

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: May 6, 2019
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20190001-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 2019-017-2-2

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, 2018

Docket No. 20190001-EI
Audit Control No. 2019-017-2-2
April 26, 2019

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

Tomer Kopelovich
Audit Manager

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

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 Accounting and Finance in its audit service request dated January 15, 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 2018 filing for the Capacity Cost Recovery Clause in Docket No. 20190001-EI.

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, 2018, through December 31, 2018, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the Capacity revenues reported in the 2018 CCR Filing to the Utility's monthly revenue reports and the general ledger. We recalculated 2018 Capacity revenues using the KWH sold in the Utility's monthly revenue reports and the Capacity factors authorized in the Utility's last CCR proceeding. 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. 20190007-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 February, May, August, and November 2018. 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 2018. We traced the purchase power contract rates and terms between the Utility and the qualifying facilities to the capacity payment calculations for February, May, August, and November 2018. 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, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the Commission approved beginning balance as of December 31, 2017, the Financial Commercial Paper rates and the 2018 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 2018 revenues and expenses to 2017 and 2016. There were no 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 2018 - December 2018

	JAN ACTUAL	FEB ACTUAL	MAR ACTUAL	APR ACTUAL	MAY ACTUAL	JUN ACTUAL	JUL ACTUAL	AUG ACTUAL	SEPT ACTUAL	OCT ACTUAL	NOV ACTUAL	DEC ACTUAL	Total
1 Base Production Level Capacity Costs													
2 Orange Cogen (ORANGE CO)	5,071,564	5,590,987	5,331,276	5,331,276	5,331,276	5,331,276	5,331,276	5,331,276	5,331,276	5,331,276	5,331,276	5,331,276	63,975,307
3 Orlando Cogen Limited (ORLACOGL)	5,025,789	5,514,457	5,302,972	5,361,969	5,361,790	5,361,790	5,414,950	5,361,790	5,361,790	5,361,790	5,361,790	5,361,790	64,152,667
4 Pasco County Resource Recovery (PASCOUNT)	1,784,800	2,011,580	1,898,190	1,898,190	1,898,190	1,898,190	1,898,190	1,898,190	1,898,190	1,898,190	1,898,190	1,898,190	22,778,280
5 Pinellas County Resource Recovery (PINCOUNT)	4,248,600	4,788,435	4,518,518	4,518,518	4,518,518	4,518,518	4,518,518	4,518,518	4,518,518	4,518,518	4,518,518	4,518,518	54,222,210
6 Polk Power Partners, L.P. (MLLBERRY/ROYSTER)	6,965,075	7,676,459	7,321,066	7,321,066	7,321,066	7,321,066	7,321,066	7,321,066	7,321,066	7,321,066	7,321,066	7,321,066	87,852,796
7 Wheelabrator Pdge Energy, Inc. (RDGEGEN)	785,872	790,760	798,927	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	9,564,071
8 US EcoGen	(93,000)	(93,000)	(84,000)	(93,000)	(90,000)	(93,000)	0	0	0	0	0	0	(548,000)
9 Subtotal - Base Level Capacity Costs	23,769,300	26,279,678	25,086,949	25,138,964	25,141,785	25,138,785	25,284,945	25,231,785	25,231,785	25,231,785	25,231,785	25,231,785	301,999,331
10 Base Production Jurisdictional Responsibility	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	
11 Base Level Jurisdictional Capacity Costs	22,078,114	24,409,879	23,302,013	23,350,326	23,352,947	23,350,161	23,485,921	23,436,544	23,436,544	23,436,544	23,436,544	23,436,544	280,512,060
12 Intermediate Production Level Capacity Costs													
13 Southern Franklin	4,609,957	4,467,756	2,685,103	2,663,030	2,934,373	4,811,161	6,295,017	6,268,886	4,634,240	2,701,639	2,384,883	3,505,309	47,951,354
14 Schedule H Capacity Sales - NSB, RGD, Tallahassee & FPL	(208,753)	(31,799)	379,669	270	(27,441)	0	137,852	0	0	(10,758)	191,664	(0)	430,704
15 Subtotal - Intermediate Level Capacity Costs	4,401,204	4,435,957	3,064,772	2,663,300	2,906,932	4,811,161	6,422,869	6,268,886	4,634,240	2,690,881	2,576,547	3,505,309	48,382,058
16 Intermediate Production Jurisdictional Responsibility	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	
17 Intermediate Level Jurisdictional Capacity Costs	3,199,808	3,225,074	2,228,181	1,936,299	2,113,427	3,497,858	4,669,619	4,557,668	3,369,232	1,956,351	1,873,227	2,548,465	35,175,208
18 Peaking Production Level Capacity Costs													
19 Shady Hills	1,984,500	1,984,500	1,417,500	1,371,600	1,920,240	3,904,200	3,904,200	3,904,200	1,821,960	1,371,600	1,371,600	1,978,940	26,933,040
20 Vandolah (NSG)	2,926,756	2,888,311	1,965,274	1,943,845	2,795,467	5,725,022	5,752,285	5,719,859	2,710,954	1,900,501	2,014,083	2,941,953	39,284,311
21 Other	-	-	-	-	-	-	-	-	-	-	-	-	-
22 Subtotal - Peaking Level Capacity Costs	4,911,256	4,872,811	3,382,774	3,315,445	4,715,707	9,629,222	9,656,486	9,624,059	4,532,914	3,272,101	3,385,683	4,918,893	66,217,351
23 Peaking Production Jurisdictional Responsibility	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	
24 Peaking Level Jurisdictional Capacity Costs	4,711,073	4,674,196	3,244,893	3,180,307	4,523,495	9,236,735	9,262,887	9,231,782	4,348,152	3,138,730	3,247,683	4,718,399	63,518,332
25 Other Capacity Costs													
26 Retail Wheeling	(82,003)	(2,819)	(5,894)	(4,260)	(35,146)	0	0	(567)	(13,875)	(53,736)	(6,689)	0	(204,989)
27 PRSSA Second Amendment 1													
28 Total Other Capacity Costs	(82,003)	(2,819)	(5,894)	(4,260)	(35,146)	0	0	(567)	(13,875)	(53,736)	(6,689)	0	(204,989)
29 Total Capacity Costs (Line 11+17+24+28)	31,537,913	33,933,287	30,392,188	30,081,704	31,569,791	37,695,859	39,025,569	38,628,605	32,739,268	30,073,141	30,142,053	32,290,733	398,310,113
30 Nuclear Cost Recovery Clause													
31 CR3 Uprate Costs	4,290,186	4,261,861	4,233,534	4,205,208	4,176,884	4,148,557	4,120,232	4,091,907	4,063,580	4,035,255	4,006,929	3,978,603	49,612,736
32 Total Recoverable Nuclear Costs	4,290,186	4,261,861	4,233,534	4,205,208	4,176,884	4,148,557	4,120,232	4,091,907	4,063,580	4,035,255	4,006,929	3,978,603	49,612,736
33 ISFSI Revenue Requirement 2													
34 Total Recov Capacity & Nuclear Costs (Line 29+32+33)	36,505,147	38,823,435	35,204,897	34,842,930	36,320,446	42,418,181	43,719,572	43,494,282	37,376,731	34,682,165	34,722,526	36,842,656	454,952,668
35 Capacity Revenues:													
36 Capacity Cost Recovery Revenues (net of tax)	35,082,201	37,272,890	35,441,587	33,706,211	34,969,792	41,859,835	46,095,199	45,344,820	46,506,204	44,848,988	39,179,512	35,211,382	475,518,621
37 Prior Period True-Up Provision Over/(Under) Recovery	(426,778)	(426,778)	(426,778)	(426,778)	(426,778)	(426,778)	(426,778)	(426,778)	(426,778)	(426,778)	(426,778)	(426,778)	(5,121,339)
38 Current Period CCR Revenues (net of tax)	34,655,423	36,846,111	35,014,809	33,279,433	34,543,014	41,433,057	45,668,421	44,918,041	46,079,426	44,422,210	38,752,734	34,784,604	470,397,282
39 True-Up Provision													
40 True-Up Provision - Over/(Under) Recov (Line 38-34)	(1,849,724)	(1,977,324)	(190,089)	(1,563,197)	(1,777,432)	(985,123)	1,948,649	1,423,759	8,702,695	9,740,045	4,030,208	(2,058,053)	15,444,615
41 Interest Provision for the Month	(6,952)	(8,935)	(11,087)	(12,566)	(14,513)	(16,532)	(15,576)	(12,115)	(3,263)	14,549	28,702	32,600	(25,688)
42 Current Cycle Balance - Over/(Under)	(1,856,676)	(3,842,934)	(4,044,110)	(5,819,874)	(7,411,819)	(6,413,473)	(6,480,201)	(5,068,557)	3,630,875	13,385,468	17,444,379	15,418,926	15,418,926
43 Prior Period Balance - Over/(Under) Recovered	(4,775,185)	(4,348,406)	(3,921,629)	(3,494,850)	(3,068,072)	(2,641,293)	(2,214,516)	(1,787,737)	(1,360,959)	(934,181)	(507,403)	(80,624)	(4,775,185)
44 Prior Period Cumulative True-Up Collected/(Refunded)	426,778	426,778	426,778	426,778	426,778	426,778	426,778	426,778	426,778	426,778	426,778	426,778	5,121,339
45 Prior Period True-up Balance - Over/(Under)	(4,348,407)	(3,921,628)	(3,494,850)	(3,068,072)	(2,641,294)	(2,214,515)	(1,787,737)	(1,360,959)	(934,181)	(507,403)	(80,624)	346,154	346,154
46 Net Capacity True-up Over/(Under) (Line 42+45)	(6,205,082)	(7,764,563)	(7,538,961)	(8,687,945)	(10,053,112)	(10,627,989)	(8,267,938)	(6,428,516)	2,696,694	12,878,066	17,363,755	15,765,060	15,765,060