

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: May 4, 2017
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 170001-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 17-023-2-2

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 Commission Clerk. There are no confidential work papers associated with this audit.

LMD/cmm

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
Tampa District Office

Auditor's Report

Duke Energy Florida, LLC
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2016

Docket No. 170001-EI
Audit Control No. 17-023-2-2
April 24, 2017

A handwritten signature in black ink, appearing to read "Tomer Kopelovich".

Tomer Kopelovich
Audit Manager

A handwritten signature in black ink, appearing to read "Linda Hill".

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 objectives set forth by the Division of Accounting and Finance in its audit service request dated January 20, 2017. 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 2016 filing for the Capacity Cost Recovery Clause in Docket No. 170001-EI.

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

Objectives and Procedures

General

Definitions

Utility refers to Duke Energy Florida, LLC.
CCRC refers to the Capacity Cost Recovery Clause.

Revenues

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2016, through December 31, 2016, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the 2016 filing to the Utility's monthly CCRC Revenue Reports. We recalculated the 2016 capacity revenues for the months of January through December by multiplying KWH sales by the CCRC factors. A random sampling of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates in the Utility's Environmental Cost Recovery Clause Audit in Docket No. 170007-EI. No exceptions were noted.

Transmission Revenues

Objective: 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-99-2512-FOF-EI.

Procedure: We traced the wholesale Transmission Revenues that are derived from the non-separated, non-energy broker network, from the Utility's books to the CCRC filing. No exceptions were noted.

Expenses

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on the Utility's filing was 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 Expense invoices for testing for the months of February, April, June, August and October 2016. The source documentation for the selected items was reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

Purchase Power Contracts

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

Procedures: We reviewed Orange Cogen Limited, Pasco County Resource Recovery, Pinellas County Resource Recovery, and Polk Power Partners purchased power contracts that were in effect during 2016. We traced the purchase power contract rates and terms between the Utility and the qualifying facilities to the capacity payment calculations for February, April, June, August and October 2016. No exceptions were noted.

Incremental Security Cost

Objective: The objective was to determine whether the security costs recovered are incremental to the security costs recovered in base rates.

Procedure: We reviewed the general ledger account detail for vendors charging security costs to the Utility. No security costs were included in the CCRC. No exceptions were noted.

True-Up

Objective: The objective was to determine if the True-Up and Interest Provision as filed was properly calculated.

Procedures: We traced the December 31, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission approved beginning balance as of December 31, 2015, the Financial Commercial Paper rates and the 2016 CCRC revenues and costs. No exceptions were noted.

Analytical Procedures

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 prior years.

Procedures: We compared 2016 to 2015 and 2014 revenues and expenses. We requested explanations from the Utility for significant variances. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

Duke Energy Florida, LLC
Capacity Cost Recovery Clause
Calculation of Actual True-Up
January Through December 2016

	JAN ACTUAL	FEB ACTUAL	MAR ACTUAL	APR ACTUAL	MAY ACTUAL	JUN ACTUAL	JUL ACTUAL	AUG ACTUAL	SEPT ACTUAL	OCT ACTUAL	NOV ACTUAL	DEC ACTUAL	Total
1 Base Production Level Capacity Costs													
2 Lake County (LAKCOUNT)	0	0	0	0	0	0	0	0	0	(822,248)	0	0	(822,248)
3 Orange Cogen (ORANGEAS)	3,266,545	4,826,219	4,826,219	4,826,219	4,826,219	4,826,219	4,826,219	4,826,219	4,826,219	6,543,951	4,826,219	4,826,219	58,072,687
4 Orlando Cogen Limited (ORLACOGL)	13,409,604	4,854,074	4,854,074	4,854,074	4,854,074	4,854,074	4,854,074	4,854,074	4,854,074	5,313,070	4,854,074	4,854,074	67,263,413
5 Pasco County Resource Recovery (PASCOUNT)	1,577,570	1,677,850	1,677,850	1,677,850	1,677,850	1,677,850	1,677,850	1,677,850	1,677,850	1,677,850	1,677,850	1,677,850	20,228,500
6 Pinellas County Resource Recovery (PINCOUNT)	3,755,303	3,994,013	3,994,013	3,994,013	3,994,013	3,994,013	3,994,013	3,994,013	3,994,013	4,457,198	3,994,013	3,994,013	43,152,625
7 Polk Power Partners, L.P. (MULBERRY)	6,306,018	6,627,741	6,627,741	6,627,741	6,627,741	6,627,741	6,627,741	6,261,481	6,273,652	6,943,340	6,348,862	6,372,670	78,270,469
8 Wheelabrator Ridge Energy, Inc. (RDGEGEN)	603,090	584,735	575,947	555,264	532,520	498,053	349,980	562,274	564,062	140,112	620,552	651,857	6,238,466
9 Capine Osprey													
10 Southern - Scherer	2,149,228	1,626,729	1,773,417	1,774,164	1,775,120	276,573	(144,661)	0	0	5,117	0	0	9,435,868
11 Subtotal - Base Level Capacity Costs													
12 Base Production Jurisdictional Responsibility	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%
13 Base Level Jurisdictional Capacity Costs													
14 Intermediate Production Level Capacity Costs													
15 Southern - Franklin	3,201,566	3,298,621	3,208,417	3,489,625	3,102,253	5,095,516	5,416,928	6,112,437	4,498,362	2,638,254	2,595,867	3,408,509	46,044,375
16 Schedule H Capacity Sales-City of Tallahassee	0	0	0	0	0	0	0	0	(156,866)	0	0	0	(156,866)
17 Subtotal - Intermediate Level Capacity Costs	3,201,566	3,298,621	3,208,417	3,489,625	3,102,253	5,095,516	5,416,928	6,112,437	4,341,496	2,638,254	2,595,867	3,408,509	46,044,375
18 Intermediate Production Jurisdictional Responsibility	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%
19 Intermediate Level Jurisdictional Capacity Costs	2,327,635	2,398,196	2,331,161	2,522,522	2,255,431	3,704,593	3,938,269	4,443,925	3,156,398	1,918,050	1,887,287	2,478,088	33,301,585
20 Peaking Production Level Capacity Costs													
21 Vandalia Capacity - Northern Star	2,888,436	2,892,622	2,035,755	1,947,188	2,860,279	5,784,009	5,760,132	5,717,176	2,702,762	1,921,383	2,012,074	2,943,834	39,405,670
22 Shady Hills Power Company LLC	1,410,667	1,671,610	1,406,700	1,366,200	1,886,760	3,855,600	3,855,600	3,855,600	1,799,280	1,355,400	1,355,400	1,954,260	25,773,077
23 Subtotal - Peaking Level Capacity Charges	4,299,103	4,564,232	3,442,455	3,313,388	4,687,039	9,639,609	9,615,732	9,572,776	4,502,062	3,276,783	3,367,474	4,898,094	65,178,746
24 Peaking Production Jurisdictional Responsibility	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%
25 Peaking Level Jurisdictional Capacity Charges	4,123,872	4,378,193	3,302,140	3,178,334	4,495,995	9,246,699	9,223,795	9,182,590	4,318,557	3,143,221	3,230,216	4,698,448	62,522,060
26 Other Capacity Costs													
27 Retail Wheeling	(33,737)	(1,790)	(6,527)	(149,518)	(1,545)	0	(510)	(7,979)	(58,345)	(27,013)	(4,686)	(18,640)	(310,291)
28 Batch 19 Nuclear Fuel ¹													
29 Total Other Capacity Charges	(33,737)	(1,790)	(6,527)	(149,518)	(1,545)	0	(510)	(7,979)	(58,345)	(27,013)	(4,686)	(18,640)	(310,291)
30 Subtotal Jurisdictional Capacity Charges (Lines 13+19+25+29)	36,845,611	31,001,440	29,795,934	29,701,997	30,880,285	35,657,755	35,339,217	35,787,556	29,598,595	29,318,366	27,415,274	29,455,345	380,797,375
31 Nuclear Cost Recovery Clause Costs:													
32 CR-3 License Costs	4,861,279	4,833,013	4,804,746	4,776,479	4,748,212	4,719,946	4,691,679	4,663,412	4,635,145	4,606,878	4,578,612	4,550,345	56,469,745
33 Total NCRIC Costs - Order No. PSC-15-0521-FCF-B	4,861,279	4,833,013	4,804,746	4,776,479	4,748,212	4,719,946	4,691,679	4,663,412	4,635,145	4,606,878	4,578,612	4,550,345	56,469,745
34 Total Jurisdictional Capacity Charges (Line 30 + Line 33)	41,706,890	35,834,453	34,600,679	34,478,476	35,628,496	40,377,701	40,030,896	40,450,969	34,233,741	33,925,244	31,993,886	34,005,690	437,267,123
36 Capacity Revenues:													
37 Capacity Cost Recovery Revenues (net of tax)	33,281,758	33,857,575	32,975,565	34,435,237	40,699,538	46,120,530	50,789,514	51,868,532	49,085,141	43,577,543	39,853,361	33,445,110	489,989,434
38 Prior Period True-Up Provision Over/(Under) Recovery	(3,220,271)	(3,220,271)	(3,220,271)	(2,900,148)	(2,900,140)	(2,900,140)	(2,900,140)	(2,900,140)	(2,900,140)	(2,900,140)	(2,900,140)	(2,900,128)	(35,762,070)
39 Current Period DCR Revenues (net of tax)	30,061,487	30,637,304	29,755,294	31,535,089	37,799,398	43,220,390	47,889,374	48,968,392	46,185,001	40,677,403	36,953,221	30,544,982	454,227,363
40 True-Up Provision - Current Year (Acct 1823203/2543203)													
41 True-Up Provision - Over/(Under) Recov (Line 39 - Line 35)	(11,645,403)	(5,197,149)	(4,845,356)	(2,943,388)	2,170,900	2,842,689	7,858,478	8,517,423	11,951,260	6,752,159	4,959,335	(3,460,707)	16,960,240
42 Interest Provision for the Month	(13,312)	(15,364)	(16,922)	(15,793)	(13,154)	(12,389)	(10,787)	(7,227)	(2,858)	1,891	5,394	8,570	(91,950)
43 Total current month over/(under) recovery (Acct 4560097.5572001)	(11,658,715)	(16,871,228)	(21,733,506)	(24,692,686)	(22,534,940)	(19,704,640)	(11,856,949)	(3,346,753)	8,601,649	15,355,699	20,320,428	16,868,291	16,868,291
44 Prior Year True-Up & Interest Prov - (Egnt Bal)-Over/(Under)	(35,762,070)	(32,541,799)	(29,321,528)	(26,191,256)	(23,201,108)	(20,300,968)	(17,400,828)	(14,500,688)	(11,600,548)	(8,700,408)	(5,800,268)	(2,900,128)	(35,762,070)
45 Prior Year True-Up Collected/(Refunded)	3,220,271	3,220,271	3,220,271	2,900,148	2,900,140	2,900,140	2,900,140	2,900,140	2,900,140	2,900,140	2,900,140	2,900,128	35,762,070
46 Prior Year True-Up & Interest Provision End Bal - (DR)-/(CR)	(32,541,799)	(29,321,528)	(26,191,256)	(23,201,108)	(20,300,968)	(17,400,828)	(14,500,688)	(11,600,548)	(8,700,408)	(5,800,268)	(2,900,128)	(0)	(0)
47													
48 Net Capacity True-up Over/(Under) (Lines 43 + Line 45)	(\$44,200,514)	(\$40,192,755)	(\$47,834,762)	(\$47,693,794)	(\$42,835,905)	(\$37,105,468)	(\$26,357,637)	(\$14,947,301)	(\$98,759)	\$9,555,431	\$17,420,300	\$16,868,291	\$16,868,291

¹ Approved in Commission Order No. PSC-15-0465-S-B