

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 4, 2018  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 20180001-EI  
Company Name: Duke Energy Florida, LLC  
Company Code: EI801  
Audit Purpose: A3a: Capacity Cost Recovery Clause  
Audit Control No: 2018-019-2-2

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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 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  
Capacity Cost Recovery Clause

**Twelve Months Ended December 31, 2017**

Docket No. 20180001-EI  
Audit Control No. 2018-019-2-2

**April 26, 2018**

A handwritten signature in blue ink, appearing to read "Tomer".

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Tomer Kopelovich  
Audit Manager

A handwritten signature in black ink, 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 18, 2018. 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 2017 filing for the Capacity Cost Recovery Clause in Docket No. 20180001-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, LLC.  
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, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

**Procedures:** We reconciled the 2017 filing to the Utility's monthly CCRC Revenue Reports. We recalculated the 2017 capacity revenues for the months of January through December by multiplying KWH sales by the CCRC factors. A random sampling of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates in the Environmental Cost Recovery Clause Audit in Docket No. 20180007-EI. 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-1999-2512-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, September and November 2017. 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 2017. 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, September and November 2017. 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, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Financial Commercial Paper rates and the 2017 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 2017 to 2016 and 2015 revenues and expenses. We requested explanations from the Utility for significant variances. Further follow-up was not required.

Audit Findings

**None**

