

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 6, 2016  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 160001-EI  
Company Name: Duke Energy Florida, Inc.  
Company Code: EI801  
Audit Purpose: Capacity Cost Recovery Clause  
Audit Control No: 16-020-2-2

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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 is no confidential work papers associated with this audit.

LMD/cm

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, Inc.  
Capacity Cost Recovery Clause

**Twelve Months Ended December 31, 2015**

Docket No. 160001-EI  
Audit Control No. 16-020-2-2

**April 28, 2016**

A handwritten signature in cursive script, appearing to read "Tomer".

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Tomer Kopelovich  
Audit Manager

A handwritten signature in cursive script, 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 20, 2015. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Duke Energy Florida, Inc. in support of its 2015 filing for the Capacity Cost Recovery Clause in Docket No. 160001-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, Inc.  
CCRC refers to the Capacity Cost Recovery Clause.

### **Revenues**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

**Procedures:** We reconciled the 2015 filing to the Utility's monthly CCRC Revenue Reports. We recalculated the 2015 capacity revenues for the months of January through December by multiplying KWH sales by the CCRC recovery factors. No exceptions were noted.

#### Transmission Revenues

**Objective:** The objective was to determine whether Transmission Revenues derived from the non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC per Commission Order No. PSC-99-2512-FOF-EI.

**Procedure:** We traced the wholesale Transmission Revenues that are derived from the non-separated, non-energy broker network, from the Utility's books to the CCRC filing. No exceptions were noted.

### **Expenses**

#### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expense invoices for testing for the months of March, May, July, and September 2015. The source documentation for the 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.

### Purchase Power Contracts

**Objective:** The objective was to determine whether the invoices for the capacity purchase amounts are in accordance with the terms and conditions of the contract.

**Procedures:** We reviewed Orange Cogen Limited, Pasco County Resource Recovery, Pinellas County Resource Recovery, and Polk Power Partners purchased power contracts that were in effect during 2015. We traced the purchase power contract rates and terms between the Utility and the qualifying facilities to the capacity payment calculations for March, May, July, and September 2015. No exceptions were noted.

### Incremental Security Cost

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

**Procedure:** We reviewed the general ledger account detail for vendors charging security costs to the Utility. No security costs were included in the CCRC. 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, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the Commission approved beginning balance as of December 31, 2014, the Financial Commercial Paper rates and the 2015 CCRC revenues and costs. No exceptions were noted.

## **Analytical Procedures**

**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 prior years.

**Procedures:** We compared 2015 to 2014 and 2013 revenues and expenses. We requested explanations from the Utility for significant variances. Further follow-up was not required.

Audit Findings

**None**

# Exhibit

## Exhibit 1: True-Up

Duke Energy Florida  
Capacity Cost Recovery Clause  
Calculation of Actual True-Up  
January Through December 2015

	ACTUAL JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APR	ACTUAL MAY	ACTUAL JUN	ACTUAL JUL	ACTUAL AUG	ACTUAL SEP	ACTUAL OCT	ACTUAL NOV	ACTUAL DEC	YTD
<b>1 Base Production Level Capacity Charges:</b>													
2 Orange Cogen (ORANGE CO)	3,108,487	3,266,545	3,266,545	3,266,545	3,266,545	3,266,545	3,266,545	3,266,545	3,266,545	3,266,545	3,266,545	3,266,545	39,040,487
3 Orlando Cogen Limited (ORLAC OGL)	4,390,316	4,602,317	4,594,988	4,491,065	4,619,448	4,619,448	4,619,448	4,619,448	4,619,448	4,619,448	4,619,448	4,619,448	46,244,108
4 Pasco County Resource Recovery (PASCOUNT)	1,483,270	1,577,570	1,577,570	1,577,570	1,577,570	1,577,570	1,577,570	1,577,570	1,577,570	1,577,570	1,577,570	1,577,570	18,836,540
5 Pinellas County Resource Recovery (PINCOUNT)	3,530,828	3,755,303	3,755,303	3,755,303	3,755,303	3,755,303	3,755,303	3,755,303	3,755,303	3,755,303	3,755,303	3,755,303	44,839,155
6 Polk Power Partners, L.P. (MULBERRY)	5,999,259	6,306,018	6,306,018	6,306,018	6,306,018	6,287,309	6,306,018	6,306,018	6,306,018	6,306,018	6,306,018	6,306,018	75,346,748
7 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	661,873	698,574	715,513	729,448	741,070	754,330	717,450	677,120	665,502	655,232	623,134	622,230	8,261,478
8 Southern - Scherer	1,750,402	1,787,399	1,756,170	1,757,178	1,824,402	3,375,058	1,767,776	1,767,514	1,787,518	1,765,673	1,765,484	1,765,673	22,550,249
9 Calpine Osprey	1,405,950	1,465,539	1,443,650	1,443,650	1,443,650	1,443,650	1,443,650	1,443,650	1,443,650	1,443,650	1,443,650	1,443,650	17,307,989
10 Subtotal - Base Level Capacity Charges	22,330,384	23,459,265	23,415,755	23,326,778	23,534,006	25,079,213	23,453,759	23,413,168	23,401,554	23,389,439	23,357,152	14,566,281	272,726,754
11 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%
12 Base Level Jurisdictional Capacity Charges	20,741,577	21,790,139	21,749,724	21,667,078	21,859,562	23,294,827	21,785,024	21,747,321	21,736,533	21,725,280	21,695,291	13,529,890	253,322,245
<b>13 Intermediate Production Level Capacity Charges:</b>													
14 Southern - Franklin	3,119,543	3,290,815	3,174,459	3,182,635	3,179,430	2,251,554	3,181,573	3,180,294	3,504,765	3,171,307	3,170,383	3,171,307	37,577,865
15 Schedule H Capacity Sales-NSB	(14,792)	(14,792)	(14,792)	(14,792)	(16,080)	(16,080)	0	0	0	0	0	0	(91,328)
16 Subtotal - Intermediate Level Capacity Charges	3,104,751	3,275,823	3,159,667	3,167,843	3,163,350	2,235,474	3,181,573	3,180,294	3,504,765	3,171,307	3,170,383	3,171,307	37,486,537
17 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%
18 Intermediate Level Jurisdictional Capacity Charges	2,257,247	2,381,621	2,297,173	2,303,117	2,299,850	1,625,256	2,313,099	2,312,169	2,548,069	2,305,636	2,304,964	2,305,636	27,253,637
<b>19 Peaking Production Level Capacity Charges:</b>													
20 Chattahoochee Capacity Purchase	0	0	0	0	0	0	0	0	0	0	0	0	-
21 Vandolah Capacity - Northern Star	2,932,374	2,895,800	1,886,774	1,947,064	2,800,877	5,785,668	5,780,497	5,715,411	2,715,406	1,919,503	2,016,937	2,947,051	39,343,362
22 Shady Hills Power Company LLC	1,410,076	1,648,992	1,406,900	1,440,840	1,912,680	3,888,000	3,888,000	3,888,445	1,814,400	1,366,200	1,366,200	1,941,646	25,968,379
23 Subtotal - Peaking Level Capacity Charges	4,342,450	4,542,793	3,293,674	3,387,903	4,713,557	9,673,668.05	9,668,497	9,601,856	4,529,806	3,285,703	3,383,137	4,888,697	65,311,741
24 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%
25 Peaking Level Jurisdictional Capacity Charges	4,165,452	4,357,829	3,159,424	3,249,812	4,521,433	9,279,369	9,274,409	9,210,484	4,345,171	3,151,777	3,245,241	4,689,434	62,649,635
<b>26 Other Capacity Charges:</b>													
27 Retail Wheeling	(44,982)	(109,006)	(31,099)	(4,143)	(42,143)	(19,211)	(10,188)	(49,327)	(24,634)	(9,153)	(30,188)	(20,424)	(394,468)
28 Total Other Capacity Charges	(44,982)	(109,006)	(31,099)	(4,143)	(42,143)	(19,211)	(10,188)	(49,327)	(24,634)	(9,153)	(30,188)	(20,424)	(394,468)
29													
30 Subtotal Jurisdictional Capacity Charges (lines 12+18+25+28)	27,119,295	28,420,383	27,175,221	27,215,864	28,638,702	34,180,241	33,362,345	33,220,647	28,805,140	27,173,540	27,215,307	20,504,536	342,831,219
31													
<b>32 Nuclear Cost Recovery Clause Charges:</b>													
33 Levy Costs (1)	9,215,650	9,145,040	9,074,430	9,003,820	0	0	0	0	0	0	0	0	36,438,940
34 CR-3 Uprate Costs	5,442,716	5,412,634	5,382,366	5,352,099	5,321,833	5,291,141	5,260,871	5,208,780	5,178,331	5,148,065	5,117,797	5,087,530	63,204,163
35 Total NCR Costs - Order No. PSC-14-0701-FOF-EI	14,658,366	14,557,674	14,456,796	14,355,919	5,321,833	5,291,141	5,260,871	5,208,780	5,178,331	5,148,065	5,117,797	5,087,530	99,643,103
36													
37 Total Jurisdictional Capacity Charges (Lines 30 + 35)	41,777,661	42,978,058	41,632,018	41,571,783	33,960,536	39,471,382	38,623,216	38,429,428	33,783,470	32,321,604	32,333,104	25,592,065	442,474,325
<b>38 Capacity Revenues:</b>													
39 Capacity Cost Recovery Revenues (net of tax)	35,474,797	35,917,927	38,743,788	38,282,459	33,024,082	37,697,540	39,725,599	39,816,063	39,512,524	34,329,371	35,253,377	29,940,179	437,717,704
40 Prior Period True-Up Provision	(1,415,937)	(1,415,937)	(1,415,937)	(1,415,937)	(1,415,937)	(1,415,937)	(1,415,937)	(1,415,937)	(1,415,937)	(1,415,937)	(1,415,937)	(1,415,937)	(16,991,241)
41 Current Period CCR Revenues (net of tax)	34,058,861	34,501,991	37,327,849	36,866,522	31,608,145	36,281,603	38,309,663	38,400,126	38,096,587	32,913,434	33,837,441	28,524,243	420,726,463
42 <b>True-Up Provision - Current Year (Acct 1823203/2543203)</b>													
43 True-Up Provision - Over/(Under) Recov (line 41-line 37)	(7,718,800)	(8,476,067)	(4,304,169)	(4,705,261)	(2,352,390)	(3,189,779)	(313,553)	(29,302)	4,313,117	591,830	1,504,337	2,932,177	(21,747,862)
44 Interest Provision for the Month	(2,831)	(3,263)	(3,681)	(2,932)	(3,568)	(4,187)	(4,214)	(4,628)	(4,788)	(4,402)	(4,571)	(8,723)	(51,789)
45 Total current month over/(under) recovery (Acct 4560097.5572001)	(7,721,631)	(16,200,961)	(20,508,791)	(25,216,984)	(27,572,942)	(30,766,908)	(31,084,675)	(31,118,606)	(26,810,277)	(26,222,848)	(24,723,083)	(21,799,629)	(21,799,631)
46 Prior Year True-Up & Interest Prov. (Begin Bal)-Over/(Under)	(30,953,685)	(29,537,749)	(28,121,812)	(26,705,875)	(25,289,939)	(23,874,002)	(22,458,065)	(21,042,129)	(19,626,192)	(18,210,255)	(16,794,319)	(15,378,382)	(30,953,685)
47 Prior Year True-Up Collected/(Refunded)	1,415,937	1,415,937	1,415,937	1,415,937	1,415,937	1,415,937	1,415,937	1,415,937	1,415,937	1,415,937	1,415,937	1,415,937	18,991,248
48 Prior Year True-Up & Interest Provision End Bal - (DR)/CR	(29,537,749)	(28,121,812)	(26,705,875)	(25,289,939)	(23,874,002)	(22,458,065)	(21,042,129)	(19,626,192)	(18,210,255)	(16,794,319)	(15,378,382)	(13,962,445)	(13,962,439)
49													
50 <b>Net Capacity True-up Over/(Under) (lines 46+48)</b>	(\$37,259,380)	(\$44,322,773)	(\$47,214,667)	(\$50,506,923)	(\$51,446,944)	(\$53,224,973)	(\$52,126,803)	(\$50,744,798)	(\$45,020,532)	(\$43,017,187)	(\$40,101,465)	(\$35,762,074)	(\$35,762,070)