


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: July 28, 2022
TO: Office of the Commission Clerk
FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 
RE: Docket No.: 20210010-EI
Company Name: Duke Energy Florida
Company Code: EI801
Audit Purpose: A3g: Storm Protection Plan Cost Recovery Clause
Audit Control No: 2021-314-1-2

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 confidential work papers associated with this audit.

TMB/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
Tallahassee District Office

Auditor's Report

Duke Energy Florida, LLC
Storm Protection Plan Cost Recovery Clause

As of December 31, 2021

Docket No. 20220010-EI
Audit Control No. 2021-314-1-2

July 18, 2022

A handwritten signature in black ink, appearing to read "M. Glover", written over a horizontal line.

Marisa N. Glover
Audit Manager

A handwritten signature in black ink, appearing to read "T. Brown", written over a horizontal line.

Todd M. Brown
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 & Market Analysis in its audit service request dated November 10, 2021. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, LLC in support of its Storm Protection Plan Cost Recovery filing in Docket No. 20220010-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Duke Energy Florida, LLC.

SPPCRC refers to Storm Protection Plan Cost Recovery Clause.

SPP refers to Storm Protection Plan.

Background

On April 1, 2022, Duke Energy filed support for the approval of its Storm Protection Plan Cost Recovery Clause final true-up for the period of January 2021, through December 2021.

Objective: The objective was to reconcile the SPPCRC Overhead Hardening Operation and Maintenance (O&M) Expenses to the general ledger, including adjustments that remove rate base O&M for pole replacements.

Procedures: We reconciled the SPPCRC Overhead Hardening Operation and Maintenance expenses to the general ledger. We judgmentally selected samples for transmission and distribution activities for testing. We tested for proper account, proper amount, proper period, and proper project. No exceptions were noted.

Objectives: The objectives were to audit the following capital investments: Program Feeder Hardening, Program Distribution Lateral Undergrounding, and Program Transmission Pole Replacement. In addition, our objectives were to: 1) Verify the investment amounts are recorded in the correct plant accounts, 2) Reconcile the corresponding plant-in-service/depreciation base, 3) Verify the calculations of non-interest bearing construction-work-in-progress (CWIP), 4) Verify the most recent Commission-approved depreciation and amortization periods are used in calculating depreciation expense, and 5) Reconcile depreciation savings for retired assets that have depreciation recovered through base rates.

Procedures: We audited the investments mentioned above by verifying that the investment amounts are recorded in the correct plant accounts. We reconciled the corresponding plant-in-service/depreciation base. We verified the calculations of the non-interest bearing CWIP. We verified that the most recent Commission-approved depreciation and amortization periods were used in calculating the depreciation expenses. We reconciled the depreciation savings for retired assets that have depreciation recovered through base rates. No exceptions were noted.

Objective: The objective was to verify the SPPCRC program-related plant additions, retirements, and adjustments for the period of January 1, 2021, through December 31, 2021.

Procedures: We reconciled the SPPCRC program-related plant additions, retirements, and adjustments to the general ledger. No exceptions were noted.

Objective: The objective was to reconcile the Operation and Maintenance expenses of the projects listed on Form 5A of the filing, to the general ledger.

Procedures: We reconciled the Operation and Maintenance expenses to the general ledger. We selected random samples for review. No exceptions were noted.

Other

Objectives: The objectives were to: 1) Substantiate if the Utility changed any of its accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause, and 2) Verify if the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause.

Procedures: We requested and reviewed the accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. We reviewed whether the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. No exceptions were noted.

True-up

Objectives: The objective was to determine if the True-Up and Interest Provision as filed was properly calculated.

Procedures: We verified the True-Up and Interest Provision amounts as of December 31, 2021, using the Financial Commercial Paper rates, and 2021 revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

Duke Energy Florida
Storm Protection Plan Cost Recovery Clause
Actual True-Up
Current Period: January Through December 2021

Docket No. 20220010 E1
 Duke Energy Florida, LLC
 Witness: C.A. Menendez
 Est. No. (CAM) 11
 Form 3A
 Page 2 of 45

Calculation of 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 Clause Revenues (net of Revenue Taxes)	\$ 732,742	\$ 693,930	\$ 720,450	\$ 735,384	\$ 802,538	\$ 951,022	\$ 975,980	\$ 971,923	\$ 1,075,810	\$ 958,435	\$ 864,072	\$ 782,873	\$ 10,062,758
2 True-Up Provision	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Clause Revenues Applicable to Period (Lines 1 + 2)	<u>732,742</u>	<u>693,930</u>	<u>720,450</u>	<u>735,384</u>	<u>802,538</u>	<u>951,022</u>	<u>975,980</u>	<u>971,923</u>	<u>1,075,810</u>	<u>958,435</u>	<u>864,072</u>	<u>782,873</u>	<u>10,062,758</u>
4 Jurisdictional Rev. Req. (Form 3A and Form 7A)													
a Overhead Handing Distribution	679,074	116,193	153,632	236,804	253,386	319,310	284,147	258,670	1,879,113	(159,442)	188,728	500,199	4,789,813
b Overhead Handing Transmission	425,630	34,666	49,804	40,208	37,235	63,956	105,090	203,748	125,231	171,705	179,716	419,722	1,856,710
c Undergrounding	0	0	0	0	0	0	0	0	0	0	0	0	0
d Vegetation Management	0	0	0	0	0	0	0	0	0	0	0	0	0
e Legal, Accounting, and Administrative (O&M only)	0	0	0	0	0	0	0	0	0	0	0	0	0
f Total Jurisdictional Revenue Requirements	<u>1,104,703</u>	<u>150,859</u>	<u>203,436</u>	<u>277,009</u>	<u>290,620</u>	<u>383,266</u>	<u>389,237</u>	<u>462,418</u>	<u>2,004,343</u>	<u>12,263</u>	<u>368,444</u>	<u>979,920</u>	<u>6,626,523</u>
5 Over(Under) Recovery (Line 3 - Line 4f)	(371,962)	543,071	517,014	458,374	511,918	567,754	586,742	509,505	(928,733)	944,171	295,628	(197,248)	3,436,236
6 Interest Provision (Form 3A Line 10)	(17)	(9)	34	73	70	97	151	153	143	172	279	263	1,429
7 Beginning Balance True-Up & Interest Provision	0	(371,979)	171,083	668,131	1,146,578	1,658,587	2,226,418	2,813,311	3,322,969	2,394,379	3,338,722	3,634,629	0
a Deferred True-Up from January to December 2020	0	0	0	0	0	0	0	0	0	0	0	0	0
8 True-Up Collected (Refunded) (see Line 2)	0	0	0	0	0	0	0	0	0	0	0	0	0
9 End of Period Total True-Up (Lines 5+6+7+8)	<u>(371,979)</u>	<u>171,083</u>	<u>688,131</u>	<u>1,146,578</u>	<u>1,658,587</u>	<u>2,226,418</u>	<u>2,813,311</u>	<u>3,322,969</u>	<u>2,394,379</u>	<u>3,338,722</u>	<u>3,634,629</u>	<u>3,437,665</u>	<u>3,437,665</u>
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)	<u>\$ (371,979)</u>	<u>\$ 171,083</u>	<u>\$ 688,131</u>	<u>\$ 1,146,578</u>	<u>\$ 1,658,587</u>	<u>\$ 2,226,418</u>	<u>\$ 2,813,311</u>	<u>\$ 3,322,969</u>	<u>\$ 2,394,379</u>	<u>\$ 3,338,722</u>	<u>\$ 3,634,629</u>	<u>\$ 3,437,665</u>	<u>\$ 3,437,665</u>

Exhibit 1 (cont'd)

Duke Energy Florida
Storm Protection Plan Cost Recovery Clause
Actual True-Up
Current Period: January through December 2021
Calculation of Interest Provision for True-Up Amount
(in Dollars)

Docket No 20220010-EI
 Duke Energy Florida, LLC
 Witness: C.A. Monendez
 Est. No. __ (CAM-1)
 Form 3A
 Page 3 of 45

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 Beginning True-Up Amount (Form 2A, Line 7+7a+10)	\$.	\$ (371,979)	\$ 171,083	\$ 688,131	\$ 1,148,578	\$ 1,658,567	\$ 2,226,418	\$ 2,813,311	\$ 3,322,969	\$ 2,394,379	\$ 3,338,722	\$ 3,634,629	
2 Ending True-Up Amount Before Interest	(371,982)	171,092	688,097	1,148,505	1,658,498	2,226,321	2,813,180	3,322,816	2,394,236	3,338,550	3,634,350	3,437,381	
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	(371,982)	(200,887)	859,180	1,834,636	2,805,074	3,884,888	5,039,578	6,136,127	5,717,205	5,732,929	6,973,072	7,072,010	
4 Average True-Up Amount (Line 3 x 1/2)	(185,991)	(100,444)	429,590	917,318	1,402,537	1,942,444	2,519,789	3,068,064	2,858,603	2,866,465	3,486,536	3,536,005	
5 Interest Rate (First Day of Reporting Business Month)	0.10%	0.12%	0.09%	0.11%	0.07%	0.04%	0.08%	0.06%	0.06%	0.07%	0.08%	0.11%	
6 Interest Rate (First Day of Subsequent Business Month)	0.12%	0.09%	0.11%	0.07%	0.04%	0.08%	0.06%	0.06%	0.07%	0.08%	0.11%	0.08%	
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.22%	0.21%	0.20%	0.18%	0.11%	0.12%	0.14%	0.12%	0.13%	0.15%	0.19%	0.19%	
8 Average Interest Rate (Line 7 x 1/2)	0.110%	0.105%	0.100%	0.090%	0.055%	0.060%	0.070%	0.060%	0.065%	0.075%	0.095%	0.095%	
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.009%	0.009%	0.008%	0.008%	0.005%	0.005%	0.006%	0.005%	0.005%	0.006%	0.008%	0.008%	
10 Interest Provision for the Month (Line 4 x Line 9)	\$ (17)	\$ (9)	\$ 34	\$ 73	\$ 70	\$ 97	\$ 151	\$ 153	\$ 143	\$ 172	\$ 279	\$ 283	\$ 1,429