

State of Florida



FILED MAY 04, 2017  
DOCUMENT NO. 04643-17  
FPSC - COMMISSION CLERK

## Public Service Commission

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**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** May 4, 2017  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 170001-EI  
Company Name: Duke Energy Florida, LLC  
Company Code: EI801  
Audit Purpose: A3a: Fuel Cost Recovery Clause  
Audit Control No: 17-023-2-1

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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/cmm

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  
Fuel and Purchased Power Cost Recovery Clause

**Twelve Months Ended December 31, 2016**

Docket No. 170001-EI  
Audit Control No. 17-023-2-1  
**April 24, 2017**

A handwritten signature in black ink, appearing to read "Tomer Kopelovich".

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Tomer Kopelovich  
Audit Manager

A handwritten signature in black ink, appearing to read "Linda Hill".

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Linda Hill  
Reviewer

## Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	5
Exhibits	
1: True-Up.....	6

## 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 20, 2017. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, LLC in support of its filing for rate relief in Docket No. 170001-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**

### **General**

#### Definitions

Utility refers to the Duke Energy Florida, LLC.

FAC refers to the Fuel and Purchased Power Cost Recovery Clause.

### **Revenue**

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the 12-month period December 31, 2016, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the FAC.

**Procedures:** We reconciled the fuel revenues reported in the 2016 FAC Filing to the Utility's monthly revenue reports and the general ledger. We recalculated 2016 fuel revenues using the KWH sold in the Utility's monthly revenue reports and the fuel factors authorized in the Utility's last FAC proceeding. A random sampling of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates in the Utility's Environmental Cost Recovery Clause Audit in Docket No. 170007-EI. No exceptions were noted.

### **Expenses**

**Objectives:** The objectives were to review the expenses which the Utility has included in the FAC and determine whether those expenses were properly recoverable as required in Order No. 14546, issued July 8, 1985.

**Procedures:** We reviewed and sampled fuel expenses reported on supporting Schedules A-1 and A-2 and other supporting documentation to determine that the fuel expense included in the FAC Filing complied with the requirements set forth in Order No. 14546. No exceptions were noted.

**Objective:** The objective was to determine whether generation-related gains derived from non-separated wholesale energy sales were credited to the FAC Filing as set forth in Order No. PSC-00-1744-PAA-EI, issued September 26, 2000.

**Procedure:** We calculated generation related gains from FAC Schedule A-6 to ensure the Utility complied with the Commission Order. No exceptions were noted.

**Objective:** The objective was to determine whether energy payments to qualifying facilities in Schedule A-8 are based on the appropriate standard offer or negotiated contract rate.

**Procedures:** We prepared a schedule accumulating total monthly KWH and total monthly fuel purchases for 2016 as reflected on FAC Schedule A-8 – Energy Payments to Qualifying

Facilities. We traced all transactions on Schedule A-8 for the months of April and August to invoices and supporting documentation. No exceptions were noted.

**Objectives:** The objectives were to determine whether the amounts of gas storage expense recovered through the FAC for the gas storage facility for 2016 were calculated correctly and payments were made in accordance with the applicable contracts.

**Procedures:** We prepared a schedule for natural gas transportation and storage expense for 2016. We traced a sample of the transportation and storage expenses in the FAC Filing to supporting invoices and vendor contracts. No exceptions were noted.

## **Inventory**

**Objective:** The objective was to determine whether adjustments made to coal inventory due to the semi-annual coal inventory survey have been recorded as set forth in Order No. PSC-97-0359-FOF-EI, issued March 31, 1997.

**Procedure:** We reviewed all documentation that supports the Utility's aerial survey calculations and recorded adjustments to coal inventory balances to determine compliance with the requirements of Order No.PSC-97-0359-FOF-EI. No exceptions were noted.

## **Other**

**Objectives:** The objectives were to review and verify payments made under the waterborne and rail transportation contracts.

**Procedures:** We reviewed the waterborne and rail coal transportation contracts. We traced the contract rates to our sample of the Utility's coal fuel expense and reconciled the contract rates to the invoices selected in our sample. No exceptions were noted.

**Objective:** The objective was to determine whether vendor rebates and refunds were credited by the Utility to its recoverable fuel costs.

**Procedures:** We obtained a summary of all 2016 refunds and demurrages. We traced all refunds and demurrages to the Fuel Ledger for correct disposition. No exceptions were noted.

**Objectives:** The objectives were to reconcile service hours, reserve shutdown hours, and unavailable hours for the Generating Performance Factor (GPIF) units as shown on the annual GPIF Filing with source documents and trace the differences to source documents.

**Procedures:** We obtained the Actual Unit Performance Data Forms for January – December 2016 from the GPIF Filing. We reconciled service hours, reserve shutdown hours and unavailable hours to the GPIF Filing using the Generating Data System for Bartow, Crystal River 4 and 5, Hines 1, 2, 3, and 4. No exceptions were noted.

**Objective:** The objective was to reconcile the monthly coal and oil purchases reflected on Florida Public Service Commission (FPSC) Form 423 with the Schedule A-5, general ledger, vendor contract and source documentation.

**Procedures:** We reconciled the FPSC Form 423 for 2016 to the supporting Schedule A-5 of the Utility's FAC Filing. We reconciled the volumes, invoice price and transportation charges reflected on Form 423 to the supporting documentation obtained in conjunction with our sample of coal and oil fuel expense. No exceptions were noted.

## **True-Up**

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

**Procedures:** We traced the December 31, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission approved beginning balance as of December 31, 2015, the Financial Commercial Paper rates, and the 2016 FAC revenues and costs. No exceptions were noted.

## **Analytical Review**

**Objective:** The objective was to perform an analytical review of the Utility's FAC revenues and expenses to determine whether there were any material changes or inconsistencies in 2016 from previous years.

**Procedure:** We compared 2016 revenues and expenses to 2015 and 2014. No differences requiring follow-up investigation were noted.

Audit Findings

**None**



# Exhibits

## Exhibit 1: True-Up

DUKE ENERGY FLORIDA, LLC  
CALCULATION OF TRUE-UP AND INTEREST PROVISION  
DECEMBER 2015

	CURRENT MONTH				YEAR TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT
<b>A. FUEL COSTS AND NET POWER TRANSACTIONS</b>								
1 FUEL COST OF SYSTEM NET GENERATION	\$92,738,520	\$7,603,182	\$5,135,338	5.9	\$1,192,400,492	\$1,152,054,571	\$40,345,921	3.5
1a. NUCLEAR FUEL DISPOSAL COST	-	0	0	0.0	0	0	0	0.0
1b. NUCLEAR DECOMMISSIONING AND DECONTAMINATION	-	0	0	0.0	0	0	0	0.0
1c. COAL CAR SALE	-	0	0	0.0	(347,958)	0	(347,958)	0.0
2 FUEL COST OF POWER SOLD	(227,428)	(218,578)	(8,850)	4.1	(2,601,347)	(4,337,325)	1,735,978	(40.0)
2a. GAIN ON POWER SALES	(32,437)	(50,299)	17,862	(35.6)	(843,842)	(991,243)	147,401	(14.9)
3 FUEL COST OF PURCHASED POWER	5,168,690	5,842,780	(474,100)	(8.4)	221,111,191	141,810,425	79,500,765	56.1
3a. ENERGY PAYMENTS TO QUALIFYING FACILITIES	11,063,256	12,269,465	(1,226,210)	(10.0)	127,934,626	142,909,292	(14,974,666)	(10.5)
3b. DEMAND & NON FUEL COST OF PURCH POWER	0	0	0	0.0	0	0	0	0.0
4 ENERGY COST OF ECONOMY PURCHASES	236,459	311,303	(74,844)	(24.0)	4,740,489	4,089,987	650,502	15.9
5 TOTAL FUEL & NET POWER TRANSACTIONS	108,947,060	105,577,664	3,369,395	3.2	1,542,393,652	1,435,335,707	107,057,945	7.5
6 ADJUSTMENTS TO FUEL COST:								
6a. FUEL COST OF STRATIFIED SALES	(1,654,971)	(1,436,981)	(217,990)	15.2	(33,068,665)	(21,161,845)	(11,928,020)	58.4
6b. OTHER - JURISDICTIONAL ADJUSTMENTS (see detail below)	(8,348,867)	(10,408)	(8,338,459)	80,068.0	(8,450,370)	(10,185,596)	1,735,227	(17.0)
6c. OTHER - PRIOR PERIOD ADJUSTMENT	0	0	0	0.0	0	0	0	0.0
7. ADJUSTED TOTAL FUEL & NET PWR TRNS	\$98,945,222	\$104,120,475	(\$5,185,254)	(5.0)	\$1,500,853,418	\$1,403,968,266	\$96,885,152	6.9
<b>FOOTNOTE: DETAIL OF LINE 6b ABOVE</b>								
INSPECTION & FUEL ANALYSIS REPORTS (Wholesale Portion)	\$0	\$0	\$0		\$0	\$0	\$0	
N/A - Not used	0	0	0		0	0	0	
UNIVERSITY OF FLORIDA STEAM REVENUE ALLOCATION (Wholesale Po	710	0	710		13,630	0	13,630	
N/A - Not used	0	0	0		0	0	0	
TANK BOTTOM ADJUSTMENT	(883,417)	0	(883,417)		(889,635)	0	(889,635)	
AERIAL SURVEY ADJUSTMENT (Coal Pits)	951,639	0	951,639		951,639	0	951,639	
RRSSA Refund	0	0	0		0	(10,060,702)	10,060,702	
Interest Amortized for Fuel Refund	(13,605)	(10,408)	(3,197)		(250,741)	(124,894)	(125,848)	
Gain/Loss on Disposition of Oil	0	0	0		0	0	0	
N/A - Not used	0	0	0		0	0	0	
NET METER SETTLEMENT:								
Mines Outage Replacement Power	(8,402,194)	0	(8,402,194)		(8,402,194)	0	(8,402,194)	
Derivative Collateral Interest:	0	0	0		8,949	0	8,949	
N/A - Not used	0	0	0		0	0	0	
SUBTOTAL LINE 6b SHOWN ABOVE	(\$8,348,867)	(\$10,408)	(\$8,338,459)		(\$8,450,370)	(\$10,185,596)	\$1,735,227	
<b>B. KWH SALES</b>								
1 JURISDICTIONAL SALES	2,687,661,472	2,769,149,000	(81,487,528)	(2.9)	38,773,960,911	37,928,197,316	845,763,595	2.2
2 NON JURISDICTIONAL (WHOLESALE) SALES	19,177,936	17,078,000	2,099,936	12.3	449,531,293	223,356,000	226,175,293	101.3
3 TOTAL SALES	2,706,839,408	2,786,227,000	(79,387,592)	(2.9)	39,223,492,204	38,151,553,316	1,071,938,888	2.8
4 JURISDICTIONAL SALES % OF TOTAL SALES	99.29	99.39	(0.10)	(0.1)	98.85	99.41	(0.56)	(0.6)

# Exhibit 1 (cont'd)

DUKE ENERGY FLORIDA, LLC  
CALCULATION OF TRUE-UP AND INTEREST PROVISION  
DECEMBER 2016

	CURRENT MONTH				YEAR TO DATE				
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	
<b>C. TRUE UP CALCULATION</b>									
1	JURISDICTIONAL FUEL REVENUE	\$79,618,950	\$82,269,762	(\$2,650,793)	(3.2)	\$1,203,940,060	\$1,247,246,649	(\$43,306,589)	(3.5)
2	ADJUSTMENTS	5,000,000	5,000,000	0	0.0	60,000,000	60,000,000	0	0.0
2a	REFUND OF \$30 MILLION PER RRSSA	833,333	833,333	(0)	0.0	10,000,000	10,000,000	(0)	0.0
2b	INCREASE IN RETAIL FUEL RATE PER RRSSA	0	0	0	0.0	0	0	0	0.0
2c	TRUE UP PROVISION	10,790,297	10,764,480	25,817	0.2	116,588,898	116,563,077	25,821	0.0
2d	INCENTIVE PROVISION	717,810	717,821	(5)	0.0	8,613,797	8,613,797	0	0.0
2e	OTHER MARKET PRICE TRUE UP	0	0	0	0.0	0	0	0	0.0
3	TOTAL JURISDICTIONAL FUEL REVENUE	96,960,436	99,585,417	(2,624,981)	(2.0)	1,399,142,755	1,442,423,523	(43,280,768)	(3.0)
4	ADJ TOTAL FUEL & NET PWR TRNS (LINE A7)	98,945,222	104,130,475	(5,185,254)	(5.0)	1,500,853,418	1,403,968,268	96,885,152	6.9
5	JURISDICTIONAL SALES % OF TOT SALES (LINE B4)	99.29	89.39	(9.10)	(0.1)	98.65	99.41	(0.56)	(0.6)
6	JURISDICTIONAL FUEL & NET POWER TRANSACTIONS (LINE C4 * LINE C5 * 1.0004 LOSS MULTIPLIER)	98,282,008	103,549,097	(5,267,089)	(5.1)	1,484,329,957	1,396,434,957	87,894,910	6.3
7	TRUE UP PROVISION FOR THE MONTH OVER/UNDER COLLECTION (LINE C3 - C6)	(1,321,571)	(3,963,880)	2,642,109	(66.7)	(85,187,112)	45,988,566	(131,175,678)	(285.2)
8	INTEREST PROVISION FOR THE MONTH (LINE D10)	(39,508)	85,208	(104,714)	(160.6)	101,758	502,114	(400,356)	(79.7)
9	TRUE UP & INTEREST PROVISION BEG OF MONTH PERIOD	(72,959,768)	23,321,589	(96,281,367)	(412.8)	116,563,080	78,731,032	37,832,048	48.1
10	TRUE UP COLLECTED (REFUNDED)	(10,790,297)	(10,764,480)	(25,817)	0.2	(116,588,898)	(116,563,077)	(25,821)	0.0
11	END OF PERIOD TOTAL NET TRUE UP (LINES C7 + C8 + C9 + C10)	(85,111,174)	8,658,635	(93,769,809)	(1,083.0)	(85,111,174)	8,658,635	(93,769,809)	(1,083.0)
12	OTHER:	0				0			
13	END OF PERIOD TOTAL NET TRUE UP (LINES C11 + C12)	(\$85,111,174)	8,658,635	(\$93,769,809)	(1,083.0)	(\$85,111,174)	8,658,635	(\$93,769,809)	(1,083.0)
<b>D. INTEREST PROVISION</b>									
1	BEGINNING TRUE UP (LINE C9)	(\$72,959,768)	N/A	-	-				
2	ENDING TRUE UP (LINES C7 + C8 + C9 + C10 + C12)	(85,071,066)	N/A	-	-				
3	TOTAL OF BEGINNING & ENDING TRUE UP	(158,031,464)	N/A	-	-		NOT		
4	AVERAGE TRUE UP (50% OF LINE D3)	(79,015,732)	N/A	-	-				
5	INTEREST RATE - FIRST DAY OF REPORTING MONTH	0.483	N/A	-	-				
6	INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	0.720	N/A	-	-				
7	TOTAL (LINE D5 + LINE D6)	1.200	N/A	-	-				
8	AVERAGE INTEREST RATE (50% OF LINE D7)	0.600	N/A	-	-				
9	MONTHLY AVERAGE INTEREST RATE (LINE D8/12)	0.050	N/A	-	-				
10	INTEREST PROVISION (LINE D4 * LINE D9)	(\$39,508)	N/A	-	-				