

State of Florida



Public Service Commission

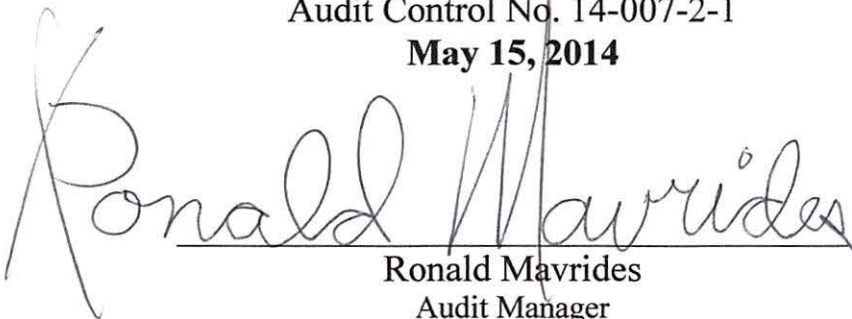
Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Duke Energy Florida, Inc.
Nuclear Cost Recovery Clause
Crystal River Unit 3 Uprate

Twelve Months Ended December 31, 2013

Docket No. 140009-EI
Audit Control No. 14-007-2-1
May 15, 2014


Ronald Mavrides
Audit Manager


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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 Office of Industry Development and Market Analysis in its audit service request dated January 7, 2014. We have applied these procedures to the attached schedule prepared by Duke Energy Florida, Inc. and to several of its related schedules in support of its 2013 Nuclear Cost Recovery Clause for its cost expenditures for the Crystal River Unit 3 Uprate Project in Docket No. 140009-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

Utility Information

On February 5, 2013, the Utility decided to retire its CR3 plant. All costs subsequent to February 5, 2014, are close-out costs. Recovery will continue until 2019.

Definitions

Utility refers to Duke Energy Florida, Inc.

CR3 refers to the Crystal River Unit 3 Uprate Project.

NCRC refers to the Nuclear Cost Recovery Clause.

CCRC refers to Capacity Cost Recovery Clause.

Construction Costs are costs that are expended to construct the nuclear power plant, but not limited to, the costs of constructing power plant buildings and all associated permanent structures, equipment and systems.

Objectives: The objectives were to determine whether the Utility's 2013 NCRC filing in Docket No. 140009-EI are consistent and in compliance with Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code (F.A.C.).

Procedures: We performed the following objectives and procedures to satisfy the overall objective identified above.

Construction Work In Progress

Objectives: The objectives were to determine whether Construction Costs in the 2013 Exhibit TGF-3 schedule for the CR3 Uprate are properly accounted for and stated as required by Section 366.93, Florida Statutes and Rule 25-6.0423, F.A.C.

Procedures: We reconciled the company's transaction details to the general ledger and filing. We judgmentally selected construction transactions from the transaction details and tested them for: 1) Compliance with contracts, 2) Correct paid amounts, and 3) Correct recording periods. No exceptions were noted.

Recovery

Objectives: The objectives were to determine whether the Utility used the Commission approved CCRC factors to bill customers for the period January 1, 2013, through December 31, 2013, and whether Exhibit TGF-3 reflects amounts in Order No. PSC 09-0837-PAA-EI.

Procedures: We agreed the amount collected on Exhibit TGF-3 to the 2013 NCRC jurisdictional amount approved in Order No. PSC-09-0837-PAA-EI and to the CCRC in Docket No.140001-EI. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense on Exhibit TGF-3 is supported by adequate source documentation and appropriately recoverable through the NCRC.

Procedures: We judgmentally selected costs from the transaction details and reviewed them for the proper period, amounts, and that they are allowable NCRC costs. For costs that are for a service or product that is under contract, we: 1) Traced the invoiced cost to the construction contract or other type of original source document 2) Reconciled the invoice to the contract terms and pricing, 3) Ensured that the amounts billed are for actual services or materials received, and 4) Investigated all prior billing adjustments and job order changes to the contract(s). We sorted the transaction detail listings by O&M expense category and reconciled them to the filing. No exceptions were noted.

Objective: The objective was to determine whether the costs charged to labor are correct.

Procedures: We judgmentally selected the months of February, May, and June 2013 from the transaction details for sampling. We used employee time sheets to verify that labor hours charged to employee labor expense are correct. We verified that the labor costs recorded in the transaction details reconciles to the filing. No exceptions were noted.

Joint Owner Credits

Objective: The objective was to determine whether capital joint owner credits are properly stated.

Procedures: We traced the billing details of the amounts billed to the joint owners for the months of March and July 2013 to the filing. No exceptions were noted.

Carrying Cost on Deferred Tax Adjustment

Objectives: The objectives were to determine whether the Deferred Tax Adjustment amount and associated carrying costs are appropriately calculated.

Procedures: We requested an explanation from the Utility of how carrying costs were handled for the deferred tax adjustments. The Utility advised us that all carrying costs associated with the deferred tax adjustment are now being reflected in the base rates. We verified this procedure by reviewing Appendix A of Exhibit TGF-2 in the Utility's filing. No exceptions were noted.

True-up

Objective: The objective was to determine whether the True-up and Interest Provision as filed on Exhibit TGF-3 was properly calculated.

Procedures: We recalculated the True-Up as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012. We reconciled the Projected and Actual/Estimated amounts to prior NCRC Orders. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: Schedule TGF-3

Line	Beginning of Period Amount	Actual January 13	Actual February 13	Actual March 13	Actual April 13	Actual May 13	Actual June 13	Actual July 13	Actual August 13	Actual September 13	Actual October 13	Actual November 13	Actual December 13	Period Total
1	Project Investment:													
a	29,886,920	369,604	35,261	9,161	5,959	112,925	5,959	\$6,484	\$8,780	\$5,853	\$0	\$0	\$0	\$559,986
b	43,672,300	160,177	156,905	97,652	63,224	58,467	58,398	49,112	81,585	(99,299)	22,319	789	7,855	\$657,184
c	1,441,680	4,926	12,986	11,922	4,532	4,734	2,934	4,952	(1,614)	0	0	337	0	\$45,709
d	279,706,493	987,107	1,461,060	164,055	9,854	2,572,050	4,593,862	72,685	(2,937)	746	811	(11,776)	(10,535)	\$9,836,982
e	8,307,468	(5,885)	916	5,893	4,798	0	37,683	8,790	4,425	(288)	0	0	0	\$56,333
f	363,014,861	1,515,929	1,667,128	288,683	88,367	2,748,176	4,698,836	142,023	90,239	(92,988)	23,130	(10,650)	(2,680)	\$11,156,194
2	Adjustments													
a	(370,130)	1,579,731	174,715	(684,003)	1,559,476	13,732	(4,571,034)	(16,189)	(23,446)	4,625,047	5,814	(1,976)	1,546	\$2,663,415
b	(28,792,221)	(125,084)	(136,953)	(23,244)	(255,822)	(225,884)	(377,536)	(16,534)	(3,723)	7,531	(467)	1,562	(467)	(\$1,158,042)
c	(28,549,393)	(62,748)	39,395	(2,027)	448,676	(14)	0	0	(20,533)	32,946	(7,238)	14,996	(2,707)	\$440,746
d	305,303,117	2,907,827	1,744,286	(420,591)	1,840,698	2,536,011	(249,733)	109,301	42,537	4,572,536	19,817	1,903	(2,279)	\$13,102,313
	Retail Jurisdictional Factor - Generation (2013 Spend)													
	Retail Jurisdictional Factor (Beg Bal only) - Generation													
e	279,911,057	2,700,935	1,620,181	(390,666)	1,709,732	2,355,574	(231,965)	101,524	39,510	4,247,200	18,407	1,768	(2,117)	\$12,170,084
3	Carrying Cost on Retail Unrecovered Balance													
a	279,911,057	2,700,935	1,620,181	(390,666)	1,709,732	2,355,574	(231,965)	101,524	39,510	4,247,200	18,407	1,768	(2,117)	292,081,140
b	29,985,613	0	5,076	0	(1,522)	0	0	0	(935)	13,250	903	2,103	(9,391)	29,995,096
c	0	0	0	0	0	0	0	0	0	0	0	0	0	0
d	11,624,453	10,843,389	10,062,325	9,281,261	8,500,197	7,719,132	6,938,068	6,157,004	5,375,940	4,594,876	3,813,812	3,032,748	2,251,684	2,251,684
e	9,372,769	781,064	781,064	781,064	781,064	781,064	781,064	781,064	781,064	781,064	781,064	781,064	781,064	781,064
f	0	0	209,601	(353,995)	(354,163)	(353,932)	(342,233)	(338,627)	(344,296)	(348,880)	(336,335)	(323,782)	(328,714)	0
g	\$261,549,897	\$263,469,768	\$264,513,410	\$262,987,686	\$263,563,712	\$264,784,290	\$263,428,967	\$262,410,800	\$261,325,885	\$264,429,892	\$263,329,996	\$262,224,814	\$261,122,311	\$260,768,581
4	Net Investment													
a		\$262,509,833	\$264,096,390	\$263,573,550	\$263,098,617	\$263,997,035	\$263,935,482	\$262,750,570	\$261,696,195	\$262,703,449	\$263,711,776	\$262,615,514	\$261,509,206	
5	Return on Average Net Investment													
	(New Rates)													
a	0.00394	1,434,354	1,040,540	1,038,480	1,036,609	1,040,148	1,039,906	1,035,237	1,031,083	1,035,052	1,039,024	1,034,705	1,030,346	12,835,484
b	1.62800	2,335,131	1,694,001	1,690,647	1,687,601	1,693,363	1,692,969	1,685,358	1,678,605	1,685,066	1,691,533	1,684,501	1,677,405	20,896,189
c	0.00189	426,841	500,399	499,208	499,309	500,010	499,894	497,650	495,653	497,560	499,470	497,394	495,298	5,907,486
d	Total Return Revenue Requirement	2,761,972	2,194,200	2,189,855	2,185,910	2,193,973	2,192,863	2,183,018	2,174,258	2,182,626	2,191,003	2,181,895	2,172,703	26,803,675
6	Recovered	\$2,552,371	\$2,548,195	\$2,544,018	\$2,539,842	\$2,535,666	\$2,531,490	\$2,527,314	\$2,523,138	\$2,518,961	\$2,514,785	\$2,510,609	\$2,506,433	\$30,352,822
7	Over/Under Recovery For the Period	209,601	(353,995)	(354,163)	(353,932)	(342,293)	(338,627)	(344,296)	(348,880)	(336,335)	(323,782)	(328,714)	(333,730)	(3,549,147)
8	O&M													
a	Accounting	9,291	9,133	6,765	11,404	10,644	7,997	7,847	4,181	9,380	5,132	10,283	6,134	\$98,190
b	Corporate Planning	6,152	9,776	14,266	13,564	12,117	4,343	2,890	5,887	1,793	702	254	3,343	\$75,088
c	Legal	(10,091)	13,080	20,812	16,821	0	0	0	41,243	11,366	234	77	831	\$94,372
d	Joint Owner Credit	(440)	(2,629)	(3,439)	(3,435)	(1,873)	(1,100)	(883)	(4,217)	(1,853)	(499)	(872)	(847)	(\$22,085)
e	Total O&M	4,912	29,359	38,404	38,355	20,890	11,240	9,855	47,094	20,685	5,568	9,741	9,460	\$245,564
9	Jurisdictional Factor (A&G)	0.93221	0.93221	0.93221	0.93221	0.93221	0.93221	0.93221	0.93221	0.93221	0.93221	0.93221	0.93221	0.93221
10	Jurisdictional O&M Amount	4,579	27,369	35,800	35,755	19,474	10,478	9,187	43,901	19,283	5,191	9,081	8,819	228,917
11	Prior Period (Over/Under Recovery (d))	894,072	855,562	817,053	778,543	740,034	701,524	663,014	624,505	585,995	547,486	508,976	470,466	431,957
12	Prior Period Costs Recovered (d)	462,115	38,510	38,510	38,510	38,510	38,510	38,510	38,510	38,510	38,510	38,510	38,510	#REF!
13	Prior Month Period (Over/Under Recovery)	0	4,602	35,841	27,411	35,841	35,791	19,508	10,507	9,210	43,926	19,309	5,216	9,110
14	Unamortized Balance	894,072	855,562	821,655	810,557	807,889	805,170	786,168	758,165	728,865	734,281	715,081	681,787	652,387#R
15	Projected Construction Carrying Cost Plant Additions for the Period													
a	Balance Eligible for Interest	877,107	854,594	847,712	845,021	834,161	810,662	782,013	770,071	763,177	736,931	705,582	676,052	
b	Monthly Commercial Paper Rate	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	
c	Interest Provision	51	68	64	56	52	44	36	35	35	31	32	34	538
d	Total O&M Costs and Interest (Line 10 + Line 15c)	4,630	27,437	35,864	35,811	19,526	10,522	9,223	43,936	19,318	5,222	9,113	8,853	229,455
16	Recovered	28	25	23	20	18	16	13	11	8	6	4	1	173
17	Over/Under Recovery For the Period	4,602	27,411	35,841	35,791	19,508	10,507	9,210	43,926	19,309	5,216	9,110	8,852	229,282
18	Other - Adjustments (Appendix A - page 3 of 3) (c) (d)	(613)	79	91	103	117	128	141	152	164	177	188	201	927
19	Recovered	(552)	(507)	(462)	(417)	(371)	(325)	(278)	(231)	(184)	(135)	(87)	(37)	(3,587)
20	Over/Under Recovery For the Period	(62)	586	553	520	488	453	419	383	348	313	275	238	4,515
21	Total Period Revenue Requirements for 2013	2,765,989	2,221,715	2,225,810	2,221,824	2,213,016	2,203,513	2,192,381	2,218,346	2,202,109	2,196,402	2,191,197	2,181,757	27,034,057
22	Total Revenue Requirements	2,551,847	2,547,713	2,543,579	2,539,445	2,535,313	2,531,180	2,527,048	2,522,917	2,518,786	2,514,656	2,510,526	2,506,397	30,349,407
23	Total [Over]/Under Recovery for the Period	214,142	(325,998)	(317,769)	(317,622)	(322,297)	(327,668)	(334,666)	(304,571)	(316,678)	(318,254)	(319,329)	(324,640)	(3,315,350)

Notes: (a) Other line reflects cost of removal of previously existing assets.

(b) Transfer to Plant In-Service had a beginning balance accounting true-up adjustment for \$1,713,036 in 2013.

(c) Beginning Balances for unrecovered carrying cost calculations combine Over/Under balances from prior period construction carrying costs and DTA. A \$7,873 true-up adjustment in the Other - Adjustments captures a resulting slight calculation variance.

(d) See Appendix A for Beginning Balance Support