

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-**

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**DATE:** July 23, 2019  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 20190002-EI  
Company Name: Duke Energy Florida, LLC  
Company Code: EI801  
Audit Purpose: A3b: Energy Conservation Cost Recovery  
Audit Control No: 2019-024-2-1

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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  
Energy Conservation Cost Recovery Clause

**Twelve Months Ended December 31, 2018**

Docket No. 20190002-EG  
Audit Control No. 2019-024-2-1  
**July 15, 2019**

Handwritten signature of Tomer Kopelovich in black ink.

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Tomer Kopelovich  
Audit Manager

Handwritten signature of Linda Hill in black ink.

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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 24, 2019. 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 Energy Conservation Cost Recovery Clause in Docket No. 20190002-EG.

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 Clause.

### **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, 2018, through December 31, 2018.

**Procedures:** We obtained the Utility's subsidiary ledger and obtained a sample of ECCR plant balances as of December 31, 2018. We reconciled each to the ECCR 2018 filing. We randomly selected transactions for Load Management Switches. We traced each transaction to its supporting 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, 2018, through December 31, 2018, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECCR.

**Procedures:** We reconciled the 2018 filing to the Utility's monthly ECCR monthly Revenue Reports. We applied the billing factors by rate class from Order No. PSC-2018-0014-FOF-EI to KWH sales. We recalculated revenues for the months of January through December. We selected a sample of residential and commercial customers' bills for the month of May 2018. We recalculated each to verify the use of the correct tariff rate for the Capacity, Fuel, Conservation and Environmental Clauses. 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.

**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. 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: Interruptible Service, Business Energy Check, Low Income Weatherization Assistance and Neighborhood Saver 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, 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 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 2018 to 2017 and 2016 revenues and expenses. There were no significant variances. Further follow-up was not required.

Audit Findings

**None**



## Exhibit

### Exhibit 1: True- Up

FPSC Docket No. 20190002-EG  
 Duke Energy Florida, LLC  
 Witness Lori J. Cross  
 EXHIBIT NO. 1 (JC-17)  
 SCHEDULE CT-3  
 PAGE 2 OF 5  
 May 1, 2019

DUKE ENERGY FLORIDA, LLC  
 ENERGY CONSERVATION ADJUSTMENT  
 CALCULATION OF TRUE-UP  
 FOR THE PERIOD JANUARY 2018 THROUGH DECEMBER 2018

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	8,332,326	8,855,241	8,443,318	8,027,967	8,322,867	9,924,426	10,898,995	10,729,324	10,999,563	10,613,617	9,314,309	8,392,695	112,854,648
3 TOTAL REVENUES	8,332,326	8,855,241	8,443,318	8,027,967	8,322,867	9,924,426	10,898,995	10,729,324	10,999,563	10,613,617	9,314,309	8,392,695	112,854,648
4 PRIOR PERIOD TRUE-UP OVER/(UNDER) (5,894,546)	491,212	491,212	491,212	491,212	491,212	491,212	491,212	491,212	491,212	491,212	491,212	491,212	5,894,546
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	8,823,539	9,346,453	8,934,531	8,519,179	8,814,080	10,415,638	11,390,207	11,220,536	11,490,775	11,104,829	9,805,521	8,883,907	118,749,194
6 CONSERVATION EXPENSES (CT-3,PAGE 1, LINE 37)	9,018,614	9,642,397	9,506,310	8,534,005	8,582,559	9,731,805	9,780,194	9,739,766	9,633,074	9,572,113	10,038,291	9,084,205	112,863,333
7 TRUE-UP THIS PERIOD (O)/U	195,075	295,944	571,779	14,826	(231,520)	(683,833)	(1,610,013)	(1,480,770)	(1,857,702)	(1,532,715)	232,770	200,298	(5,885,861)
8 CURRENT PERIOD INTEREST	(7,032)	(6,188)	(5,659)	(4,829)	(4,245)	(4,347)	(5,572)	(7,320)	(9,815)	(12,760)	(13,343)	(12,415)	(93,525)
9 ADJUSTMENTS PER AUDIT	0	0	0	0	0	0	0	0	0	0	0	0	0
10 TRUE-UP & INTEREST PROVISIONS BEGINNING OF PERIOD (O)/U	(5,894,546)	(5,215,290)	(4,434,322)	(3,376,990)	(2,875,781)	(2,620,334)	(2,817,302)	(3,941,675)	(4,938,552)	(6,314,857)	(7,369,120)	(6,658,481)	(5,894,546)
11 PRIOR TRUE-UP REFUNDED/ (COLLECTED)	491,212	491,212	491,212	491,212	491,212	491,212	491,212	491,212	491,212	491,212	491,212	491,212	5,894,546
12 END OF PERIOD NET TRUE-UP	(5,215,290)	(4,434,322)	(3,376,990)	(2,875,781)	(2,620,334)	(2,817,302)	(3,941,675)	(4,938,552)	(6,314,857)	(7,369,120)	(6,658,481)	(5,979,386)	(5,979,386)