

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 8, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160002-EG
Company Name: Duke Energy Florida, Inc.
Company Code: EI801
Audit Purpose: Energy Conservation Cost Recovery Clause
Audit Control No: 16-019-2-2

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 Commission Clerk. There are no confidential work papers associated with this audit.

LMD/cm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



Public Service Commission

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

Auditor's Report

Duke Energy Florida, LLC
Energy Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2015

Docket No. 160002-EG
Audit Control No. 16-019-2-2
May 27, 2016

A blue ink signature of Simon Ojada, written in a cursive style, positioned above a horizontal line.

Simon Ojada
Audit Manager

A black ink signature of Linda Hill, written in a cursive style, positioned above a horizontal line.

Linda 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 objectives set forth by the Division of Economics in its audit service request dated January 19, 2016. 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 2015 filing for the Energy Conservation Cost Recovery Clause in Docket No. 160002-EG.

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

Objectives and Procedures

General

Definitions

Utility refers to Duke Energy Florida, LLC.
ECCR refers to the Energy Conservation Cost Recovery.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify the Utility's ECCR project-related additions, retirements and adjustments for the period January 1, 2015, through December 31, 2015.

Procedures: We obtained the Utility's subsidiary ledger and obtained a sample of ECCR plant balances as of December 31, 2015. We reconciled each to the ECCR 2015 filing. We randomly selected transactions from three Programs: Technology Development, Interruptible Services, and Standby Generation, and traced to the respective invoice and documentation. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECCR Clause.

Procedures: We traced the 2015 filing to the Utility's monthly ECCR Revenue Reports. We recalculated revenues for the months of January through December by multiplying KWH sales by Commission approved ECCR factors. A random sample of residential and commercial customers' bills test was performed by rate class in Docket No. 160007-EI, Audit Control Number 16-028-2-1 to verify that the correct tariff rate was used. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on Schedule CT-3 of the Utility's filing was supported by adequate documentation and that the expenses were appropriately recoverable through the ECCR Clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for each program. The source documentation for selected items was reviewed to ensure the expense was for the correct period, charged to the correct accounts, and appropriately recoverable through the ECCR Clause. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. 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 verified and recalculated Depreciation Expense for the program assets using the approved depreciation rates. No exceptions were noted.

Other

Objective: The objective was to verify the number of program participants reported in the Utility's Florida Energy Efficiency and Conservation Act (FEECA) Filing

Procedures: We requested and verified the number of program participants reported in the Utility's FEECA Filing for the following programs: Neighborhood Energy Saver, Interruptible Service Program, Curtailable Service Program, and Technology Development Program. No exceptions were noted.

True-Up

Objective: The objective was to determine whether the True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the Commission approved beginning balance as of December 31, 2014, the Financial Commercial Paper rates, and the 2015 ECCR revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2015 to 2014 and 2013 revenues and expenses. We requested explanations from the Utility for significant variances. The explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

FPSC Docket No. 160002-EG
Duke Energy Florida, LLC

**Duke Energy Florida, LLC
Energy Conservation Adjustment
True-Up Calculation
For the Period January 2015 - December 2015**

| Line No. | January | February | March | April | May | June | July | August | September | October | November | December | Total for The Period |
|---|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|-------------|----------------------|
| 1 Other Conservation Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 Conservation Clause Revenues | 6,253,625 | 6,326,453 | 6,819,605 | 6,820,652 | 7,323,469 | 8,325,548 | 8,752,884 | 8,789,431 | 8,721,722 | 7,607,970 | 7,817,082 | 6,735,064 | 90,288,006 |
| 3 Total Revenues | 6,253,625 | 6,326,453 | 6,819,605 | 6,820,652 | 7,323,469 | 8,325,548 | 8,752,884 | 8,789,431 | 8,721,722 | 7,607,970 | 7,817,082 | 6,735,064 | 90,288,006 |
| 4 Prior Period True-Up Over/(Under) Recovery | (24,443,628) | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 24,443,628 |
| 5 Conservation Revenues Applicable to Period | 8,290,594 | 8,363,422 | 8,856,574 | 8,857,621 | 9,360,438 | 10,362,517 | 10,789,853 | 10,826,400 | 10,758,191 | 9,644,939 | 9,849,051 | 8,772,033 | 114,731,634 |
| 6 Conservation Expenses (CF-3, Page 3, Line 23) | 7,919,895 | 8,274,237 | 8,908,625 | 7,848,645 | 8,280,231 | 10,171,150 | 9,371,636 | 9,513,421 | 9,093,736 | 8,834,191 | 9,840,976 | 10,398,397 | 108,455,141 |
| 7 True-Up This Period (Over)/Under | (370,699) | (89,185) | 52,051 | (1,008,975) | (1,080,207) | (191,367) | (1,418,217) | (1,312,979) | (1,664,455) | (810,749) | (8,075) | 1,626,364 | (6,276,493) |
| 8 Current Period Interest | (1,968) | (1,726) | (1,484) | (1,139) | (1,149) | (1,188) | (1,157) | (1,278) | (1,339) | (1,312) | (1,234) | (1,863) | (16,835) |
| 9 Audit Adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 True-Up & Interest Provisions Beginning of Period (Over)/Under | (24,443,628) | (22,779,326) | (20,833,264) | (18,745,732) | (17,718,877) | (16,763,264) | (14,918,850) | (14,301,256) | (13,578,543) | (13,207,369) | (11,982,460) | (9,954,800) | (24,443,628) |
| 11 Prior True-Up Refunded/(Collected) | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 2,036,969 | 24,443,628 |
| 12 End of Period Net True-Up | (22,779,326) | (20,833,264) | (18,745,732) | (17,718,877) | (16,763,264) | (14,918,850) | (14,301,255.51) | (13,578,543) | (13,207,369) | (11,982,460) | (9,954,800) | (6,293,328) | (6,293,328) |

** Certain schedules may not foot/crossfoot due to rounding of decimals in files.