

State of Florida



## Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** May 26, 2017  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 170002-EI  
Company Name: Duke Energy Florida, LLC  
Company Code: EI801  
Audit Purpose: A3b: Energy Conservation Cost Recovery  
Audit Control No: 17-024-2-1

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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 are no 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  
Energy Conservation Cost Recovery Clause

**Twelve Months Ended December 31, 2016**

Docket No. 170002-EG  
Audit Control No. 17-024-2-1  
**May 17, 2017**

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

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Linda Hill  
Audit Manager

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

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Tomer Kopelovich  
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 24, 2017. 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 2016 filing for the Energy Conservation Cost Recovery Clause in Docket No. 170002-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.

### **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, 2016, through December 31, 2016.

**Procedures:** We obtained the Utility's subsidiary ledger and obtained a sample of ECCR plant balances as of December 31, 2016. We reconciled each to the ECCR 2016 filing. We randomly selected transactions for Residential Energy Management – Smart Grid Hardware, Residential Energy Management - Smart Grid Software, and 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, 2016, through December 31, 2016, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECCR Clause.

**Procedures:** We traced the 2016 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. 170007-EI, Audit Control Number 17-044-2-2 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 Clause.

**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 Clause. 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: Residential Home Energy Check Program, Residential Low-Income Weatherization Assistance Program, Neighborhood Energy Saver, Business Energy Check Program and the Florida Custom Incentive 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, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission approved beginning balance as of December 31, 2015, the Financial Commercial Paper rates, and the 2016 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 2016 to 2015 and 2014 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. 170001-EG  
 Duke Energy Florida, LLC  
 Witness (PH) J. Crest  
 Exhibit No. 1 (2/16-17)  
 SCHEDULE (7-3)  
 PAGE 2 OF 3  
 April 27, 2017

DUKE ENERGY FLORIDA, LLC  
 ENERGY CONSERVATION ADJUSTMENT  
 CALCULATION OF TRUE-UP  
 FOR THE PERIOD JANUARY 2016 THROUGH DECEMBER 2016

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 CHARGE REVENUES	7,951,818	8,070,781	7,234,883	7,852,265	9,011,523	10,176,814	11,376,180	11,817,103	10,810,179	9,473,971	6,211,413	7,517,016	110,106,241
3 TOTAL REVENUES	7,951,818	8,070,781	7,234,883	7,852,265	9,011,523	10,176,814	11,376,180	11,817,103	10,810,179	9,473,971	6,211,413	7,517,016	110,106,241
4 FROM PERIOD TRUE-UP O.E.N./UNDER:	(6,271,972)	514,844	824,241	524,444	524,444	524,444	524,444	524,444	524,444	524,444	524,444	524,444	6,271,972
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	6,359,193	6,391,239	6,359,197	6,271,509	6,391,979	10,699,388	11,899,208	11,914,547	11,342,823	10,199,415	6,196,959	6,072,130	116,378,213
6 CONSERVATION EXPENSES (EFFECT OF LUMP SUM)	7,788,955	8,392,383	6,504,021	8,212,988	9,348,941	6,156,438	9,069,323	8,263,648	9,257,993	9,009,310	6,164,134	8,312,043	109,155,313
7 TRUE-UP THIS PERIOD (O/E)	(644,779)	737,153	1,444,835	61,478	(118,367)	18,112,850	(2,692,143)	(1,607,545)	(1,936,429)	11,192,846	8,791	1,418,353	(7,228,632)
8 CURRENT PERIOD INTEREST	(1,111)	11,974	11,423	(932)	(78)	1,001	(1,537)	(2,347)	(1,117)	(9,776)	18,797	(4,134)	(28,374)
9 ADJUSTMENTS PER STUDY	0	0	0	0	0	0	0	0	0	0	0	0	0
10 TRUE-UP & INTEREST PROVISIONS BEGINNING OF PERIOD (O/E)	(6,271,972)	(6,497,700)	(6,115,112)	(1,150,974)	(1,562,934)	(6,658,242)	(8,241,587)	(1,545,478)	(7,711,204)	(9,116,612)	(6,754,843)	(8,272,973)	(6,271,972)
11 FROM TRUE-UP REVENUES (COLLECTED)	524,444	524,444	524,444	524,444	524,444	524,444	524,444	524,444	524,444	524,444	524,444	524,444	6,271,972
12 END OF PERIOD NET TRUE-UP	(6,417,752)	(6,112,112)	(5,130,374)	(1,581,364)	(1,458,222)	(1,489,397)	(1,541,876)	(1,724,201)	(1,916,821)	(1,782,861)	(1,211,603)	(7,751,001)	(7,271,001)