

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: August 29, 2024

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

FROM: Donna Brown, Bureau Chief, Office of Auditing & Performance Analysis *DB*

RE: Docket No.: 20240001-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No.: 2024-008-2-1

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 & Performance Analysis

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

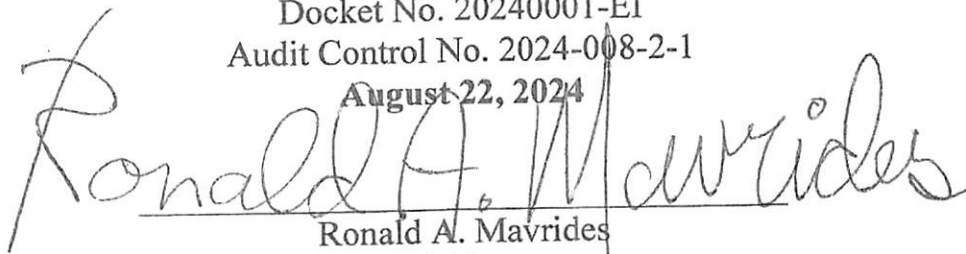
Duke Energy Florida, LLC
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2023

Docket No. 20240001-EI

Audit Control No. 2024-008-2-1

August 22, 2024

A large, handwritten signature in cursive script that reads "Ronald A. Mavrides". The signature is written over a horizontal line.

Ronald A. Mavrides
Audit Manager

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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 11, 2024. 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 2023 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20240001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the 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 if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2023 to 2022 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2023, through December 31, 2023, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the Fuel Clause.

Procedures: We reconciled the 2023 filing to the Utility's monthly Fuel Revenue Reports. We computed the factors by rate code and compared them to the last Commission Order No. PSC-2023-0026-FOF-EI. We selected a sample of residential and commercial customers' bills from a large listing of all rate classes for the months of February and July and recalculated each to verify the use of the correct tariff rate. Finding 1 discusses our recommendations.

Expense

Operation and Maintenance Expense

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 period and to determine that any adjustments to fuel costs have been approved by the Commission and are properly computed and that the expenses were appropriately recoverable through the Fuel Clause.

Procedures: We reconciled the total fuel and net power transactions to the monthly Schedule A-1 filing. We reconciled total costs of generation for coal, natural gas, #2 oil, and additives

from Schedule A-1 to the general ledger for the twelve months ending December 31, 2023. 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.

Procedures: We calculated generation-related gains from Schedule A-6 to ensure the Utility complied with Commission Order PSC-2000-1744-PAA-EI. We traced Schedule A-6 fuel purchase for the months of February and August 2023 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 February and August 2023 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 KMH and total monthly fuel purchases for 2023 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 February and August 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 2023 with MWH purchases, cents/KWH, total dollars for fuel adjustment, and fuel savings for economy purchases. For the months of February and August 2023, we traced invoiced amounts and MWH purchased. No exceptions were noted.

Objectives: The objectives were to determine whether 2023 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 2023. We traced a sample of the transportation and storage expenses in the Fuel Clause filing to supporting invoices and vendor contracts for the months of February and March 2023. 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.

Procedures: 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

Objective: The objective was 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 2023 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 documentation.

Procedures: We obtained the actual Unit Performance Data Forms for January – December 2023 from the GPIF Filing. We reconciled service hours, reserve shutdown hours and unavailable hours to the GPIF Filing using the Generating Data System for Citrus 1 and 2, Crystal River 4, and Hines 1, 2, 3, and 4. We traced Net Generation (MWH) for the Crystal River Unit 4 from Schedule A-4 to the GPIF filing for the months of February, May, and October 2023. 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, the general ledger, the vendor contractual obligations, and source documents.

Procedures: We reconciled FPSC Form 423 for 2023 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 samples 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 rate schedules for natural gas transportation for the months February and November to invoices and determined 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, 2022, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2023, using the Commission-approved beginning balance as of December 31, 2022, the Financial Commercial Paper rates, and the 2023 Fuel Clause revenues and costs. No exceptions were noted.

Audit Findings

Finding 1: Operating Revenue

Audit Analysis: Audit staff recalculated 56 customer bills and found two with incorrect fuel factor rates. The Utility stated that this error was caught in January 2024 and four customers were affected. The three customers who were overcharged will be issued credits. For the one customer who was undercharged, no action was taken as this account had been closed. The total over-collection was $\$363 + \$33.88 \text{ (tax)} = \$396.88$ total. Refunds are in progress and will be made in current or subsequent bills, depending on the customer's bill cycle.

This finding is for informational purposes only.

Exhibit

Exhibit 1: True-up and Interest Provision

DUNE ENERGY FLORIDA CALCULATOR OF TRUE-UP AND INTEREST PROVISION DECEMBER 2020

	CURRENT MONTH			YEAR TO DATE				
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT
TRUE UP CALCULATION								
1. ADDITIONAL FUEL RE: BLUE	\$184,844.73	\$184,786.578	\$58.152	0.03%	\$2,317,164.932	\$2,316,250.246	\$914,726.686	39.52%
2. ADJUSTMENTS	0	0	0	0%	0	0	0	0%
3. TRUE UP PROVISION	8,113,219	8,113,219	0	0%	26,653,830	26,259,832	393,998	1.46%
4. AVERAGE PROVISION	17,228	17,228	0	0%	226,443	226,443	0	0%
5. CLEAN ENERGY CONNECTION, CISO, BEL CREDIT	(8,328,823)	(8,328,823)	0	0%	(1,642,742)	(2,828,937)	1,186,195	4.52%
6. CLEAN ENERGY IMPACT (CEI)	(13,262)	(13,262)	0	0%	(71,320)	(71,320)	0	0%
7. TOTAL JURISDICTIONAL FUEL REVENUE	183,827,245	182,209,210	1,618,035	0.88%	2,244,746,136	2,213,916,828	30,829,308	1.39%
8. ADJUTATIONAL SALES W/ OF TOT SALES, LINE A1	99.92	116,127.74	116,027.82	116.13%	1,041,238,951	1,020,844,942	20,394,009	1.99%
9. ADJUTATIONAL SALES, NET POWER TRANSACTIONS	0	39.96	39.96	0%	99.92	99.92	0	0%
10. LINE C1, LINE C17, LIQUID LOSS (MULTIPLIER)	0	0	0	0%	0	0	0	0%
11. TRUE UP PROVISION FOR THE MONTH OF BILLING PERIOD	183,827,245	182,209,210	1,618,035	0.88%	2,244,746,136	2,213,916,828	30,829,308	1.39%
12. COLLECTION, LINE C1 - C6	56,840,324	47,112,143	9,728,181	17.0%	824,771,339	877,248,773	(52,477,434)	-5.99%
13. INTEREST PROVISION FOR THE MONTH - LINE C10	2,647,491	2,489,161	158,330	6.0%	48,632,831	47,942,461	690,370	1.44%
14. TRUE UP & INTEREST PROVISION BLDG OF MONTH PERIOD	(82,227,429)	(48,419,382)	33,808,047	41.1%	(1,381,123,116)	(1,381,123,116)	0	0%
15. TRUE UP COLLECTED (REMOVED)	8,113,219	8,113,219	0	0%	29,049,830	29,049,830	0	0%
16. BLDG PERIOD TOTAL NET TRUE UP - LINE C7 - C1 - C9 - C10	(67,077,489)	(64,689,719)	2,387,770	3.5%	(1,741,677,931)	(1,741,677,931)	0	0%
17. BLDG PERIOD TOTAL NET TRUE UP - LINE C11 - C12	(537,427,493)	(524,893,719)	12,533,774	2.3%	(857,427,491)	(844,915,719)	12,511,772	1.46%
INTEREST PROVISION								
1. BEGANNING TRUE UP, LINE C1	NA	NA	-	-	-	-	-	-
2. BLDG'S TRUE UP, LINE C7 - C9 - C13 - C15	(571,211,999)	NA	-	-	-	-	-	-
3. TOTAL OF BEGANNING & BLDG'S TRUE UP	(1,191,693,828)	NA	-	-	-	-	-	-
4. AVERAGE TRUE UP, BLDG OF LINE D1	(539,829,764)	NA	-	-	-	-	-	-
5. INTEREST RATE - FIRST DAY OF REPORTING MONTH	5.32%	NA	-	-	-	-	-	-
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.32%	NA	-	-	-	-	-	-
7. TOTAL, LINE D4 - LINE D5	0.00%	NA	-	-	-	-	-	-
8. AVERAGE INTEREST RATE (BEN OF LINE D7)	5.32%	NA	-	-	-	-	-	-
9. AVERAGE INTEREST RATE (BEN OF LINE D8)	5.32%	NA	-	-	-	-	-	-
10. INTEREST PROVISION, LINE D4 - LINE D9	(42,546,484)	NA	-	-	-	-	-	-