

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: October 1, 2024

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

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

RE: Docket No.: 20240007-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3d: Environmental Cost Recovery Clause (ECRC)
Audit Control No.: 2024-031-1-2

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 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
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2023

Docket No. 20240007-EI
Audit Control No. 2024-031-1-2
September 23, 2024

A handwritten signature in cursive script, appearing to read "Tony", positioned above a horizontal line.

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 Division of Engineering in its audit service request dated January 31, 2024. 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 2023 filing for the Environmental Cost Recovery Clause in Docket No. 20240007-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the 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 2023 revenues and expenses to 2022. 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

Objectives: The objective was to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2023, through December 31, 2023, and to verify that any project involving the replacement or retirement of an existing plant asset is retired at the book cost in accordance with Rule 25-6.0142(4)(b), Florida Administrative Code (F.A.C.).

Procedure: We reconciled Plant in Service to the general ledger for each capital project listed on the 2023 Form 42-8A. The Utility does not provide project-level break outs of accumulated depreciation in the general ledger. We statistically selected a sample of the additions to the capital projects. We verified that additions had appropriate supporting documentation and were recorded to the correct project and account. The Utility does not have a Project 19 Reclaimed Water Interconnection in their filing or general ledger. No exceptions were noted.

Construction Work in Progress

Objective: The objectives were to verify net investments associated with the following capital projects:

- 1) Project 6 Phase II Cooling Water Intake 316(b) – Base
- 2) Project 6.1 Phase II Cooling Water Intake 316(b) - Base – Bartow
- 3) Project 19 Reclaimed Water Interconnection - Peaking

Procedures: We reconciled Construction Work in Progress (CWIP) Non-Interest Bearing amounts to the general ledger. We verified that additions had appropriate supporting documentation and were recorded to the correct project and account. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2023, through December 31, 2023, and determine whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2023 filing to the Utility's monthly Environmental Revenue Reports. We computed the factors by rate code and compared them to Commission Order No. PSC-2022-0424-FOF-EI. We statistically selected and tested a sample of residential and commercial bills. 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 was 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. We statistically selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expenses were for the current period, charged to the correct accounts, and appropriately recoverable through the ECRC. 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 depreciation expense and traced it to the Utility's Depreciation Schedule. We traced total year depreciation expense for each capital project listed on Form 42-8A to 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. The Utility does not provide project-level break outs of depreciation and amortization to the general ledger or the filing. No exceptions were noted.

Other Issues

SO₂ Allowances

Objectives: The objectives were to verify investments, inventory, expensed amounts, allowance auction proceeds and to verify amounts included in Working Capital, Form 42-8A.

Procedures: We traced 2023 consumption for SO₂ Allowances from the Utility's detailed Allowances Reports to the Total Emissions Schedule on Form 42-5E. We verified the single sale of NO_x Allowance to Reedy Creek Improvement District. We traced the jurisdictional factors to Order No. PSC PSC-2022-0424-FOF-EI. 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, 2022, True-Up Provision to Commission Order No. PSC-2022-0424-FOF-EI. We recalculated the True-Up and Interest Provision amounts as of December 31, 2023, using the Commission-approved beginning balance as of December 31, 2022, the Financial Commercial Paper rates, and the 2023 ECRC revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: None

Exhibit

Exhibit 1: True Up

DUKE ENERGY FLORIDA, LLC
Environmental Cost Recovery Clause
Final True-Up
January 2023 - December 2023
End-of-Period True-Up Amount
(in Dollars)

Form 42-2A

Docket No. 20240007-E1
Duke Energy Florida
Witness: G. P. Deane
ExA No. (GPO-3)
Page 3 of 28

Line	Description	Actual Jan-23	Actual Feb-23	Actual Mar-23	Actual Apr-23	Actual May-23	Actual Jun-23	Actual Jul-23	Actual Aug-23	Actual Sep-23	Actual Oct-23	Actual Nov-23	Actual Dec-23	End of Period Total
1	ECRC Revenues (net of Revenue Taxes)	5649,956	5543,425	5629,244	5650,637	5665,437	5802,272	5869,737	5911,095	5900,427	5736,234	5594,425	5587,899	8,540,790
2	True-Up Provision (Order No. PSC-2022-0424-FOF-E1)	141,501	141,501	141,501	141,501	141,501	141,501	141,501	141,501	141,501	141,501	141,501	141,501	1,698,006
3	ECRC Revenues Applicable to Period (Lines 1 + 2)	5791,456	5684,926	5770,745	5792,137	5806,938	5943,773	6,011,237	6,052,596	6,041,927	5877,735	5735,925	5729,399	10,238,796
4	Jurisdictional ECRC Costs													
a.	O & M Activities (Form 42-5A, Line 5)	(536,374)	(5154,256)	(51,392,207)	(51,138,103)	(588,324)	(5717,839)	(53,246,211)	(5853,929)	(5746,733)	(529,882)	(5669,994)	(5348,536)	(57,289,876)
b.	Capital Investment Projects (Form 42-7A, Line 9)	379,154	378,773	376,342	373,884	374,249	373,407	371,114	371,449	373,949	377,225	375,421	377,710	4,502,677
c.	Other (A)	0	0	0	0	0	0	0	0	0	0	0	0	0
d.	Total Jurisdictional ECRC Costs	(5342,780)	(5533,029)	(51,768,549)	(51,511,987)	(5462,573)	(51,091,246)	(51,617,325)	(51,225,378)	(51,120,682)	(5347,943)	(51,045,415)	(5726,246)	(511,792,553)
5	Over/(Under) Recovery (Line 3 - Line 4d)	5448,676	5151,897	(5997,804)	(5719,849)	5344,365	(5147,474)	(5606,087)	(5172,782)	(578,755)	5530,392	(5309,489)	53,153	(51,553,757)
6	Interest Provision (Form 42-3A, Line 10)	8,082	8,986	7,019	3,202	1,917	1,759	(456)	(2,836)	(4,041)	(3,675)	(3,821)	(5,146)	10,990
7	Beginning Balance True-Up & Interest Provision	1,698,006	2,013,264	2,032,647	900,361	42,213	246,995	(40,220)	(788,264)	(1,105,383)	(1,329,680)	(944,463)	(1,399,274)	1,698,006
a.	Deferred True-Up - January 2022 - December 2022 (2022 TU filing dated March 31, 2023)	309,443	309,443	309,443	309,443	309,443	309,443	309,443	309,443	309,443	309,443	309,443	309,443	309,443
8	True-Up Collected/(Refunded) (see Line 2)	(141,501)	(141,501)	(141,501)	(141,501)	(141,501)	(141,501)	(141,501)	(141,501)	(141,501)	(141,501)	(141,501)	(141,501)	(1,698,006)
9	End of Period Total True-Up (Lines 5+6+7+8)	52,322,707	52,342,090	51,209,804	5351,657	5556,438	5269,223	(5478,821)	(5795,940)	(51,020,237)	(5635,020)	(51,089,831)	(51,233,324)	(51,233,324)
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)	52,322,707	52,342,090	51,209,804	5351,657	5556,438	5269,223	(478,821)	(5795,940)	(51,020,237)	(5635,020)	(51,089,831)	(51,233,324)	(51,233,324)

Notes:
(A) N/A

Exhibit 2: Interest Provision

DUKE ENERGY FLORIDA, LLC
Environmental Cost Recovery Clause
Final True-Up
January 2023 - December 2023

Form 42-3A

Docket No. 20240007-EI
Duke Energy Florida
Witness: C. P. Dunn
Exh. No. (CPO-1)
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Interest Provision
(in Dollars)

Line	Description	Actual Jan-23	Actual Feb-23	Actual Mar-23	Actual Apr-23	Actual May-23	Actual Jun-23	Actual Jul-23	Actual Aug-23	Actual Sep-23	Actual Oct-23	Actual Nov-23	Actual Dec-23	End of Period Total
1	Beginning True-Up Amount (Form 42-2A, Line 7 + 7a + 10)	\$2,007,449	\$2,322,707	\$2,342,090	\$1,209,804	\$351,657	\$556,438	\$269,223	(\$478,821)	(\$795,940)	(\$1,020,237)	(\$635,020)	(\$1,089,831)	
2	Ending True-Up Amount Before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	2,314,625	2,333,104	1,202,785	348,455	594,521	267,464	(478,365)	(793,104)	(1,016,196)	(631,345)	(1,086,010)	(1,228,178)	
3	Total of Beginning & Ending True-Up (Lines 1 + 2)	4,322,075	4,655,811	3,544,875	1,558,259	906,177	829,901	(209,143)	(1,271,925)	(1,812,136)	(1,651,582)	(1,721,030)	(2,318,009)	
4	Average True-Up Amount (Line 3 x 1/2)	2,161,038	2,327,906	1,772,438	779,130	459,089	411,951	(104,572)	(635,963)	(906,068)	(825,791)	(860,515)	(1,159,005)	
5	Interest Rate (First Business Day of Current 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%	5.33%
6	Interest Rate (First Business Day of Subsequent 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%	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%	5.355%	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%	0.436%	0.446%	0.446%	0.445%	0.444%	0.444%	
10	Interest Provision for the Month (Line 4 x Line 9)	\$8,082	\$8,986	\$7,019	\$3,202	\$1,917	\$1,759	(\$456)	(\$2,836)	(\$4,041)	(\$3,675)	(\$3,821)	(\$5,146)	\$10,990