

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 29, 2018
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20180002-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3b: Energy Conservation Cost Recovery
Audit Control No: 2018-017-2-1

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

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
Energy Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2017

Docket No. 20180002-EG
Audit Control No. 2018-017-2-1
May 9, 2018

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

Ron 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 Division of Economics in its audit service request dated January 17, 2018. 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 2017 filing for the Energy Conservation Cost Recovery Clause in Docket No. 20180002-EG.

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.

ECCR refers to the Energy Conservation Cost Recovery Clause.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify the Utility's ECCR project-related additions, retirements and adjustments for the period January 1, 2017, through December 31, 2017.

Procedures: We obtained the Utility's subsidiary ledger and obtained a sample of ECCR plant balances as of December 31, 2017. We reconciled each to the ECCR 2017 filing. We randomly selected transactions for Load Management Switches. We traced each transaction to its supporting documentation. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECCR.

Procedures: We traced the 2017 filing to the Utility's monthly ECCR Revenue Reports. We recalculated revenues for the months of January through December by multiplying KWH sales by Commission approved ECCR factors. A random sample of residential and commercial customers' bills test was performed by rate class in Docket No. 20180007-EI, Audit Control Number 2018-036-2-1 to verify that the correct tariff rate was used. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on Schedule CT-3 of the Utility's filing was supported by adequate documentation and that the expenses were appropriately recoverable through the ECCR.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for each program. The source documentation for selected items was reviewed to ensure the expense was for the correct period, charged to the correct accounts, and appropriately recoverable through the ECCR. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. No exceptions were noted.

Depreciation and Amortization

Objective: The objective was to verify that the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

Procedures: We verified and recalculated Depreciation Expense for the program assets using the approved depreciation rates. No exceptions were noted.

Other

Objective: The objective was to verify the number of program participants reported in the Utility's Florida Energy Efficiency and Conservation Act (FEECA) Filing

Procedures: We requested and verified the number of program participants reported in the Utility's FEECA Filing for the following programs: Home Energy Check Program, Residential Incentive Program, Residential Energy Management, and the Commercial Energy Management Program. No exceptions were noted.

True-Up

Objective: The objective was to determine whether the True-Up and Interest Provision as filed on Schedule CT-3 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 ECCR revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECCR revenues and expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2017 to 2016 and 2015 revenues and expenses. We requested explanations from the Utility for significant variances. The explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True- Up

FPSC Docket No. 20180002-EG
 Duke Energy Florida, LLC
 Witness Lori J. Cross
 EXHIBIT NO. 1 (UC-1T)
 SCHEDULE CT-3
 PAGE 2 OF 5
 May 1, 2018

DUKE ENERGY FLORIDA, LLC
 ENERGY CONSERVATION ADJUSTMENT
 CALCULATION OF TRUE-UP
 FOR THE PERIOD JANUARY 2017 THROUGH DECEMBER 2017

LINE NO.	January	February	March	April	May	June	July	August	September	October	November	December	Total for The Period
1 Other Conservation Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
2 CONSERVATION CLAUSE REVENUES	7,275,880	7,574,080	7,179,699	8,001,792	8,953,691	9,776,981	10,540,266	10,632,305	10,602,129	9,362,634	8,754,937	7,811,885	106,466,279
3 TOTAL REVENUES	7,275,880	7,574,080	7,179,699	8,001,792	8,953,691	9,776,981	10,540,266	10,632,305	10,602,129	9,362,634	8,754,937	7,811,885	106,466,279
4 PRIOR PERIOD TRUE-UP OVER/(UNDER) (7,271,001)	605,917	605,917	605,917	605,917	605,917	605,917	605,917	605,917	605,917	605,917	605,917	605,917	7,271,001
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	7,881,796	8,179,997	7,785,616	8,607,708	9,559,608	10,382,898	11,146,183	11,238,221	11,208,045	9,968,551	9,360,853	8,417,802	113,737,279
6 CONSERVATION EXPENSES (CT-3,PAGE 1, LINE 37)	8,567,557	9,026,125	8,779,841	8,684,753	9,003,471	9,355,048	8,987,054	9,455,272	8,723,990	8,798,886	9,554,584	8,954,383	107,890,962
7 TRUE-UP THIS PERIOD (O)/U	685,760	846,128	994,225	77,044	(556,137)	(1,027,851)	(2,159,129)	(1,782,949)	(2,484,056)	(1,169,664)	193,730	536,581	(5,846,317)
8 CURRENT PERIOD INTEREST	(4,030)	(3,023)	(2,458)	(1,946)	(1,682)	(2,046)	(3,124)	(4,339)	(4,705)	(5,870)	(7,391)	(7,615)	(48,229)
9 ADJUSTMENTS PER AUDIT	0	0	0	0	0	0	0	0	0	0	0	0	0
10 TRUE-UP & INTEREST PROVISIONS BEGINNING OF PERIOD (O)/U	(7,271,001)	(5,983,354)	(4,534,332)	(2,936,648)	(2,255,634)	(2,207,536)	(2,631,516)	(4,187,852)	(5,369,224)	(7,252,068)	(7,821,685)	(7,029,429)	(7,271,001)
11 PRIOR TRUE-UP REFUNDED/ (COLLECTED)	605,917	605,917	605,917	605,917	605,917	605,917	605,917	605,917	605,917	605,917	605,917	605,917	7,271,001
12 END OF PERIOD NET TRUE-UP	(5,983,354)	(4,534,332)	(2,936,648)	(2,255,634)	(2,207,536)	(2,631,516)	(4,187,851.92)	(5,369,224)	(7,252,068)	(7,821,685)	(7,029,429)	(5,894,546)	(5,894,546)