

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: June 26, 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.: 20230010-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3g: Storm Protection Plan Cost Recovery Clause
Audit Control No.: 2023-011-2-1

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 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
Storm Protection Plan Cost Recovery Clause

As of December 31, 2022

Docket No. 20230010-EI
Audit Control No. 2023-011-2-1

May 31, 2023

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

Hymavathi Vedula -
Audit Manager

A handwritten signature in black ink, appearing to read "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 Office of Industry Development & Market Analysis in its audit service request dated January 9, 2023. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, LLC in support of its filing for Storm Protection Plan Cost Recovery in Docket No. 20230010-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Duke Energy Florida, LLC.

SPPCRC refers to the Storm Protection Plan Cost Recovery Clause.

SPP refers to the Storm Protection Plan.

Background

On April 3, 2023, Duke Energy Florida, LLC filed support for its actual Storm Protection Cost Recovery factor for the period of January 2022 through December 2022.

Objectives: The objectives were to reconcile the Implementation SPPCRC Overhead Hardening Operation and Maintenance Expenses to the general ledger, and to review a statistical or judgmental sample of expenses.

Procedures: We reconciled the operation and maintenance (O&M) expenses to the general ledger. We initially selected the 20 largest invoices for SPP Operation and Maintenance expenses for testing, and performed statistical sampling for the remaining O&M expenses. We tested for proper account, proper amount, proper period, and proper project. No exceptions were noted.

Objectives: The objectives were to audit the following capital investments: Feeder Hardening Program, Distribution Lateral Undergrounding Program, and Transmission Pole Replacement. In addition, our objectives were to: 1) Verify the investment amounts are recorded in the correct plant accounts; 2) Reconcile the corresponding plant-in-service/depreciation base; 3) Verify the calculation of non-interest bearing construction-work-in-progress (CWIP); 4) Verify the most recent Commission-approved depreciation and amortization periods are used in calculating depreciation expense; and 5) Reconcile depreciation savings for retired assets that have depreciation recovered through base rates.

Procedures: Audit staff reconciled the capital investments to the Utility's general ledger. We verified that the most recent Commission-approved depreciation and amortization periods were used in calculating depreciation expense. We audited a statistical sample of SPPCRC program-related additions, retirements, and adjustments for the period January 1, 2022, through December 31, 2022, by reviewing documentation for the Feeder Hardening Program, the Distribution Lateral Undergrounding Program, and Transmission Pole Replacement. In addition, there were no depreciation savings for retired assets recovered through base rates. No exceptions were noted.

Objective: The objective was to verify the SPPCRC program-related plant additions, retirements, and adjustments for the period January 1, 2022, through December 31, 2022.

Procedure: We reconciled the SPPCRC program-related plant additions, retirements, and adjustments to the general ledger. No exceptions were noted.

Objective: The objective was to reconcile the operation and maintenance expenses of the projects listed on Form 5A of the filing, to the general ledger.

Procedures: We reconciled the operation and maintenance expenses to the general ledger. We initially selected the five largest invoices/vouchers of the four largest projects listed on Form 5A for review, and performed statistical sampling for the remaining operation and maintenance expenses. No exceptions were noted.

Other

Objectives: The objectives were to: 1) Substantiate if the Utility changed any of its accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause, and 2) Verify if the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause.

Procedures: We requested and reviewed the accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. We reviewed whether the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. 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 verified the True-Up and Interest Provision amounts as of December 31, 2022, using the Financial Commercial Paper rates and 2022 revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-Up Calculation

Duke Energy Florida
Storm Protection Plan Cost Recovery Clause
True-Up Filing
Actual Period: January Through December 2022

Docket No. 20230010-EI
 Duke Energy Florida, LLC
 Witness: C.A. Menendez
 Exh. No. __ (CAM-1)
 Form 2A
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Calculation of True-Up Amount
 (In Dollars)

Line	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	End of Period Total
1. Clause Revenues (net of Revenue Taxes)	\$ 6,198,123	\$ 7,018,257	\$ 6,919,590	\$ 6,650,976	\$ 7,672,044	\$ 9,138,104	\$ 9,589,070	\$ 10,003,891	\$ 9,327,574	\$ 7,584,788	\$ 6,554,018	\$ 6,874,288	\$ 93,630,723
2. True-Up Provision	966,652	80,554	80,554	80,554	80,554	80,554	80,554	80,554	80,554	80,554	80,554	80,554	966,652
3. Clause Revenues Applicable to Period (Lines 1 + 2)	6,278,677	7,098,811	7,000,145	6,731,530	7,752,599	9,218,659	9,669,624	10,084,445	9,408,128	7,665,343	6,634,573	6,954,842	94,497,375
4. Jurisdictional Rev. Req. (Form 5A and Form 7A)													
a. Overhead Hardening Distribution	1,118,677	1,128,339	1,184,882	1,025,414	1,419,410	1,250,845	1,493,616	2,158,384	3,294,443	3,004,497	1,031,930	(1,507,566)	16,603,071
b. Overhead Hardening Transmission	258,644	532,275	437,441	492,539	641,066	736,705	756,349	1,010,767	892,547	849,407	857,273	972,387	8,437,401
c. Undergrounding	16,965	16,390	23,913	33,990	50,764	72,156	109,080	106,384	212,779	2,100,971	1,122,085	(2,456,492)	1,408,983
d. Vegetation Management	3,221,239	4,434,741	5,243,191	3,763,910	3,781,661	4,823,230	3,333,408	4,317,842	3,326,355	4,601,413	6,815,052	4,819,446	52,481,488
e. Legal, Accounting, and Administrative (D&M only)	0	0	0	0	0	0	0	0	0	0	0	0	0
f. Total Jurisdictional Revenue Requirements	4,615,725	6,111,744	6,589,428	5,315,852	5,892,901	6,882,937	5,692,453	7,593,377	7,726,124	10,556,288	9,826,339	1,827,776	78,930,944
5. Over(Under) Recovery (Line 3 - Line 4f)	1,662,952	987,067	110,716	1,415,678	1,859,698	2,335,721	3,977,171	2,491,068	1,682,004	(2,890,946)	(3,191,767)	\$ 1,127,067	15,566,430
6. Interest Provision (Form 3A Line 10)	393	886	1,789	3,457	6,403	12,279	23,045	32,830	43,190	49,031	45,650	54,983	273,936
7. Beginning Balance True-Up & Interest Provision	966,652	2,549,443	3,455,842	3,488,793	4,827,375	6,612,922	8,880,368	12,800,030	15,243,374	16,888,014	13,965,545	10,738,874	966,652
a. Deferred True-Up from January to December 2021	2,492,172	2,492,172	2,492,172	2,492,172	2,492,172	2,492,172	2,492,172	2,492,172	2,492,172	2,492,172	2,492,172	2,492,172	2,492,172
8. True-Up Collected/(Refunded) (see Line 2)	(80,554)	(80,554)	(80,554)	(80,554)	(80,554)	(80,554)	(80,554)	(80,554)	(80,554)	(80,554)	(80,554)	(80,554)	(966,648)
9. End of Period Total True-Up (Lines 5+6+7+8)	5,041,615	5,949,014	5,980,965	7,319,547	9,105,094	11,372,540	15,292,202	17,735,546	19,380,186	16,457,717	13,231,046	18,332,642	18,332,642
10. Adjustment to Period True-Up Including Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
11. End of Period Total True-Up (Lines 9 + 10)	\$ 5,041,615	\$ 5,949,014	\$ 5,980,965	\$ 7,319,547	\$ 9,105,094	\$ 11,372,540	\$ 15,292,202	\$ 17,735,546	\$ 19,380,186	\$ 16,457,717	\$ 13,231,046	\$ 18,332,642	\$ 18,332,642

Duke Energy Florida
Storm Protection Plan Cost Recovery Clause
True-Up Filing
Actual Period: January through December 2022

Docket No. 20230010-EI
Duke Energy Florida, LLC
Witness: C.A.Mendez
Exn. No. (CAM-1)
Form 3A
Page 3 of 121

Calculation of Interest Provision for True-Up Amount
(in Dollars)

Line	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	End of Period Total
1. Beginning True-Up Amount (Form 2A, Line 7+7a+10)	\$ 3,453,823	\$ 5,041,514	\$ 5,949,013	\$ 5,980,965	\$ 7,319,546	\$ 9,105,093	\$ 11,372,540	\$ 15,292,202	\$ 17,735,546	\$ 19,380,185	\$ 16,457,716	\$ 13,231,046	
2. Ending True-Up Amount Before Interest	5,041,221	5,948,127	5,979,175	7,316,089	9,090,690	11,350,261	15,269,157	17,702,716	19,336,995	16,408,685	13,185,396	18,277,558	
3. Total of Beginning & Ending True-Up (Lines 1 + 2)	8,500,044	10,989,741	11,928,189	13,297,054	16,418,236	20,465,354	26,641,696	32,994,918	37,072,541	35,788,871	29,643,112	31,508,604	
4. Average True-Up Amount (Line 3 x 1/2)	4,267,287	5,597,716	5,964,095	6,648,527	8,209,118	10,232,677	13,320,848	16,497,459	18,536,271	17,894,436	14,821,556	15,754,302	
5. Interest Rate (First Day of Reporting Business Month)	0.08%	0.14%	0.24%	0.49%	0.76%	1.12%	1.76%	2.40%	2.38%	3.20%	3.37%	4.01%	
6. Interest Rate (First Day of Subsequent Business Month)	0.14%	0.24%	0.49%	0.76%	1.12%	1.76%	2.40%	2.38%	3.20%	3.37%	4.01%	4.37%	
7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.22%	0.38%	0.73%	1.25%	1.88%	2.88%	4.16%	4.78%	5.58%	6.57%	7.38%	8.38%	
8. Average Interest Rate (Line 7 x 1/2)	0.110%	0.190%	0.365%	0.625%	0.940%	1.440%	2.080%	2.390%	2.790%	3.285%	3.690%	4.190%	
9. Monthly Average Interest Rate (Line 8 x 1/12)	0.009%	0.016%	0.030%	0.052%	0.078%	0.120%	0.173%	0.199%	0.233%	0.274%	0.308%	0.349%	
10. Interest Provision for the Month (Line 4 x Line 9)	\$ 393	\$ 886	\$ 1,789	\$ 3,457	\$ 6,403	\$ 12,279	\$ 23,045	\$ 32,830	\$ 43,190	\$ 49,031	\$ 45,650	\$ 54,983	\$ 273,936