

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: Capacity Cost Recovery Clause
Audit Control No: 2022-003-1-5

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.
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2021

Docket No. 20220001-EI
Audit Control No. 2022-003-1-5
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 Capacity 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.
CCRC refers to the Capacity 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 to determine whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the 2021 filing to the Utility's monthly Revenue Reports. We computed the factors by rate code and compared them to Commission Order No. PSC-2021-0024-FOF-EI, issued January 6, 2021. 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. This work was also performed in Docket No. 20220001-EI, ACN 2022-003-1-4, with the revenue portions of other clause audits. No exceptions were noted.

Transmission Revenues

Objective: The objective was to determine whether transmission revenues derived from non-separated, non-energy broker network, wholesale energy were credited to the CCRC per Commission Order PSC-1999-2512-FOF-EI, issued December 22, 1999.

Procedures: We compiled transmission revenues for the twelve-month period ended December 31, 2021, from the utility-provided documentation and reconciled the revenues with the general ledger and the filing. We determined that these revenues comply with Order No. PSC-1999-2512-FOF-EI. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Schedule A-12 filing were supported by adequate documentation and that the expenses were appropriately recoverable through the CCRC.

Procedures: We traced expenses in the filing to the general ledger. We also verified twelve months of invoices and transmission expenses as per the filing. The source documentation for selected items was reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

Incremental Security Costs

Objective: The objective was to determine whether the recovered security costs are incremental to the security costs recovered in base rates.

Procedures: We reviewed the general ledger account detail for vendors charging security costs to the Utility. We noted that all security costs were recovered through base rates and not through the CCRC. No further work performed.

Purchased Power Contract

Objective: The objective was to determine whether invoices for capacity purchases are in accordance with the terms and conditions of the contracts.

Procedures: We reviewed the purchased power contracts. We traced the purchased power capacity costs from the filing to the general ledger. We reconciled invoices for capacity purchases to the contract to determine whether they were recorded according to the terms and conditions of the contract. No exceptions were noted.

True-up

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

Procedures: We traced the December 31, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up as of December 31, 2021, using the Commission-approved beginning balance as of December 31, 2020, and the 2021 CCRC revenues and costs. The Utility does not segregate the Interest Provision in their filing. Audit staff was only able to recalculate the True-Up Provision. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's CCRC 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. Audit staff prepared a schedule to determine any large variances in revenues and expenses, between 2020 and 2021, and followed-up with the Utility if any large variances occurred. Per the Utility, the 17.89% increase in Total Recoverable Capacity & ISFSI Costs is primarily due to amortization of CR1& 2 NBV (~\$80.6M) in 2021 (not applicable to 2020), higher Qualified Facilities costs (~\$16.4M) in 2021 versus 2020, lower credit for State Corporate Income Tax Change (\$~2.8M) in 2021 versus 2020, offset by lower costs related to Purchased Power Agreements (\$26.4M) in 2021 versus 2020. The 15.71% increase in CCR Revenues is mainly due to a 0.182 c/kWh increase in the average Retail CCR rate, and slightly higher jurisdictional kWh sales in 2021 versus 2020. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

Docket No
Witness
Exhibit No

20220001-El
Dean
(GPD-21)
Sheet 2 of 3

Duke Energy Florida, LLC
Capacity Cost Recovery Clause
Calculation of Actual True-Up
January 2021 - December 2021

	ACT Jan-21	ACT Feb-21	ACT Mar-21	ACT Apr-21	ACT May-21	ACT Jun-21	ACT Jul-21	ACT Aug-21	ACT Sep-21	ACT Oct-21	ACT Nov-21	ACT Dec-21	Total
1 Base Production Level Capacity Costs													
2 Orange Cogen (ORANGE CO)	6,188,528	6,196,226	6,188,877	6,188,877	6,188,877	6,188,877	6,188,877	6,188,877	6,188,877	6,188,877	6,188,877	6,094,746	74,172,395
3 Orlando Cogen Ltd (ORLANDO CO)	6,225,933	6,225,933	6,225,933	6,225,933	6,225,933	6,225,933	6,225,933	6,225,933	6,225,933	6,225,933	6,225,933	6,225,933	74,711,198
4 Pasco County Resource Recovery (PASCOLANT)	2,284,360	2,284,360	2,284,360	2,284,360	2,284,360	2,284,360	2,284,360	2,284,360	2,284,360	2,284,360	2,284,360	2,284,360	27,412,320
5 Pinellas County Resource Recovery (PINCOLANT)	5,437,770	5,437,770	5,437,770	5,437,770	5,437,770	5,437,770	5,437,770	5,437,770	5,437,770	5,437,770	5,437,770	5,437,770	65,253,240
6 Polk Power Partners, L.P. (HAUBERRY/ROYSTER)	8,498,223	8,498,223	8,498,223	8,498,223	8,498,223	8,498,223	8,498,223	8,498,223	8,498,223	8,498,223	8,498,223	8,498,223	101,978,675
7 Subtotal - Base Level Capacity Costs	28,627,814	28,642,512	28,635,163	28,635,163	28,635,163	28,635,163	28,635,163	28,635,163	28,635,163	28,635,163	28,635,163	28,541,033	343,527,827
8 Base Production Jurisdictional Responsibility	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%
9 Base Level Jurisdictional Capacity Costs	26,590,945	26,604,598	26,597,771	26,597,771	26,597,771	26,597,771	26,597,771	26,597,771	26,597,771	26,597,771	26,597,771	26,510,338	319,005,824
10 Intermediate Production Level Capacity Costs													
11 Southern Franklin	4,832,347	4,968,816	2,911,671	2,914,969	3,198,304	(755,104)	0	0	0	0	0	79,282	18,172,395
12 Schedule H Capacity Sales	(5,587)	0	0	0	0	225,736	244,901	0	0	0	72,800	(21,852)	515,997
13 Subtotal - Intermediate Level Capacity Costs	4,826,760	4,968,816	2,911,671	2,914,969	3,198,304	(529,368)	244,901	0	0	0	72,800	57,430	18,688,292
14 Intermediate Production Jurisdictional Responsibility	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%
15 Intermediate Level Jurisdictional Capacity Costs	3,569,199	3,627,019	2,118,327	2,119,270	2,325,263	(384,867)	178,050	0	0	0	52,928	41,760	13,586,948
16 Peaking Production Level Capacity Costs													
17 Shady Hills	1,978,940	1,978,940	1,978,940	604,060	1,916,460	3,896,100	4,825,132	2,675,452	597,532	799,264	940,024	1,779,956	24,184,799
18 Verochah	3,033,279	2,968,686	2,017,074	1,908,157	2,873,617	5,948,748	3,950,401	5,847,436	2,792,890	1,973,594	2,072,642	3,028,956	38,505,479
19 Other													
20 Subtotal - Peaking Level Capacity Costs	5,010,219	4,945,626	3,996,014	2,602,217	4,790,077	9,844,848	6,775,533	8,522,888	3,390,422	2,772,858	3,012,866	4,808,911	62,670,277
21 Peaking Production Jurisdictional Responsibility	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%	95.924%
22 Peaking Level Jurisdictional Capacity Costs	4,803,603	4,744,042	3,831,218	2,687,999	4,594,833	9,443,572	6,417,847	8,175,495	3,252,728	2,659,837	2,849,869	4,612,690	60,115,837
23 Other Capacity Costs													
24 Retail Wheeling	0	(19,418)	(4,147)	(1,834)	0	0	0	0	0	0	(175,299)	(307,940)	(508,438)
25 Ridge Generating Station L.P. Termination ¹	670,785	667,169	656,848	657,820	654,349	650,819	647,288	643,750	640,226	636,697	633,167	625,728	7,784,734
26 State Corporate Income Tax Charge ²	(232,776)	(232,776)	(232,776)	(232,776)	(232,776)	(232,776)	(232,776)	(232,776)	(232,776)	(232,776)	(232,776)	(232,776)	(2,783,312)
27 CRI&Z NBT ³	6,716,036	6,716,036	6,716,036	6,716,036	6,716,036	6,716,036	6,716,036	6,716,036	6,716,036	6,716,036	6,716,036	6,716,036	80,592,431
28 Total Other Capacity Costs	7,154,045	7,131,031	7,135,961	7,139,508	7,137,009	7,134,079	7,130,543	7,127,018	7,123,488	7,119,957	6,941,128	6,801,048	85,075,415
29 Total Capacity Costs (line 9+15+22+28)	42,060,192	42,106,689	39,683,277	38,544,545	40,655,478	42,790,556	42,324,212	41,900,284	36,973,487	36,377,565	36,481,697	37,966,044	477,854,024
30 ISFSI Revenue Requirement¹	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	573,320	6,879,837
31 Total Recoverable Capacity & ISFSI Costs (line 29+30)	42,633,512	42,680,009	40,256,597	39,117,864	41,228,798	43,363,876	42,897,531	42,473,604	37,546,807	36,950,885	37,055,017	38,539,363	484,733,860
32 Capacity Revenues:													
33 Capacity Cost Recovery Revenues (net of tax)	35,903,840	34,543,316	35,777,609	36,135,702	39,269,864	45,215,250	46,088,175	45,797,328	50,153,126	45,022,522	32,139,196	38,200,521	484,246,547
34 Prior Period True-Up Provision Over/(Under) Recovery	(38,590)	(38,590)	(38,590)	(38,590)	(38,590)	(38,590)	(38,590)	(38,590)	(38,590)	(38,590)	(38,590)	(38,590)	(463,084)
35 Current Period CCR Revenues (net of tax)	35,865,250	34,504,726	35,739,018	36,097,112	39,231,273	45,176,659	46,049,585	45,758,738	50,114,536	44,983,932	32,100,605	38,161,931	483,783,463
36 True-Up Provision:													
37 True-Up Provision - Over/(Under) Recov (Line 35-31)	(6,768,262)	(8,175,284)	(4,517,578)	(3,020,751)	(1,997,422)	1,812,785	3,152,052	3,285,132	12,567,729	8,033,017	(4,954,412)	(377,434)	(960,397)
38 Interest Provision for the Month	249	(425)	(83)	(1,181)	(82)	(865)	(886)	(578)	(178)	407	669	459	(4,672)
39 Current Cycle Balance - Over/(Under)	(6,768,013)	(14,943,793)	(19,462,163)	(22,484,118)	(24,482,402)	(22,670,482)	(19,519,318)	(18,234,762)	(3,667,206)	4,366,246	(567,497)	(984,471)	(964,471)
40 Prior Period Balance - Over/(Under) Recovered	6,070,083	6,108,673	6,147,264	6,185,854	6,224,444	6,263,035	6,301,625	6,340,215	6,378,806	6,417,396	6,455,986	6,494,577	6,533,167
41 Prior Period Cumulative True-Up Collected/(Refunded)	38,590	38,590	38,590	38,590	38,590	38,590	38,590	38,590	38,590	38,590	38,590	38,590	463,084
42 Prior Period True-Up Balance - Over/(Under)	6,108,673	6,147,264	6,185,854	6,224,444	6,263,035	6,301,625	6,340,215	6,378,806	6,417,396	6,455,986	6,494,577	6,533,167	6,598,251
43 Net Capacity True-up Over/(Under) (Line 39+42)	(659,340)	(8,796,459)	(13,278,330)	(16,259,674)	(18,219,367)	(16,368,857)	(13,179,101)	(8,856,954)	2,750,188	10,822,232	5,907,080	5,568,696	6,031,702

¹ Approved in Order No. PSC-2018-0532-PAA-EQ
² Approved in Order No. PSC-2021-0024-FOF-EL
³ As set forth in DEF's 2017 Settlement approved in Commission Order No. PSC-2017-0451-AS-EU