

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: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3d: Environmental Cost Recovery Clause
Audit Control No.: 2023-019-2-1

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
Tallahassee District Office

Auditor's Report

Duke Energy Florida, LLC
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230007-EI
Audit Control No. 2023-019-2-1
July 26, 2023

A handwritten signature in black ink, appearing to read "Tomer".

Tomer Kopelovich
Audit Manager

A handwritten signature in black ink, appearing to read "V. Hymavathi".

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 Duke Energy Florida, LLC in support of its 2022 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 Duke Energy Florida, LLC.

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 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 determine whether 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) Project No. 6 Phase II Cooling Water Intake 316(b) – Base
- 2) Project No. 6.1 Phase II Colling Water Intake 316(b) – Base – Bartow

Procedures: We reviewed capital investment invoices for Project No. 6 Phase II. We determined whether additions had appropriate supporting documentation and were recorded to the correct project and in the correct amount. We also determined whether items that were replaced had a corresponding retirement. We compared the general ledger to Form 42-8A. Project No. 6.1 did not have activities associated with it during 2022. 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 to determine 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 customers' bills to test. Testing was performed by rate class in the Fuel and Purchased Power Cost Recovery Clause Audit (ACN 2023-010-2-1), 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 were supported by adequate documentation and that the expenses were appropriately recoverable through the ECRC.

Procedures: We traced expenses in the filing to the general ledger. For those projects which had expenses, all Operation and Maintenance expenses were tested. The source documentation for 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 a sample of depreciation expense and traced them to the Utility's Depreciation Schedule and reconciled them to the filing. We also traced the depreciation rates from the Commission Order for the last Depreciation Study, Order No. PSC-2021-0202-AS-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, and 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 verified the wholesale portion of SO₂ Allowances. 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

None

Exhibits

Exhibit 1: True-Up

DUKE ENERGY FLORIDA, LLC
Environmental Cost Recovery Clause
Final True-Up
January 2022 - December 2022
End-of-Period True-Up Amount
(in Dollars)

Form 42-2A

Docket No. 20230007-EI
Duke Energy Florida
Witness: G. P. Dean
Exh. No. ___ (GPD-1)
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Line	Description	Actual Jan-22	Actual Feb-22	Actual Mar-22	Actual Apr-22	Actual May-22	Actual Jun-22	Actual Jul-22	Actual Aug-22	Actual Sep-22	Actual Oct-22	Actual Nov-22	Actual Dec-22	End of Period Total
1	ECRC Revenues (net of Revenue Taxes)	\$849,098	\$788,076	\$823,978	\$782,706	\$879,649	\$1,045,131	\$1,100,563	\$1,139,609	\$1,079,107	\$860,774	\$742,719	\$808,043	10,899,452
2	True-Up Provision (Order No. PSC-2021-0426-FOF-EI)	1,828,238	\$152,353	\$152,353	\$152,353	\$152,353	\$152,353	\$152,353	\$152,353	\$152,353	\$152,353	\$152,353	\$152,353	1,828,238
3	ECRC Revenues Applicable to Period (Lines 1 + 2)	\$1,001,451	940,429	976,331	935,059	1,032,002	1,197,484	1,252,916	1,291,962	1,231,460	1,013,127	895,072	960,396	12,727,690
4	Jurisdictional ECRC Costs													
a.	O & M Activities (Form 42-5A, Line 9)	\$334,762	\$787,356	\$209,195	\$945,526	\$620,201	\$372,497	\$691,125	\$465,605	\$586,204	\$493,435	\$1,186,406	\$462,531	\$7,154,843
b.	Capital Investment Projects (Form 42-7A, Line 9)	307,930	309,840	310,575	348,335	344,673	342,964	342,427	348,414	348,926	349,450	350,219	352,220	4,055,973
c.	Other (A)	0	0	0	0	0	0	0	0	0	0	0	0	0
d.	Total Jurisdictional ECRC Costs	\$642,692	\$1,097,196	\$519,770	\$1,293,861	\$964,874	\$715,461	\$1,033,552	\$814,019	\$935,130	\$842,885	\$1,536,625	\$814,751	\$11,210,816
5	Over/(Under) Recovery (Line 3 - Line 4d)	\$358,759	(\$156,766)	\$456,560	(\$358,802)	\$67,129	\$482,023	\$219,364	\$477,942	\$296,331	\$170,242	(\$641,553)	\$145,645	\$1,516,874
6	Interest Provision (Form 42-3A, Line 10)	214	372	698	1,156	1,502	2,459	3,893	4,876	6,268	7,609	7,382	6,993	43,422
7	Beginning Balance True-Up & Interest Provision	1,828,238	2,034,857	1,726,110	2,031,015	1,521,016	1,437,293	1,769,422	1,840,326	2,170,791	2,321,037	2,346,535	1,560,011	1,828,238
a.	Deferred True-Up - January 2021 - December 2021 (2021 TU filing dated April 1, 2022)	447,153	447,153	447,153	447,153	447,153	447,153	447,153	447,153	447,153	447,153	447,153	447,153	447,153
8	True-Up Collected/(Refunded) (see Line 2)	(152,353)	(152,353)	(152,353)	(152,353)	(152,353)	(152,353)	(152,353)	(152,353)	(152,353)	(152,353)	(152,353)	(152,353)	(1,828,238)
9	End of Period Total True-Up (Lines 5+6+7+8)	\$2,482,011	\$2,173,263	\$2,478,168	\$1,968,169	\$1,884,446	\$2,216,576	\$2,287,480	\$2,617,945	\$2,768,190	\$2,793,688	\$2,007,164	\$2,007,449	\$2,007,449
10	Adjustments to Period Total True-Up Including Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
11	End of Period Total True-Up Over/(Under) (Lines 9 + 10)	\$2,482,011	\$2,173,263	\$2,478,168	\$1,968,169	\$1,884,446	\$2,216,576	2,287,480	\$2,617,945	\$2,768,190	\$2,793,688	\$2,007,164	\$2,007,449	\$2,007,449

Notes:
(A) N/A