

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 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

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
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

A handwritten signature in black ink, appearing to read "Ron Mavrides", written over a horizontal line.

Ronald A. Mavrides
Audit Manager

A handwritten signature in black ink, appearing to read "Linda Hill", written over a horizontal line.

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

None

Exhibit

Exhibit 1: True-Up

DUNE ENERGY FLORIDA Nuclear Cost Recovery (NCR) - CR3 Update 2016 Detail - Calculation of the Revenue Requirement January 2016 through December 2016													Appendix T.G. Item 1 Detail No. 10228-01 Nuclear Energy Fund Units (101-2)		
Line	Description	Beginning of Period Amount	Actual January 2016	Actual February 2016	Actual March 2016	Actual April 2016	Actual May 2016	Actual June 2016	Actual July 2016	Actual August 2016	Actual September 2016	Actual October 2016	Actual November 2016	Actual December 2016	Period Total
1	Unaudited Year-End	171,183,975	0	0	0	0	0	0	0	0	0	0	0	0	0
	a Fuel Contracted and Stand-Down Costs	(1,029,164)	0	0	0	0	0	0	0	0	0	0	0	0	0
	b Sale or Salvage of Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	c Change from	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	d Total	170,154,811	0	0	0	0	0	0	0	0	0	0	0	0	0
2	Adjustments														
	a Non-Cash Accounts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	b Stand-Down Credit	(18,129,547)	0	0	0	0	0	0	0	0	0	0	0	0	0
	c Other (a)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	d Adjusted System Generation Construction Unit Additions	314,843,034	0	0	0	0	0	0	0	0	0	0	0	0	0
	e Fuel Contracted Factor - Current Year Allowance	92.86%													
	f Fuel Contracted Factor - Stand-Down (2016 unit)	92.86%													
	g Fuel Stand-Down Costs	274,911,087	0	0	0	0	0	0	0	0	0	0	0	0	0
	h Beginning Balance - Jan 2016 Investment	17,170,648	0	0	0	0	0	0	0	0	0	0	0	0	17,170,648
	i Customer SCRs & 2015 Payment of Regulatory Assets	(17,381,894)	0	0	0	0	0	0	0	0	0	0	0	0	(17,381,894)
	j Total Unaudited Unrecovered Investment	204,197,147	0	0	0	0	0	0	0	0	0	0	0	0	204,197,147
3	Carrying Cost an Unrecovered Investment Balance														
	a Unrecovered Investment Costs for the Permitting Balance - Unit 1	204,197,147	0	0	0	0	0	0	0	0	0	0	0	0	204,197,147
	b Permitting Balance	29,995,096	0	0	0	0	0	0	0	0	0	0	0	0	29,995,096
	c Permitting Balance Stand-Down / Unit Cost	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	d Amortization of Unrecovered Investment (a)	(1,642,044)	(1,642,044)	(1,642,044)	(1,642,044)	(1,642,044)	(1,642,044)	(1,642,044)	(1,642,044)	(1,642,044)	(1,642,044)	(1,642,044)	(1,642,044)	(1,642,044)	(16,420,440)
	e Prior Period Carrying Charge Unrecovered Balance (a)	(1,227,276)	(1,451,164)	(1,344,047)	(1,164,933)	(1,048,829)	(927,740)	(812,646)	(707,551)	(602,474)	(507,387)	(412,300)	(317,213)	(222,026)	(1,592,928)
	f Prior Period Carrying Charge Recovered (a)	(2,279,374)	(1,061,134)	(1,061,134)	(1,061,134)	(1,061,134)	(1,061,134)	(1,061,134)	(1,061,134)	(1,061,134)	(1,061,134)	(1,061,134)	(1,061,134)	(1,061,134)	(10,611,340)
	g Prior Period Stand-Down (b) Recovery (Prior Month)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	h Net Investment	172,029,812	167,238,867	165,593,781	163,850,714	162,007,645	160,164,576	158,321,507	156,478,438	154,635,369	152,792,300	150,949,231	149,106,162	147,263,093	145,420,024
4	Average Net Investment		\$168,846,427	\$163,823,824	\$160,820,599	\$158,153,729	\$155,706,219	\$153,245,028	\$150,776,936	\$148,307,813	\$145,838,621	\$143,369,429	\$140,900,237	\$138,431,045	\$135,961,853
5	Return on Average Net Investment														
	a Return Components	0.00197	66,170	646,059	634,270	622,471	610,672	600,873	592,074	583,275	574,476	565,677	556,878	548,079	539,280
	b Return Components Broken Up For Taxes	0.0115	1,227,276	1,227,276	1,227,276	1,227,276	1,227,276	1,227,276	1,227,276	1,227,276	1,227,276	1,227,276	1,227,276	1,227,276	1,227,276
	c Total Return		1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790
6	Revenue Requirements for the Period (Line 1 + 5)		1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790
7	Project Revenue Requirements for the Period (Chair No. PSC 15-0511-ROF (a))		1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790
8	Over/Under Recovery for the Period		(55,512)	(49,756)	(44,000)	(38,244)	(32,488)	(26,732)	(20,976)	(15,220)	(9,464)	(3,708)	2,048)	7,804)	13,552)
9	Other Exp / Stand-Down														
	a Accounting	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	23,730
	b Corporate Planning	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	2,373	23,730
	c Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	d Stand-Down Credit	(1,344)	(1,344)	(1,344)	(1,344)	(1,344)	(1,344)	(1,344)	(1,344)	(1,344)	(1,344)	(1,344)	(1,344)	(1,344)	(13,440)
	e Total Other Exp / Stand-Down Costs	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	40,020
10	Unrecovered Taxes (a)	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	0.9322	9,322
11	Unrecovered Amount	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	4,002	40,020
12	Year-End Unrecovered Balance (a)	(111,350)	(127,760)	(144,170)	(160,580)	(177,000)	(193,420)	(209,840)	(226,260)	(242,680)	(259,100)	(275,520)	(291,940)	(308,360)	(324,780)
13	Prior Month Period (Over/Under Recovery Unrecovered Balance)	(111,350)	(127,760)	(144,170)	(160,580)	(177,000)	(193,420)	(209,840)	(226,260)	(242,680)	(259,100)	(275,520)	(291,940)	(308,360)	(324,780)
14	Carrying Costs for the Period														
	a Balance Expense for Interest	(127,631)	(129,714)	(131,797)	(133,880)	(135,963)	(138,046)	(140,129)	(142,212)	(144,295)	(146,378)	(148,461)	(150,544)	(152,627)	(154,710)
	b Monthly Commercial Paper Rate	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
	c Interest Provision	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)
	d Total Cost and Interest (Line 11 + Line 14)	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	1,327	13,270
15	Recovered - Other No PSC 15-0511-ROF (a)		4,145	4,145	4,145	4,145	4,145	4,145	4,145	4,145	4,145	4,145	4,145	4,145	41,450
16	Over/Under Recovery for the Period		(7,184)	(7,721)	(8,258)	(8,795)	(9,332)	(9,869)	(10,406)	(10,943)	(11,480)	(12,017)	(12,554)	(13,091)	(13,628)
17	Revenue Requirements for the Period		1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790
18	Recovered - Other No PSC 15-0511-ROF (a)		1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790	1,213,790
19	Over/Under Recovery for the Period		(7,184)	(7,721)	(8,258)	(8,795)	(9,332)	(9,869)	(10,406)	(10,943)	(11,480)	(12,017)	(12,554)	(13,091)	(13,628)

(a) Please see Appendix B for Beginning Balance (a) and (b) and Appendix C for Unrecovered Balance (a) - Customer SCRs & 2015 Payment of Regulatory Assets.