

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.  
Environmental Cost Recovery Clause

**Twelve Months Ended December 31, 2013**

Docket No. 140007-EI  
Audit Control No. 14-010-2-1  
**May 9, 2014**

A blue ink signature of Tomer Kopelovich.

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Tomer Kopelovich  
Audit Manager

A blue ink signature of Linda Hill-Slaughter.

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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 Engineering in its audit service request dated January 9, 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 Environmental Cost Recovery Clause in Docket No. 140007-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.

ECRC refers to the Environmental Cost Recovery Clause.

### **Capital Investment**

#### Utility Plant in Service

**Objectives:** The objectives were to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2013, through December 31, 2013.

**Procedure:** We traced Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2013 Form 42-8A. No exceptions were noted.

#### Construction Work in Progress

**Objectives:** The objective were to determine whether net investments associated with the following capital projects and 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 Florida Public Service Commission Rule 25-6.0142(4)(b), F.A.C.:

- 1) Project 7.4 - CAIR/CAMR Crystal River AFUDC – Base
- 2) Project 11.1 - Crystal River Thermal Discharge Compliance Project
- 3) Project 17.1 – MATS Anclote Conversion-Energy

**Procedures:** We judgmentally selected a sample of capital investment invoices equal to or greater than \$15,000 for testing for the month of June 2013 for the three projects listed above. We verified that additions had appropriate supporting documentation and were recorded to the correct project and account. We verified items that were replaced had a corresponding retirement. We compared the ledger to the Depreciation Base and the Non-Interest Bearing amount on Form 42-8A. No exceptions were noted.

## 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.

**Procedures:** We reconciled the 2013 filing to the Utility's monthly ECRC Revenue Reports. We recalculated revenues for the months of January through December by multiplying KWH sales by the ECRC recovery factors. We multiplied ECRC Revenue, including tax, by the Revenue tax ECRC factor. We deducted that amount to arrive at net ECRC Revenues which we compared to ECRC net Revenues reported by the Utility. We selected a random sample of residential and commercial customers' bills for the month of April 2013 and recalculated each 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 was supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses equal to or greater than \$3,000 for testing for the months of April and August 2013. The source documentation for selected items 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 Maintenance Expense

**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 traced total year Depreciation Expense for each capital project listed on Form 42-8A to the general ledger detail. We recalculated 2013 Depreciation Expense on a test basis using the plant balances and depreciation rates per Commission Order No. PSC-10-0131-FOF-EI. No exception were noted.

## **Other Issues**

### SO<sub>2</sub> Allowances

**Objectives:** The objectives were to verify investments, inventory, expensed amounts, and allowance auctions proceeds.

**Procedures:** We traced 2013 consumption for SO<sub>2</sub> allowances from the Utility's detailed allowances reports to the total emission schedule on Form 42-8A. We recalculated amounts included in Working Capital, Form 42-8A page 5. We verified the wholesale portion of the NOx Allowance Expense. 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, 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 ECRC revenues and costs. No exceptions were noted.

### **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 years.

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

Audit Findings

**None**

# Exhibit

## Exhibit 1: True-Up

**DUKE ENERGY FLORIDA**  
**Environmental Cost Recovery Clause (ECRC)**  
**Calculation of the Final True-up Amount**  
**January 2013 through December 2013**

Form 42-2A

DocId: 34000741  
 Duke Energy Florida  
 Witness: T. G. Foster  
 Ex. No. \_\_ (PG. 13)  
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End-of-Period True-Up Amount  
 (in Dollars)

Line	Description	Actual January 13	Actual February 13	Actual March 13	Actual April 13	Actual May 13	Actual June 13	Actual July 13	Actual August 13	Actual September 13	Actual October 13	Actual November 13	Actual December 13	End of Period Total
1	ECRC Revenues (net of Revenue Taxes)	\$12,724,956	\$12,575,407	\$12,399,033	\$13,063,519	\$14,671,872	\$16,250,130	\$17,387,818	\$16,987,695	\$18,077,096	\$16,529,701	\$14,350,802	\$12,782,102	\$177,800,130
2	True-Up Provision (Order No. PSC-12-0613-FOF-EI)	12,944,423	1,078,702	1,078,702	1,078,702	1,078,702	1,078,702	1,078,702	1,078,702	1,078,702	1,078,702	1,078,702	1,078,702	12,944,423
3	ECRC Revenues Applicable to Period (Lines 1 + 2)	\$13,803,658	\$13,654,109	\$13,477,735	\$14,142,221	\$15,750,574	\$17,328,832	\$18,466,519	\$18,066,396	\$19,155,797	\$17,608,403	\$15,429,504	\$13,860,804	\$190,744,553
4	Jurisdictional ECRC Costs													
	a. O & M Activities (Form 42-SA, Line 9)	\$2,304,433	2,229,281	3,703,194	2,949,676	2,724,590	3,366,284	2,711,318	3,517,294	4,066,347	3,260,521	3,104,294	2,430,151	36,367,383
	b. Capital Investment Projects (Form 42-7A, Line 9)	12,976,130	13,905,944	13,898,390	13,890,182	13,876,144	13,866,872	14,081,675	14,320,897	14,287,298	14,260,184	14,253,765	14,567,340	168,186,822
	c. Other													0
	d. Total Jurisdictional ECRC Costs	\$15,280,563	\$16,135,225	\$17,601,584	\$16,839,858	\$16,602,734	\$17,233,156	\$16,792,993	\$17,838,191	\$18,353,645	\$17,520,705	\$17,358,059	\$16,997,491	\$204,554,205
5	Over/(Under) Recovery (Line 3 - Line 4d)	(\$1,476,905)	(2,481,117)	(4,123,849)	(2,697,637)	(852,160)	95,676	1,673,526	228,206	802,152	87,699	(1,928,555)	(3,136,687)	(13,809,652)
6	Interest Provision (Form 42-3A, Line 10) (A)	53,104	533	182	(155)	(304)	(326)	(336)	(342)	(370)	(322)	(502)	(683)	50,479
7	Beginning Balance True-Up & Interest Provision	12,944,423	10,441,920	6,882,634	1,680,265	(2,096,229)	(4,027,395)	(5,010,747)	(4,416,259)	(5,267,097)	(5,544,017)	(6,535,342)	(9,543,100)	12,944,423
	a. Deferred True-Up - January 2012 to December 2012 (Order No. PSC-13-0606-FOF-EI)	(2,001,164)	(2,001,164)	(2,001,164)	(2,001,164)	(2,001,164)	(2,001,164)	(2,001,164)	(2,001,164)	(2,001,164)	(2,001,164)	(2,001,164)	(2,001,164)	(2,001,164)
8	True-Up Collected/(Refunded) (see Line 2)	(1,078,702)	(1,078,702)	(1,078,702)	(1,078,702)	(1,078,702)	(1,078,702)	(1,078,702)	(1,078,702)	(1,078,702)	(1,078,702)	(1,078,702)	(1,078,702)	(12,944,423)
9	End of Period Total True-Up (Lines 5+6+7+8)	\$8,440,756	4,881,470	(320,899)	(4,097,393)	(6,028,559)	(7,011,911)	(6,417,423)	(7,268,261)	(7,545,181)	(8,536,506)	(11,544,264)	(15,760,337)	(15,760,337)
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)	\$8,440,756	\$4,881,470	(\$320,899)	(\$4,097,393)	(\$6,028,559)	(\$7,011,911)	(6,417,423)	(\$7,268,261)	(\$7,545,181)	(\$8,536,506)	(\$11,544,264)	(\$15,760,337)	(\$15,760,337)