

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 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: Capacity Cost Recovery Clause
Audit Control No: 2023-010-2-2

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 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
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230001-EI
Audit Control No. 2023-010-2-2
April 24, 2023

A blue ink signature of Tomer Kopelovich.

Tomer Kopelovich
Audit Manager

A black ink signature of Hymavathi Vedula.

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 & 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 Capacity 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
CCRC refers to the Capacity Cost Recovery Clause.

Analytical Review

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 the prior year.

Procedures: We compared calendar year 2022 to 2021 revenues and expenses. Audit staff prepared a schedule to determine whether there were any significant changes to revenues and expenses between 2022 and 2021, and followed up with the Utility if significant changes occurred. Further follow-up was not needed.

Revenue

Operating Revenues

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

Procedures: We reconciled the 2022 filing to the Utility's monthly revenue reports and the general ledger. We recalculated 2022 capacity revenues using the KWH sold in the Utility's monthly revenue reports and the capacity factors authorized in Commission Order No. PSC-2021-0442-FOF-EI, issued November 30, 2021. A sample 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 non-separated, non-energy broker network, wholesale energy were credited to the CCRC per Commission Order PSC-1999-2512-FOF-EI, issued December 22, 1999.

Procedures: We compiled transmission revenues for the twelve-month period ended December 31, 2022, from the utility-provided documentation and reconciled the revenues with the general ledger and the filing. We determined that these revenues comply with Order No. PSC-1999-2512-FOF-EI. 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 Schedule A-12 filing were supported by adequate documentation and that the expenses were appropriately recoverable through the CCRC.

Procedures: We traced expenses in the filing to the general ledger. We selected a sample of O&M Expense invoices for testing for the months of February, May, August, and November 2022. 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.

Incremental Security Costs

Objective: The objective was to verify that there were no incremental security or cyber security costs recovered through the Capacity Clause.

Procedure: We reviewed the general ledger account detail for vendors charging security costs to the Utility. We noted that all security costs were recovered through base rates and not through the CCRC. No further work was performed.

Purchased Power Contract

Objective: The objective was to determine whether invoices for capacity purchases were in accordance with the terms and conditions of the contracts.

Procedures: We reviewed the purchased power contracts. We traced the purchased power capacity costs from the filing to the general ledger. We reconciled invoices for capacity purchases to the contract to determine whether they were recorded according to the terms and conditions of the contract. No exceptions were noted.

Other

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

Procedure: We requested and received information that the Utility does not recover any investments in the capacity 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, was properly calculated.

Procedures: We traced the December 31, 2021, True-Up Provision to the Commission Order. We recalculated the True-Up as of December 31, 2022, using the Commission-approved

beginning balance as of December 31, 2021, and the 2022 CCRC revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

Docket No. 20230001-E
 Witness: Dean
 Exhibit No. (GPD-2T)
 Sheet 2 of 3

Duke Energy Florida, LLC
 Capacity Cost Recovery Clause
 Calculation of Actual True-Up
 January 2022 - December 2022

	ACT Jan-22	ACT Feb-22	ACT Mar-22	ACT Apr-22	ACT May-22	ACT Jun-22	ACT Jul-22	ACT Aug-22	ACT Sep-22	ACT Oct-22	ACT Nov-22	ACT Dec-22	Total
1 Base Production Level Capacity Costs													
2 Orange Cogen (ORANGECO)	6,579,025	6,502,742	6,498,962	6,502,742	6,297,589	6,214,424	6,280,354	6,390,074	6,397,620	6,344,707	6,284,233	6,326,585	76,610,097
3 Orlando Cogen Limited (ORLACOGL)	6,542,615	6,542,615	6,542,615	6,542,615	6,542,615	6,542,615	6,542,615	6,542,615	6,542,615	6,542,615	6,542,615	6,542,615	78,511,377
4 Pasco County Resource Recovery (PASCOUNT)	2,429,950	2,429,950	2,429,950	2,429,950	2,429,950	2,429,950	2,429,950	2,429,950	2,429,950	2,429,950	2,429,950	2,429,950	29,159,400
5 Pinellas County Resource Recovery (PINCOUNT)	5,784,338	5,784,338	5,784,338	5,784,338	5,784,338	5,784,338	5,784,338	5,784,338	5,784,338	5,784,338	5,784,338	5,784,338	69,412,050
6 Polk Power Partners, L.P. (MULBERRY/ROYSTER)	8,932,175	8,932,175	8,932,175	8,932,175	8,932,175	8,840,681	8,926,330	8,877,351	8,715,231	8,710,483	8,770,518	8,792,726	106,093,193
7 Subtotal - Base Level Capacity Costs	30,268,102	30,191,819	30,188,039	30,191,819	29,956,666	29,612,008	29,962,586	29,824,326	29,866,753	29,812,152	29,811,653	29,876,193	359,795,117
8 Base Production Jurisdictional Responsibility	92.865%	92.865%	92.865%	92.865%	92.865%	92.865%	92.865%	92.865%	92.865%	92.865%	92.865%	92.865%	92.865%
9 Base Level Jurisdictional Capacity Costs	28,108,473	28,037,632	28,034,122	28,037,632	27,847,118	27,684,921	27,824,756	27,696,361	27,738,546	27,885,055	27,684,561	27,744,527	334,123,734
10 Intermediate Production Level Capacity Costs													
11 Southern Franklin	(79,292)	0	0	(844)	0	(270,639)	0	0	(42)	0	0	0	(350,617)
12 Schedule H Capacity Sales	9,365	(9,365)	(12,487)	0	72,800	72,800	0	0	0	139,650	0	0	272,763
13 Subtotal - Intermediate Level Capacity Costs	(69,927)	(9,365)	(12,487)	(844)	72,800	(197,839)	0	0	(42)	139,650	0	0	(78,054)
14 Intermediate Production Jurisdictional Responsibility	88.321%	88.321%	88.321%	88.321%	88.321%	88.321%	88.321%	88.321%	88.321%	88.321%	88.321%	88.321%	88.321%
15 Intermediate Level Jurisdictional Capacity Costs	(61,760)	(8,272)	(11,029)	(745)	64,298	(174,734)	0	0	(37)	123,340	0	0	(68,039)
16 Peaking Production Level Capacity Costs													
17 Shady Hills	1,976,940	1,976,940	1,494,234	1,368,900	1,016,460	3,907,980	3,904,200	3,904,200	1,821,860	1,371,600	1,371,600	1,976,940	26,991,854
18 Vandolah	3,011,389	2,975,257	2,023,067	2,000,970	2,877,666	5,968,866	5,968,548	5,905,798	2,806,432	1,980,779	2,082,321	3,043,332	40,652,524
19 Other	-	-	-	-	-	-	-	-	-	-	-	-	-
20 Subtotal - Peaking Level Capacity Costs	4,988,329	4,952,197	3,517,301	3,369,870	4,794,126	9,864,946	9,892,748	9,809,998	4,628,392	3,352,379	3,453,921	5,020,272	67,644,478
21 Peaking Production Jurisdictional Responsibility	90.678%	90.678%	90.678%	90.678%	90.678%	90.678%	90.678%	90.678%	90.678%	90.678%	90.678%	90.678%	90.678%
22 Peaking Level Jurisdictional Capacity Costs	4,523,317	4,490,554	3,189,418	3,055,731	4,347,217	8,945,335	8,970,548	8,895,510	4,196,934	3,039,671	3,131,946	4,552,282	61,338,661
23 Other Capacity Costs													
24 Retail Wheeling	(355,205)	(339,033)	(51,083)	(110,107)	(3,426)	(4,579)	(4,041)	(37,581)	(44,142)	(32,451)	(129,798)	(187,710)	(1,299,161)
25 Ridge Generating Station L.P. Termination ¹	623,808	620,376	615,110	612,954	609,548	606,143	602,737	600,407	598,937	593,488	588,995	591,217	7,262,698
26 CR1&2 NBV ²	45,480	45,460	45,460	45,460	45,460	45,460	45,460	45,460	45,460	45,460	45,460	45,460	545,523
27 SoBRA True-Up - Santa Fe ³	(289,763)	-	-	-	-	-	-	-	-	-	-	-	(289,763)
28 SoBRA True-Up - Tw in Rivers ³	(400,148)	-	-	-	-	-	-	-	-	-	-	-	(400,148)
29 SoBRA True-Up - Santa Fe (Base Rate Adjmt) ³	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(386,202)
30 SoBRA True-Up - Tw in Rivers (Base Rate Adjmt) ³	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(539,445)
31 SoBRA True-Up - Charlie Creek (Base Rate Adjmt) ³	(1,039,615)	(1,039,615)	(1,039,615)	(1,039,615)	(1,039,615)	(1,039,615)	(1,039,615)	(1,039,615)	-	-	-	-	(8,316,920)
32 SoBRA True-Up - Sandy Creek (Base Rate Adjmt) ³	(806,910)	(806,910)	(806,910)	(806,910)	(806,910)	-	-	-	-	-	-	-	(4,034,549)
33 Total Other Capacity Costs	(2,299,018)	(1,598,368)	(1,313,663)	(1,374,863)	(1,271,590)	(469,236)	(472,104)	(507,974)	521,610	529,830	429,012	372,322	(7,452,059)
34 Total Capacity Costs (line 9+15+22+33)	30,271,013	30,923,548	29,898,629	29,717,754	30,987,042	35,986,287	36,323,198	36,083,897	32,457,053	31,378,096	31,245,550	32,669,131	387,941,397
35 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	6,878,837
36 Total Recoverable Capacity & ISFSI Costs (line 34+35)	30,844,332	31,496,868	30,472,148	30,291,074	31,560,361	36,559,607	36,896,518	36,657,217	33,030,372	31,951,415	31,818,869	33,242,451	394,821,234
37 Capacity Revenues:													
38 Capacity Cost Recovery Revenues (net of tax)	25,673,907	27,771,515	28,105,672	26,704,583	32,583,194	38,441,090	40,124,274	41,997,400	39,246,362	32,234,893	27,721,892	29,570,112	390,174,904
39 Prior Period True-Up Provision Over/(Under) Recovery	226,523	226,523	226,523	226,523	226,523	226,523	226,523	226,523	226,523	226,523	226,523	226,523	2,718,273
40 Current Period COR Revenues (net of tax)	25,900,430	27,998,038	28,332,194	26,931,116	32,809,717	38,667,613	40,350,796	42,223,923	39,472,885	32,461,416	27,948,414	29,796,635	392,893,177
41 True-Up Provision													
42 True-Up Provision - Over/(Under) Recov (Line 40-36)	(4,943,902)	(3,498,830)	(2,139,954)	(3,359,959)	1,249,358	2,108,008	3,454,277	5,566,708	6,442,513	510,001	(3,870,456)	(3,445,817)	(1,928,057)
43 Interest Provision for the Month	274	(234)	(1,353)	(3,894)	(6,844)	(8,794)	(8,274)	(1,009)	12,279	23,378	20,478	9,726	35,734
44 Current Cycle Balance - Over/(Under)	(4,943,628)	(3,442,892)	(10,583,999)	(13,947,852)	(12,705,339)	(10,806,127)	(7,160,125)	(1,594,427)	4,880,385	5,393,744	1,543,786	(1,892,324)	(1,892,324)
45 Prior Period Balance - Over/(Under) Recovered	5,588,698	5,342,175	5,115,653	4,889,130	4,862,607	4,438,084	4,209,562	3,983,039	3,756,516	3,529,994	3,303,471	3,076,948	5,588,698
46 Prior Period Cumulative True-Up Collected/(Refunded)	(226,523)	(226,523)	(226,523)	(226,523)	(226,523)	(226,523)	(226,523)	(226,523)	(226,523)	(226,523)	(226,523)	(226,523)	(2,718,273)
47 Prior Period True-up Balance - Over/(Under)	5,342,175	5,115,653	4,889,130	4,862,607	4,438,084	4,209,562	3,983,039	3,756,516	3,529,994	3,303,471	3,076,948	2,850,425	2,850,425
48 Net Capacity True-up Over/(Under) (Line 44+47)	398,548	(3,327,039)	(5,694,869)	(9,285,245)	(8,269,255)	(6,398,566)	(3,177,086)	2,162,089	8,390,358	8,697,215	4,620,714	958,102	958,102

¹ Approved in Commission Order No. PSC-2018-0532-PAA-EQ.

² As set forth in DEP's 2017 Settlement Agreement approved in Commission Order No. PSC-2017-0451-PAA-E and PSC-2021-0024-FOF-EI.

³ True-up of solar base rate adjustments per the Rate Mitigation Plan approved in Order No. PSC-2021-0425-FOF-EI.

⁴ As set forth in DEP's 2021 Settlement Agreement approved in Order No. PSC-2021-0202-AS-EI.