

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-**

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**DATE:** May 8, 2023

**TO:** Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

**FROM:** Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

**RE:** Docket No.: 20230001-EI  
Company Name: Duke Energy Florida, LLC  
Company Code: EI801  
Audit Purpose: A3a: Fuel Cost Recovery Clause  
Audit Control No: 2023-010-2-1

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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

### Auditor's Report

Duke Energy Florida, LLC  
Fuel and Purchased Power Cost Recovery Clause

**Twelve Months Ended December 31, 2022**

Docket No. 20230001-EI  
Audit Control No. 2023-010-2-1  
**April 25, 2023**

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

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Tomer Kopelovich  
Audit Manager

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

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Hymavathi Vedula  
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 9, 2023. 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 2022 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20230001-EI.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Utility refers to Duke Energy Florida, LLC.

Fuel Clause refers to the Fuel and Purchased Power Cost Recovery Clause.

### **Analytical Review**

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

**Procedure:** We performed an analytical review of the 2022 Fuel Clause filing compared to the 2021 filing. We determined the amounts and the percentage of change for Schedules A-3, A-6, A-7, A-8, A-9, as well as the fuel cost of stratified sales and fuel revenues schedules from 2021 to 2022. No differences requiring follow-up investigation were needed.

### **Revenue**

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2022, through December 31, 2022, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the Fuel Clause.

**Procedures:** We reconciled the fuel revenues reported in the 2022 Fuel Clause to the Utility's monthly revenue reports and the general ledger. We recalculated 2022 fuel revenues using the KWH sold in the Utility's monthly revenue reports and the fuel factors authorized in the Utility's last fuel clause proceeding. We selected a sample of residential and commercial customers' bills from March and September 2022 and recalculated each to verify the use of the correct tariff rates. No exceptions were noted.

### **Expenses**

**Objectives:** The objectives were to verify that the total fuel and net power transactions in Schedule A-1 were properly computed and recorded on the books of the Company for the twelve-month audit period and to determine that any adjustments to fuel cost have been approved by the Commission and are properly computed.

**Procedures:** We reconciled the total fuel and net power transactions to the monthly filing Schedule A-1. We reconciled total costs of generation for light oil, coal, and gas from Schedule A-1 to the general ledger for the twelve months ended December 31, 2022. No exceptions were noted.

**Objectives:** The objectives were to review the expenses the Utility included in the Fuel Clause and determine whether those expenses were properly recoverable as required in Order No. 14546, issued July 8, 1985.

**Procedures:** We reviewed and sampled fuel expenses reported on supporting Schedules A-1 and A-2, and other supporting documentation, to determine that the fuel expense included in the Fuel Clause filing complied with the requirements set forth in Order No. 14546. No exceptions were noted.

**Objective:** The objective was to determine whether generation-related gains derived from non-separated wholesale energy sales were credited to the fuel clause as set forth in Order No. PSC-2000-1744-PAA-EI, issued September 26, 2000.

**Procedure:** We calculated generation related gains from Schedule A-6 to ensure the Utility complied with the Commission Order. We traced Schedule A-6 fuel purchases for the months of March and September 2022 to invoices and contracts. No exceptions were noted.

**Objective:** The objective was to determine whether energy payments to qualifying facilities in Schedule A-7 were based on the appropriate standard offer or negotiated contract rate.

**Procedures:** We summarized fuel purchased power by month for MWHs, Cents/KWH, and total dollars for fuel adjustment. We traced Schedule A-7 fuel purchases for the months of March and September 2022 to invoices and contracts. No exceptions were noted.

**Objective:** The objective was to determine whether energy payments to qualifying facilities in Schedule A-8 were based on the appropriate standard offer or negotiated contract rate.

**Procedures:** We prepared a schedule accumulating total monthly KWH and total monthly fuel purchases for 2022 as reflected on Fuel Clause Schedule A-8 – Energy Payments to Qualifying Facilities. We traced all transactions on Schedule A-8 for the months of March and September to invoices and supporting documentation. No exceptions were noted.

**Objective:** The objective was to determine whether energy payments to qualifying facilities in Schedule A-9 were based on contract or standard offer.

**Procedures:** Using Schedule A-9, we prepared a monthly schedule for 2022 with MWH purchases, cents/KWH, total dollars for fuel adjustment, and fuel savings for economy purchases. For the months of March and September 2022, we traced invoiced amounts and MWH purchased. No exceptions were noted.

**Objectives:** The objectives were to determine whether 2022 gas storage expense recovered through the Fuel Clause was calculated correctly and payments were made in accordance with the applicable contracts.

**Procedures:** We prepared a schedule for natural gas transportation and storage expense for 2022. We traced a sample of the transportation and storage expenses in the Fuel Clause filing to supporting invoices and vendor contracts. No exceptions were noted.

## **Inventory**

**Objective:** The objective was to determine whether adjustments made to coal inventory due to the semi-annual coal inventory survey have been recorded as set forth in Order No. PSC-1997-0359-FOF-EI, issued March 31, 1997, in Docket No. 1997001-EI.

**Procedure:** We reviewed all documentation that supports the Utility's aerial survey calculations and recorded adjustments to coal inventory balances to determine compliance with the requirements of Order No. PSC-1997-0359-FOF-EI. No exceptions were noted.

## **Other**

**Objectives:** The objectives were to review and verify payments made under the waterborne and rail transportation contracts.

**Procedures:** We reviewed the waterborne and rail coal transportation contracts. We traced the contract rates to our sample of the Utility's coal fuel expense and reconciled the contract rates to the invoices selected in our sample. No exceptions were noted.

**Objective:** The objective was to determine whether vendor rebates and refunds were credited by the Utility to its recoverable fuel costs.

**Procedures:** We obtained a summary of all 2022 refunds and demurrages. We traced all refunds and demurrages to the Fuel Ledger for correct disposition. No exceptions were noted.

**Objectives:** The objectives were to reconcile service hours, reserve shutdown hours, and unavailable hours for the Generating Performance Incentive Factor (GPIF) units as shown on the annual GPIF Filing with source documents and trace the differences to source documents.

**Procedures:** We obtained the Actual Unit Performance Data Forms for January – December 2022 from the GPIF Filing. We reconciled service hours, reserve shutdown hours and unavailable hours to the GPIF Filing using the Generating Data System for Bartow, Osprey, and Hines 1, 2, 3, and 4. No exceptions were noted.

**Objective:** The objective was to reconcile the monthly coal and oil purchases reflected on Florida Public Service Commission (FPSC) Form 423 with Schedule A-5, general ledger, vendor contractual obligations, and source documents.

**Procedures:** We reconciled FPSC Form 423 for 2022 to the supporting Schedule A-5 of the Utility's Fuel Clause filing. We reconciled the volumes, invoice price, and transportation charges reflected on Form 423 to the supporting documentation obtained in conjunction with our sample of coal and oil fuel expense. No exceptions were noted.

**Objective:** The objective was to verify that Firm Transportation Service (FTS) charges for natural gas transportation agree with the appropriate FTS rate schedules from pipeline company tariffs.

**Procedures:** We traced FTS charges for natural gas transportation for March and September 2022 invoices to FTS rate schedules and found that the correct rates were used. No exceptions were noted.

**Objective:** The objective was to verify that the revenue expansion factor applied to any capital investment being recovered through the fuel clause did not contain a component for bad debt expense.

**Procedures:** We requested and received information that the Utility is not recovering any investments in the fuel clause for which bad debt is applied. There is no bad debt expense incorporated in the Utility's weighted average cost of capital. Further follow-up was not needed.

## **True-Up**

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

**Procedures:** We traced the December 31, 2021, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2022, using the Commission-approved beginning balance as of December 31, 2021, the Financial Commercial Paper rates, and the 2022 Fuel Clause revenues and costs. No exceptions were noted.



Audit Findings

**None**

# Exhibit

## Exhibit 1: True-Up

**DUKE ENERGY FLORIDA  
CALCULATION OF TRUE-UP AND INTEREST PROVISION  
DECEMBER 2022**

	CURRENT MONTH				YEAR TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT
<b>A. FUEL COSTS AND NET POWER TRANSACTIONS</b>								
1. FUEL COST OF SYSTEM NET GENERATION	\$201,374,791	204,112,982	(\$2,738,191)	(1.3)	\$2,622,840,343	\$2,564,453,005	\$58,386,438	2.3
1a. COAL CAR SALE	0	0	0	0.0	0	0	0	0.0
2. FUEL COST OF POWER SOLD	(2,850,607)	(880,386)	(1,770,241)	201.1	(19,214,542)	(12,785,929)	(6,428,613)	50.3
2a. GAIN ON POWER SALES	(1,480,670)	(181,665)	(1,299,105)	715.5	(4,748,348)	(2,820,010)	(1,918,738)	67.8
3. FUEL COST OF PURCHASED POWER	10,391,256	322,450	10,068,806	3,122.6	245,228,007	152,908,248	92,317,850	80.4
3a. ENERGY PAYMENTS TO QUALIFYING FACILITIES	16,500,709	17,287,269	(786,499)	(4.5)	151,985,517	161,709,840	(9,724,323)	(6.0)
4. ENERGY COST OF ECONOMY PURCHASES	372,343	1,010,420	(638,077)	(63.2)	65,525,644	67,557,993	(2,032,350)	(3.0)
5. TOTAL FUEL & NET POWER TRANSACTIONS	224,513,883	221,671,190	2,842,693	1.3	3,061,614,710	2,931,014,447	130,600,263	4.5
<b>6. ADJUSTMENTS TO FUEL COST:</b>								
6a. FUEL COST OF STRATIFIED SALES	(13,913,728)	(18,289,819)	2,366,092	(14.5)	(264,153,742)	(221,969,251)	(42,184,491)	19.0
6d. OTHER- JURISDICTIONAL ADJUSTMENTS (see detail below)	3,730,116	1,017,045	2,713,071	266.8	15,983,449	13,154,324	2,809,125	21.4
6c. OTHER - PRIOR PERIOD ADJUSTMENT	0	0	0	0.0	0	0	0	0.0
<b>7. ADJUSTED TOTAL FUEL &amp; NET PWR TRNS</b>	<b>\$214,330,272</b>	<b>\$208,416,416</b>	<b>\$7,911,856</b>	<b>3.8</b>	<b>\$2,813,424,416</b>	<b>\$2,722,199,519</b>	<b>\$91,224,897</b>	<b>3.4</b>
<b>FOOTNOTE: DETAIL OF LINE 6b ABOVE</b>								
N/A - Not used	\$0	\$0	\$0		\$0	\$0	\$0	
N/A - Not used	0	0	0		0	0	0	
UNIVERSITY OF FLORIDA STEAM REVENUE ALLOCATION (Wholesale Portion)	58	0	58		9,140	0	9,140	
WHOLESALE ALLOCATION ADJUSTMENT	0	0	0		0	0	0	
TANK BOTTOM ADJUSTMENT	0	0	0		0	0	0	
AERIAL SURVEY ADJUSTMENT (Coal Pile)	2,703,843	0	2,703,843		2,703,843	0	2,703,843	
FPD AGREEMENT TERMINATION	1,026,216	0	1,026,216		12,587,827	0	12,587,827	
RAIL CAR SALE PROCEEDS	0	0	0		0	0	0	
CITRUS SETTLEMENT FUEL GIVEBACK	0	0	0		0	0	0	
NET METER SETTLEMENT	0	0	0		682,639	0	682,639	
ORA OUTAGE REPLACEMENT POWER	0	0	0		0	0	0	
Derivative Collateral Interest	0	0	0		0	0	0	
<b>SUBTOTAL LINE 6b SHOWN ABOVE</b>	<b>\$3,730,116</b>	<b>\$0</b>	<b>\$3,730,116</b>		<b>\$15,983,449</b>	<b>\$0</b>	<b>\$15,983,449</b>	
<b>B. KWH SALES</b>								
1. JURISDICTIONAL SALES	3,072,110,792	2,980,869,808	91,441,184	3.1	40,510,215,357	39,519,548,953	990,666,404	2.5
2. NON JURISDICTIONAL (WHOLESALE) SALES	1,767,360	1,252,840	514,520	41.1	378,906,120	164,867,667	214,038,133	129.8
3. TOTAL SALES	3,073,878,152	2,981,922,448	91,955,704	3.1	40,889,121,477	39,684,416,640	1,204,704,537	3.0
4. JURISDICTIONAL SALES % OF TOTAL SALES	99.94	99.96	(0.02)	(0.0)	99.07	99.58	(0.51)	(0.5)

# Exhibit 1 (cont'd)

## DUKE ENERGY FLORIDA CALCULATION OF TRUE-UP AND INTEREST PROVISION DECEMBER 2022

	CURRENT MONTH				YEAR TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT
<b>C. TRUE UP CALCULATION</b>								
1. JURISDICTIONAL FUEL REVENUE	\$144,352,669	\$142,480,418	\$1,872,251	1.3	\$1,867,922,882	\$1,831,272,541	\$36,650,341	2.0
2. ADJUSTMENTS:	0	0	0	0.0	0	0	0	0.0
2a. TRUE UP PROVISION	(36,470,185)	(36,470,185)	(0)	0.0	(385,271,652)	(385,271,648)	(4)	0.0
2b. INCENTIVE PROVISION	(221,440)	(221,440)	0	0.0	(2,657,279)	(2,657,280)	1	0.0
2c. CLEAN ENERGY CONNECTION (CEC) BILL CREDIT	(1,464,671)	(831,228)	(633,442)	76.2	(3,875,547)	(5,123,413)	1,247,867	(24.4)
3. TOTAL JURISDICTIONAL FUEL REVENUE	106,196,372	104,957,564	1,238,808	1.2	1,476,118,404	1,438,220,200	37,898,204	2.6
4. ADJ TOTAL FUEL & NET PWR TRNS (LINE A7)	214,330,272	208,418,416	7,911,856	3.8	2,813,424,416	2,722,199,519	91,224,897	3.4
5. JURISDICTIONAL SALES % OF TOT SALES (LINE B4)	99.94	99.96	(0.02)	(0.0)	99.07	99.58	(0.51)	(0.5)
6. JURISDICTIONAL FUEL & NET POWER TRANSACTIONS (LINE C4 * LINE C5 * 1.00036 LOSS MULTIPLIER)	214,288,439	208,410,098	7,878,343	3.8	2,784,823,886	2,710,807,274	74,016,592	2.7
7. TRUE UP PROVISION FOR THE MONTH OVER/UNDER COLLECTION (LINE C3 - C8)	(108,092,067)	(101,452,533)	(6,639,534)	6.5	(1,308,505,462)	(1,272,387,073)	(36,118,389)	2.8
8. INTEREST PROVISION FOR THE MONTH (LINE D10)	(4,587,874)	(1,529,623)	(3,057,951)	199.9	(19,217,789)	(9,317,062)	(9,900,667)	106.3
9. TRUE UP & INTEREST PROVISION BEG OF MONTH/PERIOD	(1,278,765,998)	(1,242,444,400)	(36,321,597)	2.9	(412,524,152)	(412,524,152)	0	0.0
10. TRUE UP COLLECTED (REFUNDED)	36,470,185	36,470,186	0	0.0	385,271,652	385,271,648	4	0.0
11. END OF PERIOD TOTAL NET TRUE UP (LINES C7 + C8 + C9 + C10)	(1,354,975,751)	(1,308,956,870)	(46,019,081)	3.5	(1,354,975,751)	(1,308,956,870)	(46,019,081)	3.5
12. OTHER:	0				0		0	
13. END OF PERIOD TOTAL NET TRUE UP (LINES C11 + C12)	(\$1,354,975,751)	(1,308,956,870)	(46,019,081)	3.5	(\$1,354,975,751)	(1,308,956,870)	(46,019,081)	3.5
<b>D. INTEREST PROVISION</b>								
1. BEGINNING TRUE UP (LINE C9)	(\$1,278,765,998)	N/A	--	--				
2. ENDING TRUE UP (LINES C7 + C9 + C10 + C12)	(1,350,387,877)	N/A	--	--				
3. TOTAL OF BEGINNING & ENDING TRUE UP	(2,629,153,873)	N/A	--	--				
4. AVERAGE TRUE UP (50% OF LINE D3)	(1,314,576,937)	N/A	--	--				
5. INTEREST RATE - FIRST DAY OF REPORTING MONTH	4.010	N/A	--	--				
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	4.370	N/A	--	--				
7. TOTAL (LINE D5 + LINE D6)	8.380	N/A	--	--				
8. AVERAGE INTEREST RATE (50% OF LINE D7)	4.190	N/A	--	--				
9. MONTHLY AVERAGE INTEREST RATE (LINE D8/12)	0.349	N/A	--	--				
10. INTEREST PROVISION (LINE D4 * LINE D9)	(\$4,587,874)	N/A	--	--				