

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, 2020
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20200001-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 2020-007-2-2

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, 2019

Docket No. 20200001-EI
Audit Control No. 2020-007-2-2
May 1, 2020

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

Tomer Kopelovich
Audit Manager

A handwritten signature in blue ink, appearing to read "Lynn Deamer".

Lynn Deamer
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	4
Exhibit	
1: True-Up.....	5

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 2, 2020. 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 2019 filing for the Capacity Cost Recovery Clause in Docket No. 20200001-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, 2019, through December 31, 2019, 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 2019 CCRC Filing to the Utility's monthly revenue reports and the general ledger. We recalculated 2019 Capacity revenues using the KWH sold in the Utility's monthly revenue reports and the Capacity factors authorized in the Utility's last CCRC proceeding. A random sampling of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates. 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 2019. 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 2019. 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 2019. 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, 2018, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2019, using the Commission approved beginning balance as of December 31, 2018, the Financial Commercial Paper rates and the 2019 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 2019 revenues and expenses to 2018 and 2017. 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 2019 - December 2019

	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 (ORANGECO)	5,600,934	5,600,934	5,600,934	5,600,934	5,600,934	5,600,934	5,600,934	5,600,934	5,600,934	5,600,934	5,516,015	5,800,934	67,126,287
3 Orlando Cogen Limited (ORLACOGL)	5,636,162	5,636,162	5,636,162	5,636,162	5,636,162	5,636,162	5,636,162	5,636,162	5,636,162	5,636,162	5,636,162	5,636,162	67,633,943
4 Pasco County Resource Recovery (PASCOUNT)	2,019,170	2,019,170	2,019,170	2,019,170	2,019,170	2,019,170	2,019,170	2,019,170	2,019,170	2,019,170	2,019,170	2,019,170	24,230,040
5 Pinellas County Resource Recovery (PINCOUNT)	4,806,503	4,806,503	4,806,503	4,806,503	4,806,503	4,806,503	4,806,503	4,806,503	4,806,503	4,806,503	4,806,503	4,806,503	57,678,030
6 Polk Power Partners, L.P. (MLLBERRY/ROYSTER)	7,693,916	7,693,916	7,693,916	7,693,916	7,693,916	7,693,916	7,693,916	7,693,916	7,693,916	7,693,916	7,693,916	7,693,916	92,326,868
7 Wheelabrator Ridge Energy, Inc. (RDGEGEN)	800,946	0	0	0	0	0	0	0	0	0	0	0	800,946
8 US EcoGen	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Subtotal - Base Level Capacity Costs	26,557,630	25,756,684	25,756,684	25,756,684	25,756,684	25,756,684	25,756,684	25,756,684	25,756,684	25,756,684	25,671,766	25,756,684	309,796,234
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%	92.885%
11 Base Level Jurisdictional Capacity Costs	24,668,054	23,924,096	23,924,096	23,924,096	23,924,096	23,924,096	23,924,096	23,924,096	23,924,096	23,924,096	23,845,219	23,924,096	287,754,233
12 Intermediate Production Level Capacity Costs													
13 Southern Frankln	4,611,942	4,802,362	2,752,978	2,755,639	2,614,130	5,254,911	6,502,231	6,128,473	4,721,360	2,755,745	2,747,766	3,563,491	49,431,048
14 Schedule H Capacity Sales	(48,411)	0	(64,548)	0	0	(114,031)	6,705	0	131,000	0	384,713	201,135	496,563
15 Subtotal - Intermediate Level Capacity Costs	4,563,531	4,802,362	2,688,430	2,755,639	2,614,130	5,140,880	6,508,936	6,128,473	4,852,360	2,755,745	3,132,499	3,764,626	49,927,611
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%	72.703%
17 Intermediate Level Jurisdictional Capacity Costs	3,317,824	3,491,461	1,954,569	2,003,433	2,045,657	3,737,574	4,732,192	4,455,584	3,527,611	2,003,509	2,217,420	2,751,537	36,298,670
18 Peaking Production Level Capacity Costs													
19 Shady Hls	1,976,940	1,976,940	1,412,100	1,366,200	1,912,680	3,688,000	3,688,000	3,888,000	(2,073,600)	1,366,200	1,351,582	1,973,160	22,926,202
20 Vandolah	2,919,279	2,691,051	1,947,614	1,942,562	2,793,653	5,773,604	5,826,134	5,767,964	2,747,117	1,940,621	2,042,563	2,984,299	39,698,523
21 Other	-	-	-	-	-	-	-	-	-	-	-	-	-
22 Subtotal - Peaking Level Capacity Costs	4,896,219	4,667,991	3,359,714	3,308,762	4,706,333	9,461,604	9,514,134	9,655,964	673,517	3,306,821	3,394,165	4,957,459	62,624,724
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%	95.924%
24 Peaking Level Jurisdictional Capacity Costs	4,696,850	4,668,572	3,222,772	3,173,916	4,514,503	8,267,797	8,416,028	9,281,591	646,064	3,172,035	3,255,618	4,755,393	60,072,141
25 Other Capacity Costs													
26 Retail Wheeling	(45,534)	(6,443)	(35,373)	(39,200)	(57,327)	(29,148)	(30,224)	(2,595)	(14,622)	(443)	(33,247)	(963)	(297,116)
27 Ridge Generating Station L.P. Termination ¹	-	750,770	747,221	743,672	740,123	736,573	730,453	726,952	723,451	719,950	716,449	696,212	8,031,827
28 SoGRA True-Up - Hamilton ²	-	-	-	-	-	-	-	-	(478,334)	-	-	-	(478,334)
29 Total Other Capacity Costs	(45,534)	742,327	711,848	704,472	682,796	707,428	700,229	724,357	230,485	719,507	683,202	695,250	7,256,377
30 Total Capacity Costs (Line 11+17+24+29)	32,636,994	32,827,456	29,813,285	29,805,916	31,167,351	37,636,895	38,772,545	38,385,628	28,328,466	29,818,146	30,061,660	32,126,276	391,381,620
32 Nuclear Cost Recovery Clause													
33 CR3 Uprate Costs ³	3,775,626	3,753,198	3,730,770	3,708,343	3,685,916	3,663,488	3,641,061	3,618,633	3,596,207	3,573,779	3,551,352	3,483,417	43,781,791
34 Total Recoverable Nuclear Costs	3,775,626	3,753,198	3,730,770	3,708,343	3,685,916	3,663,488	3,641,061	3,618,633	3,596,207	3,573,779	3,551,352	3,483,417	43,781,791
35													
36 ISFSI Revenue Requirement ⁴	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	6,879,837
37													
38 Total Recov Capacity & Nuclear Costs (Line 29+34+36)	36,985,939	37,153,974	34,117,376	34,087,579	35,426,587	41,873,703	42,988,926	42,577,581	32,497,993	33,968,246	34,186,331	36,183,013	442,043,246
39 Capacity Revenues:													
40 Capacity Cost Recovery Revenues (net of tax)	29,661,463	30,804,405	30,389,686	31,169,336	34,653,664	41,304,162	40,754,509	42,066,759	42,539,408	37,590,498	36,198,432	30,172,463	427,335,104
41 Prior Period True-Up Provision Over/(Under) Recovery	1,384,206	1,384,206	1,384,206	1,384,206	1,384,206	1,384,206	1,384,206	1,384,206	1,384,206	1,384,206	1,384,206	1,384,206	16,610,473
42 Current Period CCR Revenues (net of tax)	31,045,669	32,188,611	31,773,892	32,553,542	36,038,171	42,688,368	42,138,715	43,480,965	43,923,614	38,974,705	37,562,638	31,556,669	443,945,577
43 True-Up Provision													
44 True-Up Provision - Over/(Under) Recov (Line 42-38)	(5,940,250)	(4,965,363)	(2,343,483)	(1,534,037)	611,583	814,665	(848,211)	903,384	11,425,621	5,008,459	3,396,306	(4,626,344)	1,902,330
45 Interest Provision for the Month	24,206	10,633	535	(6,274)	(9,873)	(10,862)	(12,869)	(14,488)	(6,063)	4,659	6,397	5,711	(6,208)
46 Current Cycle Balance - Over/(Under)	(5,916,044)	(10,870,774)	(13,213,723)	(14,754,034)	(14,152,324)	(13,348,621)	(14,209,721)	(13,320,825)	(1,901,287)	3,112,052	6,516,755	1,696,122	1,696,122
47 Prior Period Balance - Over/(Under) Recovered	15,765,080	14,380,878	12,996,069	11,612,462	10,226,256	8,844,050	7,459,844	6,075,638	4,691,432	3,307,226	1,923,020	538,614	15,765,080
48 Prior Period Cumulative True-Up Collected/(Refunded)	(1,384,206)	(1,384,206)	(1,384,206)	(1,384,206)	(1,384,206)	(1,384,206)	(1,384,206)	(1,384,206)	(1,384,206)	(1,384,206)	(1,384,206)	(1,384,206)	(16,610,472)
49 Prior Period True-up Balance - Over/(Under)	14,380,874	12,996,670	11,612,462	10,226,256	8,844,050	7,459,844	6,075,638	4,691,432	3,307,226	1,923,020	538,614	(845,392)	(845,392)
50 Net Capacity True-up Over/(Under) (Line 46+49)	8,464,830	2,125,894	(1,601,261)	(4,525,778)	(5,308,275)	(5,888,778)	(6,134,083)	(6,628,393)	1,405,959	5,035,071	7,055,568	1,050,730	1,050,730