

Docket No. 150148-EI
Duke Energy Florida, Inc.
Petition for approval to include in base rates the revenue requirement for the
CR3 Regulatory Asset

Witness: Direct Testimony of Ronald A. Mavrides,

Appearing on behalf of the staff of the Florida Public Service Commission

Date Filed: August 17, 2015

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF RONALD A. MAVRIDES**

4 **DOCKET NO. 150148-EI**

5 **AUGUST 17, 2015**

6

7 **Q. Please state your name and business address.**

8 A. My name is Ronald A. Mavrides. My business address is 1313 N. Tampa Street,
9 Suite 220, Tampa, Florida 33602.

10 **Q. By whom are you presently employed and in what capacity?**

11 A. I am employed by the Florida Public Service Commission (FPSC or Commission)
12 as a Public Utility Analyst II in the Office of Auditing and Performance Analysis.

13 **Q. Briefly review your educational and professional background.**

14 A. I received a Bachelor of Science Degree in accounting from the University of
15 Central Florida in 1990. I am also a Certified Internal Auditor, Certified Government
16 Auditing Professional and a Certified Management Accountant. I have been employed by
17 the FPSC since October 2007.

18 **Q. Please describe your current responsibilities.**

19 A. My responsibilities consist of planning and conducting utility audits of manual
20 and automated accounting systems for historical and forecasted data.

21 **Q. Have you previously presented testimony before this Commission?**

22 A. Yes. I have filed testimony in the Fuel and Purchased Power Cost Recovery
23 Clause Docket Nos. 090001-EI and 110001-EI and I have filed testimony in the Nuclear
24 Cost Recovery Clause Docket Nos. 140009-EI and 150009-EI.

25 **Q. What is the purpose of your testimony today?**

1 A. The purpose of my testimony is to sponsor the Auditor's Report issued August 4,
2 2015, which addressed the costs associated with the CR3 Regulatory Asset from
3 December 31, 2012 through April 30, 2015, as delineated in Exhibit MO-2 of the direct
4 testimony of Marcia Oliver. The auditor's report is filed with my testimony and is
5 identified as Exhibit RAM-1.

6 **Q. Was this audit prepared by you or under your direction?**

7 A. Yes, the audit was prepared by me or under my direction.

8 **Q. Please describe the work performed in addressing the costs associated with**
9 **the CR 3 Regulatory Asset.**

10 A. Our overall objective was to verify the CR3 Regulatory Asset, as delineated in
11 Exhibit MO-2.

12 Electric Plant in Service

13 We reconciled the ending December 31, 2012, December 31, 2013, December 31, 2014
14 and April 30, 2015, balances per Exhibit MO-2 to the general ledger. We traced a sample
15 of transactions to supporting documentation. No exceptions were noted.

16 Accumulated Depreciation and Amortization

17 We reconciled Accumulated Depreciation balances to the Utility's December 31, 2012,
18 general ledger. We selected retirement transactions to verify that they were properly
19 booked. We selected salvage transactions and traced to supporting documentation to
20 verify that each salvage transaction was properly booked and payment received. No
21 exceptions were noted.

22 Regulatory Asset Write-down

23 We reviewed supporting documentation for the CR3 write down. We verified that the
24 write-down was for the correct amount and time period. No exceptions were noted.

25 Construction Work in Progress (CWIP)

1 We reconciled CWIP Projects as listed in the Exhibit MO-2 to the Utility's December 31,
2 2012, general ledger. We selected transactions from CWIP Projects and reviewed
3 supporting documentation for each. Other-CWIP Projects, Line 13, included the Nuclear
4 Fire Protection, Radio System and Fuel Pump projects, and transactions from each were
5 selected and traced to supporting documentation. No exceptions were noted.

6 Nuclear Fuel Inventories

7 We reconciled the December 31, 2012, ending balances to the general ledger. We
8 reconciled the activity for January 1, 2013, through April 30, 2015, to the general ledger.
9 We selected samples and traced to supporting documentation. No exceptions were noted.

10 Nuclear Materials and Supplies Inventories

11 We reconciled the December 31, 2012, ending balances to the general ledger. We
12 selected transactions and traced to supporting documentation. No exceptions were noted.

13 Deferred Expenses

14 We reconciled the December 31, 2012, ending balances to the general ledger. We
15 reviewed all activity in the general ledger from January 1, 2013, to April 30, 2015, and
16 traced to the transaction detail and the Exhibit MO-2. We selected transactions and traced
17 to supporting documentation and reviewed for proper account, timing and dollar value.
18 No exceptions were noted.

19 Allowance for Funds Used During Construction (AFUDC)

20 We reconciled the Utility's AFUDC Monthly - Total (Compounded) WA Annual Report
21 from January 1, 2013, to April 30, 2015, to the Exhibit MO-2. Using the authorized
22 carrying cost rate of six percent, we verified the monthly calculations on a test basis. No
23 exceptions were noted.

24 Cost of Removal Regulatory Asset - CR3 Portion

25 We reconciled the December 31, 2012, balance on the Exhibit MO-2 to the general

1 ledger. We reviewed activity from January 1, 2013, to April 30, 2015, and reconciled to
2 the transaction detail and the Exhibit Mo-2. We selected transactions and traced to
3 supporting documentation. No exceptions were noted.

4 **Q. Please review the audit findings in this audit report.**

5 **A.** There were no findings.

6 **Q. Does this conclude your testimony?**

7 **A.** Yes.

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State of Florida



Public Service Commission

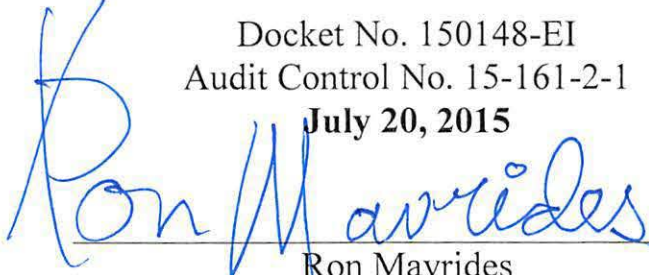
Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Duke Energy Florida, Inc.
Review of CR3 Regulatory Asset

December 31, 2012 - April 30, 2015

Docket No. 150148-EI
Audit Control No. 15-161-2-1
July 20, 2015



Ron Mavrides
Audit Manager



Linda Hill
Reviewer

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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 Accounting & Finance in its audit service request dated June 9, 2015. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, Inc. in support of its filing in Docket No. 150148-EI.

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

Definitions

DEF refers to Duke Energy Florida, Inc.

CR3 refers to the Crystal River Unit 3 Nuclear Plant.

Utility Background

DEF announced the closure and retirement of its CR3 Plant on February 5, 2013. Order No. PSC-13-0598-FOF-EI, issued November 12, 2013, in Docket No. 130208-EI authorized DEF to create and account for a regulatory asset now known as CR3 Regulatory Asset. A Revised and Restated Stipulation and Settlement Agreement (RSSA) was approved by the Commission in this Order. The RSSA contains provisions by which DEF is authorized to increase its base rates by the revenue requirement for CR3 Regulatory Asset.

Electric Plant in Service

Objectives: The objectives were to determine whether Electric Plant in Service (EPIS) was correctly stated at December 12, 2012, and that all activity from January 1, 2013, through April 30, 2015, is properly reflected.

Procedures: We reconciled the ending December 31, 2012, balance per Exhibit MO-2 (Exhibit) in Docket No. 150148-EI to the general ledger. We reconciled ending balances per the Exhibit to the ending balances per the general ledger for December 31, 2013, December 31, 2014, and April 30, 2015. We traced a sample of transactions to supporting documentation. No exceptions were noted.

Accumulated Depreciation and Amortization

Objectives: The objectives were to determine whether Accumulated Depreciation balances were correctly stated at December 12, 2012, and that activity from January 1, 2013, through April 30, 2015, is properly reflected on the books.

Procedures: We reconciled Accumulated Depreciation balances to the Utility's December 31, 2012, general ledger. We selected retirement transactions to verify that they were properly booked. We selected salvage transactions and traced to supporting documentation to verify that each salvage transaction was properly booked and payment received. No exceptions were noted.

Regulatory Asset Write-down

Objectives: The objective was to determine whether the write down of the CR3 Asset by \$295 Million as stipulated in Order No. PSC-13-0598-FOF-EI, issued November 11, 2013, in Docket No. 130208-EI, was booked at the correct amount and in the correct period.

Procedures: We reviewed supporting documentation for the CR3 write down. We verified that the write-down was for the correct amount and time period. No exceptions were noted.

Construction Work in Progress

Objectives: The objectives were to determine whether Construction Work in Progress (CWIP), with the exception of Dry Cask - Line 10, was correctly stated at December 31, 2012, and that activity from January 1, 2013, through April 30, 2015, is properly reflected on the books.

Procedures: We reconciled CWIP Projects as listed in the Exhibit to the Utility's December 31, 2012, general ledger. We reviewed all activity from January 1, 2013, to April 30, 2014, and agreed to the Exhibit and to the general ledger. We selected transactions from CWIP Projects and reviewed supporting documentation for each. Other-CWIP Projects, Line 13, included the Nuclear Fire Protection, Radio System and Fuel Pump projects, and transactions from each were selected and traced to supporting documentation. No exceptions were noted.

Nuclear Fuel Inventories

Objectives: The objectives were to determine whether the Nuclear Fuel Inventories balance was correctly stated at December 31, 2012, and that activity from January 1, 2013, through April 30, 2015, is properly reflected on the books.

Procedures: We reconciled the December 31, 2012, ending balances to the general ledger. We reconciled the activity for January 1, 2013, through April 30, 2015, to the general ledger. We selected samples and traced to supporting documentation. No exceptions were noted.

Nuclear Materials and Supplies Inventories

Objectives: The objectives were to determine whether Nuclear Materials and Supplies inventories are correctly stated at December 31, 2012, and that activity from January 1, 2013, through April 30, 2015, is properly reflected on the books.

Procedures: We reconciled the December 31, 2012, ending balances to the general ledger. We selected transactions and traced to supporting documentation. No exceptions were noted.

Deferred Expenses

Objectives: The objectives were to determine whether Deferred Expenses are correctly stated at December 31, 2012, and that ending balances from January 1, 2013, through April 30, 2015, are correctly stated.

Procedures: We reconciled the December 31, 2012, ending balances to the general ledger. We reviewed all activity in the general ledger from January 1, 2013, to April 30, 2014, and traced to the transaction detail and the Exhibit. We selected transactions and traced to supporting documentation and reviewed for proper account, timing and dollar value. No exceptions were noted.

Allowance for Funds Used During Construction

Objective: The objective was to determine whether the Allowance for Funds Used During Construction (AFUDC) for the CR3 Regulatory Asset was properly calculated

Procedures: We reconciled the Utility's AFUDC Monthly - Total (Compounded) WA Annual Report for January 1, 2013, to April 30 2015, to the Exhibit. Using the authorized carrying cost rate of six percent, we verified the monthly calculations on a test basis. No exceptions were noted.

Cost of Removal Regulatory Asset - CR3 Portion

Objective: The objective was to determine whether the Cost of Removal for the CR 3 Regulatory Asset is properly stated.

Procedures: We reconciled the December 31, 2012, balance to the general ledger. We reviewed all activity from January 1, 2013, to April 30, 2014, and reconciled to the transaction detail and the Exhibit. We selected transactions and traced to supporting documentation. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: Calculation of the CR3 Regulatory Asset Value and Revenue Requirement – Exhibit No. MO-2

Docket No. _____
Witness: Olivier
Exhibit No. (MO-2)
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Duke Energy Florida
RRSSA Exhibit 10 Template Populated
Template for Calculation of the CR3 Regulatory Asset Value and Revenue Requirement
Portion Subject to Cap Only (Excludes Dry Cask Storage Component)
(\$ thousands)

Line No.	Pre or Post Retirement Component Classification	category	(A)	(B)	(C)	(D)	(E)
			Historical Balance Dec '12	Historical Activity Jan'13-Apr'15	Actual Balance Apr '15	Projected Activity May-Dec '15	Projected Balance Dec '15
1							
2	Electric Plant In Service	a	\$840,360	(\$11,649)	\$828,711		\$828,711
3	Less Accumulated Depreciation	b	431,752	(8,346)	423,406		423,406
4	Net plant balance	fallout	408,608	(3,303)	405,305		405,305
5	Write-Down	b		(295,000)	(295,000)		(295,000)
6	Construction Work In Progress (CWIP)						
7	Steam Generator Replacement (SGR) Project	a	369,915	(9,695)	360,220		360,220
8	Delam Repair Project	b	165,500	1,764	167,264		167,264
9	License Amendment Request (LAR)	b	18,832	720	19,552		19,552
10	Dry Cask Storage	d	n/a	n/a	n/a		n/a
11	Fukushima	d	1,553	940	2,493		2,493
12	Building Stabilization Project	c		23,640	23,640		23,640
13	Other - CWIP	d	45,826	7,388	53,214		53,214
14	Nuclear Fuel Inventories	a	243,564	11,968	255,532	(119,363)	136,169
15	Nuclear Materials and Supplies Inventories	a	49,055	1,168	50,223		50,223
16	Deferred expenses	c	8,373	86,087	94,460		94,460
17	Cumulative AFUDC (6.00%)	fallout		140,890	140,890	32,115	173,005
18	Cost of Removal Reg Asset - CR3 Portion (Order No. PSC 10-0398-S-EI)	b	18,500	88,969	107,469		107,469
19	Total CR3 Regulatory Asset	fallout	\$1,329,726	\$55,535	\$1,385,261	(\$87,248)	\$1,298,012
20	Rate of Return (Settlement Agreement Exhibit 3: 6% grossed up for taxes)	b					8.12%
21	Return	b					\$105,399
22	Amortization expense (20 years)	b					\$64,901
23	Total revenue requirement	fallout					\$170,299

category

- a The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover these costs except that the Intervenor Parties retain the right to challenge whether DEF took reasonable and prudent actions to minimize the future CR3 Regulatory Asset value after February 5, 2013 and to sell or otherwise salvage assets after February 5, 2013 that would otherwise be included in the CR3 Regulatory Asset.
- b The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover these costs.
- c The Intervenor Parties fully and forever waive, release, discharge and otherwise extinguish any and all of their rights to contest DEF's right to recover costs incurred by the Company before February 5, 2013. The Intervenor Parties retain the right to challenge the prudence of any costs incurred after and applicable to the period after February 5, 2013 that are submitted for recovery by the Company.
- d The Intervenor Parties retain the right to challenge the prudence of any costs submitted for recovery by the Company.
- e The Intervenor Parties retain the right to verify that the Company has complied with paragraph 5b of the Revised and Restated Settlement Agreement.

Note: Line 17 of this exhibit reflects the impact of the calculation presented on line 5 of exhibit 11.