

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:** June 8, 2016  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 160009-EI  
Company Name: Duke Energy Florida, Inc.  
Company Code: EI801  
Audit Purpose: Nuclear Cost Recovery Clause  
Audit Control No: 16-005-2-2

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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. There are confidential work papers associated with this audit.

LMD/cm

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

Duke Energy Florida, LLC  
Crystal River Unit 3 Uprate

**Twelve Months Ended December 31, 2015**

Docket No. 160009-EI  
Audit Control No. 16-005-2-2

**May 7, 2016**

*Ronald A. Mavrides*

Ronald A. Mavrides  
Audit Manager

*Linda Hill*

Linda Hill  
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 Office of Industry Development and Market Analysis in its audit service request dated January 5, 2016. We have applied these procedures to the attached schedule prepared by Duke Energy Florida, LLC in support of its 2015 Nuclear Cost Recovery Clause filing for the Crystal River Unit 3 Uprate Project in Docket No. 160009-EI.

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**

#### Definitions

Utility refers to Duke Energy Florida, LLC

NCRC refers to the Nuclear Cost Recovery Clause.

CCRC refers to the 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.

#### Utility Information

On February 5, 2013, the Utility announced its intent to retire the CR3 plant. Recovery of costs will continue until 2019.

**Objectives:** The objectives were to determine whether the Utility's 2015 NCRC filing in Docket No. 160009-EI is 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 the 2015 adjustments and additions to the unrecovered Construction Work In Progress (CWIP) jurisdictional balances that are included for recovery and disclose and report the jurisdictional amount of any 2015 adjustments and additions to the unrecovered CWIP balance that are included for recovery.

**Procedures:** We determined that there were no adjustments to unrecovered CWIP jurisdictional balances that are included for recovery. All NCRC activity that is now related to capital investment is allocated to the Regulatory Asset Account. We acquired a summary of all capital additions and sampled supporting documentation for ten transactions, ascertaining their recoverability in conformance with Commission Orders and being charged in the proper period and to the proper accounts. 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, 2015, through December 31, 2015, and whether Exhibit TGF-2 reflects amounts in Order No. PSC-14-0701-FOF-EI.

**Procedures:** We agreed the amount collected in Exhibit TGF-2 to the 2015 NCRC jurisdictional amount approved in Order No. PSC-14-0701-FOF-EI and to the CCRC in Docket No. 160001-EI. We determined that the Utility used the approved CCRC factors. 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-2 are: 1) Supported by adequate source documentation, 2) appropriately recoverable through the NCRC, and that 3) total jurisdictional O&M Expense is accurately calculated.

**Procedures:** We judgmentally selected nine transactions from the transaction details and reviewed them for the proper period, amounts, and that they are legitimate NCRC costs. For costs that are for a service or product that is under contract, we: 1) Traced the invoiced cost to the contract terms and pricing, 2) Ensured that the amounts billed are for actual services or materials received, and 3) Investigated all prior billing adjustments and job order changes to the contract(s).

Included in the samples were 2015 labor costs for two employees, of which we obtained the supporting backup. We recalculated labor costs using employee time sheets and labor rates for employees who provided labor charged to the NCRC in the sample. We verified the hours worked and recalculated the labor charges recorded by the Utility charged to the NCRC. We verified other costs for proper account, period, and amount. No exceptions were noted.

### **Project Close-Out Costs**

**Objective:** The objective was to determine whether 2015 project close-out costs were properly included for recovery.

**Procedures:** We acquired a summary of all close-out costs included in NCRC. We selected the June 2015 costs for legal fees, which is the largest class of cost drivers for close-out costs. We reviewed the submitted back-up documents for proper pay periods and proper account classification and for being related to purposes involving NCRC. No exceptions were noted.

### **True-Up**

**Objective:** The objective was to determine whether the True-Up and Interest Provision as filed on Schedule TGF-2 was properly calculated.

**Procedures:** We traced the December 31, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the Commission approved beginning balance as of December 31, 2014, the approved 2015 jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor, and the 2015 costs. No exceptions were noted.

Audit Findings

**None**

# Exhibit

## Exhibit 1: True-Up

DUKE ENERGY FLORIDA Nuclear Cost Recovery Claims (NCRC) - CR3 Update 2015 Detail - Calculation of the Revenue Requirements January 2015 through December 2015													Witness: T.G. Pomer / M. Teague Date of file: 10/20/2015 Date Energy Forward Letter: (PG- 3)		
Line	Description	Beginning of Period Amount	Actual January 15	Actual February 15	Actual March 15	Actual April 15	Actual May 15	Actual June 15	Actual July 15	Actual August 15	Actual September 15	Actual October 15	Actual November 15	Actual December 15	Period Total
1	Unrecovered Investment														
	a FPU Construction & Wind-Down Costs	376,506,178	2011	0	175	73,418	151,176	231,378	117,137	72,319	2,740	0	813	1,530	857,696
	b Sale or Salvage of Assets	(453,854)	(905,191)	0	0	(100,519)	0	0	0	(11,750)	(24,712)	(1,598,000)	0	(150,000)	(2,578,500)
	c Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	d Total	376,052,324	(645,080)	0	175	(27,101)	151,176	231,378	117,137	60,569	(21,972)	(1,598,000)	813	(748,470)	(1,720,804)
2	Adjustments														
	a Non-Cash Accounts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	b Joint Owner Credit	(82,108,734)	7,375	0	(15)	539	(12,424)	(19,014)	(24,067)	(5,349)	1,806	13,146	(51)	48,800	126,759
	c Other (b)	(28,108,647)	0	0	0	0	0	0	0	0	0	0	0	0	0
	d Adjusted System Generation Construction Cost Addressed	317,834,029	(8,133)	0	160	(26,542)	138,750	212,360	291,070	60,179	(20,164)	(1,464,654)	760	(699,670)	(1,591,005)
	Retest Jurisdictional Factor - Current Year Activity	92.885%													
	Retest Jurisdictional Factor - (Reg Bal YE 2013 only)	91.683%													
	e Int / Wind-down Costs														
	f Beginning Balance - prior 2013 Investment	279,911,057	(75,451)	0	149	(24,677)	128,878	197,251	270,360	55,896	(18,731)	(1,362,902)	706	(649,888)	(1,477,805)
	g Beginning Balance - prior 2013 Investment	12,170,084													
	h Collected 2014 Portion of Regulatory Asset	(64,202,846)													
	i Total Jurisdictional Unrecovered Investment	247,878,294	(75,451)	0	149	(24,677)	128,878	197,251	270,360	55,896	(18,731)	(1,362,902)	706	(649,888)	246,400,489
	j WACC Adjustment from 2014 & 1/2 Adjustment 2014 (Adjust May 2015 Rev Req (a))						(129,139)								
3	Carrying Cost on Unrecovered Investment Balance														
	a Unrecovered Investment Costs for the Period (Reg Balance - Sum of Line 2 f thru 2 h)	247,878,294	(75,451)	0	149	(24,677)	128,878	197,251	270,360	55,896	(18,731)	(1,362,902)	706	(649,888)	246,400,489
	b Return on Service	29,995,096	0	0	0	0	0	0	0	0	0	0	0	0	29,995,096
	c Period Recovered Wind-down / Int Costs														(1,477,805)
	d Amortization of Unrecovered Investment (a)														(43,681,007)
	e Prior Period Carrying Charge Unrecovered Balance (a)	(1,170,549)	(1,177,008)	(1,175,868)	(1,177,934)	(1,180,283)	(1,182,840)	(1,185,796)	(1,188,756)	(1,190,214)	(1,192,672)	(1,195,130)	(1,197,588)	(1,200,047)	(1,202,047)
	f Prior Period Carrying Charge Recovered (a)	29,497	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458	2,458
	g Prior Period Under/Over Recovery (Prior Month)														(1,477,805)
	h Net Investment	\$216,728,648	\$212,994,653	\$209,744,214	\$205,373,526	\$201,838,029	\$198,256,045	\$194,511,750	\$191,077,618	\$187,421,017	\$183,716,987	\$179,669,958	\$176,980,425	\$173,633,266	\$170,579,912
4	Average Net Investment	\$214,853,651	\$211,105,509	\$207,394,723	\$203,674,646	\$200,012,877	\$196,236,396	\$192,759,729	\$189,214,339	\$185,547,817	\$181,121,380	\$176,801,493	\$172,781,441		
5	Return on Average Net Investment														
	a Equity Component	0.00403	865,860	850,755	835,801	820,797	805,052	790,813	776,822	762,534	747,757	733,125	718,110	696,309	9,296,155
	b Debt Component	0.00158	1,409,621	1,385,031	1,360,645	1,336,259	1,312,254	1,287,477	1,264,647	1,241,407	1,217,350	1,194,645	1,171,967	1,149,332	1,126,799
	c Total Return		2,275,481	2,235,786	2,196,446	2,157,056	2,117,526	2,072,299	2,028,269	1,984,161	1,940,107	1,896,772	1,853,077	1,809,641	1,766,554
6	Revenue Requirements for the Period (Lines 3a - 5d)	\$1,674,281	\$1,719,211	\$1,649,140	\$1,633,999	\$1,528,813	\$1,799,370	\$1,840,167	\$1,596,830	\$1,492,340	\$1,133,139	\$1,440,550	\$797,217	\$1,280,854	
7	Projected Revenue Requirements for the Period (Order No. PSC 14-0701 FOF #1)	\$1,817,608	\$1,787,579	\$1,797,265	\$1,737,001	\$1,896,738	\$1,646,090	\$1,615,783	\$1,583,696	\$1,551,250	\$1,522,867	\$1,492,713	\$1,462,459	\$1,432,090	
8	Over/Under Recovery for the Period	(\$143,327)	(\$68,368)	(\$48,125)	(\$93,002)	(\$167,925)	\$253,280	(\$224,613)	\$13,467	(\$58,910)	(\$189,728)	(\$248,163)	(\$270,242)	(\$151,236)	
9	Other Exit / Wind-Down														
	a Accounting	3,029	2,926	2,458	2,410	2,617	2,866	2,144	0	0	341	2,504	1,948	2,243	
	b Corporate Planning	0	4,820	4,362	4,829	1,267	1,344	997	82	316	84	103	1,111	21,139	
	c Legal	4,126	1,846	8,541	5,820	7,484	6,244	5,759	4,240	373	0	0	0	0	
	d Joint Owner Credit	(548)	(919)	(1,263)	(1,073)	(833)	(600)	(723)	(355)	(40)	(25)	(214)	(274)	(7,286)	
	e Total Other Exit / Wind-Down Costs	6,567	10,283	14,100	11,986	10,415	9,002	8,164	3,967	449	390	2,993	3,062	8,163	
10	Jurisdictional Factor (A&B)	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	
11	Jurisdictional Amount	6,122	9,347	13,144	11,173	9,709	8,951	7,615	3,598	418	364	2,231	2,854	75,846	
12	Prior Period Unrecovered Balance (a)	(424,777)	(390,877)	(356,967)	(323,062)	(289,157)	(255,253)	(221,348)	(187,443)	(153,538)	(119,634)	(85,729)	(51,820)	(17,919)	
13	Prior Period Recovered (a)	(468,857)	(31,905)	(31,905)	(31,905)	(31,905)	(31,905)	(31,905)	(31,905)	(31,905)	(31,905)	(31,905)	(31,905)	(31,905)	
14	Prior Month Period Over/Under Recovery	0	(186,67)	(6,218)	(6,218)	(6,641)	(6,641)	(6,078)	(6,833)	(8,171)	(12,091)	(15,574)	(19,427)	(13,564)	
15	Unamortized Balance	(424,777)	(390,877)	(364,631)	(338,942)	(307,694)	(278,383)	(250,557)	(222,484)	(197,353)	(175,939)	(157,406)	(138,930)	(118,589)	
16	Carrying Costs for the Period														
	a Balance Eligible for Interest	(404,263)	(378,803)	(349,322)	(319,205)	(290,443)	(262,034)	(236,479)	(212,854)	(192,623)	(174,178)	(154,767)	(134,114)		
	b Monthly Commercial Paper Rate	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%		
	c Interest Provision	(41)	(38)	(35)	(32)	(29)	(26)	(23)	(20)	(17)	(14)	(11)	(8)		
	d Total Carrying Costs and Interest (Line 16a - 16c)	9,088	9,519	13,118	11,157	9,645	8,924	7,593	6,078	3,678	308	106	2,711	2,810	25,527
17	Recovered (Order No. PSC 14-0701 FOF #1)	15,755	15,757	15,759	15,761	15,763	15,765	15,767	15,769	15,771	15,773	15,775	15,777	15,779	
18	Over/Under Recovery for the Period	(9,667)	(8,113)	(6,651)	(6,600)	(6,079)	(5,822)	(5,174)	(12,091)	(15,374)	(15,427)	(13,267)	(11,267)	(11,632)	
19	Other - Adjustments (a)	7,871	59	53	48	43	37	32	27	21	16	11	5	0	353
20	Recovered (Order No. PSC 14-0701 FOF #1)	60	51	49	44	38	33	27	22	16	11	5	0	360	
21	Over/Under Recovery for the Period	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(0)	(0)	(0)	(0)	0	(2)	
22	Revenue Requirements for the Period	1,674,028	1,718,609	1,707,207	1,645,199	1,528,113	1,804,310	1,807,287	1,609,320	1,492,714	1,133,094	1,443,787	790,018	1,280,717	
23	Recovered (Order No. PSC 14-0701 FOF #1)	1,833,423	1,803,341	1,773,073	1,742,806	1,712,540	1,681,848	1,651,578	1,599,487	1,549,037	1,538,771	1,508,904	1,478,136	1,447,623	
24	Over/Under Recovery for the Period	(159,395)	(84,732)	(66,866)	(97,607)	(184,427)	122,472	205,709	610,293	(54,323)	(405,677)	(65,117)	(118,118)	(166,906)	

(a) Please see Appendix A for Beginning Balance Support and Report of Amortization of Unrecovered Balance and Other Adjustments Calculation  
 (b) Other line reflects cost of removal of previously existing assets  
 (c) 2014 WACC Adjustment and 1/2 Adjustment (Amortization includes Interest Jan-May 2015). See Appendix B for Calculation