

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: March 18, 2025

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

FROM: Lynn Deamer, Bureau Chief, Office of Auditing & Performance Analysis 

RE: Docket No.: 20230116-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A19: Storm Restoration Audit
Audit Control No.: 2024-285-3-1

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 confidential work papers associated with this audit.

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

State of Florida



Public Service Commission

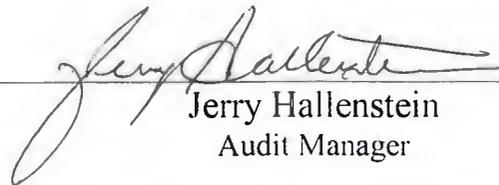
Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

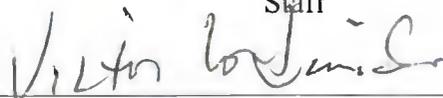
Duke Energy Florida, LLC
Storm Restoration Cost Audit – Hurricane Idalia

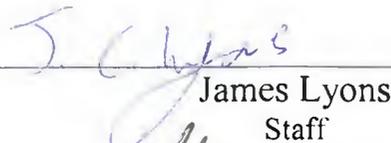
As of December 31, 2024

Docket No. 20230116-EI
Audit Control No. 2024-285-3-1
March 18, 2025


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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 October 10, 2024. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, LLC in support of its filing for storm restoration costs in Docket No. 20230116-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Duke or Utility refers to Duke Energy Florida, LLC.

Background

On October 16, 2023, Duke filed a petition seeking interim cost recovery for incremental storm costs associated with Hurricane Idalia. Interim recovery was granted in Order No. PSC-2023-0375-PCO-EI, issued on December 19, 2023. On September 23, 2024, Duke filed a petition seeking final approval of actual incremental storm costs related to Hurricane Idalia. According to the petition, Duke incurred \$97.7 million of incremental restoration costs related to Hurricane Idalia which made landfall on August 30, 2023.

Expense

Contractors

Objectives: The objectives were to determine whether contractor costs were properly stated, recorded in the period incurred, and related to Hurricane Idalia.

Procedures: We calculated the contractor costs from the General Ledger provided by Duke Energy Florida, LLC in Docket No. 20230116-EI, Exhibit JN-2 from line 8. We took all Contractor Costs and applied a filter of \$40,000 or greater. We selected a statistical sample with a confidence level of 95 percent and a 10 percent margin of error resulting in a sample of 94 transactions. The selected sample of 94 transactions totaled \$29,917,440. The sample was split between \$23,303,029 in invoiced cost items and \$6,614,410 in non-invoiced cost items. The supporting documentation for the 94 transactions was requested and tested. No exceptions were noted.

Materials and Supplies

Objectives: The objectives were to determine whether materials and supplies were properly stated, recorded in the period incurred, and related to Hurricane Idalia.

Procedures: We calculated material and supplies costs from the General Ledger provided by Duke Energy Florida, LLC in Docket No. 20230116-EI, Exhibit JN-2 from line 9. We selected a judgmental sample of costs to test. The sample consisted of 10 transactions totaling \$5,727,394 which represents 43.32 percent of the total incremental Materials and Supplies costs. No exceptions were noted.

Other Storm Related Restoration Costs

Objectives: The objectives were to determine whether regular payroll, overtime, labor burden/incentives, overhead allocations, employee expenses, and internal fleet costs were properly stated, recorded in the period incurred, and related to Hurricane Idalia.

Procedures: We calculated other costs from the General Ledger provided by Duke Energy Florida, LLC, in Docket No. 20230116-EI on Exhibit JN-2 from lines 3, 4, 5, 6, 7, 10, 11, and 12. We selected a judgmental sample of other costs to test. The sample consisted of 10 transactions totaling \$6,750,678 which represented 34.82 percent of the costs in these cost categories. No exceptions were noted.

Capitalizable Costs

Objectives: The objectives were to determine whether the capitalizable costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143(1)(d), Florida Administrative Code (F.A.C.).

Procedures: We reviewed Rule 25-6.0143, F.A.C. We reviewed the General Ledger provided by Duke Energy Florida, LLC in Docket No. 20230116-EI Exhibits JN-1, JN-2, JN-3, and JN-4 documentation of the capitalized cost calculation for Hurricane Idalia, and documentation of the process and policies for storm cost capitalization. We requested a detail listing of all capitalizable costs noted in the Utility filing. We reviewed the capitalizable costs and calculations noted in the Utility filing. No exceptions were noted.

Third-Party Reimbursements

Objectives: The objective was to determine whether third-party reimbursement costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143 (1)(b), F.A.C.

Procedures: We reviewed Rule 25-6.0143, F.A.C. We inquired regarding third party reimbursements for Hurricane Idalia. Duke Energy Florida, LLC stated that “DEF did not use insurance to cover any Idalia costs.” No further work performed.

Non-Incremental Costs

Objectives: The objective was to determine whether non-incremental costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143, F.A.C.

Procedures: We reviewed Rule 25-6.0143, F.A.C. We reviewed the non-incremental cost from the documentation provided by Duke Energy Florida, LLC in Docket No. 20230116-EI, Exhibit JN-2. No exceptions were noted.

Jurisdictional Factors

Objectives: The objective was to determine the jurisdictional factors used by the Utility.

Procedures: We requested a detailed explanation as to the basis of the jurisdictional factors. We reviewed the documentation provided and determined that the factor authorized in FPSC Order PSC-2021-0202-AS-EI was used.

Audit Findings

None

Exhibits

Exhibit 1: Hurricane Idalia Cost Summary – Storm Reserve

Duke Energy Florida, LLC
 Storm Cost Recovery
 Cost Summary - Storm Reserve
 (\$000's)

Docket No. 20230116-EI
 Witness: New
 Exhibit JN-1
 Page 1 of 1

Line No.	Description	Reference	Incremental Storm Cost	Storm Reserve Balance
1	Approved Reserve Balance - Retail (a)			\$ 131,848
2	Actual Collected Reserve Balance as of December 31, 2023	JN-2 Line 1		<u>63,206</u>
3	Uncollected Reserve Balance (b)	JN-3 Line 11		68,641
Storm Costs (2023)				
4	Idalia	JN-2 Line 30	-97,653	
5	Total Recoverable Restoration Costs 2024 - Retail	JN-2 Line 31		-34,447
6	Amount Required to Restore Storm Reserve to \$131.8M	JN-4 Line 1	<u>166,294</u>	<u>131,848</u>
7	Interest on Unamortized Reserve Deficiency Balance	JN-4 Line 7	<u>217</u>	
8	Total Storm Recovery Amount - Retail			<u>\$ 166,511</u>
9	Estimated Surcharge Revenue Collected - Retail through December 2024 (c)	JN-4 Line 2		169,497
10	Estimated Over-Recovered Retail Amount at 12/31/24 (c)	JN-4 Line 10		2,986

Notes:

(a) Amount of Storm Reserve approved per 2021 Settlement Order PSC-2021-0202-AS-EI.

(b) Uncollected Storm Reserve balance as of December 31, 2023.

(c) Over-recovery was calculated using DEF's 2024 Spring Sales Forecast to estimate revenues for months August 2024 - December 2024.

Exhibit 2: Hurricane Idalia Final Storm Restoration Costs

Duke Energy Florida, LLC
 Storm Cost Recovery
 Cost Summary - Storm Reserve
 (\$000's)

Witness: New

Docket No. 20220116-EI
 Witness: New
 Exhibit 262
 Page 1 of 1

Line No.	Description	Estimated Storm Costs By Function							Total	Storm Reserve Balance
		Transmission	Distribution	Generation Base	Generation Intermediate	Generation Peaking	Solar	Customer Service		
1	Pre-Storm Reserve Balance									63,708
2	Storm Related Restoration Costs - M&E									
3	Regular Payroll	672	2,835	-	-	-	-	21	-	2,727
4	Overtime Payroll	1,301	4,701	125	35	14	5	59	-	6,260
5	Labor Burden/Incentives	840	3,347	51	(14)	4	8	35	-	4,272
6	Overhead Allocations	298	435	-	-	-	-	28	-	762
7	Employee Expenses	360	4,535	-	-	-	-	14	-	4,909
8	Contractor Costs	10,816	78,507	73	-	630	64	177	-	91,307
9	Materials & Supplies	812	11,265	27	0	9	11	0	-	12,944
10	Internal Fleet Costs	178	302	-	-	-	-	-	-	477
11	Uncollectible Account Expenses	-	-	-	-	-	-	-	-	-
12	Other	-	-	-	-	-	-	-	-	-
13										
14	Subtotal - Storm Related Restoration Costs	15,393	106,931	277	22	657	83	274	-	123,642
15	Less: Estimated Non-Incremental Costs - M&E									
16	Regular Payroll	(274)	(1,044)	-	-	-	-	(21)	-	(1,339)
17	Overtime Payroll	-	(435)	-	-	-	-	(38)	-	(474)
18	Labor Burden/Incentives	(353)	(1,335)	-	-	-	-	(32)	-	(1,920)
19	Overhead Allocations	(85)	-	-	-	-	-	(28)	-	(473)
20	Employee Expenses	(18)	(81)	-	-	-	-	-	-	(99)
21	Contractor Costs	(31)	(308)	-	-	-	-	-	-	(427)
22	Materials & Supplies	(18)	(83)	-	-	-	-	-	-	(101)
23	Internal Fleet Costs	-	(133)	-	-	-	-	-	-	(133)
24	Uncollectible Account Expenses	-	-	-	-	-	-	-	-	-
25	Other	-	-	-	-	-	-	-	-	-
26	Subtotal - Estimated Non-Incremental Costs	(759)	(2,839)	-	-	-	-	(120)	-	(4,518)
27	Less: Capitalizable Costs	(2,745)	(15,381)	-	-	-	-	-	-	(18,110)
28	Total Recoverable Restoration Costs - M&E - System	11,890	87,834	277	22	657	83	154	-	100,680
29	Additional Factor (Order PSC-2021-0202-AS-EI)	72.042%	100.000%	97.403%	82.637%	65.910%	97.403%	100%	(100%)	
30	Total Recoverable Restoration Costs - M&E - Retail	88,588	887,834	829	820	8625	583	8154	80	917,653
31	Post-Storm Reserve Balance									(834,643)