

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: April 18, 2022
TO: Office of the Commission Clerk
FROM: Rhonda L. Hicks, Director, Office of Auditing and Performance Analysis *RLH*
RE: Docket No.: 20220001-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2022-003-1-4

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 the Commission Clerk. There are confidential work papers associated with this audit.

RLH/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
Tallahassee District Office

Auditor's Report

Duke Energy Florida, LLC.
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2021

Docket No. 20220001-EI
Audit Control No. 2022-003-1-4

April 11, 2022

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

Marisa N. Glover
Audit Manager

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

Thomas Wolff
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 & Finance in its audit service request dated December 21, 2021. 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 2021 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20220001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Duke Energy Florida, LLC.

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

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2021, through December 31, 2021, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the Fuel Clause.

Procedures: We reconciled the 2021 filing to the Utility's monthly Revenue Reports and General Ledger. We computed the factors by rate code and compared them to Commission Order No. PSC PSC-2021-0024-FOF-EI, issued January 6, 2021; and PSC-2020-0447-FOF-EG, issued November 19, 2020. We selected a random sample of residential and commercial customers' bills for the month of July 2021 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed in the Utility's filing were supported by adequate documentation and that the expenses were appropriately recoverable through the Fuel Clause.

Procedures: We recalculated Schedule A-1 from the Fuel Clause Filing for each month of 2021. We prepared a schedule of coal, oil, and natural gas consumption for each month of 2021 from the Utility's generation fuel costs journal entries. We compiled charges by month and by account to obtain total fuel costs, which were reconciled to the general ledger and Schedule A-1. We also prepared a schedule of charges by account and by generating plant, including amounts listed as "other generation" for each month for the year ended December 31, 2021, and reconciled total fuel costs to the consumption schedule prepared by audit staff, with data from Schedule A-1. The fuel expenses included in the Fuel Clause Filing complied with the requirements established in Order No. 14546, issued July 8, 1985, in Docket No. 19850001-EI-B. No exceptions were noted.

Objective: The objective was to determine whether the Utility has removed generation-related gains from non-separated wholesale energy sales and included them in the Fuel Clause Filing as set forth in Order No. PSC-2000-1744-PAA-EI, issued September 26, 2000, in Docket No. 19991779-EI.

Procedures: We scheduled the generation-related gains from the Utility's Florida Detailed Pivot for each month of 2021, and reconciled the total to Schedule A-6 and Schedule A-1, Line 11a. We traced the gains to invoices and the Florida Detailed Pivot for our sample months of March, August, October, and November 2021. In addition, we reconciled the Utility's Florida Detailed Pivot to Schedule A-6 and Schedule A-1, Line 11 for the sample months of August and October 2021. We determined that the Utility was in compliance with the Order noted above. No exceptions were noted.

Objective: The objective was to determine whether energy payments to the qualified facilities are based on the appropriate standard offer or the negotiated contract price.

Procedures: We scheduled total KWHs purchased and energy costs for each month for year ended 2021. We traced amounts on Schedule A-8 to invoices for the sample months of March, August, November, and December 2021. No exceptions were noted.

Objective: The objective was to determine whether the amount of gas storage expense recovered through the Fuel Clause Filing for 2021 was calculated correctly and payments were in accordance with the applicable contract.

Procedures: We reviewed the gas storage contracts in effect for 2021. We recalculated the monthly reservation payment and reconciled the charges to the respective contract. No exceptions were noted.

Objective: The objective was to determine whether Firm Transportation Service (FTS) charges for natural gas transportation reconcile with the appropriate FTS rate schedules reflected in the utility pipeline tariffs.

Procedures: We traced natural gas purchases and FTS charges from the Utility's Station Allocation report for each month of 2021. We traced the purchased gas and the total FTS charges to the paid invoices for our sample months of July and November 2021. We reconciled the FTS rates to the appropriate rate schedule and agreement. 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 had been recorded as set forth in Order No. PSC-1997-0359-FOF-EI, issued March 31, 1997, in Docket No. 19970001-EI.

Procedures: We recalculated the inventory adjustments on the May and October 2021 aerial survey reports, compared them to the adjusted book balance, and traced them to the supporting documentation. We also verified the Utility complied with the procedures contained in the applicable order. No exceptions were noted.

Other

Objective: The objective was to review and verify the payments the Utility made in 2021 under waterborne and rail coal transportation contracts.

Procedures: We scheduled coal, freight, and railcar costs from the Utility's Inventory Balance and Commodity Report for each month of 2021, and reconciled the amounts to the general ledger. We reviewed the waterborne and rail coal transportation contracts. We also traced the

general ledger inventory amounts to the Utility's Inventory Balance and Commodity Report to the supporting invoices, and to the transportation contract rates for the sample months of January, June, October, and November 2021. No exceptions were noted.

Objective: The objective was to determine whether vendor credits or rebates are credited to fuel costs.

Procedures: We verified there were no vendor credits or rebates received during 2021.

Objective: The objective was to determine whether the service hours, reserve shutdown hours, and unavailable hours filed in Schedule A-4 for the Generating Performance Incentive Factor (GPIF) Filing reconcile to source documentation.

Procedures: We traced the service hours, reserve shutdown hours, and unavailable hours filed in Schedule A-4 to the Actual Performance Data in the GPIF Filing and to source documentation for July and November 2021. No exceptions were noted.

Objective: The objective was to reconcile coal and oil purchases noted on FPSC Form 423 with the monthly Schedule A-5, contractual obligations, and source documentation.

Procedures: We reconciled coal and oil purchases reported on Form 423 with the Schedule A-5 filing for September 2021. We cross-referenced the coal and oil purchases by vendor from the transaction summaries to detailed reports. Audit staff noted the variances for the freight transportation and terminal usage are not included in the A-5 Schedule, because this is for fuel generation. No exceptions were noted.

Objective: The objective was to determine whether the energy costs of other economic purchases (non-broker) included in the Fuel Clause Filing reconciled to the books and records of the Utility.

Procedures: We compiled economy energy purchases from the Utility's Web Query Report, FAS Export, Pivots, and Invoices for each month of 2021. We reconciled the amounts to Schedule A-8, Schedule A-9, Purchased Power Agreement (PPA) invoices, and contracts for the sample months of March, August, October, and November 2021. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule A-2 was properly calculated.

Procedures: We traced the December 31, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2021, using the Commission-approved beginning balance as of December 31, 2020, the Financial Commercial Paper rates, and the 2021 Fuel Clause revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared calendar year 2020 to 2021 revenues and expenses. Components of fuel costs and net power transactions have fluctuated from 2018 to 2021. Fuel Costs of System Net Generation increased by 45.76% from 2020 to 2021. This is due to increased natural gas expense and increased coal and light oil expenses. Coal Car Sales decreased by 100% from 2020 to 2021. This is due to no coal car sales in 2021. Fuel Cost of Power Sold increased by 268.68% from 2020 to 2021. This is due to the increase in economy sales at higher prices. Gain on Power Sales increased by 114.69% from 2020 to 2021. This is due to increased natural gas expense, and increased coal and light oil expenses. Fuel Cost of Purchased Power increased by 67.24% from 2020 to 2021. This is due to increased power purchased costs. Energy Cost of Economy Purchases increased by 622.29% from 2020 to 2021. This is due to an increase in economy purchases at a higher price. Total Fuel & Net Power Transactions increased by 46.69% from 2020 to 2021. This is due to an accumulation of the above-mentioned components. Fuel Cost of Stratified Sales increased by 81.23% from 2020 to 2021. This is due to the increased prices from higher fuel expenses. Adjustments to Fuel Costs increased by 151.69% from 2020 to 2021. This is primarily due to the Citrus Settlement Giveback adjustment to credit approximately \$13.3M to customers in 2020 (which ended in 2020 and is no longer applicable going forward), offset by an approximately \$7.2M CR4 Outage Replacement Power adjustment in 2021. No further work was performed.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

**DUKE ENERGY FLORIDA LLC
FUEL AND PURCHASED POWER
DECEMBER 2021**

SCHEDULE A1
PAGE 1 OF 2

Docket No
Witness
Exhibit No
Schedule
20220001-E1
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(GPD-37)
A1-1
Sheet 1 of 9

	\$				MWH				CENTS/MWH			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
1 FUEL COST OF SYSTEM NET GENERATION (SCH A3)	146,830,015	111,023,612	35,806,403	32.1	3,029,803	2,942,578	87,324	3.0	4,8440	3,7730	1,0730	28.4
2 COAL CAR SALE	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
3 ADJUSTMENTS TO FUEL COST - MISCELLANEOUS	3,779,663	1,076,896	2,702,767	71.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4 TOTAL COST OF GENERATED POWER	150,609,680	112,100,510	38,509,170	34.4	3,029,803	2,942,578	87,324	3.0	4,8728	3,8006	1,1612	30.5
5 ENERGY COST OF PURCHASED POWER - FIRM (SCH A7)	5,188,901	55,325	5,133,576	9208.8	60,319	140	60,179	42,985.0	8,6024	39,5007	(30,9583)	(78.3)
6 ENERGY COST OF SCH C.X ECONOMY PURCH - BROKER (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
7 ENERGY COST OF ECONOMY PURCH - NON-BROKER (SCH A9)	1,088,119	377,939	710,180	187.9	21,173	8,432	12,741	151.1	5,1391	4,4822	0,6569	14.7
8 PAYMENTS TO QUALIFYING FACILITIES (SCH A8)	9,723,678	10,234,027	(510,327)	(5.0)	212,371	237,161	(24,990)	(10.4)	4,5743	4,3152	0,2591	6.0
9 TOTAL COST OF PURCHASED POWER	16,000,699	10,667,331	5,333,368	50.0	294,064	245,723	48,341	19.7	5,4412	4,3410	1,1002	25.3
10 TOTAL AVAILABLE MWH					3,323,967	3,185,312	138,655	4.3				
11 FUEL COST OF OTHER POWER SALES (SCH A6)	(2,267,017)	(542,137)	(1,664,880)	289.4	(87,843)	(16,901)	(70,952)	417.0	2,5808	3,2462	(9,8454)	(24.7)
11a GAIN ON OTHER POWER SALES - 100% (SCH A6)	(909,071)	(157,770)	(751,301)	514.2	(87,843)	(16,901)	(70,952)	417.0	1,1032	0,9286	0,1746	18.8
11b GAIN ON TOTAL POWER SALES - 20% (SCH A6)	193,814	0	193,814	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
12 FUEL COST OF STRATIFIED SALES	(7,637,548)	(3,208,952)	(4,428,596)	139.0	(217,209)	(86,231)	(130,978)	151.9	3,5438	3,7213	(1,1775)	(4.8)
13 TOTAL FUEL COST AND GAINS ON POWER SALES	(10,739,821)	(3,948,959)	(6,790,863)	172.0	(202,912)	(103,222)	(99,690)	195.5	3,5207	3,8256	(1,3049)	(8.0)
14 NET INADVERTENT AND WHEELED INTERCHANGE					13,936	0	13,936					
15 TOTAL FUEL AND NET POWER TRANSACTIONS	155,870,558	118,818,982	37,051,576	31.2	3,032,851	3,085,020	(52,169)	(1.7)	5,1294	3,8514	1,2880	33.4
16 NET UNROLLED	(28,984,244)	2,903,637	(31,887,881)	(1,098.2)	563,961	(73,302)	637,263	(848.0)	(9,9137)	0,1025	(1,0162)	(991.4)
17 COMPANY USE	744,705	579,884	164,821	28.4	(14,490)	(15,056)	566	(3.8)	0,0235	0,0205	0,0030	14.6
18 T & D LOSSES	21,071,500	8,273,841	12,797,659	235.9	(409,993)	(162,008)	(247,985)	151.7	0,6642	0,2216	0,4426	199.7
19 ADJUSTED SYSTEM MWH SALES (SCH A2 PG 1 OF 2)	155,870,558	118,818,982	37,051,576	31.2	3,172,322	2,831,743	340,579	12.0	4,9135	4,1900	0,7235	17.1
20 WHOLESALE MWH SALES (EXCLUDING STRATIFIED SALES)	(31,174)	(47,528)	16,353	(34.4)	(567)	(1,221)	654	(54.8)	3,4987	3,7826	(1,2839)	(45.1)
21 JURISDICTIONAL MWH SALES	155,839,384	118,771,454	37,067,930	31.2	3,171,756	2,830,522	341,234	12.1	4,9133	4,1901	0,7232	17.1
22 JURISDICTIONAL MWH SALES ADJUSTED FOR LINE LOSS - 1.00028	155,843,019	118,804,710	37,038,309	31.2	3,171,756	2,830,489	341,267	12.1	4,9147	4,1973	0,7174	17.1
23 PRIOR PERIOD TRUE-UP	8,077,661	8,077,661	0	0.0	3,171,756	2,830,489	341,267	12.1	0,2547	0,2854	(1,0307)	(10.8)
24 TOTAL JURISDICTIONAL FUEL COST	163,920,680	126,882,371	37,038,309	29.2	3,171,756	2,830,489	341,267	12.1	5,1684	4,4827	0,6857	15.3
25 REVENUE TAX FACTOR									1,00072	1,00072	0,0000	0.0
26 FUEL COST ADJUSTED FOR TAXES									5,1731	4,4850	0,6881	15.3
27 GPH	367,309	367,309			3,171,756	2,830,489			0,0116	0,0130	(1,0014)	(10.8)
28 TOTAL FUEL COST FACTOR ROUNDED TO THE NEAREST .001 CENTS/MWH *Line 15a MWH Data for Informational Purposes Only									5,185	4,499	0,686	15.2

Note: Schedules A1 A2 have been updated from the versions filed on January 20, 2022 to reflect the True-Up WACC as prescribed in Order No. PSC-2020-0165-PALEU

Exhibit 2: True-Up (Continued)

DUKE ENERGY FLORIDA, LLC
FUEL AND PURCHASED POWER
COST RECOVERY CLAUSE CALCULATION
YEAR TO DATE - DECEMBER 2021

SCHEDULE A1
PAGE 2 OF 2

Docket No
Witness
Exhibit No
Schedule

20220001-EJ
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(GPD-37)
A1-2
Sheet 2 of 9

	\$				MWH				CENTS/KWH			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
1 FUEL COST OF SYSTEM NET GENERATION (SCH A3)	1,566,012,904	1,424,339,921	161,672,983	11.5	40,342,710	40,465,354	97,355	0.2	3.8607	3.4705	0.3902	11.2
2 COAL CAR SALE	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
3 ADJUSTMENTS TO FUEL COST - MISCELLANEOUS	9,820,056	15,303,717	(5,483,661)	(25.6)	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4 TOTAL COST OF GENERATED POWER	1,575,832,960	1,419,643,638	156,189,322	11.0	40,342,710	40,465,354	97,355	0.2	3.8649	3.5053	0.3766	10.7
5 ENERGY COST OF PURCHASED POWER - FIRM (SCH A7)	110,045,633	75,611,032	34,434,601	43.5	1,635,009	1,209,413	425,597	35.2	6.7308	6.2519	0.4787	7.7
6 ENERGY COST OF SCH C.X ECONOMY PURCH - BROKER (SCH A5)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
7 ENERGY COST OF ECONOMY PURCH - NON-BROKER (SCH A3)	34,300,202	18,582,647	15,717,535	84.5	638,193	374,626	263,558	70.4	5.3744	4.9829	0.4117	8.3
8 PAYMENTS TO QUALIFYING FACILITIES (SCH A8)	100,896,353	126,618,835	(25,722,482)	(15.2)	2,413,686	2,541,206	(127,520)	(19.0)	4.1801	4.1871	(0.0070)	(0.2)
9 TOTAL COST OF PURCHASED POWER	245,232,188	220,822,335	44,609,654	22.2	4,685,689	4,125,644	561,044	13.6	5.2325	4.6028	0.6297	7.6
10 TOTAL AVAILABLE MWH					45,248,398	44,500,909	628,400	1.5				
11 FUEL COST OF OTHER POWER SALES (SCH A6)	(10,417,300)	(5,750,637)	(4,666,723)	81.2	(400,762)	(231,178)	(169,584)	73.4	2.5894	2.4875	0.1119	4.5
11a GAIN ON OTHER POWER SALES - 100% (SCH A6)	(2,855,389)	(1,351,382)	(1,504,007)	111.3	(400,762)	(231,178)	(169,584)	73.4	0.7125	0.5846	0.1279	21.9
11b GAIN ON TOTAL POWER SALES - 20% (SCH A6)	228,227	0	228,227	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
12 FUEL COST OF STRATIFIED SALES	(99,951,020)	(78,113,524)	(21,838,132)	28.0	(3,073,257)	(2,623,343)	(449,993)	17.2	3.2523	2.9776	0.2747	9.2
13 TOTAL FUEL COST AND GAINS ON POWER SALES	(112,966,178)	(85,215,543)	(27,780,636)	32.6	(3,474,014)	(2,854,520)	(619,494)	21.7	3.2526	2.9853	0.2673	9.0
14 NET INADVERTENT AND WHEELED INTERCHANGE					215,318	128,306	86,932					
15 TOTAL FUEL AND NET POWER TRANSACTIONS	1,708,069,970	1,535,050,431	173,019,339	11.3	41,990,722	41,604,874	125,828	0.3	4.0877	3.6067	0.4810	10.9
16 NET UNLLEL	(41,676,247)	(6,433,472)	(35,242,775)	847.8	748,570	178,182	570,388	320.1	(0.1050)	(0.0163)	(0.0887)	544.2
17 COMPANY USE	6,503,505	5,000,634	542,871	9.1	(160,656)	(162,168)	1,512	(0.0)	0.0164	0.0151	0.0013	8.6
18 T & D LOSSES	118,584,121	87,015,426	31,568,715	35.3	(2,896,589)	(2,305,873)	(590,617)	20.9	0.2869	0.2204	0.0784	35.6
19 ADJUSTED SYSTEM KWH SALES (SCH A2 PG 1 OF 2)	1,708,069,970	1,535,050,431	173,019,339	11.3	39,842,028	39,484,915	197,112	0.5	4.3044	3.8277	0.4167	10.7
20 WHOLESALE KWH SALES (EXCLUDING STRATIFIED SALES)	(9,998,200)	(7,185,703)	(2,830,497)	29.5	(228,418)	(173,423)	(54,995)	31.7	4.3783	4.1319	0.2464	5.9
21 JURISDICTIONAL KWH SALES	1,698,072,770	1,527,864,728	170,187,842	11.1	39,453,610	39,311,492	142,118	0.4	4.3040	3.8295	0.4174	10.7
22 JURISDICTIONAL KWH SALES ADJUSTED FOR LINE LOSS - 1.00028	1,698,551,009	1,528,315,574	170,235,495	11.1	39,453,610	39,311,492	142,118	0.4	4.3052	3.8277	0.4175	10.7
23 PRIOR PERIOD TRUE-UP	(21,379,084)	(21,379,084)	0	0.0	39,453,610	39,311,492	142,118	0.4	(0.0347)	(0.0049)	0.0602	(0.4)
24 TOTAL JURISDICTIONAL FUEL COST	1,676,971,483	1,506,735,992	170,235,491	11.3	39,453,610	39,311,492	142,118	0.4	4.2505	3.8328	0.4177	10.9
25 REVENUE TAX FACTOR									1.00072	1.00072	0.0000	0.0
26 FUEL COST ADJUSTED FOR TAXES									4.2538	3.8356	0.4180	10.9
27 GPF	4,407,712	4,407,708	4	0.0	39,453,610	39,311,492	142,118	0.4	0.0112	0.0112	0.0000	100.0
28 TOTAL FUEL COST FACTOR ROUNDED TO THE NEAREST .001 CENTS/KWH *Line 15a MWH Data for Informational Purposes Only									4.265	3.847	0.418	10.9

Note: Schedules A1-A2 have been updated from the versions filed on January 20, 2022 to reflect the True-Up WACC as prescribed in Order No. PSC 2020-0165-PAE-EU.