#### State of Florida



# Aublic 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:

May 4, 2018

TO:

Office of Commission Clerk

FROM:

Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE:

Docket No.: 20180001-EI

Company Name: Duke Energy Florida, LLC

Company Code: EI801

Audit Purpose: A3a: Capacity Cost Recovery Clause

Audit Control No: 2018-019-2-2

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/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 Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2017

Docket No. 20180001-EI Audit Control No. 2018-019-2-2

April 26, 2018

Tomer Kopelovich Audit Manager

> Linda Hill Reviewer

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### <u>Purpose</u>

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 Accounting and Finance in its audit service request dated January 18, 2018. 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 2017 filing for the Capacity Cost Recovery Clause in Docket No. 20180001-EI.

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. 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, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

**Procedures:** We reconciled the 2017 filing to the Utility's monthly CCRC Revenue Reports. We recalculated the 2017 capacity revenues for the months of January through December by multiplying KWH sales by the CCRC factors. A random sampling of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates in the Environmental Cost Recovery Clause Audit in Docket No. 20180007-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-1999-2512-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.

#### **Expenses**

#### 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 March, May, July, September and November 2017. The source documentation for the 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 Orange Cogen Limited, Pasco County Resource Recovery, Pinellas County Resource Recovery, and Polk Power Partners purchased power contracts that were in effect during 2017. We traced the purchase power contract rates and terms between the Utility and the qualifying facilities to the capacity payment calculations for March, May, July, September and November 2017. No exceptions were noted.

#### **Incremental Security Cost**

**Objective:** The objective was to determine whether the security costs recovered are incremental to the security costs recovered in base rates.

**Procedure:** We reviewed the general ledger account detail for vendors charging security costs to the Utility. No security costs were included in the CCRC. No exceptions were noted.

### True-Up

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

**Procedures:** We traced the December 31, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Financial Commercial Paper rates and the 2017 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 2017 to 2016 and 2015 revenues and expenses. We requested explanations from the Utility for significant variances. Further follow-up was not required.

## Audit Findings

None

## **Exhibits**

## Exhibit 1: True-Up

Duke Energy Florida, LLC Capacity Cost Recovery Clause Calculation of Actual True-Up January 2017 - December 2017

					8								
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	ост	NOV	DEC	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	Total
1 Base Production Level Capacity Costs				-						1101011	71010/12	HOTORE	Total
2 Orange Cogen (ORANGECO)	5,071.	564 5.071,564	5.071.564	5.071.564	5.071.564	5.071.564	5,071,564	5,071,564	5,071,564	5.071.564	5.071.564	5.071,564	60,858,765
3 Orlando Cogen Limited (ORLACOGL)	5.102.	804 5,102,804	5,102,804	5,102,804	5,089,383	5.094.138	5,096,530	5,099,746	5,097,899	4.988.662	5.015.745	5.023.523	60,916,840
4 Pasco County Resource Recovery (PASCO	JNT) 1,784.		1,784,800	1,784,800	1,784,800	1.784.800	1,784,800	1,784,800	1,784,800	1,784,800	1,784,800	1,784,800	21,417,600
5 Pinellas County Resource Recovery (PINCO			4,248,600	4,248,600	4,248,600	4,248,600	4,248,600	4,248,600	4,248,600	4,248,600	4,248,600	4.248.600	50,983,200
6 Polk Power Partners, L.P. (MULBERRY/ROY			6,675,150	6,669,159	6,662,563	6.900.122	6.965.675	6,965,675	6.965.675	6,965,675	6,965,675	6,965,675	
7 Wheelabrator Ridge Energy, Inc. (RIDGEGEN			648,924	678,961	684,116	705,834	719,623	750,224	765.134	751,969	754,931	755,868	82,091,070
8 US EcoGen		0 0	0	(3,000)	(90,000)	(93,000)	(90,000)	(93,000)	(93,000)	(90,000)			8,959,300
9 Calpine Osprey	92	394 0	0	(0,000)	(00,000)	(93,000)	(90,000)	(93,000)	(93,000)	(90,000)	(93,000)	(90,000)	(735,000)
10 Subtotal - Base Level Capacity Costs	24.131.		23.531.842	23,552,887	23,451,026	23,712,058							92,394
11 Base Production Juris dictional Responsibility			92.885%	92.885%	92.885%	92.885%	23,796,792 92.885%	23,827,608	23,840,671	23,721,270	23,748,315	23,760,029	284,584,168
12 Base Level Jurisdictional Capacity Costs	22,414,		21,857,551	21,877,099	21,782,485			92.885%	92.885%	92.885%	92.885%	92.885%	
12 Dase Level sursuictional Capacity Costs	22,414,	230 21,031,709	21,007,001	21,877,099	21,782,485	22,024,945	22,103,650	22,132,273	22,144,407	22,033,501	22,058,622	22,069,503	264,336,004
13 Intermediate Production Level Capacit	Costs												
14 Southern Franklin	4,485,	507 4,630,269	2,673,583	2,669,458	2,955,813	6.057.918	6.236.165	6.252,703	4.638.320	2,750,085	2,698,716	3,488,522	49,537,060
15 Schedule H Capacity Sales - NSB, RCID & Ta	allahassee	0 0	0	0	0	0	(73,253)	0	0	(75,671)	(6,305)	(37,835)	(193,065)
16 Subtotal - Intermediate Level Capacity Costs	4,485,	507 4,630,269	2,673,583	2,669,458	2.955.813	6.057.918	6,162,912	6.252.703	4,638,320	2,674,414	2,692,410	3,450,687	49,343,995
17 Intermediate Production Juris dictional Respo			72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	49,343,993
18 Intermediate Level Juris dictional Capacity			1,943,775	1,940,776	2,148,965	4.404.288	4,480,622	4,545,903	3,372,198	1,944,379	1,957,463	2,508,753	25 074 505
		0,000,010	1,040,770	1,040,770	2,140,000	4,404,200	4,400,022	4,545,865	3,372,130	1,944,378	1,957,463	2,508,753	35,874,565
19 Peaking Production Level Capacity Cos	ts												
20 Shady Hills	1,954,	260 1,954,260	1,395,900	1,374,300	1,924,020	3,912,300	3,912,300	3,912,300	1.825.740	1,149,734	1,374,300	1,984,500	26,673,914
21 Vandolah (NSG)	2,924,	309 2,889,528	1,965,274	1,943,845	2,795,467	5,785,430	5,768,280	5,707,232	2,712,726	1,918,109	2,015,348	2,943,834	39,369,382
22 Other	10, 100				-		000000000000000000000000000000000000000	20.5000 AT 2000		100000000000000000000000000000000000000	2,010,010	2,010,001	00,000,002
23 Subtotal - Peaking Level Capacity Costs	4,878,	569 4,843,788	3,361,174	3,318,145	4,719,487	9,697,729.55	9,680,580	9,619,532	4,538,466	3,067,843	3,389,648	4,928,334	66,043,296
24 Peaking Production Juris dictional Responsib	lity 95.9	24% 95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	00,043,290
25 Peaking Level Juris dictional Capacity Cos.	s 4,679.	718 4,646,355	3.224.173	3.182.897	4,527,121	9,302,450	9,286,000	9,227,440	4,353,478	2.942.798	3,251,486	4.727.455	63,351,371
AL TANKS OF THE PROPERTY OF TH				21/22-11-22				0,221,110	1,000,470	2,542,750	5,251,400	4,121,433	03,331,311
26 Other Capacity Costs													
27 Retail Wheeling	(23,	615) (2,605)	(13,552)	(1,023)	(49,903)	(27)	(9,282)	(6,007)	(3,342)	(4,243)	0	(1,766)	(115,365)
28 RRSSA Second Amendment 1										Victoria Carried	ATT THE RESIDENCE AND ADDRESS OF THE PARTY O	State of the last of the same	and the second second second
29 Batch-19 Nuclear Fuel 2													
30 ASC Servicing Fees 3							(296,269)		(160,182)			-	(456,451)
31 Total Other Capacity Costs	1,768,	743 1,785,790	1,770,879	1,779,445	1,726,601	1,772,514	1,463,027	1,758,607	1,597,128	1,752,444	1,638,849	1,633,119	20,447,145
32 Total Capacity Costs (Line 12+18+25+31	32,123,	817 31,636,198	28,796,378	28,780,217	30,185,172	37.504.197	37,333,298	27.004.224	04 407 044	00.070.100			
or Total Supucity South (Ellie 12: 10:25:51	52,125.	017 31,030,180	20,780,376	20,700,217	30,103,172	37,304,197	37,333,290	37,664,224	31,467,211	28,673,122	28,906,420	30,938,830	384,009,086
33 Nuclear Cost Recovery Clause													
34 CR3 Uprate Costs	4,459,	192 4,431,769	4,404,346	4.376.920	4.349.497	1 222 272					0.000		
35 Total Recoverable Nuclear Costs	4,459,		4,404,346	4,376,920		4,322,073	4,294,649	4,267,226	4,239,801	4,212,377	4,184,953	4,157,530	51,700,333
36	4,459.	192 4,431,769	4,404,346	4,376,920	4,349,497	4,322,073	4,294,649	4,267,226	4,239,801	4,212,377	4,184,953	4,157,530	51,700,333
17.7									2200000000				
37 ISFSI Revenue Requirement 4			*				724,926	726,807	728,105	735,486	747,111	751,681	4,414,116
38 Total Recov Capacity & Nuclear Costs (	Line 32+35+37) 36,583.	010 36,067,968	33,200,724	33,157,137	34,534,669	41,826,271	42,352,873	42,658,257	36,435,117	33,620,985	33,838,484	35,848,041	440,123,535
39 Capacity Revenues:													
40 Capacity Cost Recovery Revenues (net of t	ax) 28.519.	282 29.627.699	28.061.262	31.308.667	35, 187, 257	38,498,070	41,592,488	41,953,532	41,807,961	36,803,224	24 225 224		
41 Prior Period True-Up Provision Over/(Under)			1,222,103	1,222,103	1,222,103	1,222,103	1,222,103	1,222,103	1,222,103	1,222,103	34,335,381	30,808,440	418,503,263
42 Current Period CCR Revenues (net of tax)	29,741,		29,283,365	32,530,770	36,409,359	39,720,172	42.814.591	43,175,635	43,030,063		1,222,103	1,222,103	14,665,233
The second relief design that or taxy	20,741,	30,043,002	20,200,000	32,330,770	30,409,339	39,720,172	42,014,391	43,175,035	43,030,063	38,025,327	35,557,484	32,030,543	433,168,496
43 True-Up Provision													
44 True-Up Provision - Over/(Under) Recov	Line 42-38) (6,841,	625) (5,218,166)	(3,917,359)	1606 2071	1 974 604	12 106 000	404 7:0	547.000	0.504.00				
45 Interest Provision for the Month				(626,367)	1,874,691	(2,106,098)	461,718	517,378	6,594,946	4,404,342	1,719,000	(3,817,498)	(6,955,039)
46 Current Cycle Balance - Over/(Under)			(128)	(2,766)	(3,217)	(4,786)	(7,065)	(7,661)	(4,569)	(1,419)	19	(2,658)	(23,204)
40 Current Cycle Balance - Over/(Under)	(6,833,	820) (12,048,743)	(15,966,230)	(16,595,364)	(14,723,890)	(16,834,773)	(16,380,120)	(15,870,403)	(9,280,027)	(4,877,104)	(3,158,085)	(6,978,242)	(6,978,242)
47 Prior Period Balance - Over/(Under) Reco	vered 16,868,	292 15,646,189	14,424,086	13,201,983	11,979,880	10,757,777	9,535,675	8.313.572	7.091.469	5,869,366	4,647,263	3,425,160	16 969 202
48 Prior Period Cumulative True-Up Collected			(1,222,103)	(1,222,103)	(1,222,103)	(1,222,103)	(1,222,103)	(1,222,103)	(1,222,103)	(1,222,103)	(1,222,103)	(1,222,103)	16,868,292
49 Prior Period True-up Balance - Over/(Und			13,201,983	11,979,880	10,757,777	9,535,675	8,313,572	7,091,469	5,869,366	4,647,263	3,425,160	2,203,058	(14,665,234)
	1000			,,	1911.91.11.11	0,000,070	0,010,012	1,001,100	3,003,300	4,047,203	3,423, 100	2,203,038	2,203,058
FA 11.10 11 F 0	and the same of th												
50 Net Capacity True-up Over/(Under) (L	ine 46+49) \$8,812,	368 \$2,375,343	(\$2,764,247)	(\$4,615,483)	(\$3,966,112)	(\$7,299,099)	(\$8,066,548)	(\$8,778,934)	(\$3,410,661)	(\$229,841)	\$267,075	(\$4,775,185)	(\$4,775,185)