

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: November 7, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150171-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A19 – Audit Actual Up-Front Bond Issuance Costs
Audit Control No: 16-270-2-1

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

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
Up-Front Bond Issuance Costs

Year Ended August 18, 2016

Docket No. 150171-EI
Audit Control No. 16-270-2-1
October 21, 2016

A handwritten signature in cursive script, appearing to read "Simon O. Ojada", written over a horizontal line.

Simon O. Ojada
Audit Manager

A handwritten signature in cursive script, appearing to read "Linda Hill", written over a horizontal line.

Linda Hill
Reviewer

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Purpose

To: Florida Public Service Commission

We 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 September 26, 2016. We applied these procedures to the schedules prepared by Duke Energy Florida, LLC in support of its filing for up-front nuclear asset-recovery bond issuance costs in Docket No. 150171-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:

Objective: The objective was to determine the accuracy of the \$15,626,367 of costs reported by Duke Energy Florida, LLC (Utility) for the actual up-front bond issuance costs.

Procedures: We obtained the detail of all the costs reported and traced to the general ledger. We reviewed invoices to determine if services performed were related to the up-front bond issuance. No exceptions were noted.

Objective: The objective was to determine whether the Utility only included allowable up-front bond issuance costs consistent with the statutory cost objectives of the Financing Order No. PSC-15-0537-FOF-EI.

Procedures: We reviewed all invoices and supporting documentation for Underwriters' Fees and Expenses, Legal Fees and Expenses, Rating Agency Fees and Expenses, Commission's Financial Advisor's Fees and Expenses, Commission's Legal Fees and Expenses, Service Set-up Fees and Expenses, Auditor Fees and Expenses, DEF Structuring Advisor Fees and Expenses, SEC Registration Fees, SPE/Issuer Set-up Fee, Marketing and Misc. Fees and Expenses, Printing /Edgarizing Expenses, Trustee Counsel Fees and Expenses, and Original Issue Discount to determine if the services performed were in compliance with the above Financing Order. No exceptions were noted.

Objectives: The objectives were to determine whether all legal fees and expenses of \$3,376,504 are accurate and appropriately incurred per contract or agreement and whether invoices have sufficient detail to determine the tasks performed.

Procedures: We obtained and reviewed all legal contracts and agreements with Hunton & Williams LLP; Richards Layton & Finger; Shutts & Bowen LLP; and Paul, Weiss, Rifkind, Wharton & Carrison LLP. We reviewed all legal invoices for the types of services billed and for sufficient detail including duplication or excessive duties performed. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: Actual Up-Front Bond Issuance Costs

APPENDIX A - DEF UP-FRONT NUCLEAR ASSET-RECOVERY BOND ISSUANCE COSTS

Categories of Costs	Estimate as of Sept. 30, 2015 (Exhibit 79)	Estimate as of May 25, 2016 (Attachment 2 to Issuance Advice Letter)	Estimate as of June 16, 2016 (Attachment 2 to Issuance Advice Letter)	Actual
Underwriters' Fees and Expenses ⁽¹⁾	\$ 5,178,848	\$ 6,848,716	\$ 6,800,000	\$ 6,789,530
Servicer Set-up Fee (Including Information Technology Programming Costs) ⁽²⁾	900,000	395,000	395,000	382,833
Legal Fees and Expenses ⁽³⁾	2,300,000	3,654,501	3,379,500	3,376,504
Rating Agency Fees and Expenses ⁽⁴⁾	1,564,250	1,600,000	1,600,000	1,601,288
Commission's Financial Advisor Fees and Expenses	850,000	1,600,000	1,600,000	1,600,000
Commission's Legal Fees and Expenses	--	1,150,000	1,350,000	1,171,000
Auditor Fees and Expenses ⁽⁵⁾	212,500	40,000	60,000	72,159
DEF Structuring Advisor Fee and Expenses ⁽⁶⁾	400,000	400,000	400,000	290,273
SEC Registration Fees ⁽⁷⁾	150,446	135,000	135,000	130,335
SPE / Issuer Set-up Fee ⁽⁸⁾	60,000	60,000	60,000	3,500
Marketing and Miscellaneous Fees and Expenses ⁽⁹⁾	45,000	91,783	63,500	36,725
Printing/Edgarizing Expenses ⁽¹⁰⁾	25,000	25,000	85,000	78,033
Trustee/Trustee Counsel Fee and Expenses ⁽¹¹⁾	17,500	25,000	25,000	42,900
Original Issue Discount ⁽¹²⁾	--	--	--	51,287
TOTAL	\$ 11,703,544	\$ 16,025,000	\$ 15,953,000	\$15,626,367
DIFFERENCE TO ACTUAL - LOWER/(HIGHER)	\$ 3,922,823	\$ (398,633)	\$ (326,633)	