

State of Florida



Public Service Commission

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

Auditor's Report

Duke Energy Florida, Inc.
Energy Conservation Cost Recovery

Twelve Months Ended December 31, 2013

Docket No. 140002-EG
Audit Control No. 14-017-2-1
May 21, 2014

A blue ink signature of Tomer Kopelovich.

Tomer Kopelovich
Audit Manager

A blue ink signature of Linda Hill-Slaughter.

Linda Hill-Slaughter
Reviewer

Table of Contents

Purpose	1
Objectives and Procedures.....	2
Audit Findings	
None.....	4
Exhibit	
1: True Up.....	5

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economics in its audit service request dated January 14, 2014. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Duke Energy Florida, Inc. in support of its 2013 filing for the Energy Conservation Cost Recovery in Docket No. 140002-EG.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Duke Energy Florida, Inc.
ECCR refers to the Energy Conservation Cost Recovery.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify the Utility's ECCR project-related additions, retirements and adjustments for the period January 1, 2013, through December 31, 2013.

Procedures: We obtained the Utility's subsidiary ledger and obtained a sample of ECCR plant balances as of December 31, 2013. We reconciled each to the ECCR 2013 filing. We obtained a subsidiary ledger of load management switches and reconciled it to the ECCR filing. We judgmentally selected a sample of invoices of load management switches equal to or greater than \$1,500 for testing for the month of April 2013. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2013, through December 31, 2013, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales.

Procedures: We traced the 2013 filing to the Utility's monthly ECCR Revenue Reports. We recalculated revenues for the months of January through December by multiplying KWH sales by Commission approved ECCR factors. We multiplied ECCR Revenue, including tax, by the Revenue tax ECCR factor. We deducted that amount to arrive at net ECCR Revenues which we compared to the ECCR net Revenues reported by the Utility. We selected a random sample of residential and commercial customers' bills for the month of April 2013. We recalculated each bill to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on Schedule CT-3 of the Utility's filing was supported by adequate documentation and that the expenses were appropriately recoverable through the ECCR Clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses equal to or greater than \$5,000 for testing for the month of March 2013. The source documentation for selected items was reviewed to ensure the expense was for the correct period, charged to the correct accounts, and appropriately recoverable through the ECCR Clause. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

Depreciation and Amortization

Objective: The objective was to verify that the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

Procedures: We verified and recalculated Depreciation Expense for the program assets using the approved depreciation rates. No exceptions were noted.

True-up

Objective: The objective was to determine whether the True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Financial Commercial Paper rates, and the 2013 ECCR revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECCR revenues and expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2013 to 2012 revenues and expenses. We requested explanations from the Utility for significant variances. The explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True Up

FPSC DOCKET NO. 14000-EG
 PROGRESS ENERGY FLORIDA
 WITNESS: Helena T. Guthrie
 EXHIBIT NO. 1 (MTG-11)
 SCHEDULE CT-3
 PAGE 2 OF 5
 May 2, 2014

DUKE ENERGY FLORIDA

ENERGY CONSERVATION ADJUSTMENT
 CALCULATION OF TRUE-UP

FOR THE PERIOD JANUARY 2013 THROUGH DECEMBER 2013

LHE NO.	January	February	March	April	May	June	July	August	September	October	November	December	Total for The Period
1 Other Conservation Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
2 CONSERVATION CLAUSE REVENUES	7,082,335	7,136,434	7,145,964	7,315,885	8,010,557	8,824,980	9,495,382	9,237,956	9,800,832	9,056,317	8,001,632	7,786,411	98,894,684
3 TOTAL REVENUES	7,082,335	7,136,434	7,145,964	7,315,885	8,010,557	8,824,980	9,495,382	9,237,956	9,800,832	9,056,317	8,001,632	7,786,411	98,894,684
4 PRIOR PERIOD TRUE-UP OVER/(UNDER) (17,511,145)	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	17,511,145
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	8,541,597	8,595,696	8,605,226	8,775,147	9,469,819	10,284,242	10,954,644	10,697,218	11,260,095	10,515,579	9,460,894	9,245,673	116,405,829
6 CONSERVATION EXPENSES (CT-3, PAGE 1, LINE 37)	6,933,053	9,775,915	10,038,340	7,581,953	8,290,574	9,026,135	7,863,757	9,562,633	9,350,314	8,747,004	9,447,890	18,417,888	115,035,455
7 TRUE-UP THIS PERIOD (O)/U	(1,608,544)	1,180,219	1,433,114	(1,193,195)	(1,179,245)	(1,258,107)	(3,090,887)	(1,134,585)	(1,909,781)	(1,768,575)	(13,004)	9,172,215	(1,370,374)
8 CURRENT PERIOD INTEREST	(1,026)	(1,254)	(1,018)	(800)	(733)	(622)	(559)	(589)	(592)	(554)	(584)	(335)	(8,706)
9 ADJUSTMENTS PER AUDIT	0	0	0	0	0	0	0	0	0	0	0	0	0
10 TRUE-UP & INTEREST PROVISIONS BEGINNING OF PERIOD (O)/U	(17,511,145)	(17,661,453)	(15,023,266)	(12,131,908)	(11,866,641)	(11,587,356)	(11,386,823)	(13,019,007)	(12,694,919)	(13,146,029)	(13,455,896)	(12,010,222)	(17,511,145)
11 PRIOR TRUE-UP REFUNDED/ (COLLECTED)	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	1,459,262	17,511,145
12 END OF PERIOD NET TRUE-UP	(17,661,453)	(15,023,266)	(12,131,908)	(11,866,641)	(11,587,356)	(11,386,823)	(13,019,007)	(12,694,919)	(13,146,029)	(13,455,896)	(12,010,222)	(13,379,080)	(1,379,080)