

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: December 23, 2020

TO: Office of Commission Clerk

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

RE: Docket No.: 20190222-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A1d: Limited Scope
Audit Control No.: 2020-282-2-1

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
Hurricane Dorian/
Tropical Storm Nestor

As of December 31, 2019

Docket No. 20190222-EI
Audit Control No. 2020-282-2-1
December 18, 2020

Handwritten signature of Tomer Kopelovich, consisting of the letters "TK" in a stylized, cursive font.

Tomer Kopelovich
Audit Staff

Handwritten signature of Simon Ojada, written in black ink, appearing as a stylized cursive name.

Simon Ojada
Audit Manager

Handwritten signature of Lynn Deamer, written in blue ink, appearing as a stylized cursive name.

Lynn Deamer
Reviewer

Table of Contents

Purpose.....1

Objective and Procedures.....2

Audit Findings

 None.....6

Exhibit

 1: Dukes Energy Florida, LLC – Storm Restoration Cost 2019.....7

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 October 06, 2020. 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. 20190222-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 September 30, 2020, DEF filed a Petition for Approval of Actual Storm Restoration Costs related to Hurricane Dorian (\$144,414,000) and Tropical Storm Nestor (\$153,000) and interest unamortized Storm Restoration Cost Balance (\$376,000). Total retail recovery amount that DEF seeks equals \$145,048,000 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 pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

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 pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

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 pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

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 pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

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 pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

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 pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

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 pursuant to 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 pursuant to 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

Duke Energy Florida
Docket No. 20190222-EI
Witness: Tom Morris
Exhibit No.__(TM-1)
Page 1 of 1

Duke Energy Florida, LLC
Storm Cost Recovery Total
Cost Summary - Hurricane Dorian & Tropical Storm Nestor
(\$000's)

Line No.	Description	Reference	Incremental Storm Cost
1	Recoverable Restoration Costs - Retail		
2	Dorian	Exhibit TM-2, Page 1, Line 29	\$144,414
3	Nestor	Exhibit TM-2, Page 2, Line 29	153
4	Total Recoverable Restoration Costs - Retail	Line 2 + Line 3	<u>144,567</u>
5	Interest on Unamortized Storm Restoration Cost Balance		<u>376</u>
6	Retail Storm Recovery Amount Before Regulatory Assessment Fee		<u>144,943</u>
7	Regulatory Assessment Fee Multiplier		<u>1.00072</u>
8	Total Retail Storm Recovery Amount	Line 6 * Line 7	<u>\$145,048</u>