

State of Florida



**Public Service Commission**

Office of Auditing and Performance Analysis  
Bureau of Auditing  
Tampa District Office

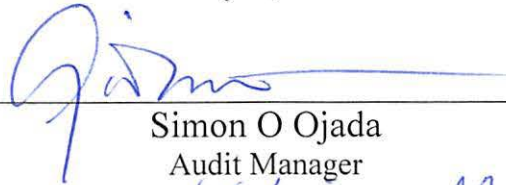
**Auditor's Report**

Duke Energy Florida, Inc.  
Capacity Cost Recovery Clause

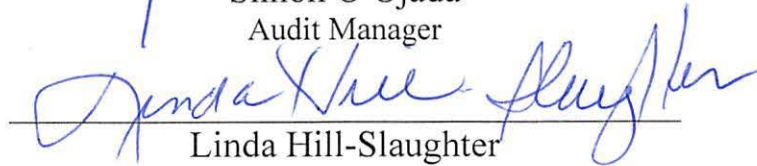
**Twelve Months Ended December 31, 2013**

Docket No. 140001-EI  
Audit Control No. 14-027-2-3

**May 5, 2014**



Simon O Ojada  
Audit Manager



Linda Hill-Slaughter  
Reviewer

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## Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting and Finance in its audit service request dated January 27, 2014. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Duke Energy Florida, Inc. in support of its 2013 filing for the Capacity Cost Recovery Clause in Docket No. 140001-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Utility refers to Duke Energy Florida, Inc.  
CCRC refers to the Capacity Cost Recovery Clause.

### **Revenues**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2013, through December 31, 2013 and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

**Procedures:** We reconciled the 2013 filing to the Utility's monthly CCRC Revenue Reports. We recalculated the 2013 capacity revenues for the months of January through December by multiplying KWH sales by the CCRC recovery factors. A sample of residential and commercial customers' bills were recalculated to verify the use of the correct tariff CCRC rates in the Utility's Environmental Cost Recovery Clause proceeding, Docket 140007-EI. No exceptions were noted.

#### Transmission Revenues

**Objective:** The objective was to determine whether Transmission Revenues derived from the non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC per Commission Order No. PSC-99-2512-FOF-EI.

**Procedure:** We traced the wholesale Transmission Revenues that are derived from the non-separated, non-energy broker network, from the Utility's books to the CCRC filing. No exceptions were noted.

### **Expense**

#### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expense invoices for testing for the months of February, April, June, and August 2013. The source documentation for selected items was reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

### Purchase Power Contracts

**Objective:** The objective was to determine whether the invoices for the capacity purchase amounts are in accordance with the terms and conditions of the contract.

**Procedures:** We reviewed the Metro-Dade County, Orange Cogen, and Orange Cogen Limited purchased power contracts that were in effect during 2013. We traced the purchase power contract rates and terms between the Utility and the qualifying facilities to the capacity payment calculations for February, April, June, and October 2013. No exceptions were noted.

### **True-Up**

**Objective:** The objective was to determine if the True-Up and Interest Provision as filed on Form WG-2T was properly calculated.

**Procedures:** We traced the December 31, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Financial Commercial Paper rates and the 2013 CCRC revenues and costs. No exceptions were noted.

### **Analytical Procedures**

**Objective:** The objective was to perform an analytical review of the Utility's CCRC revenues and expenses to determine if there were any material changes or inconsistencies from prior years.

**Procedures:** We compared 2013 to 2012 and 2011 revenues and expenses. We requested explanations from the Utility for significant variances. Further follow-up was not required.

## Audit Findings

**None**

# Exhibit

## Exhibit 1: True-Up

Docket No. 140001-EI  
 Witness: Foster  
 Exhibit No. (TGF-21)  
 Sheet 2 of 3

Duke Energy Florida  
 Capacity Cost Recovery Clause  
 Calculation of Actual True-Up  
 January Through December 2013

	ACTUAL JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APR	ACTUAL MAY	ACTUAL JUN	ACTUAL JUL	ACTUAL AUG	ACTUAL SEP	ACTUAL OCT	ACTUAL NOV	ACTUAL DEC	YTD
<b>1 Base Production Level Capacity Charges:</b>													
2 Auburndale Power Partners, L.P. (AUBRDLFC)	824,670	824,670	824,670	824,670	824,670	824,670	824,670	824,670	824,670	824,670	824,670	824,670	9,896,040
3 Auburndale Power Partners, L.P. (AUBSET)	3,611,259	3,611,259	3,611,259	3,611,259	3,611,259	3,611,259	3,611,259	3,611,259	3,611,259	3,611,259	3,611,259	3,611,259	43,335,107
4 Lake County (LAKCOUNT)	773,160	773,160	773,160	773,160	773,160	773,160	773,160	773,160	773,160	773,160	773,160	773,160	9,277,920
5 Lake County Limited (LAKORDER)	3,735,759	3,735,759	3,735,759	3,735,759	3,735,759	3,735,759	3,735,759	3,735,759	3,735,759	3,735,759	0	0	26,150,313
6 Metro-Dade County (METRDADE)	1,402,230	1,402,230	1,402,230	1,402,230	1,402,230	1,402,230	1,402,230	1,402,230	1,402,230	1,402,230	1,402,230	1,402,230	15,424,530
7 Orange Cogen (ORANGECO)	2,957,505	2,957,505	2,957,505	2,957,505	2,957,505	2,957,505	2,957,505	2,957,505	2,957,505	2,957,505	2,957,505	2,864,442	35,397,001
8 Orlando Cogen Limited (ORLACOGL)	2,951,657	2,879,413	2,879,413	2,879,413	2,879,413	2,879,413	2,879,413	2,879,413	2,879,413	2,879,413	2,879,413	2,879,413	34,625,197
9 Pasco County Resource Recovery (PASCOUNT)	1,394,720	1,394,720	1,394,720	1,394,720	1,394,720	1,394,720	1,394,720	1,394,720	1,394,720	1,394,720	1,394,720	1,394,720	16,736,640
10 Pinellas County Resource Recovery (PINCOUNT)	3,320,040	3,320,040	3,320,040	3,320,040	3,320,040	3,320,040	3,320,040	3,320,040	3,320,040	3,320,040	3,320,040	3,320,040	39,840,480
11 Polk Power Partners, L.P. (MULBERRY)	5,708,711	5,708,711	5,708,711	5,708,711	5,708,711	5,708,711	5,708,711	5,708,711	5,708,711	5,708,711	5,708,711	5,708,711	68,504,530
12 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	797,588	800,946	777,222	794,026	799,869	794,685	775,904	766,360	757,005	748,432	747,065	738,019	9,297,120
13 Southern - Scherer	1,716,577	1,716,976	1,717,736	1,740,639	2,398,835	1,599,329	1,719,821	1,719,094	1,719,962	1,719,852	1,719,207	1,718,003	21,206,729
14 Subtotal - Base Level Capacity Charges	29,193,876	29,125,389	29,102,424	29,142,132	29,806,171	29,001,481	29,103,191	29,093,820	21,612,916	25,339,792	25,337,979	23,832,437	329,691,607
15 Base Production Jurisdictional Responsibility	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%
16 Base Level Jurisdictional Capacity Charges	27,116,731	27,053,117	27,031,787	27,068,689	27,685,462	26,938,026	27,032,499	27,023,795	20,075,157	23,536,866	23,535,182	22,136,759	306,234,049
<b>17 Intermediate Production Level Capacity Charges:</b>													
18 Southern - Franklin	3,053,631	3,057,021	3,056,255	3,541,434	3,052,407	2,469,707	3,057,990	3,056,836	3,347,787	2,987,604	3,054,763	3,049,115	36,786,551
19 Schedule H Capacity Sales-NSB	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)	(177,504)
20 Subtotal - Intermediate Level Capacity Charges	3,038,839	3,042,229	3,041,463	3,526,642	3,037,615	2,454,915	3,043,198	3,042,044	3,332,995	2,972,812	3,039,971	3,034,323	36,609,047
21 Intermediate Production Jurisdictional Responsibility	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%
22 Intermediate Level Jurisdictional Capacity Charges	2,209,327	2,211,792	2,211,235	2,563,975	2,208,437	1,784,797	2,212,497	2,213,111	2,423,188	2,181,323	2,210,150	2,206,044	26,615,875
<b>23 Peaking Production Level Capacity Charges:</b>													
24 Chattahoochee Capacity Purchase	12,500	11,290	13,710	12,231	12,769	12,231	12,769	12,231	12,769	12,500	12,097	12,903	150,000
25 Vandolah Capacity - Northern Star	0	0	0	0	0	0	0	0	0	0	0	0	-
26 Reliant - Vandolah Capacity Purchase	2,925,728	2,887,475	1,965,866	1,940,723	2,792,514	5,785,174	5,804,782	5,741,880	2,742,123	1,930,080	2,026,347	2,961,032	39,503,724
27 Shady Hills Power Company LLC	1,965,615	1,973,145	1,406,700	1,363,500	1,908,900	3,840,480	3,855,600	3,855,600	1,799,280	1,352,700	1,352,700	1,954,260	26,628,480
28 Subtotal - Peaking Level Capacity Charges	4,903,844	4,871,910	3,388,276	3,316,454	4,714,183	9,637,884.90	9,673,152	9,609,711	4,554,172	3,295,260	3,391,144	4,928,196	66,282,204
29 Peaking Production Jurisdictional Responsibility	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%
30 Peaking Level Jurisdictional Capacity Charges	4,703,963	4,673,331	3,248,251	3,181,275	4,522,033	9,245,045	9,278,874	9,218,019	4,368,544	3,160,964	3,252,921	4,727,322	63,580,542
<b>31 Other Capacity Charges:</b>													
32 Retail Wheeling	(1,983)	(1,594)	(16,373)	(7,586)	(237)	(344)	(1,284)	0	0	(2,080)	(3,730)	(3,519)	(38,728)
33 Total Other Capacity Charges	(1,983)	(1,594)	(16,373)	(7,586)	(237)	(344)	(1,284)	0	0	(2,080)	(3,730)	(3,519)	(38,728)
34													
35 Subtotal Jurisdictional Capacity Charges (lines 16+22+30+33)	34,028,038	33,936,646	32,474,900	32,806,333	34,415,695	37,967,523	38,522,586	38,454,925	26,866,888	28,857,074	28,994,523	29,066,606	396,391,738
36													
<b>37 Nuclear Cost Recovery Clause Charges:</b>													
38 Levy Costs	8,475,072	11,483,103	8,258,947	8,021,598	8,162,758	8,305,060	8,248,615	8,312,931	8,330,438	8,271,575	8,179,250	8,647,553	102,696,902
39 CR-3 Uprate Costs	3,358,869	3,354,735	3,350,601	3,246,468	3,342,335	3,338,203	3,334,071	3,329,940	3,325,809	3,321,678	3,317,548	3,313,419	40,033,676
40 Total NCR Costs - Order No. PSC-12-0650-FOF-EI	11,833,942	14,837,838	11,609,549	11,368,066	11,505,094	11,643,263	11,582,686	11,642,871	11,656,247	11,593,253	11,496,798	11,960,972	142,730,578
41													
42 Total Jurisdictional Capacity Charges (Lines 35 + 40)	45,861,980	48,774,485	44,084,449	44,174,399	45,920,790	49,610,786	50,105,272	50,097,797	38,523,135	40,450,328	40,491,322	41,027,578	539,122,320
<b>43 Capacity Revenues:</b>													
44 Capacity Cost Recovery Revenues (net of tax)	37,233,908	36,928,525	36,311,578	38,376,446	43,163,088	48,265,348	52,139,032	50,676,040	54,221,432	49,358,824	42,051,129	39,831,029	528,556,379
45 Prior Period True-Up Provision	(873,802)	(873,802)	(873,802)	(873,802)	(873,802)	(873,802)	(873,802)	(873,802)	(873,802)	(873,802)	(873,802)	(873,802)	(10,485,623)
46 Current Period CCR Revenues (net of tax)	36,360,106	36,054,723	35,437,776	37,502,644	42,289,286	47,391,546	51,265,231	49,802,238	53,347,630	48,485,022	41,177,327	38,957,227	518,070,756
47 True-Up Provision - Current Year (Acct 1823203/2543203)	(9,501,873)	(12,719,761)	(8,646,872)	(6,671,755)	(3,631,504)	(2,219,239)	1,159,958	(295,558)	14,824,495	8,034,695	686,005	(2,070,351)	(21,051,564)
48 True-Up Provision - Over/(Under) Recov (line 46-line 42)	(1,425)	(2,785)	(3,569)	(3,599)	(3,341)	(2,887)	(2,870)	(2,805)	(2,398)	(1,427)	(1,522)	(1,512)	(30,138)
49 Interest Provision for the Month	(9,503,298)	(22,225,843)	(30,876,085)	(37,551,438)	(41,186,284)	(43,408,410)	(42,251,322)	(42,549,685)	(27,727,588)	(19,694,320)	(19,009,836)	(21,081,699)	(21,081,702)
50 Total current month over/(under) recovery (Acct 4560097,5572001)	(20,253,873)	(19,380,071)	(18,506,269)	(17,632,467)	(16,758,665)	(15,884,863)	(15,011,062)	(14,137,260)	(13,263,458)	(12,389,656)	(11,515,854)	(10,642,052)	(20,253,873)
51 Prior Year True-Up & Interest Prov. (Begin Bal)-Over/(Under)	873,802	873,802	873,802	873,802	873,802	873,802	873,802	873,802	873,802	873,802	873,802	873,802	10,485,623
52 Prior Year True-Up Collection/(Refunded)	(19,380,071)	(18,506,269)	(17,632,467)	(16,758,665)	(15,884,863)	(15,011,062)	(14,137,260)	(13,263,458)	(12,389,656)	(11,515,854)	(10,642,052)	(9,768,251)	(9,768,250)
53 Prior Year True-Up & Interest Provision End Bal - (DR)/CR													
54													
55 Net Capacity True-up Over/(Under) (lines 50+53)	(\$28,883,389)	(\$40,732,112)	(\$48,508,552)	(\$54,310,104)	(\$57,071,147)	(\$58,419,472)	(\$56,388,582)	(\$55,813,143)	(\$40,117,244)	(\$31,210,174)	(\$29,851,889)	(\$30,849,949)	(\$30,849,951)