure:** We obtained a summary of all 2013 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 review and verify payments made under the new waterborne and rail transportation contracts.

**Procedures:** We reviewed the waterborne and rail coal transportation contracts. We traced the contract rates to our sample of the Utility's coal fuel expense and reconciled the contract rates to the invoices selected in our sample. No exceptions were noted.

**Objective:** The objective was to reconcile the heat rate as shown on the Schedule A-4 for Generating Performance Incentive Factor (GPIF) units with the annual GPIF filings.

**Procedure:** We reconciled the heat rates with the annual GPIF filings. No exceptions were noted.

**Objective:** The objective was to reconcile the monthly coal and oil purchases reflected on FPSC Form 423 with Schedule A-5, general ledger, vendor contract and source documentation.

**Procedures:** We reconciled the FPSC Form 423 for 2013 to the supporting Schedule A-5 of the Utility's FAC Filing. We reconciled the volumes, invoice price and transportation charges reflected on Form 423 to the supporting documentation obtained in conjunction with our sample of coal and oil fuel expense. No exceptions were noted.

**Objective:** The objective were to reconcile service hours, reserve shutdown hours, and unavailable hours for the Generating Performance Factor (GPIF) units as shown on the annual GPIF filing with source documents and trace the differences to source document.

**Procedures:** We obtained the Actual Unit Performance Data Forms for January – December 2013 from the GPIF filing. We reconciled service hours, reserve shutdown hours and unavailable hours to the GPIF filings using the Generating Data System for Bartow, Crystal River 4 and 5, Hines 1, 2, 3, and 4. No exceptions were noted.

## **True-up**

**Objectives:** 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, 2012 True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Financial Commercial Paper rates, and the 2013 FAC revenues and costs. No exceptions were noted.

## **Analytical Review**

**Objectives:** 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 2013 from previous years.

**Procedures:** We compared 2013 revenues and expenses to 2012 and 2011. No differences requiring follow-up investigation were noted.

Audit Findings

**None**

## Exhibits

### Exhibit 1: Schedule A-2 Calculation of True-Up and Interest Provision

**PROGRESS ENERGY FLORIDA  
CALCULATION OF TRUE-UP AND INTEREST PROVISION  
DECEMBER 2013**

SCHEDULE A2  
PAGE 1 OF 2

	CURRENT MONTH				YEAR TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT
<b>A . FUEL COSTS AND NET POWER TRANSACTIONS</b>								
1 . FUEL COST OF SYSTEM NET GENERATION	\$113,426,007	103,110,800	\$10,315,206	10.0	\$1,489,345,986	\$1,361,604,286	\$127,741,699	9.4
1a. NUCLEAR FUEL DISPOSAL COST	-	0	0	0.0	0	0	0	0.0
1b. NUCLEAR DECOM & DECON	-	0	0	0.0	0	0	0	0.0
1c. COAL CAR INVESTMENT	-	0	0	0.0	0	0	0	0.0
2 . FUEL COST OF POWER SOLD	(203,987)	0	(203,987)	0.0	(1,894,276)	(2,813,022)	918,746	(32.7)
2a. GAIN ON POWER SALES	(29,094)	0	(29,094)	0.0	(427,107)	(365,693)	(61,414)	16.8
3 . FUEL COST OF PURCHASED POWER	6,219,268	7,381,670	(1,162,402)	(15.7)	118,627,580	197,756,948	(79,129,368)	(40.0)
3a. ENERGY PAYMENTS TO QUALIFYING FAC.	12,520,463	13,470,256	(949,793)	(7.1)	194,768,082	161,948,287	32,819,795	20.3
3b. DEMAND & NON FUEL COST OF PURCH POWER	0	0	0	0.0	0	0	0	0.0
4 . ENERGY COST OF ECONOMY PURCHASES	631,034	554,460	76,574	13.8	16,754,127	11,096,755	5,657,372	51.0
5 . TOTAL FUEL & NET POWER TRANSACTIONS	132,563,691	124,517,186	8,046,505	6.5	1,817,174,391	1,729,227,561	87,946,830	5.1
6 . ADJUSTMENTS TO FUEL COST:								
6a. FUEL COST OF STRATIFIED SALES	(2,428,321)	(2,135,633)	(292,688)	13.7	(43,592,932)	(36,175,371)	(7,417,562)	20.5
6b. OTHER- JURISDICTIONAL ADJUSTMENTS (see detail below)	926,244	(10,780,185)	11,706,428	(108.6)	(515,447,495)	(456,990,441)	(58,457,054)	12.8
6c. OTHER - PRIOR PERIOD ADJUSTMENT	0	0	0	0.0	0	0	0	0.0
7 . ADJUSTED TOTAL FUEL & NET PWR TRNS	\$131,061,614	\$111,601,368	\$19,460,246	17.4	\$1,258,133,963	\$1,236,061,749	\$22,072,214	1.8

**FOOTNOTE: DETAIL OF LINE 6b ABOVE**

INSPECTION & FUEL ANALYSIS REPORTS (Wholesale Portion)	(\$32)	\$0	(\$32)		\$224	\$0	\$224	
INEFFICIENT USE OF BARTOW CC	0	0	0		0	0	0	
UNIV. OF FL STEAM REVENUE ALLOCATION (Wholesale Portion)	720	0	720		8,080	0	8,080	
ADJUSTMENT FOR NUCLEAR DECOM & DECON	0	0	0		0	0	0	
TANK BOTTOM ADJUSTMENT	1,052,858	0	1,052,858		(1,654,342)	0	(1,654,342)	
AERIAL SURVEY ADJUSTMENT (Coal Pile)	0	0	0		(7,822,235)	0	(7,822,235)	
NEIL Replacement Power Reimbursement	0	(10,780,185)	10,780,185		(492,313,428)	(456,990,441)	(35,322,987)	
Interest Amortized for Fuel Refund	(24,737)	0	(24,737)		(296,696)	0	(296,696)	
Gain/Loss on Disposition of Oil	0	0	0		(2,272,533)	0	(2,272,533)	
Prior Period Retail/Wholesale Allocation Correction for NEIL Refund	0	0	0		0	0	0	
NET METER SETTLEMENT	0	0	0		29,447	0	29,447	
Other - Sims Crane (Tiger Bay Replacement Power)	0	0	0		0	0	0	
Derivative Collateral Interest	418	0	418		11,055	0	11,055	
Joint Owner CR3 Replacement Power (Capacity Factor Agreement)	(102,984)	0	(102,984)		(11,137,067)	0	(11,137,067)	
<b>SUBTOTAL LINE 6b SHOWN ABOVE</b>	<b>\$926,244</b>	<b>(\$10,780,185)</b>	<b>\$11,706,428</b>		<b>(\$515,447,495)</b>	<b>(\$456,990,441)</b>	<b>(\$58,457,054)</b>	

**B. KWH SALES**

1 . JURISDICTIONAL SALES	2,803,168,900	2,716,384,000	86,784,900	3.2	36,615,988,831	37,383,374,000	(767,385,169)	(2.1)
2 . NON JURISDICTIONAL (WHOLESALE) SALES	20,350,864	7,654,000	12,696,864	165.9	249,434,039	113,303,000	136,131,039	120.2
3 . TOTAL SALES	2,823,519,764	2,724,038,000	99,481,764	3.7	36,865,422,870	37,496,677,000	(631,254,130)	(1.7)
4 . JURISDICTIONAL SALES % OF TOTAL SALES	99.28	99.72	(0.44)	(0.4)	99.32	99.70	(0.38)	(0.4)



# Exhibit 1 (cont'd)

**PROGRESS ENERGY FLORIDA  
CALCULATION OF TRUE-UP AND INTEREST PROVISION  
DECEMBER 2013**

SCHEDULE A2  
PAGE 2 OF 2

	CURRENT MONTH				YEAR TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT
<b>C. TRUE UP CALCULATION</b>								
1. JURISDICTIONAL FUEL REVENUE	\$102,320,188	\$100,388,945	\$1,931,244	1.9	\$1,335,207,737	\$1,381,571,036	(\$46,363,299)	(3.4)
2. ADJUSTMENTS:	10,750,000	0	10,750,000	0.0	129,000,000	0	129,000,000	0.0
2a. TRUE UP PROVISION	(12,113,909)	(12,113,913)	3	0.0	(145,366,912)	(145,366,912)	(0)	0.0
2b. INCENTIVE PROVISION	(124,631)	(124,631)	0	0.0	(1,495,572)	(1,495,572)	0	0.0
2c. OTHER: MARKET PRICE TRUE UP	0	0	0	0.0	0	0	0	0.0
3. TOTAL JURISDICTIONAL FUEL REVENUE	100,831,648	88,150,401	12,681,247	14.4	1,317,345,253	1,234,708,553	82,636,701	6.7
4. ADJ TOTAL FUEL & NET PWR TRNS (LINE A7)	131,061,614	111,601,368	19,460,246	17.4	1,258,133,963	1,236,061,749	22,072,214	1.8
5. JURISDICTIONAL SALES % OF TOT SALES (LINE B4)	99.28	99.72	(0.44)	(0.4)	99.32	99.70	(0.38)	(0.4)
6. JURISDICTIONAL FUEL & NET POWER TRANSACTIONS (LINE C4 * LINE C5 * 1.00150 LOSS MULTIPLIER)	130,313,147	111,424,657	18,888,490	17.0	1,250,395,366	1,234,709,629	15,685,737	1.3
7. TRUE UP PROVISION FOR THE MONTH OVER/(UNDER) COLLECTION (LINE C3 - C6)	(29,481,500)	(23,274,256)	(6,207,243)	26.7	66,949,887	(1,076)	66,950,963	(6,221,994.0)
8. INTEREST PROVISION FOR THE MONTH (LINE D10)	147	571	(423)	(74.2)	(64,940)	92,202	(157,142)	(170.4)
9. TRUE UP & INT PROVISION BEG OF MONTH/PERIOD	11,849,713	11,250,899	598,814	5.3	(217,577,600)	(145,366,912)	(72,210,688)	49.7
10. TRUE UP COLLECTED (REFUNDED)	12,113,909	12,113,913	(3)	0.0	145,366,912	145,366,912	0	0.0
11. END OF PERIOD TOTAL NET TRUE UP (LINES C7 + C8 + C9 + 12. OTHER:	(5,517,730)	91,126	(5,608,856)	(6,155.1)	(5,325,740)	91,126	(5,416,866)	(5,944.4)
	(443,360)				(635,349)		(635,349)	
13. END OF PERIOD TOTAL NET TRUE UP (LINES C11 + C12)	(\$5,961,090)	91,126	(6,052,216)	(6,641.6)	(\$5,961,090)	91,126	(6,052,216)	(6,641.6)
<b>D. INTEREST PROVISION</b>								
1. BEGINNING TRUE UP (LINE C9)	\$11,849,713	N/A	--	--				
2. ENDING TRUE UP (LINES C7 + C9 + C10 + C12)	(5,961,237)	N/A	--	--				
3. TOTAL OF BEGINNING & ENDING TRUE UP	5,888,476	N/A	--	--			NOT	
4. AVERAGE TRUE UP (50% OF LINE D3)	2,944,238	N/A	--	--				
5. INTEREST RATE - FIRST DAY OF REPORTING MONTH	0.060	N/A	--	--				
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.060	N/A	--	--				
7. TOTAL (LINE D5 + LINE D6)	0.120	N/A	--	--				
8. AVERAGE INTEREST RATE (50% OF LINE D7)	0.060	N/A	--	--				
9. MONTHLY AVERAGE INTEREST RATE (LINE D8/12)	0.005	N/A	--	--				
10. INTEREST PROVISION (LINE D4 * LINE D9)	\$147	N/A	--	--				