


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: October 7, 2022
TO: Office of the Commission Clerk
FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 
RE: Docket No.: 20220007-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3d: Environmental Cost Recovery Clause
Audit Control No: 2022-018-1-3

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 the Commission Clerk. There are no confidential work papers associated with this audit.

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
Tallahassee District Office

Auditor's Report

Duke Energy Florida, LLC
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2021

Docket No. 20220007-EI
Audit Control No. 2022-018-1-3
October 6, 2022

A handwritten signature in cursive script, reading "Donna D. Brown".

Donna D. Brown
Audit Manager

A handwritten signature in cursive script, reading "Todd M. Brown".

Todd M. Brown
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 Engineering in its audit service request dated January 14, 2022. 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 2021 filing for the Environmental Cost Recovery Clause in Docket No. 20220007-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Duke Energy Florida, LLC.
ECRC refers to the Environmental Cost Recovery Clause.

Capital Investments

Utility Plant in Service

Objective: The objective was to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2021, through December 31, 2021.

Procedure: We reconciled Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2021 Form 42-8A. No exceptions were noted.

Construction Work in Progress

Objectives: The objectives were to verify net investments associated with the following capital projects, and to determine whether any project, which involved the replacement or retirement of an existing plant asset, is retired at the installed costs by the Utility in accordance with Rule 25-6.0142(4)(b), Florida Administrative Code, (F.A.C.):

- 1) Project No. 6.1 Phase II Cooling Water intake 316(b) – Base – Bartow

Procedures: We judgmentally selected a sample of capital investment invoices for Project No. 6.1 Phase II. We determined whether additions had appropriate supporting documentation and were recorded to the correct project and recorded in the correct amount. We also determined whether items that were replaced had a corresponding retirement. We compared the general ledger to the Form 42-8A. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2021, through December 31, 2021, and to determine whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2021 filing to the Utility's monthly Environmental Revenue Reports. We computed the factors by rate code and compared them to the last Commission Order (Order No. PSC PSC-2020-0433-FOF-EI). We selected a sample of 37 customers' bills and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Form 42-5A filing were supported by adequate documentation and that the expenses were appropriately recoverable through the ECRC.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing for the months of January, July, and December. The source documentation for selected items was reviewed to ensure the expense was related to the ECRC and that the expense was charged to the correct accounts. 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 recalculated a sample of depreciation expense and traced them to the Utility's Depreciation Schedule and reconciled them to the filing. We also traced the depreciation rates from the Commission Order for the last Depreciation Study, Order No. PSC-2010-0131-FOF-EI, to the Utility's Depreciation and Amortization Schedule. No exceptions were noted.

Other Issues

SO₂ Allowances

Objectives: The objectives were to verify investments, inventory, expensed amounts, and allowance auction proceeds and to verify amounts included in Working Capital, Form 42-8A.

Procedures: We traced 2021 consumption for SO₂ Allowances from the Utility's detailed Allowances Reports to the Total Emissions Schedule on Form 42-5E. We reviewed the Clear Air Plan for 2021 for NO_x controls. We verified the wholesale portion of SO₂ Allowances. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A was properly calculated.

Procedures: We traced the December 31, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2021, using the Commission-approved beginning balance as of December 31, 2020, the Financial Commercial Paper rates, and the 2021 ECRC revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECRC Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2021 to 2020 revenues and expenses. We requested explanations from the Utility for significant variances. The explanations provided by the Utility were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

DUKE ENERGY FLORIDA, LLC
Environmental Cost Recovery Clause
Final True-Up
January 2021 - December 2021

End-of-Period True-Up Amount
(In Dollars)

Form 42-2A

Docket No. 20220007-EI
Duke Energy Florida
Witness: G. P. Dean
Exh. No. ___ (GPD-1)
Page 3 of 27

Line	Description	Actual Jan-21	Actual Feb-21	Actual Mar-21	Actual Apr-21	Actual May-21	Actual Jun-21	Actual Jul-21	Actual Aug-21	Actual Sep-21	Actual Oct-21	Actual Nov-21	Actual Dec-21	End of Period Total
1	ECRC Revenues (net of Revenue Taxes)	\$2,802,398	\$2,669,202	\$2,810,085	\$2,865,581	\$3,072,006	\$3,585,155	\$3,668,617	\$3,653,238	\$4,039,724	\$3,618,678	\$2,482,489	\$3,070,084	38,337,255
2	True-Up Provision (Order No. PSC-2020-0433-FOF-EI)	6,304,739	\$525,395	\$525,395	\$525,395	\$525,395	\$525,395	\$525,395	\$525,395	\$525,395	\$525,395	\$525,395	\$525,395	6,304,739
3	ECRC Revenues Applicable to Period (Lines 1 + 2)	\$3,127,793	3,194,597	3,335,480	3,390,976	3,597,401	4,110,549	4,194,011	4,178,633	4,565,119	4,144,072	3,007,884	3,595,479	44,641,994
4	Jurisdictional ECRC Costs													
a.	O & M Activities (Form 42-5A, Line 9)	\$1,304,079	\$1,392,141	\$1,779,954	\$1,899,078	\$1,634,092	\$1,711,715	\$2,565,491	\$1,934,464	\$1,398,604	\$1,073,791	\$1,699,273	\$1,297,149	\$19,689,831
b.	Capital Investment Projects (Form 42-7A, Line 9)	1,912,127	1,954,329	1,953,906	1,939,810	1,901,004	1,888,407	1,870,922	1,865,979	1,901,375	1,890,677	1,920,872	1,912,005	22,911,412
c.	Other (A)	0	0	0	0	0	0	0	0	0	0	0	0	0
d.	Total Jurisdictional ECRC Costs	\$3,216,206	\$3,346,470	\$3,733,860	\$3,838,888	\$3,535,096	\$3,600,122	\$4,436,413	\$3,800,443	\$3,299,979	\$2,964,468	\$3,620,145	\$3,209,154	\$42,601,243
5	Over/(Under) Recovery (Line 3 - Line 4d)	\$111,587	(\$151,873)	(\$398,380)	(\$447,912)	\$62,306	\$510,427	(\$242,402)	\$378,190	\$1,265,139	\$1,179,605	(\$612,261)	\$386,325	\$2,040,751
6	Interest Provision (Form 42-3A, Line 10)	570	521	399	323	166	154	161	112	126	193	239	188	3,152
7	Beginning Balance True-Up & Interest Provision	6,304,739	5,891,501	5,214,754	4,291,378	3,318,394	2,855,471	2,840,657	2,073,022	1,925,929	2,665,799	3,320,202	2,182,785	6,304,739
a.	Deferred True-Up - January 2020 - December 2020 (2020 TU filing dated April 1, 2021)	231,488	231,488	231,488	231,488	231,488	231,488	231,488	231,488	231,488	231,488	231,488	231,488	231,488
8	True-Up Collected/(Refunded) (see Line 2)	(\$25,395)	(\$25,395)	(\$25,395)	(\$25,395)	(\$25,395)	(\$25,395)	(\$25,395)	(\$25,395)	(\$25,395)	(\$25,395)	(\$25,395)	(\$25,395)	(6,304,739)
9	End of Period Total True-Up (Lines 5+6+7+8)	\$6,122,989	\$5,446,242	\$4,522,866	\$3,549,882	\$3,086,959	\$3,072,145	\$2,304,509	\$2,157,416	\$2,897,287	\$3,551,690	\$2,414,273	\$2,275,391	\$2,275,391
10	Adjustments to Period Total True-Up Including Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
11	End of Period Total True-Up Over/(Under) (Lines 9 + 10)	\$6,122,989	\$5,446,242	\$4,522,866	\$3,549,882	\$3,086,959	\$3,072,145	2,304,509	\$2,157,416	\$2,897,287	\$3,551,690	\$2,414,273	\$2,275,391	\$2,275,391

Notes:
(A) N/A