

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 3, 2021
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20210001-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 2021-007-2-2

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

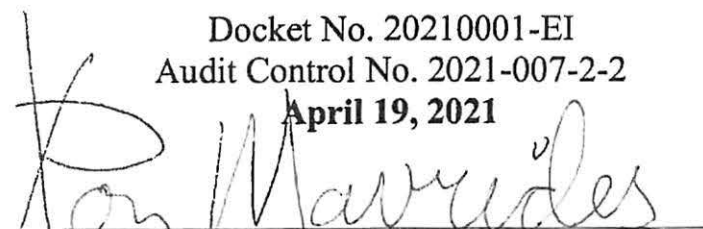
Auditor's Report

Duke Energy Florida, LLC
Capacity Cost Recovery Clause

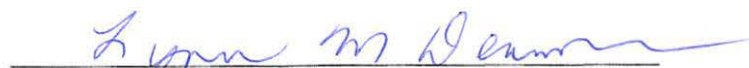
Twelve Months Ended December 31, 2020

Docket No. 20210001-EI
Audit Control No. 2021-007-2-2

April 19, 2021



Ron Mavrides
Audit Manager



Lynn Deamer
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 7, 2021. 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 2020 filing for the Capacity Cost Recovery Clause in Docket No. 20210001-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, 2020, through December 31, 2020, 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 2020 CCR Filing to the Utility's monthly revenue reports and the general ledger. We recalculated 2020 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. 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 March, July, September, and November 2020. 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, Polk Power Partners, and Orlando Cogen Limited purchased power contracts that were in effect during 2020. We traced the purchase power contract rates and terms between the Utility and the qualifying facilities to the capacity payment calculations for March, July, September, and November 2020. 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, 2019, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2020, using the Commission approved beginning balance as of December 31, 2019, the Financial Commercial Paper rates and the 2020 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 2020 revenues and expenses to 2019 and 2018. There were no significant variances. Further follow-up was not required.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

Docket No. 20210001-EI
 Witness: Dean
 Exhibit No. (3P-D-27)
 Sheet 2 of 3

Duke Energy Florida, LLC
Capacity Cost Recovery Clause
Calculation of Actual True-Up
January 2020 - December 2020

	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 (ORANGECC)	5,887,189	5,887,355	5,887,189	5,887,189	5,887,189	5,887,189	5,887,189	5,887,189	5,887,189	5,887,189	5,887,189	5,887,189	70,640,032
3 Orlando Cogen Limited (ORLACOOGL)	5,923,355	5,923,355	5,923,355	5,923,355	5,923,355	5,923,355	5,923,355	5,923,355	5,923,355	5,923,355	5,923,355	5,923,355	71,960,299
4 Pasco County Resource Recovery (PASCOCOUNT)	2,147,740	2,147,740	2,147,740	2,147,740	2,147,740	2,147,740	2,147,740	2,147,740	2,147,740	2,147,740	2,147,740	2,147,740	25,772,889
5 Pinellas County Resource Recovery (PINCOUNT)	5,112,555	5,112,555	5,112,555	5,112,555	5,112,555	5,112,555	5,112,555	5,112,555	5,112,555	5,112,555	5,112,555	5,112,555	61,350,880
6 Polk Power Partners, L.P. (MULBERRY/ROYSITER)	8,086,717	8,086,717	8,086,717	8,086,717	8,086,717	8,086,717	8,086,717	7,659,803	8,313,571	8,086,717	8,086,717	8,086,717	97,040,802
7 Wheelabrator Ridge Energy, Inc. (RDGEEN)	0	0	0	0	0	0	0	0	0	0	0	0	0
8 US EcoGen	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Subtotal - Base Level Capacity Costs	27,157,347	27,163,725	27,157,336	27,157,336	27,157,336	27,157,336	27,167,530	26,930,932	27,364,900	27,157,500	27,157,533	27,157,533	325,990,433
10 Base Production Jurisdictional Responsibility	02.885%	02.885%	02.885%	02.885%	02.885%	02.885%	02.885%	02.885%	02.885%	02.885%	02.885%	02.885%	
11 Base Level Jurisdictional Capacity Costs	25,216,326	25,231,026	25,225,377	25,225,377	25,225,377	25,225,377	25,225,377	25,014,364	25,435,661	25,225,377	25,225,377	25,225,377	302,700,830
12 Intermediate Production Level Capacity Costs													
13 Southern Franklin	4,018,449	5,550,785	2,815,069	2,818,679	1,738,000	4,006,953	5,413,842	6,550,808	7,304,300	2,851,265	2,833,088	3,688,267	40,885,663
14 Schedule M Capacity Rates	0	0	(32,486)	0	0	0	0	(32,120)	(5,087)	(61,437)	0	0	(131,637)
15 Subtotal - Intermediate Level Capacity Costs	4,018,449	6,050,785	2,782,583	2,818,679	1,738,000	4,006,953	5,413,842	6,518,688	7,299,213	2,789,828	2,833,088	3,688,267	40,654,026
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	2,920,070	4,035,587	2,023,054	2,047,810	1,263,044	2,978,608	3,936,025	4,745,520	5,308,442	2,028,289	2,060,740	2,682,208	36,027,285
18 Peaking Production Level Capacity Costs													
19 Shady Hills	1,973,180	1,973,180	1,973,180	822,440	1,912,680	3,911,780	3,904,200	3,904,200	1,821,080	1,371,800	1,371,800	1,078,940	28,896,860
20 Vandalah	2,938,298	2,876,217	1,958,481	1,943,807	2,807,248	5,836,862	5,903,915	5,834,458	2,781,740	1,044,121	2,042,828	2,967,509	38,846,482
21 Other	-	-	-	-	-	-	-	-	-	-	-	-	-
22 Subtotal - Peaking Level Capacity Costs	4,911,478	4,849,397	3,931,661	2,766,247	4,720,028	9,748,642	9,808,115	9,738,658	4,602,820	3,315,921	3,414,228	4,047,509	68,743,342
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	4,712,227	4,651,717	3,771,267	2,654,510	4,527,840	9,354,175	9,406,336	9,341,708	4,398,877	3,180,372	3,275,064	4,771,748	64,025,781
25 Other Capacity Costs													
26 Retail Wheeling	(10,720)	(9,947)	0	(17,012)	(2,126)	(637)	(6,413)	(86,277)	(9,642)	(2,514)	0	(19,317)	(115,810)
27 Ridge Generating Station L.P. Termination ¹	708,094	704,821	701,140	667,876	694,203	650,731	687,032	689,585	680,117	676,640	673,181	660,714	8,268,772
28 State Corporate Income Tax Change ²	-	-	(3,491,833)	(232,776)	(232,776)	(232,776)	(232,776)	(232,776)	(232,778)	(232,778)	(232,778)	(232,778)	(3,596,617)
29 SoBRA True-Up - Columbia ³	-	-	-	-	-	-	-	-	(133,569)	-	-	-	(133,569)
30 SoBRA True-Up - DeBary ⁴	-	-	-	-	-	-	-	-	(77,810)	-	-	-	(77,810)
31 SoBRA True-Up - Lake Placid ⁵	-	-	-	-	-	-	-	-	(218,668)	-	-	-	(218,668)
32 SoBRA True-Up - Trenton ⁶	-	-	-	-	-	-	-	-	(597,827)	-	-	-	(597,827)
33 Total Other Capacity Costs	697,369	694,874	(2,790,693)	447,863	436,361	437,118	445,603	414,532	(585,315)	441,359	440,425	418,821	1,541,331
34 Total Capacity Costs (Line 11+17+24+33)	33,548,233	34,613,004	28,229,214	30,355,265	31,473,861	38,015,180	30,615,022	30,516,824	34,553,096	30,875,497	31,000,457	33,097,854	454,297,707
35 ISPB Revenue Requirement⁷	673,320	673,320	673,320	673,320	673,320	673,320	673,320	673,320	673,320	673,320	673,320	673,320	8,078,637
36 Total Recoverable Capacity & ISPB Costs (line 34+35)	34,221,553	35,286,324	28,902,534	31,028,585	32,147,181	38,688,500	31,288,342	31,190,144	35,226,416	31,548,817	31,673,777	33,771,174	462,376,344
37 Capacity Revenues:													
38 Capacity Cost Recovery Revenues (net of tax)	27,694,435	28,861,108	29,876,620	34,161,020	32,030,710	36,912,727	42,078,331	41,023,530	40,641,915	36,548,710	35,044,527	31,376,802	416,238,240
39 Prior Period True-Up Provision Over/(Under) Recovery	154,042	154,042	154,042	154,042	154,042	154,042	154,042	154,042	154,042	154,042	154,042	154,042	1,843,309
40 Current Period OOR Revenues (net of tax)	27,848,477	29,015,151	30,026,662	34,315,062	32,184,752	37,066,769	42,232,373	41,177,572	40,795,957	36,702,752	35,198,569	31,530,844	418,081,749
41 Total Capacity Revenues	27,848,477	29,015,151	30,026,662	34,315,062	32,184,752	37,066,769	42,232,373	41,177,572	40,795,957	36,702,752	35,198,569	31,530,844	418,081,749
42 True-Up Provision													
43 True-Up Provision - Over/(Under) Recov (Line 40-36)	(6,274,046)	(6,371,173)	1,227,128	3,308,467	125,578	(1,621,739)	2,843,551	1,067,029	5,068,642	5,254,035	3,624,762	(2,141,528)	6,910,206
44 Interest Provision for the Month	(2,912)	(11,492)	(17,067)	(8,763)	(459)	(80)	(810)	(639)	(245)	184	663	722	(42,342)
45 Current Cycle Balance - Over/(Under)	(6,276,958)	(12,659,625)	(11,450,963)	(8,072,061)	(7,847,619)	(6,458,562)	(6,227,241)	(5,740,251)	128,148	5,383,245	6,008,670	6,007,604	6,007,604
46 Prior Period Balance - Over/(Under) Recovered	1,650,728	898,698	742,643	690,601	434,339	290,510	326,474	(27,099)	(181,611)	(333,633)	(498,660)	(643,732)	1,050,728
47 Prior Period Cumulative True-Up Collected/(UnCollected)	(154,042)	(154,042)	(154,042)	(154,042)	(154,042)	(154,042)	(154,042)	(154,042)	(154,042)	(154,042)	(154,042)	(154,042)	(1,843,309)
48 Prior Period True-up Balance - Over/(Under)	856,586	742,643	668,601	494,556	280,518	125,474	(27,596)	(181,611)	(333,633)	(498,660)	(643,732)	(767,781)	(767,781)
49 Net Capacity True-up Over/(Under) (Line 43-48)	(5,390,272)	(11,916,982)	(10,881,764)	(7,638,183)	(7,667,058)	(6,343,606)	(6,854,800)	(5,921,882)	(207,507)	4,803,540	8,364,932	6,070,083	6,070,083