

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: January 22, 2020

TO: Office of Commission Clerk

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

RE: Docket No.: 20190110-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A1d: Limited Scope
Audit Control No.: 2019-329-2-1

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
Storm Costs Recovery

As of December 31, 2018

Docket No. 20190110-EI
Audit Control No. 2019-329-2-1
January 14, 2020

A handwritten signature in cursive script, appearing to read "Simon Ojada", written over a horizontal line.

Simon Ojada
Audit Manager

A handwritten signature in cursive script, appearing to read "Linda Hill", written over 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 Accounting and Finance in its audit service request dated November 22, 2019. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, LLC in support of its filing for storm recovery costs in Docket No. 20190110-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

DEF or Utility refers to Duke Energy Florida, LLC.

Incremental Costs are costs that are incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.

Non-incremental Costs are costs that are not incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.

Background

On April 30, 2019, Duke Energy Florida, LLC filed a petition for a limited proceeding seeking authority to implement an interim storm restoration recovery charge to recover a total of \$221 million (retail) before interest and regulatory assessment fees in incremental storm restoration costs related to Hurricane Michael, subject to final true-up as described in the petition.

On November 22, 2019, DEF filed a Petition for Approval of Actual Storm Restoration Costs related to Hurricane Michael (\$190,774,000) and Tropical Storm Alberto (\$571,000) and the related interest expense (\$4,889,000) for bond issuance. The storms totaled \$191,345,000. Related interest expense and minor adjustments equal \$4,889,000. Total retail recovery amount that DEF seeks equal to \$196,234,000 pursuant to the provisions of the 2017 Second Revised and Restated Settlement Agreement (2017 Settlement) approved by the Commission in Order No. PSC-2017-0451-AS-EU. Pursuant to the 2017 Settlement, DEF can recover storm costs without a cap on the level of charges on customer bills, on an interim basis beginning 60 days following the filing of a petition for recovery.

Utility Books and Records

Objective: The objective was to determine whether all the storm costs incurred are supported by the Utility's books and records.

Procedures: We reconciled the recoverable costs for the two named storms listed in Exhibit TM-2 in the testimony filed by Tom Morris to the general ledger Account 186 Miscellaneous Deferred Debits. No exceptions were noted.

Expense

Labor

Objectives: The objectives were to determine whether payroll, overhead, and related costs were properly stated, storm related, and recoverable under this docket.

Procedures: We scheduled payroll, overhead, and related costs by cost type and storm. We selected a judgmental sample of costs for detail testing and traced the amounts to the payroll register and allocation schedules. No exceptions were noted.

Employee Expense

Objectives: The objectives were to determine whether employee expense was properly stated, storm related, and recoverable under this docket.

Procedures: We scheduled employee expense by storm. We selected a judgmental sample of costs for testing to include meals, travel and lodging, and traced the amounts to the invoice and/or supporting documentation. No exceptions were noted.

Contractors Costs

Objectives: The objectives were to determine whether Contractors Costs were properly stated, storm related, and recoverable under this docket.

Procedures: We selected a judgmental sample of costs for detail testing and traced the amounts to the supporting documentation. No exceptions were noted.

Materials and Supplies

Objectives: The objectives were to determine whether Materials and Supplies were properly stated, storm related, and recoverable under this docket.

Procedures: We scheduled material and supplies by storm. We selected a judgment sample of costs for detail testing and traced the items to the documentation or supporting invoices. No exceptions were noted.

Internal Fleet Costs

Objectives: The objectives were to determine whether Internal Fleet costs were properly stated, storm related, and recoverable under this docket.

Procedures: We selected a judgmental sample of costs for detail testing and traced the amounts to the supporting documentation. No exceptions were noted.

Other Costs

Objectives: The objectives were to determine whether other costs were properly stated, storm related, and recoverable under this docket.

Procedures: We scheduled other operating costs by storm. We selected a judgmental sample of costs for detail testing and traced the items to supporting invoices and documentation. No exceptions were noted.

Non-Incremental Costs

Objectives: The objectives were to determine whether the non-incremental costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143, Florida Administrative Code (F.A.C.).

Procedures: We requested a detailed description of non-incremental costs as well as the policies and procedures for recording these costs. We selected a judgmental sample of costs for detail testing and traced the items to supporting invoices and documentation. No exceptions were noted.

Third-Party Reimbursements

Objectives: The objectives were to determine whether third-party reimbursement costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143 (1)(b), F.A.C.

Procedures: We requested a detail listing of any third-party reimbursements or insurance claims. We noted that there were no third-party reimbursements. No exceptions were noted.

Capitalized Costs

Objectives: The objectives were to determine whether the capitalized costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143(1)(d), F.A.C. This rule states that the Utility will be allowed to charge to Account No. 228.1, costs that are incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm. In addition, capital expenditures for the removal, retirement and replacement of damaged facilities charged to cover storm-related damages shall exclude the normal cost for the removal, retirement and replacement of those facilities in the absence of a storm.

Procedures: We requested a detailed description of the capitalized costs as well as the policies and procedures for recording these costs. We tested the capitalized costs to determine if the Utility included for recovery only those costs that are allowed by the applicable Rule. No exceptions were noted.

Other

Jurisdictional Factors

Objective: The objective was to determine whether the Utility used the appropriate jurisdictional factors for the filing.

Procedures: We obtained and reviewed Order No. PSC-2012-0104-EI in Docket No. 20120022-EI, issued March 8, 2012. The Utility used the appropriate jurisdictional separation factors as authorized. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: Duke Energy Florida, LLC - Storm Costs Recovery

Docket No. 20190110-EJ
Storm Costs Recovery Total
Exhibit No. TM-1, Page 1 of 1

(5000's)

<u>Line No.</u>	<u>Description</u>	<u>Reference</u>	<u>Incremental Storm Cost</u>
1	Total Storm Costs		
2	Michael	Exhibit TM-2, Page 1, line 29	\$190,774
3	Alberto	Exhibit TM-2, Page 2, line 29	521
4	Total Recoverable Restoration Costs - Retail	line 2 + line 3	<u>191,345</u>
5	Plus Interest	Exhibit TM-3	<u>4,889</u>
6	Total Retail Storm Recovery Amount - Retail	line 4 + line 5	<u>\$196,234</u>