

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-**

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**DATE:** May 4, 2018  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 20180001-EI  
Company Name: Duke Energy Florida, LLC  
Company Code: EI801  
Audit Purpose: A3a: Fuel Cost Recovery Clause  
Audit Control No: 2018-019-2-1

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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  
Fuel and Purchased Power Cost Recovery Clause

**Twelve Months Ended December 31, 2017**

Docket No. 20180001-EI  
Audit Control No. 2018-019-2-1

**April 23, 2018**

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

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Tomer Kopelovich  
Audit Manager

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

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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 18, 2018. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, LLC in support of its 2017 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket Docket No. 20180001-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 the Duke Energy Florida, LLC.

FAC refers to the Fuel and Purchased Power Cost Recovery Clause.

### **Revenue**

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the 12-month period December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the FAC.

**Procedures:** We reconciled the fuel revenues reported in the 2017 FAC Filing to the Utility's monthly revenue reports and the general ledger. We recalculated 2017 fuel revenues using the KWH sold in the Utility's monthly revenue reports and the fuel factors authorized in the Utility's last FAC proceeding. A random sampling of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates in the Environmental Cost Recovery Clause Audit in Docket No. 20180007-EI. No exceptions were noted.

### **Expenses**

**Objectives:** The objectives were to review the expenses which the Utility has included in the FAC and determine whether those expenses were properly recoverable as required in Order No. 14546, issued July 8, 1985.

**Procedures:** We reviewed and sampled fuel expenses reported on supporting Schedules A-1 and A-2 and other supporting documentation to determine that the fuel expense included in the FAC Filing complied with the requirements set forth in Order No. 14546. No exceptions were noted.

**Objective:** The objective was to determine whether generation-related gains derived from non-separated wholesale energy sales were credited to the FAC Filing as set forth in Order No. PSC-2000-1744-PAA-EI, issued September 26, 2000.

**Procedure:** We calculated generation related gains from FAC Schedule A-6 to ensure the Utility complied with the Commission Order. No exceptions were noted.

**Objective:** The objective was to determine whether energy payments to qualifying facilities in Schedule A-8 are based on the appropriate standard offer or negotiated contract rate.

**Procedures:** We prepared a schedule accumulating total monthly KWH and total monthly fuel purchases for 2017 as reflected on FAC Schedule A-8 – Energy Payments to Qualifying Facilities. We traced all transactions on Schedule A-8 for the months of March and September to invoices and supporting documentation. No exceptions were noted.

**Objectives:** The objectives were to determine whether the amounts of gas storage expense recovered through the FAC for the gas storage facility for 2017 were calculated correctly and payments were made in accordance with the applicable contracts.

**Procedures:** We prepared a schedule for natural gas transportation and storage expense for 2017. We traced a sample of the transportation and storage expenses in the FAC Filing to supporting invoices and vendor contracts. No exceptions were noted.

## **Inventory**

**Objective:** The objective was to determine whether adjustments made to coal inventory due to the semi-annual coal inventory survey have been recorded as set forth in Order No. PSC-1997-0359-FOF-EI, issued March 31, 1997.

**Procedure:** We reviewed all documentation that supports the Utility's aerial survey calculations and recorded adjustments to coal inventory balances to determine compliance with the requirements of Order No. PSC-1997-0359-FOF-EI. No exceptions were noted.

## **Other**

**Objectives:** The objectives were to review and verify payments made under the waterborne and rail transportation contracts.

**Procedures:** We reviewed the waterborne and rail coal transportation contracts. We traced the contract rates to our sample of the Utility's coal fuel expense and reconciled the contract rates to the invoices selected in our sample. No exceptions were noted.

**Objective:** The objective was to determine whether vendor rebates and refunds were credited by the Utility to its recoverable fuel costs.

**Procedures:** We obtained a summary of all 2017 refunds and demurrages. We traced all refunds and demurrages to the Fuel Ledger for correct disposition. No exceptions were noted.

**Objectives:** The objectives were to reconcile service hours, reserve shutdown hours, and unavailable hours for the Generating Performance Factor (GPIF) units as shown on the annual GPIF Filing with source documents and trace the differences to source documents.

**Procedures:** We obtained the Actual Unit Performance Data Forms for January – December 2017 from the GPIF Filing. We reconciled service hours, reserve shutdown hours and unavailable hours to the GPIF Filing using the Generating Data System for Bartow, Crystal River 4 and 5, Hines 1, 2, 3, and 4. No exceptions were noted.

**Objective:** The objective was to reconcile the monthly coal and oil purchases reflected on Florida Public Service Commission (FPSC) Form 423 with the Schedule A-5, general ledger, vendor contract and source documentation.

**Procedures:** We reconciled the FPSC Form 423 for 2017 to the supporting Schedule A-5 of the Utility's FAC Filing. We reconciled the volumes, invoice price and transportation charges reflected on Form 423 to the supporting documentation obtained in conjunction with our sample of coal and oil fuel expense. No exceptions were noted.

## **True-Up**

**Objective:** The objective was to determine whether the Utility's True-Up and Interest Provision as filed on FAC Schedule A-2 was properly calculated.

**Procedures:** We traced the December 31, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Financial Commercial Paper rates, and the 2017 FAC revenues and costs. No exceptions were noted.

## **Analytical Review**

**Objective:** The objective was to perform an analytical review of the Utility's FAC revenues and expenses to determine whether there were any material changes or inconsistencies in 2017 from previous years.

**Procedure:** We compared 2017 revenues and expenses to 2016 and 2015. No differences requiring follow-up investigation were noted.

Audit Findings

**None**



# Exhibits

## Exhibit 1: True-Up

DUKE ENERGY FLORIDA CALCULATION OF TRUE-UP AND INTEREST PROVISION DECEMBER 2017									
	CURRENT MONTH				YEAR TO DATE				
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	
<b>A. FUEL COSTS AND NET POWER TRANSACTIONS</b>									
1.	FUEL COST OF SYSTEM NET GENERATION	\$86,219,596	103,562,549	(\$17,342,953)	(16.8)	\$1,255,557,454	\$1,221,838,538	\$33,718,916	2.8
1a.	COAL CAR SALE	-	0	0	0.0	(42,303)	0	(42,303)	0.0
2.	FUEL COST OF POWER SOLD	(17,395)	(153,818)	136,423	(88.7)	(2,729,825)	(2,516,281)	(213,544)	8.5
2a.	GAIN ON POWER SALES	(222)	(37,441)	37,219	(99.4)	(887,370)	(612,488)	(274,882)	44.9
3.	FUEL COST OF PURCHASED POWER	6,228,677	1,323,796	4,904,881	370.5	139,832,913	73,811,326	66,021,587	89.5
3a.	ENERGY PAYMENTS TO QUALIFYING FACILITIES	12,600,939	12,408,768	192,172	1.6	145,903,025	140,596,014	5,307,011	3.8
4.	ENERGY COST OF ECONOMY PURCHASES	258,603	271,115	(12,512)	(4.6)	9,421,190	4,417,649	5,003,541	113.3
5.	TOTAL FUEL & NET POWER TRANSACTIONS	105,290,198	117,374,969	(12,084,770)	(10.3)	1,547,055,084	1,437,534,758	109,520,326	7.6
<b>6. ADJUSTMENTS TO FUEL COST:</b>									
6a.	FUEL COST OF STRATIFIED SALES	(1,977,064)	(1,607,290)	(369,774)	23.0	(36,538,531)	(23,804,974)	(12,733,557)	53.5
6b.	OTHER - JURISDICTIONAL ADJUSTMENTS (see detail below)	(448,969)	0	(448,969)	0.0	3,014,483	0	3,014,483	0.0
6c.	OTHER - PRIOR PERIOD ADJUSTMENT	0	0	0	0.0	0	0	0	0.0
7.	ADJUSTED TOTAL FUEL & NET PWR TRNS	\$102,864,166	\$115,767,679	(\$12,903,513)	(11.2)	\$1,513,531,036	\$1,413,729,784	\$99,801,251	7.1
<b>FOOTNOTE: DETAIL OF LINE 6b ABOVE</b>									
	INSPECTION & FUEL ANALYSIS REPORTS (Wholesale Portion)	\$0	\$0	\$0		\$0	\$0	\$0	
	N/A - Not used	0	0	0		0	0	0	
	UNIVERSITY OF FLORIDA STEAM REVENUE ALLOCATION (Wholesale Portion)	720	0	720		8,110	0	8,110	
	N/A - Not used	0	0	0		0	0	0	
	TANK BOTTOM ADJUSTMENT	0	0	0		(574,531)	0	(574,531)	
	AERIAL SURVEY ADJUSTMENT (Coal Pile)	(449,689)	0	(449,689)		3,524,567	0	3,524,567	
	N/A - Not used	0	0	0		0	0	0	
	N/A - Not used	0	0	0		0	0	0	
	Gain/Loss on Disposition of Oil	0	0	0		0	0	0	
	N/A - Not used	0	0	0		0	0	0	
	NET METER SETTLEMENT	0	0	0		56,336	0	56,336	
	N/A - Not used	0	0	0		0	0	0	
	Derivative Collateral Interest	0	0	0		0	0	0	
	<b>SUBTOTAL LINE 6b SHOWN ABOVE</b>	<b>(\$448,969)</b>	<b>\$0</b>	<b>(\$448,969)</b>		<b>\$3,014,483</b>	<b>\$0</b>	<b>\$3,014,483</b>	
<b>B. KWH SALES</b>									
1.	JURISDICTIONAL SALES	2,766,298,556	2,921,454,337	(155,155,781)	(5.3)	38,024,012,860	39,214,035,946	(1,190,023,086)	(3.0)
2.	NON JURISDICTIONAL (WHOLESALE) SALES	20,112,154	17,436,000	2,676,154	15.4	256,168,405	210,449,000	45,719,405	21.7
3.	TOTAL SALES	2,786,410,710	2,938,890,337	(152,479,627)	(5.2)	38,280,181,265	39,424,484,946	(1,144,303,681)	(2.9)
4.	JURISDICTIONAL SALES % OF TOTAL SALES	99.28	99.41	(0.13)	(0.1)	99.33	99.47	(0.14)	(0.1)

# Exhibit 1 (cont'd)

DUKE ENERGY FLORIDA  
CALCULATION OF TRUE-UP AND INTEREST PROVISION  
DECEMBER 2017

	CURRENT MONTH				YEAR TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT
<b>C. TRUE UP CALCULATION</b>								
1. JURISDICTIONAL FUEL REVENUE	\$99,770,028	\$106,924,200	(\$7,154,173)	(6.7)	\$1,382,363,462	\$1,435,219,912	(\$52,856,450)	(3.7)
2. ADJUSTMENTS	0	0	0	0.0	0	0	0	0.0
2a. TRUE UP PROVISION	(2,184,805)	(2,184,808)	3	0.0	(26,217,663)	(26,217,663)	0	0.0
2b. INCENTIVE PROVISION	(187,952)	(187,949)	(3)	0.0	(2,255,421)	(2,255,421)	0	0.0
3. TOTAL JURISDICTIONAL FUEL REVENUE	97,397,271	104,551,443	(7,154,173)	(6.8)	1,353,890,378	1,406,746,828	(52,856,450)	(3.8)
4. ADJ TOTAL FUEL & NET PWR TRNS (LINE A7)	102,864,166	115,767,679	(12,903,513)	(11.2)	1,513,531,036	1,413,729,784	99,801,251	7.1
5. JURISDICTIONAL SALES % OF TOT SALES (LINE B4)	99.28	99.41	(0.13)	(0.1)	0.00	99.47	(99.47)	(100.0)
6. JURISDICTIONAL FUEL & NET POWER TRANSACTIONS (LINE C4 * LINE C5 * 1.00112 LOSS MULTIPLIER)	102,237,922	115,130,684	(12,892,761)	(11.2)	1,504,884,710	1,406,748,451	98,136,259	7.0
7. TRUE UP PROVISION FOR THE MONTH OVER/(UNDER) COLLECTION (LINE C3 - C6)	(4,840,652)	(10,579,240)	5,738,589	(54.2)	(150,994,332)	(1,623)	(150,992,710)	9,304,830.0
8. INTEREST PROVISION FOR THE MONTH (LINE D10)	(247,829)	1,299	(249,127)	(19,185.7)	(1,712,138)	(44,060)	(1,668,077)	3,785.9
9. TRUE UP & INTEREST PROVISION BEG OF MONTH/PERIOD	(208,696,306)	8,347,451	(217,043,757)	(2,600.1)	(85,111,174)	(26,217,663)	(58,893,511)	224.6
10. TRUE UP COLLECTED (REFUNDED)	2,184,805	2,184,808	(3)	0.0	26,217,663	26,217,663	0	0.0
11. END OF PERIOD TOTAL NET TRUE UP (LINES C7 + C8 + C9 + C10)	(211,599,981)	(45,683)	(211,554,298)	463.091.7	(211,599,981)	(45,683)	(211,554,298)	463.091.7
12. OTHER	0				0		0	
13. END OF PERIOD TOTAL NET TRUE UP (LINES C11 + C12)	(\$211,599,981)	(45,683)	(211,554,298)	463.091.7	(\$211,599,981)	(45,683)	(211,554,298)	463.091.7
<b>D. INTEREST PROVISION</b>								
1. BEGINNING TRUE UP (LINE C9)	(\$208,696,306)	N/A	--	--				
2. ENDING TRUE UP (LINES C7 + C9 + C10 + C12)	(211,352,153)	N/A	--	--				
3. TOTAL OF BEGINNING & ENDING TRUE UP	(420,048,459)	N/A	--	--			NOT	
4. AVERAGE TRUE UP (50% OF LINE D3)	(210,024,229)	N/A	--	--				
5. INTEREST RATE - FIRST DAY OF REPORTING MONTH	1.250	N/A	--	--				
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	1.580	N/A	--	--				
7. TOTAL (LINE D5 + LINE D6)	2.830	N/A	--	--				
8. AVERAGE INTEREST RATE (50% OF LINE D7)	1.415	N/A	--	--				
9. MONTHLY AVERAGE INTEREST RATE (LINE D8/12)	0.118	N/A	--	--				
10. INTEREST PROVISION (LINE D4 * LINE D9)	(\$247,829)	N/A	--	--				