

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: May 6, 2019
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20190001-EI
Company Name: Duke Energy Florida, LLC
Company Code: EI801
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2019-017-2-1

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 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
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2018

Docket No. 20190001-EI

Audit Control No. 2019-017-2-1

April 25, 2019

A handwritten signature in cursive script, reading "Ron Mavrides", written over a horizontal line.

Ron Mavrides
Audit Manager

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

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 15, 2019. We have applied these procedures to the attached schedules prepared by Duke Energy Florida, LLC in support of its 2018 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20190001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to the Duke Energy Florida, LLC.

FAC refers to the Fuel and Purchased Power Cost Recovery Clause.

Revenue

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2018, through December 31, 2018 and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the FAC.

Procedures: We reconciled the fuel revenues reported in the 2018 FAC Filing to the Utility's monthly revenue reports and the general ledger. We recalculated 2018 fuel revenues using the KWH sold in the Utility's monthly revenue reports and the fuel factors authorized in the Utility's last FAC proceeding. 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. 20190007-EI. No exceptions were noted.

Expenses

Objectives: The objectives were to review the expenses which the Utility has included in the FAC and determine whether those expenses were properly recoverable as required in Order No. 14546, issued July 8, 1985.

Procedures: We reviewed and sampled fuel expenses reported on supporting Schedules A-1 and A-2 and other supporting documentation to determine that the fuel expense included in the FAC Filing complied with the requirements set forth in Order No. 14546. No exceptions were noted.

Objective: The objective was to determine whether generation-related gains derived from non-separated wholesale energy sales were credited to the FAC Filing as set forth in Order No. PSC-2000-1744-PAA-EI, issued September 26, 2000.

Procedure: We calculated generation related gains from FAC Schedule A-6 to ensure the Utility complied with the Commission Order. No exceptions were noted.

Objective: The objective was to determine whether energy payments to qualifying facilities in Schedule A-8 are based on the appropriate standard offer or negotiated contract rate.

Procedures: We prepared a schedule accumulating total monthly KWH and total monthly fuel purchases for 2018 as reflected on FAC Schedule A-8 – Energy Payments to Qualifying Facilities. We traced all transactions on Schedule A-8 for the months of March and September to invoices and supporting documentation. No exceptions were noted.

Objectives: The objectives were to determine whether the amounts of gas storage expense recovered through the FAC for the gas storage facility for 2018 were calculated correctly and payments were made in accordance with the applicable contracts.

Procedures: We prepared a schedule for natural gas transportation and storage expense for 2018. We traced a sample of the transportation and storage expenses in the FAC Filing to supporting invoices and vendor contracts. No exceptions were noted.

Inventory

Objective: The objective was to determine whether adjustments made to coal inventory due to the semi-annual coal inventory survey have been recorded as set forth in Order No. PSC-1997-0359-FOF-EI, issued March 31, 1997.

Procedure: We reviewed all documentation that supports the Utility's aerial survey calculations and recorded adjustments to coal inventory balances to determine compliance with the requirements of Order No. PSC-1997-0359-FOF-EI. No exceptions were noted.

Other

Objectives: The objectives were to review and verify payments made under the waterborne and rail transportation contracts.

Procedures: We reviewed the waterborne and rail coal transportation contracts. We traced the contract rates to our sample of the Utility's coal fuel expense and reconciled the contract rates to the invoices selected in our sample. No exceptions were noted.

Objective: The objective was to determine whether vendor rebates and refunds were credited by the Utility to its recoverable fuel costs.

Procedures: We obtained a summary of all 2018 refunds and demurrages. We traced all refunds and demurrages to the Fuel Ledger for correct disposition. No exceptions were noted.

Objectives: The objectives were to reconcile service hours, reserve shutdown hours, and unavailable hours for the Generating Performance Factor (GPIF) units as shown on the annual GPIF Filing with source documents and trace the differences to source documents.

Procedures: We obtained the Actual Unit Performance Data Forms for January – December 2018 from the GPIF Filing. We reconciled service hours, reserve shutdown hours and unavailable hours to the GPIF Filing using the Generating Data System for Bartow, Crystal River 4 and 5, Hines 1, 2, 3, and 4. No exceptions were noted.

Objective: The objective was to reconcile the monthly coal and oil purchases reflected on Florida Public Service Commission (FPSC) Form 423 with the Schedule A-5, general ledger, vendor contract and source documentation.

Procedures: We reconciled the FPSC Form 423 for 2018 to the supporting Schedule A-5 of the Utility's FAC Filing. We reconciled the volumes, invoice price and transportation charges reflected on Form 423 to the supporting documentation obtained in conjunction with our sample of coal and oil fuel expense. No exceptions were noted.

True-Up

Objective: The objective was to determine whether the Utility's True-Up and Interest Provision as filed on FAC Schedule A-2 was properly calculated.

Procedures: We traced the December 31, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the Commission approved beginning balance as of December 31, 2017, the Financial Commercial Paper rates, and the 2018 FAC revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's FAC revenues and expenses to determine whether there were any material changes or inconsistencies in 2018 from previous years.

Procedure: We compared 2018 revenues and expenses to 2017 and 2016. No differences requiring follow-up investigation were noted.

Audit Findings

None

Exhibit

Exhibit 1: TrueUp

DUKE ENERGY FLORIDA DECEMBER 2018										
	CURRENT MONTH				YEAR TO DATE					
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT		
A. FUEL COSTS AND NET POWER TRANSACTIONS										
1.	FUEL COST OF SYSTEM NET GEN	\$114,722,501	105,646,287	\$9,076,214	8.6	\$1,322,472,390	\$1,322,046,314	\$426,075	0.0	
1a.	COAL CAR SALE	(82,225)	0	(82,225)	0.0	(2,149,074)	0	(2,149,074)	0.0	
2.	FUEL COST OF POWER SOLD	(40,550)	(387,492)	346,942	(89.5)	(2,628,177)	(3,043,086)	414,909	(13.6)	
2a.	GAIN ON POWER SALES	(21,576)	(107,785)	86,209	(80.0)	(2,179,391)	(2,179,293)	(98)	0.0	
3a.	FUEL COST OF PURCHASED POW	8,196,254	269,187	7,927,067	2,944.8	163,859,893	104,791,544	59,068,349	56.4	
3.	ENERGY PAYMENTS TO QUALIFY	11,143,113	11,174,285	(31,172)	(0.3)	137,425,176	140,729,302	(3,304,126)	(2.4)	
4.	ENERGY COST OF ECONOMY PU	866,974	120,872	746,102	617.3	13,166,647	8,269,692	4,896,955	59.2	
5.	TOTAL FUEL & NET POWER TRAN	134,784,491	116,715,354	18,069,137	15.5	1,629,967,464	1,570,614,474	59,352,990	3.8	
6. ADJUSTMENTS TO FUEL COST:										
6a.	FUEL COST OF STRATIFIED SALE	(3,079,988)	(1,424,393)	(1,655,594)	116.2	(43,354,333)	(34,511,593)	(8,842,741)	25.6	
6b.	OTHER- JURISDICTIONAL ADJUST	4,965,506	1,246,700	3,718,806	298.3	11,178,608	6,274,902	4,903,706	78.2	
6c.	OTHER - PRIOR PERIOD ADJUSTM	0	0	0	0.0	0	0	0	0.0	
7.	ADJUSTED TOTAL FUEL & NET PV	\$136,670,010	\$116,537,661	\$20,132,349	17.3	\$1,597,791,739	\$1,542,377,783	\$55,413,956	3.6	
FOOTNOTE: DETAIL OF LINE 6b ABOVE										
	INSPECTION & FUEL ANALYSIS R	\$0	\$0	\$0		\$0	\$0	\$0		
	CITRUS CC INEFFICIENT USE	0	0	0		(1,502,363)	0	(1,502,363)		
	UNIVERSITY OF FLORIDA STEAM	600	0	600		7,620	0	7,620		
	FPD AGREEMENT TERMINATION	0	0	0		0	0	0		
	TANK BOTTOM ADJUSTMENT	0	0	0		(171,899)	0	(171,899)		
	AERIAL SURVEY ADJUSTMENT ((3,719,710	0	3,719,710		5,415,075	0	5,415,075		
	FDP AGREEMENT TERMINATION	1,245,196	0	1,245,196		7,326,228	0	7,326,228		
	RAIL CAR SALE PROCEEDS	0	0	0		0	0	0		
	Gain/Loss on Disposition of Oil	0	0	0		0	0	0		
	NET METER SETTLEMENT	0	0	0		103,947	0	103,947		
	N/A - Not used	0	0	0		0	0	0		
	Derivative Collateral Interest	0	0	0		0	0	0		
	SUBTOTAL LINE 6b SHOWN ABOVE	\$4,965,506	\$0	\$4,965,506		\$11,178,608	\$0	\$11,178,608		
B. KWH SALES										
1.	JURISDICTIONAL SALES	2,878,702,504	2,879,737,426	(1,034,922)	(0.0)	39,144,650,882	39,131,040,949	13,609,933	0.0	
2.	NON JURISDICTIONAL (WHOLESA	17,355,384	17,608,000	(252,616)	(1.4)	254,173,334	222,684,074	31,489,260	14.1	
3.	TOTAL SALES	2,896,057,888	2,897,345,426	(1,287,538)	(0.0)	39,398,824,216	39,353,725,023	45,099,193	0.1	
4.	JURISDICTIONAL SALES % OF TC	99.40	99.39	0.01	0.0	99.35	99.43	(0.08)	(0.1)	

Exhibit 1: True Up (cont'd)

DUKE ENERGY FLORIDA									
DECEMBER 2018									
	CURRENT MONTH				YEAR TO DATE				
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	
C. TRUE UP CALCULATION									
1. JURISDICTIONAL FUEL REVENUE	\$115,795,394	\$118,762,346	(\$2,966,953)	(2.5)	\$1,603,480,385	\$1,603,647,559	(\$167,174)	(0.0)	
2. ADJUSTMENTS:	0	0	0	0.0	0	0	0	0.0	
2a. TRUE UP PROVISION	(8,145,991)	(8,145,991)	0	0.0	(97,751,887)	(97,751,892)	5	0.0	
2b. INCENTIVE PROVISION	(232,768)	(232,768)	0	0.0	(2,793,216)	(2,793,216)	0	0.0	
3. TOTAL JURISDICTIONAL FUEL REVENUE	107,416,635	110,383,587	(2,966,952)	(2.7)	1,502,935,282	1,503,102,451	(167,169)	(0.0)	
4. ADJ TOTAL FUEL & NET PWR TRNS (LI	136,670,010	116,537,661	20,132,349	17.3	1,597,791,739	1,542,377,783	55,413,956	3.6	
5. JURISDICTIONAL SALES % OF TOT SA	99.40	99.39	0.01	0.0	99.35	99.43	(0.08)	(0.1)	
6. JURISDICTIONAL FUEL & NET POWER TRANSACTIONS (LINE C4 * LINE C5 * 1.00031 LOSS M	135,892,103	115,884,120	20,007,984	17.3	1,588,012,756	1,534,162,974	53,849,782	3.5	
7. TRUE UP PROVISION FOR THE MONTH OVER/(UNDER) COLLECTION (LINE C3 - C6)	(28,475,468)	(5,500,532)	(22,974,936)	417.7	(85,077,474)	(31,060,523)	(54,016,951)	173.9	
8. INTEREST PROVISION FOR THE MONT	(378,902)	(239,187)	(139,715)	58.4	(3,954,025)	(3,542,306)	(411,719)	11.6	
9. TRUE UP & INTEREST PROVISION BEC	(182,171,211)	(150,857,190)	(31,314,021)	20.8	(211,599,978)	(211,599,981)	3	0.0	
10. TRUE UP COLLECTED (REFUNDED)	8,145,991	8,145,991	(0)	0.0	97,751,887	97,751,892	(5)	0.0	
11. END OF PERIOD TOTAL NET TRUE UP	(202,879,590)	(148,450,918)	(54,428,672)	36.7	(202,879,590)	(148,450,918)	(54,428,672)	36.7	
12. OTHER:	0				0		0		
13. END OF PERIOD TOTAL NET TRUE UP (LINES C11 + C12)	(\$202,879,590)	(148,450,918)	(54,428,672)	36.7	(\$202,879,590)	(148,450,918)	(54,428,672)	36.7	
D. INTEREST PROVISION									
1. BEGINNING TRUE UP (LINE C9)	(\$182,171,211)	N/A	--	--					
2. ENDING TRUE UP (LINES C7 + C9 + C1	(202,500,688)	N/A	--	--					
3. TOTAL OF BEGINNING & ENDING TRUE	(384,671,899)	N/A	--	--		NOT			
4. AVERAGE TRUE UP (50% OF LINE D3)	(192,335,949)	N/A	--	--					
5. INTEREST RATE - FIRST DAY OF REPO	2.300	N/A	--	--					
6. INTEREST RATE - FIRST DAY OF SUBS	2.420	N/A	--	--					
7. TOTAL (LINE D5 + LINE D6)	4.720	N/A	--	--					
8. AVERAGE INTEREST RATE (50% OF LI	2.360	N/A	--	--					
9. MONTHLY AVERAGE INTEREST RATE (0.197	N/A	--	--					
10. INTEREST PROVISION (LINE D4 * LINE	(\$378,902)	N/A	--	--					