

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: September 10, 2024

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

FROM: Donna D. Brown, Chief of Auditing, Office of Auditing and Performance Analysis *DB*

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

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
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2023

Docket No. 20240001-EI
Audit Control No. 2004-008-1-1
September 9, 2024

A handwritten signature in cursive script that reads "Donna D. Brown".

Donna D. Brown
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 Capacity 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 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 2023 to 2022 revenues and expenses. We requested explanations from the Utility for any significant changes to revenues and expenses. The Utility-provided explanations were sufficient and 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 to determine whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the 2023 filing to the Utility's monthly Capacity 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 for the months February and July. We recalculated each to verify the use of the correct tariff rate.

Transmission Revenues

Objectives: The objective was to determine whether Transmission Revenues derived from the non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC per Commission Order No. PSC 1999-2512-FOF-EI, issued December 22, 1999.

Procedures: We verified that Transmission Revenues were a net component of capacity costs recorded in the CCRC by reconciling the Utility's Capacity Purchases and Capacity Sales Detail Schedules to the invoices and other supporting documentation to Schedule A12. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expenses listed on the Utility's Schedule A-12 were supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC.

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 March, July, November and December. The source documentation for selected items were reviewed to ensure the expenses were related to the CCRC and that the expenses were charged to the correct accounts. No exceptions were noted.

Incremental and Cyber Security Cost

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

Procedures: 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 exceptions were noted.

Purchased Power Contracts

Objectives: The objective was to determine whether invoices for the capacity purchase were in accordance with the terms and conditions of the contract.

Procedures: We reviewed the three largest purchased power contracts. We traced these 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.

Procedures: 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 whether the True-Up and Interest Provision, as filed, was properly calculated.

Procedures: We traced the December 31, 2022, True-Up Provision to the Commission Order. We recalculated the True-Up as of December 31, 2023, using the Commission-approved

beginning balance as of December 31, 2022, and the 2023 CCRC revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True Up and Interest Provision

DocRef No. 2024-0014-ED
Witness Dean
Exhibit No. (350-271)
Sheet 2 of 3

Duke Energy Florida, LLC
Capacity Cost Recovery Clause
Calculator or Actual True-Up
January 2023 - December 2023

	ACT Jan-23	ACT Feb-23	ACT Mar-23	ACT Apr-23	ACT May-23	ACT Jun-23	ACT Jul-23	ACT Aug-23	ACT Sep-23	ACT Oct-23	ACT Nov-23	ACT Dec-23	Total
1 Base Production Level Capacity Costs													
2 Orange Cogen (ORANGE CO)	6,655,850	6,666,616	6,754,411	6,739,759	6,836,499	6,836,499	6,624,557	6,802,314	6,624,207	6,648,905	6,836,499	6,836,499	80,559,575
3 Orlando Cogen Limited (ORLANDO CL)	6,877,246	6,877,246	6,877,246	6,877,246	6,877,246	6,877,246	6,877,246	6,877,246	6,877,246	6,877,246	6,877,246	6,877,246	82,526,956
4 Pasco County Resource Recovery (PASCOUNTY)	2,584,740	2,584,740	2,584,740	2,584,740	2,584,740	2,584,740	2,584,740	2,584,740	2,584,740	2,584,740	2,584,740	2,584,740	31,016,296
5 Pinellas County Resource Recovery (PINCOUNTY)	6,152,805	6,152,805	6,152,805	6,152,805	6,152,805	6,152,805	6,152,805	6,152,805	6,152,805	6,152,805	6,152,805	6,152,805	73,833,666
6 Polk Power Partners, L.P. (MULBERRY) (MULBERRY)	9,295,612	9,295,612	9,295,075	9,316,973	9,316,602	9,387,325	9,387,325	9,387,325	9,387,325	9,387,325	9,387,325	9,387,325	112,202,731
7 Subtotal - Base Level Capacity Costs	31,566,263	31,566,263	31,566,263	31,673,523	31,799,591	31,836,615	31,226,673	31,804,230	31,526,320	31,545,041	31,836,615	31,836,615	330,738,954
8 Base Production Jurisdictional Responsibility	97.403%	97.403%	97.403%	97.403%	97.403%	97.403%	97.403%	97.403%	97.403%	97.403%	97.403%	97.403%	97.403%
9 Base Level Jurisdictional Capacity Costs	30,746,765	30,730,548	30,836,112	30,860,962	30,992,927	31,011,766	30,805,326	30,793,663	30,804,997	30,826,141	31,011,766	31,011,766	370,267,361
10 Intermediate Production Level Capacity Costs													
11 Southern Franklin	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Schedule 11 Capacity Costs	0	0	205,200	158,560	122,423	211,983	0	0	0	3,787	0	0	205,200
13 Subtotal - Intermediate Level Capacity Costs	0	0	205,200	158,560	122,423	211,983	0	0	0	3,787	0	0	205,200
14 Intermediate Production Jurisdictional Responsibility	92.637%	92.637%	92.637%	92.637%	92.637%	92.637%	92.637%	92.637%	92.637%	92.637%	92.637%	92.637%	92.637%
15 Intermediate Level Jurisdictional Capacity Costs	0	0	192,091	143,991	113,409	195,375	0	0	0	3,526	0	0	192,091
16 Peaking Production Level Capacity Costs													
17 Shady Hills	1,978,940	1,978,940	1,412,100	1,371,600	1,920,240	3,904,200	3,904,200	3,904,200	1,821,960	1,371,600	1,371,600	1,987,720	25,916,300
18 Vandorah	3,024,266	2,995,130	2,032,828	2,210,620	2,891,550	5,956,457	5,941,263	5,855,130	2,758,119	1,977,719	2,075,378	3,034,605	43,628,026
19 Other	-	-	-	-	-	-	-	-	-	-	-	-	-
20 Subtotal - Peaking Level Capacity Costs	5,003,206	4,974,070	3,444,928	3,582,220	4,811,790	9,860,657	9,845,463	9,759,330	4,579,079	3,349,319	3,247,978	5,012,325	67,544,326
21 Peaking Production Jurisdictional Responsibility	95.110%	95.110%	95.110%	95.110%	95.110%	95.110%	95.110%	95.110%	95.110%	95.110%	95.110%	95.110%	95.110%
22 Peaking Level Jurisdictional Capacity Costs	4,759,559	4,729,229	3,272,491	3,401,530	4,576,494	9,369,562	9,349,309	9,274,032	4,354,155	3,182,537	3,279,372	4,765,300	64,241,351
23 Other Capacity Costs													
24 Retail Wheeling	(14,758)	(63,786)	(66,987)	(30,547)	(39,198)	(2,145)	(5,677)	(23,578)	(11,065)	(27,140)	(96,634)	0	(363,653)
25 Ridge Generating Station L.P. Termination *	585,816	580,096	579,314	573,796	571,190	566,983	562,577	556,370	556,794	548,157	548,651	546,509	5,778,922
26 DOE Settlement-Based Fuel Claim *	1,610,745	1,610,745	1,610,745	1,610,745	1,610,745	1,610,745	1,610,745	1,610,745	1,610,745	1,610,745	1,610,745	1,610,745	19,328,945
27 Production Tax Credits *	-	-	-	(1,636,686)	(1,036,332)	(1,296,459)	(1,296,459)	(1,296,459)	(1,296,459)	(1,296,459)	(1,296,459)	(1,296,459)	(11,568,131)
28 Production Tax Credits True Up *	-	-	-	-	-	-	-	-	-	-	-	-	-
29 SoBRA True-Up - Santa Fe (Base Rate Adjmt) *	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	(32,191)	4,268,236
30 SoBRA True-Up - Twin Rivers (Base Rate Adjmt) *	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(44,454)	(36,429)
31 SoBRA True-Up - Duette (Base Rate Adjmt) *	(1,144,553)	-	-	-	-	-	-	-	-	-	-	-	(1,144,553)
32 Total Other Capacity Costs	588,366	2,050,431	2,044,428	540,764	1,036,762	802,078	794,741	773,434	782,340	782,669	689,559	5,082,688	16,260,548
33 Total Capacity Costs (line 9-15-22-33)	38,264,830	37,530,208	36,347,102	34,525,590	36,416,574	41,396,202	40,964,108	40,864,221	35,994,991	34,774,337	34,980,697	40,834,734	450,589,892
34 ISFSI Revenue Requirement *	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	6,879,837
35 Total Recoverable Capacity & ISF At-Costs (line 34-35)	36,938,160	36,077,527	35,920,422	33,958,909	36,989,894	41,971,622	41,537,428	41,437,540	36,568,311	35,347,657	35,554,017	41,408,054	457,469,729
36 Capacity Revenues:													
37 Capacity Cost Recovery Revenues (net of tax)	34,889,609	26,091,405	33,267,254	33,216,045	34,099,359	40,231,138	44,245,712	45,393,411	45,434,742	37,293,380	30,077,235	30,236,755	438,470,039
38 Prior Period True-Up Provision Over/(Under) Recovery	662,258	662,258	662,258	662,258	662,258	662,258	662,258	662,258	662,258	662,258	662,258	662,258	6,747,100
39 Current Period OGR Revenues (net of tax)	35,451,867	26,753,663	33,929,512	33,778,303	34,761,617	40,793,397	44,907,970	46,055,669	46,097,000	37,955,638	30,739,493	30,799,013	445,217,139
40 True-Up Provision													
41 True-Up Provision - Over/(Under) Recov (line 40-39)	(1,486,282)	(8,423,843)	(3,090,910)	(1,320,603)	(2,329,377)	(1,178,125)	3,270,542	5,518,129	9,438,690	2,907,982	(4,920,553)	(10,695,041)	(12,522,351)
42 Interest Provision for the Month	(248)	(71,563)	(47,223)	(60,582)	(72,711)	(83,888)	(83,605)	(68,804)	(36,254)	(14,270)	(22,154)	(59,224)	(572,226)
43 Current Cycle Balance - Over/(Under)	(1,486,530)	(8,495,406)	(3,138,133)	(1,381,185)	(2,402,088)	(1,261,913)	3,197,000	5,449,325	9,372,436	2,893,712	(5,042,607)	(10,754,265)	(13,094,577)
44 Prior Period Balance - Over/(Under) Recovered	958,122	958,102	958,102	958,122	958,102	958,102	958,102	958,102	958,102	958,102	958,102	958,102	958,102
45 Prior Period Cumulative True-Up Collected/(Paid/Under)	(582,258)	(1,124,517)	(1,685,775)	(2,349,033)	(2,811,292)	(3,373,550)	(3,935,808)	(4,498,067)	(5,060,325)	(5,622,583)	(6,184,842)	(6,747,100)	(8,747,100)
46 Prior Period True-Up Balance - Over/(Under)	195,344	(1,66,415)	(726,673)	(1,280,931)	(1,833,190)	(2,415,448)	(2,977,706)	(3,539,965)	(4,102,223)	(4,664,481)	(5,226,740)	(5,789,998)	(8,747,100)
47 Net Capacity True-Up Over/(Under) (line 44-47)	(1,600,656)	(10,098,340)	(13,798,732)	(15,742,175)	(18,705,622)	(20,525,492)	(17,904,813)	(13,517,746)	(4,179,575)	(2,248,125)	(7,753,090)	(13,956,614)	(18,983,614)