

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: June 28, 2024

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Donna Brown, Bureau Chief, Office of Auditing & Performance Analysis *DB*

RE: Docket No.: 20240010-EI
Company Name: Duke Energy Florida
Company Code: EI801
Audit Purpose: A3g: Storm Protection Plan Cost Recovery Clause
Audit Control No.: 2024-004-1-1

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 & Performance Analysis

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Duke Energy Florida, LLC
Storm Protection Plan Cost Recovery Clause

Twelve Months Ended December 31, 2023

Docket No. 20240010-EI
Audit Control No. 2024-004-1-1

June 25, 2024

A handwritten signature in cursive script, appearing to read "Tony Nguyen".

Tony Nguyen
Audit Manager

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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 December 20, 2023. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, LLC in support of its filing for Storm Protection Plan Cost Recovery in Docket No. 20240010-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 the Storm Protection Plan Cost Recovery Clause.

SPP refers to the Storm Protection Plan.

Objectives: The objectives were to reconcile the Implementation SPPCRC Overhead Hardening Operation and Maintenance Expenses to the general ledger, and to review a statistical or judgmental sample of expenses.

Procedures: We reconciled the operation and maintenance (O&M) expenses to the general ledger. We statistically sampled invoices and supporting documentation for SPP Operation and Maintenance expenses. We tested for proper account, proper amount, proper period, and proper project. No exceptions were noted.

Capital Investments

Objectives: The objectives were to audit the following capital investments: Feeder Hardening Program, Distribution Lateral Undergrounding Program, and 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 calculation 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: Audit staff reconciled the capital investments to the Utility's general ledger. We verified that the most recent Commission-approved depreciation and amortization periods were used in calculating depreciation expense. We statistically sampled the SPPCRC program-related additions, retirements, and adjustments for the period January 1, 2023, through December 31, 2023, by reviewing invoices and documentation for the Feeder Hardening Program, the Distribution Lateral Undergrounding Program, and Transmission Pole Replacement. Sample size was reduced after utility request. In addition, there were no depreciation savings for retired assets 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 January 1, 2023, through December 31, 2023.

Procedure: 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 statistically sampled the operation and maintenance expenses of the projects listed on Form 5A 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

Objective: 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, 2023, using the Financial Commercial Paper rates and 2023 revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

Duke Energy Florida
Storm Protection Plan Cost Recovery Clause
True-Up Filing
Actual Period: January through December 2023

Docket No. 20240010-EI
Duke Energy Florida, LLC
Witness: C.A. Menendez
Exh. No. (CAM-1)
Form 2A
Page 2 of 149

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)	\$ 10,657,670	\$ 8,891,616	\$ 10,106,010	\$ 10,525,769	\$ 10,810,894	\$ 12,795,653	\$ 14,065,542	\$ 14,816,003	\$ 14,472,004	\$ 11,838,153	\$ 9,480,208	\$ 9,554,999	\$ 138,108,830
2. True-Up Provision	634,712	634,712	634,712	634,712	634,712	634,712	634,712	634,712	634,712	634,712	634,712	634,712	7,616,544
3. Clause Revenues Applicable to Period (Lines 1 + 2)	11,292,382	9,526,328	10,740,722	11,160,481	11,445,606	13,430,365	14,700,254	15,450,715	15,106,716	12,472,865	10,114,920	10,189,711	145,725,374
4. Jurisdictional Rev. Req. (Form 5A and Form 7A)													
a. Overhead Hardening Distribution	3,248,273	2,312,843	4,318,810	2,294,969	2,853,122	3,575,537	3,988,478	4,218,486	4,022,386	6,001,070	851,250	3,356,392	41,911,613
b. Overhead Hardening Transmission	1,107,228	1,221,972	1,331,045	1,290,333	1,421,849	1,373,350	1,457,880	1,659,293	1,658,861	1,807,141	1,751,473	1,890,049	17,998,614
c. Undergrounding	423,894	482,553	898,021	309,600	721,897	757,598	788,260	771,389	808,101	834,320	934,143	890,886	8,818,613
d. Vegetation Management	4,382,798	4,778,844	5,597,724	4,615,521	5,295,221	4,731,586	4,354,970	4,578,045	3,069,548	4,803,632	5,450,839	3,733,033	55,381,761
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	9,142,203	8,796,212	12,131,600	8,480,432	10,282,089	10,441,052	10,589,889	11,227,214	10,468,897	13,446,163	8,687,795	9,878,340	123,890,602
5. Over(Under) Recovery (Line 3 - Line 4f)	2,150,179	730,116	(1,390,878)	2,671,068	1,153,517	2,992,302	4,100,568	4,223,502	4,637,909	(973,298)	1,136,216	311,371	21,832,772
6. Interest Provision (Form 3A Line 10)	71,393	77,073	75,731	70,116	87,167	94,505	109,605	128,339	145,842	151,493	149,369	150,428	1,320,068
7. Beginning Balance True-Up & Interest Provision	7,616,544	9,203,409	9,375,886	7,516,027	9,631,502	10,237,473	12,689,769	16,265,230	19,952,358	24,131,397	22,674,880	23,325,753	7,616,544
a. Deferred True-Up from January to December 2023	10,715,993	10,715,993	10,715,993	10,715,993	10,715,993	10,715,993	10,715,993	10,715,993	10,715,993	10,715,993	10,715,993	10,715,993	10,715,993
8. True-Up Collected/(Refunded) (see Line 2)	(634,712)	(634,712)	(634,712)	(634,712)	(634,712)	(634,712)	(634,712)	(634,712)	(634,712)	(634,712)	(634,712)	(634,712)	(7,616,544)
9. End of Period Total True-Up (Lines 5+6+7+8)	19,919,402	20,091,880	18,232,021	20,347,495	20,953,467	23,405,762	26,981,223	30,868,351	34,847,391	33,390,873	34,041,746	33,868,834	33,868,834
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)	\$ 19,919,402	\$ 20,091,880	\$ 18,232,021	\$ 20,347,495	\$ 20,953,467	\$ 23,405,762	\$ 26,981,223	\$ 30,868,351	\$ 34,847,391	\$ 33,390,873	\$ 34,041,746	\$ 33,868,834	\$ 33,868,834

Exhibit 2: Interest Provision

Duke Energy Florida
Storm Protection Plan Cost Recovery Clause
True-Up Filing
Actual Period: January through December 2023
Calculation of Interest Provision for True-Up Amount
(in Dollars)

Docket No. 20240010-EI
 Duke Energy Florida, LLC
 Witness: C.A. Menendez
 Exh. No. (CAM-1)
 Form 3A
 Page 3 of 140

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)	\$ 18,332,638	\$ 19,919,403	\$ 20,091,880	\$ 18,232,021	\$ 20,347,496	\$ 20,953,467	\$ 23,405,763	\$ 26,981,223	\$ 30,663,352	\$ 34,947,391	\$ 33,390,874	\$ 34,041,747	
2. Ending True-Up Amount Before Interest	19,848,005	20,014,807	18,156,290	20,268,377	20,866,300	23,311,258	26,871,618	30,570,013	34,701,549	33,239,381	33,892,378	33,718,409	
3. Total of Beginning & Ending True-Up (Lines 1 + 2)	38,180,643	39,934,210	38,248,170	38,500,398	41,213,796	44,264,725	50,277,381	57,551,236	65,369,900	68,086,771	67,283,251	67,760,153	
4. Average True-Up Amount (Line 3 x 1/2)	19,090,322	19,967,105	19,124,085	19,250,199	20,606,898	22,132,363	25,138,691	28,775,618	32,684,950	34,043,386	33,641,626	33,880,077	
5. Interest Rate (First Day of Reporting Business Month)	4.37%	4.61%	4.66%	4.85%	5.02%	5.14%	5.11%	5.35%	5.35%	5.36%	5.32%	5.33%	
6. Interest Rate (First Day of Subsequent Business Month)	4.61%	4.66%	4.85%	5.02%	5.14%	5.11%	5.35%	5.35%	5.36%	5.32%	5.33%	5.32%	
7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)	8.98%	9.27%	9.51%	9.87%	10.16%	10.25%	10.46%	10.70%	10.71%	10.68%	10.65%	10.65%	
8. Average Interest Rate (Line 7 x 1/2)	4.490%	4.635%	4.755%	4.935%	5.080%	5.125%	5.230%	5.350%	5.350%	5.340%	5.325%	5.325%	
9. Monthly Average Interest Rate (Line 8 x 1/12)	0.374%	0.386%	0.396%	0.411%	0.423%	0.427%	0.438%	0.446%	0.448%	0.445%	0.444%	0.444%	
10. Interest Provision for the Month (Line 4 x Line 9)	\$ 71,398	\$ 77,073	\$ 75,731	\$ 79,118	\$ 87,167	\$ 94,605	\$ 109,605	\$ 128,339	\$ 148,942	\$ 151,493	\$ 149,369	\$ 150,428	\$ 1,320,068

OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
 BUREAU OF AUDITING
 AUDIT FILE SCANNING, NAMING, AND STORAGE PROCEDURES

Duke Energy Florida, LLC
Storm Protection Plan Cost Recovery Clause
Docket No.: 20240010-EI; ACN: 2024-004-1-1

VERIFICATION OF SCANNING PROCESS

Segment / Section Reference	Paper Page Count	Scanned Page Count	Verification Comments	Initials
Cover Page, Tick Mark Page, and Index	3	3		DB
WP 1, 2, 4, and 5 Series	99	99		DB
WP 6 and 7 Series	10	10		DB
WP 10 and 11 Series	24	24		DB
WP 12 and 14 Series	5	5		DB
WP 16 and 25 Series	35	35		DB
WP 40 and 41 Series	22	22		DB
WP 42, 43, and 51 Series	16	16		DB
Total	214	214		DB
Reviewer's Initials	DB	DB		DB