

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 7, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamek, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150001-EI
Company Name: Duke Energy Florida, Inc.
Company Code: EI801
Audit Purpose: Capacity Cost Recovery Clause
Audit Control No: 15-023-2-2

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/cp

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, 2014

Docket No. 150001-EI
Audit Control No. 15-023-2-2

April 30, 2015

A blue ink signature of Tomer Kopelovich.

Tomer Kopelovich
Audit Manager

A blue ink signature of Linda Hill.

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 agreed-upon objectives set forth by the Division of Accounting and Finance in its audit service request dated January 22, 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 2014 filing for the Capacity Cost Recovery Clause in Docket No. 150001-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. 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, 2014, through December 31, 2014 and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the 2014 filing to the Utility's monthly CCRC Revenue Reports. We recalculated the 2014 capacity revenues for the months of January through December by multiplying KWH sales by the CCRC recovery factors. A sample of residential and commercial customers' bills were recalculated to verify the use of the correct tariff CCRC rates in the Utility's Environmental Cost Recovery Clause Audit, Docket 150007-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-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 February, April, June, and August 2014. The source documentation for 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 the Metro-Dade County, Orange Cogen, and Orange Cogen Limited purchased power contracts that were in effect during 2014. We traced the purchase power contract rates and terms between the Utility and the qualifying facilities to the capacity payment calculations for February, April, June, and October 2014. 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, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Financial Commercial Paper rates and the 2014 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 2014 to 2013 and 2012 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

Docket No 150001 E1
 Witness Menendez
 Exhibit No (CAM-21)
 Sheet 2 of 3

Duke Energy Florida
 Capacity Cost Recovery Clause
 Calculation of Actual True-Up
 January Through December 2014

	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
1 Base Production Level Capacity Charges:													
2 Lake County (LAKCOUNT)	822,248	822,248	822,248	822,248	822,248	822,248	822,248	0	0	0	0	0	5,735,733
3 Grange Cogen (DRANGEDO)	2,837,766	3,015,075	3,108,487	3,108,487	3,108,487	3,084,148	3,133,186	3,108,487	3,108,127	3,108,487	3,162,102	3,108,487	36,926,323
4 Orlando Cogen Limited (ORLACORL)	4,395,078	4,395,078	4,395,078	4,395,078	4,395,078	4,295,810	4,172,501	4,220,832	4,237,193	4,293,444	4,352,163	4,352,144	51,759,575
5 Pasco County Resource Recovery (PASCOUNT)	1,483,270	1,483,270	1,483,270	1,483,270	1,483,270	1,483,270	1,483,270	1,483,270	1,483,270	1,483,270	1,483,270	1,483,270	17,799,240
6 Pinellas County Resource Recovery (PINCOUNT)	3,530,828	3,530,828	3,530,828	3,530,828	3,530,828	3,530,828	3,530,828	3,530,828	3,530,828	3,530,828	3,530,828	3,530,828	42,369,930
7 Polk Power Partners, L.P. (MULBERRY)	5,999,259	5,999,259	5,999,259	5,999,259	5,999,259	5,999,259	5,999,259	5,999,259	5,999,259	5,999,259	5,999,259	5,999,259	71,991,106
8 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	759,856	892,447	866,435	859,566	850,875	848,085	856,826	809,905	845,801	841,588	839,478	845,322	7,941,987
9 Southern - Scherer	1,718,587	1,749,640	1,733,597	1,733,824	1,765,928	2,445,593	1,751,466	1,750,681	1,763,561	1,751,678	1,750,682	1,750,652	21,668,989
10 Calpine Osprey	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Subtotal - Base Level Capacity Charges	21,537,892	21,687,844	21,739,601	21,732,660	21,756,972	22,140,339	21,547,683	20,734,659	20,767,839				
12 Base Production Jurisdictional Responsibility	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%	92.885%				
13 Base Level Jurisdictional Capacity Charges	20,905,471	20,144,754	20,192,829	20,186,288	20,208,963	20,565,054	20,014,644	19,259,388	19,290,207				
14 Intermediate Production Level Capacity Charges:													
15 Southern - Franklin	3,051,067	3,187,328	3,119,080	3,572,405	3,125,039	3,193,093	3,124,735	3,127,739	3,508,239				
16 Schedule H Capacity Sales NSB	(14,792)	(14,752)	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)	(14,792)				
17 Subtotal - Intermediate Level Capacity Charges	3,037,175	3,172,536	3,104,288	3,557,573	3,110,247	3,178,301	3,109,943	3,112,947	3,493,447				
18 Intermediate Production Jurisdictional Responsibility	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%	72.703%				
19 Intermediate Level Jurisdictional Capacity Charges	2,208,117	2,306,529	2,256,910	2,586,335	2,261,243	2,310,721	2,291,022	2,263,206	2,539,841				
20 Peaking Production Level Capacity Charges:													
21 Chattahoochee Capacity Purchase	11,636	8,929	0	0	0	0	0	0	0				
22 Vancolah Capacity - Northern Star													
23 Reliant - Vardoliah Capacity Purchase	2,541,381	2,967,332	1,976,385	1,954,804	2,812,014	5,817,412	5,758,170	5,719,320	2,717,953				
24 Shady Hills Power Company LLC	1,965,380	1,919,140	1,395,900	1,352,700	1,803,780	3,565,111	3,686,000	3,888,000	1,514,529				
25 Subtotal -Peaking Level Capacity Charges	4,522,397	4,855,401	3,372,285	3,307,504	4,705,794	9,262,522	9,646,170	9,607,320	4,532,673				
26 Peaking Production Jurisdictional Responsibility	55.924%	55.924%	55.924%	55.924%	55.924%	55.924%	55.924%	55.924%	55.924%				
27 Peaking Level Jurisdictional Capacity Charges	4,721,760	4,657,495	3,234,831	3,172,690	4,513,986	9,000,091	9,252,992	9,215,725	4,348,113				
28 Other Capacity Charges:													
29 Retail Wheeling	(183,230)	(122,235)	(76,146)	(6,579)	(327)	(1,578)	(29)	(9,882)	(283)	(4,519)	(42,491)	0	(447,298)
30 Total Other Capacity Charges	(183,230)	(122,235)	(76,146)	(6,579)	(327)	(1,578)	(29)	(9,882)	(283)	(4,519)	(42,491)	0	(447,298)
31													
32 Subtotal Jurisdictional Capacity Charges (lines 13+19+27+30)	26,752,118	26,986,543	25,608,474	25,938,934	26,983,614	31,874,288	31,628,928	30,728,438	26,177,876	25,580,099	25,161,290	27,514,120	331,554,830
33													
34 Nuclear Cost Recovery Clause Charges:													
35 Levy Costs	9,297,640	10,340,712	8,857,433	8,909,330	5,761,227	5,713,125	8,246,352	8,616,919	8,968,616	8,520,714	3,472,611	8,424,508	105,535,407
36 CR-3 Uprate Costs	5,870,367	5,849,741	5,818,965	5,790,240	5,766,514	5,730,786	5,701,063	5,671,341	5,641,617	5,611,894	5,582,171	5,552,449	68,591,145
37 Total NCR Costs - Order No. PSC-13-0565-FOF-EI	15,177,027	16,196,453	14,677,398	14,599,570	14,527,741	14,443,913	13,947,415	14,288,260	14,210,433	14,132,608	14,054,782	13,976,957	174,296,556
38													
39 Total Jurisdictional Capacity Charges (Lines 32 + 37)	41,929,145	43,182,998	40,285,872	40,538,504	41,505,607	45,318,201	45,476,244	45,016,698	40,388,311	39,712,707	40,236,072	41,491,082	606,081,300
40 Capacity Revenues:													
41 Capacity Cost Recovery Revenues (net of tax)	36,179,776	41,716,964	35,336,479	34,678,831	33,782,255	45,650,073	48,923,847	53,763,638	50,630,336	42,686,005	38,545,399	37,908,282	506,004,645
42 Prior Year True-Up Provision	(2,030,021)	(2,030,021)	(2,030,021)	(2,030,021)	(2,030,021)	(2,030,021)	(2,030,021)	(2,030,021)	(2,030,021)	(2,030,021)	(2,030,021)	(2,030,021)	(24,360,252)
43 Current Period DCR Revenues (net of tax)	34,149,755	39,686,943	33,306,458	32,648,810	31,752,234	43,620,052	46,893,826	51,733,617	48,600,315	40,656,984	36,515,378	35,878,261	481,644,393
44 True-Up Provision - Current Year (Acct 183303/2543203)													
45 True-Up Provision - Over(Under) Recov. (line 43, line 39)	(7,779,350)	(3,495,052)	(6,979,364)	(7,883,694)	(3,753,362)	(2,698,148)	1,417,632	6,716,820	8,212,004	1,142,277	(3,716,694)	(5,612,821)	(24,436,797)
46 Interest Provision for the Month	(1,821)	(2,248)	(2,432)	(2,757)	(2,955)	(2,947)	(2,478)	(2,608)	(2,038)	(1,363)	(1,591)	(2,323)	(27,194)
47 Total current month over(under) recovery (Acct 4560097.5572001)	(7,781,211)	(11,279,504)	(18,291,361)	(26,153,752)	(29,910,099)	(32,610,794)	(31,195,640)	(24,481,427)	(16,271,452)	(15,130,548)	(18,848,833)	(24,463,987)	(24,463,991)
48 Prior Year True-Up & Interest Prov. (Begin Bal)-Over(Under)	(30,849,950)	(28,819,529)	(26,759,908)	(24,759,887)	(22,729,866)	(20,699,845)	(18,669,824)	(16,639,803)	(14,609,782)	(12,579,761)	(10,549,740)	(8,519,720)	(30,849,950)
49 Prior Year True-Up Collected(Refunded)	2,030,021	2,030,021	2,030,021	2,030,021	2,030,021	2,030,021	2,030,021	2,030,021	2,030,021	2,030,021	2,030,021	2,030,021	24,360,256
50 Prior Year True-Up & Interest Provision End Bal - (DR)/(CR)	(28,819,929)	(26,789,508)	(24,759,887)	(22,729,866)	(20,699,845)	(18,669,824)	(16,639,803)	(14,609,782)	(12,579,761)	(10,549,740)	(8,519,720)	(6,489,696)	(30,849,950)
51													
52 Net Capacity True-up Over(Under) (lines 47+50)	(\$36,901,140)	(\$38,969,412)	(\$43,021,168)	(\$48,883,618)	(\$50,409,944)	(\$51,280,618)	(\$47,835,443)	(\$36,091,210)	(\$29,851,223)	(\$25,080,288)	(\$27,308,553)	(\$30,953,666)	(\$30,953,666)