FILED MAY 26, 2017 DOCUMENT NO. 05077-17 FPSC - COMMISSION CLERK



# **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 26, 2017
TO:	Office of Commission Clerk
FROM:	Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE:	Docket No.: 170009-EI Company Name: Duke Energy Florida, LLC Company Code: EI801 Audit Purpose: A3f: Nuclear Cost Recovery Clause Audit Control No.: 17-006-2-2

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 confidential work papers associated with this audit.

LMD/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File



## **Public Service Commission**

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

Auditor's Report

Duke Energy Florida, LLC Crystal River Unit 3 Uprate

### Twelve Months Ended December 31, 2016

Docket No. 170009-EI Audit Control No. 17-006-2-2 May 7, 2016 Ronald A. 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 objectives set forth by the Office of Industry Development and Market Analysis in its audit service request dated January 5, 2017. We have applied these procedures to the attached schedule prepared by Duke Energy Florida, LLC in support of its 2016 Nuclear Cost Recovery Clause filing for the Crystal River Unit 3 Uprate Project in Docket No. 170009-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.NCRC refers to the Nuclear Cost Recovery Clause.

CCRC refers to the Capacity Cost Recovery Clause.

Construction costs are costs that are expended to construct the nuclear power plant, but not limited to, the costs of constructing power plant buildings and all associated permanent structures, equipment and systems.

#### **Utility Information**

On February 5, 2013, the Utility announced its intent to retire the CR3 plant. Recovery of costs will continue until 2019.

**Objectives:** The objectives were to determine whether the Utility's 2016 NCRC filing in Docket No. 170009-EI is consistent and in compliance with Section 366.93, Florida Statutes and Rule 25-6.0423, Florida Administrative Code (F.A.C.).

**Procedures:** We performed the following objectives and procedures to satisfy the overall objective identified above.

#### **Construction Work In Progress**

**Objectives:** The objectives were to determine whether the 2016 adjustments and additions to the unrecovered Construction Work In Progress (CWIP) jurisdictional balances that are included for recovery and disclose and report the jurisdictional amount of any 2016 adjustments and additions to the unrecovered CWIP balance that are included for recovery.

**Procedures:** We determined that there were no adjustments to unrecovered CWIP jurisdictional balances that are included for recovery. All NCRC activity that is now related to capital investment is allocated to the Regulatory Asset Account. We determined that there was not any capital activity associated with the CR3 project in 2016. No exceptions were noted.

#### Recovery

**Objectives:** The objectives were to determine whether the Utility used the Commission approved CCRC factors to bill customers for the period January 1, 2016, through December 31, 2016, and whether Exhibit TGF-2 reflects amounts in Order No. PSC-16-0547-FOF-EI.

**Procedures:** We agreed the amount collected in Exhibit TGF-2 to the 2016 NCRC jurisdictional amount approved in Order No. PSC-16-0547-FOF-EI and to the CCRC in Docket No. 170001-EI. We determined that the Utility used the approved CCRC factors. No exceptions were noted.

#### Expense

#### **Operation and Maintenance Expense**

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expense on Exhibit TGF-2 are: 1) Supported by adequate source documentation, 2) Appropriately recoverable through the NCRC, and 3) Total jurisdictional O&M Expense is accurately calculated.

**Procedures:** We judgmentally selected ten transactions from the transaction details and reviewed them for the proper period, amounts, and that they are legitimate NCRC costs. For costs that are for a service or product that is under contract, we: 1) Traced the invoiced cost to the contract terms and pricing, 2)Ensured that the amounts billed are for actual services or materials received, and 3) Investigated all prior billing adjustments and job order changes to the contract(s).

Included in the samples were 2016 labor costs for four employees, of which we obtained the supporting backup. We recalculated labor costs using employee records for employees who provided labor charged to the NCRC in the sample. We verified the hours worked and recalculated the labor charges recorded by the Utility charged to the NCRC. We verified other costs for proper account, period, and amount. No exceptions were noted.

#### **Project Close-Out Costs**

**Objective:** The objective was to determine whether 2016 project close-out costs were properly included for recovery.

**Procedures:** We investigated the status of project management close-out costs incurred during 2016. We determined 2016 was the first year there were no project management related close-out costs incurred. No exceptions were noted.

#### True-Up

**Objective:** The objective was to determine whether the True-Up and Interest Provision as filed on Schedule TGF-2 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 approved 2016 jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor, and the 2016 costs. No exceptions were noted.

#### Audit Findings

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## <u>Exhibit</u>

### Exhibit 1: True-Up

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