

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.  
Nuclear Cost Recovery Clause  
Levy Nuclear Plant Units 1 & 2

**Twelve Months Ended December 31, 2013**

Docket No. 140009-EI  
Audit Control No. 14-007-2-2

**May 12, 2014**

A handwritten signature in cursive script that reads "Ronald Mavrides".

Ronald Mavrides  
Audit Manager

A handwritten signature in cursive script that reads "Linda M. Hill".

Linda M. Hill  
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 Office of Industry Development and Market Analysis in its audit service request dated January 7, 2014. We have applied these procedures to the attached schedule prepared by Duke Energy Florida, Inc. in support of its 2013 Nuclear Cost Recovery Clause for its construction cost expenditures for the Levy Nuclear Plant Units 1 & 2 for project activity in Docket No. 140009-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.

LNP refers to the Levy Nuclear Plant.

NCRC refers to the Nuclear Cost Recovery Clause.

CCRC refers to the Capacity Cost Recovery Clause.

Preconstruction costs are costs that are expended after a site has been selected in preparation for the construction of a nuclear power plant, incurred up to and including the date the Utility completes site clearing work.

Construction costs are costs that are expended to construct the nuclear power plant, but not limited to, the costs of constructing power plant buildings and all associated permanent structures, equipment and systems.

**Objectives:** The objectives were to determine whether the Utility's 2013 NCRC filings in Docket No. 140009-EI are consistent and in compliance with Section 366.93, Florida Statutes, and Rule 25-6.0423, Florida Administrative Code (F.A.C.).

**Procedures:** We performed the following objectives and procedures to satisfy the overall objective identified above.

### **Construction Work In Progress**

**Objectives:** The objectives were to determine whether Construction Costs for the LNP, are properly accounted for and stated as required by Section 366.93, Florida Statutes and Rule 25-6.0423, F.A.C.

**Procedures:** We sorted the construction transactions by generation and transmission costs. We took the beginning balances of the Construction Costs and reconciled them to the ending balances for the prior year's filing. We judgmentally selected construction transactions from the transaction details and tested them for: 1) Compliance with contracts, 2) Correct paid amounts, and 3) Correct recording periods. We reconciled the transaction detail amounts to the filing and the general ledger. No exceptions were noted.

**Objectives:** The objectives were to determine whether Preconstruction Costs for the LNP are properly accounted for and stated as required by Section 366.93, Florida Statutes and Rule 25-6.0423, F.A.C.

**Procedures:** We sorted the Preconstruction Costs transactions by generation and transmission costs. We took the beginning balances of the Preconstruction Costs and reconciled them to the ending balances for the prior year's filing. We selected a sample of preconstruction transactions from the provided transaction details and tested them for: 1) Compliance with contracts, 2) Correct paid amounts, and 3) Correct recording periods. We reconciled the transaction detail amounts to the filing and to the general ledger. No exceptions were noted.

## **Recovery**

**Objectives:** The objectives were to determine whether the Utility used the Commission approved CCRC factors to bill customers for the period January 1, 2013, through December 31, 2013, and whether the 2013 Detail Calculation of the Revenue Requirements reflects amounts in Order No. PSC 09-0837-PAA-EI.

**Procedures:** We agreed the amount collected on the 2013 Detail Calculation of the Revenue Requirements to the 2013 NCRC jurisdictional amount approved in Order No. PSC-09-0837-PAA-EI and to the CCRC in Docket No. 140001-EI. No exceptions were noted.

## **Expense**

### Operation and Maintenance Expense

**Objective:** The objectives were to determine whether Operation and Maintenance (O&M) Expense on Exhibit TGF-2 are supported by adequate source documentation, are appropriately recoverable through the NCRC, and that the Total Jurisdictional O&M Cost is accurately calculated.

**Procedures:** We reconciled the transaction detail listings to the filing. We judgmentally selected costs from the transaction details and reviewed them for the proper period, amounts, and that they are allowable NCRC costs. For costs that are for a service or product that is under contract we: 1) Traced the invoiced cost to the construction contract or other type of original source document, 2) Reconciled the invoice to the contract terms and pricing, 3) Ensured that the amounts billed are for actual services or materials received, and 4) Investigated all prior billing adjustments and job order changes to the contracts. No exceptions were noted.

We selected the months of February, May and October labor costs for sampling and arranged the costs into functional categories. We obtained the costs codes and the burden rates that the Utility used for allocating burden costs for labor and the employee time sheets for employees who provided labor charged to the NCRC during the sample months. We verified the hours worked and recalculated the labor charges recorded by the Utility and recalculated the burden charges charged to the NCRC. No exceptions were noted.

### **Carrying Cost on Deferred Tax Adjustment**

**Objectives:** The objectives were to determine whether the Deferred Tax Adjustment amount and associated carrying costs are appropriately calculated.

**Procedures:** We reviewed documents from the Utility explaining the treatment of the Deferred Tax Adjustment. We determined that the carrying costs associated with the Deferred Tax Adjustment is now being reflected in base rates. No exceptions were noted.

### **Allowance for Funds Used During Construction**

**Objectives:** The objectives were to determine whether the rates used for Allowance for Funds Used During Construction (AFUDC) are correct.

**Procedures:** We reconciled the AFUDC rates to Order No. PSC-10-0604-PAA-EI for the period January 1, 2013, to June 30, 2013. Order No. PSC 13-0493-FOF-EI amended the rates subsequent to July 1, 2013. No exceptions were noted.

### **True-Up**

**Objective:** The objective was to determine whether the True-Up and Interest Provision as filed on Schedule TGF-2 was properly calculated.

**Procedures:** We recalculated the True-Up as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012. We reconciled the Projected and Actual/Estimated amounts to prior NCRC orders. We traced the construction cost to supporting schedules. No exceptions were noted.

Audit Findings

**None**

Exhibit

**Exhibit 1: Summary of Final True-Up**

2013 Summary  
Levy Nuclear Units 1 & 2  
January 2013 - December 2013  
Duke Energy Florida

Witness: Thomas G. Foster  
Docket No. 140009-EI  
Exhibit: (TGF- 2)

		12-Month Total
1.	Final Costs for the Period	
	a. Preconstruction Additions for the Period	\$ 11,107,284
	b. Carrying Costs on Preconstruction Balance	7,189,495
	c. Carrying Costs on Construction Balance	<u>12,404,306</u>
	d. Total Period Revenue Requirement for Preconstruction and Construction	\$ 30,701,085
2.	Allocated or Assigned O&M Amounts	\$ 444,153
3.	Total Revenue Requirement for the Period (Lines 1.d + 2)	<u><u>\$ 31,145,238</u></u>
4.	Projected Amount for the Period (Order No. PSC 12-0650-FOF-EI)	\$ 40,312,451
5.	Final True-up Amount for the Period (over)/under (Line 3 - line 4)	\$ (9,167,213)