

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
CLERK

DATE: July 11, 2012
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120002-EG
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3b Energy Conservation Cost Recovery
Audit Control No: 12-010-4-3

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 were confidential work papers associated with this audit.

CJP/lmd

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER - DATE

04615 JUL 11 12

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Florida Power & Light Company
Energy Conservation Cost Recovery

Twelve Months Ended December 31, 2011

Docket No. 120002-EG
Audit Control No. 12-010-4-3

July 9, 2012


Yen N. Ngo
Audit Manager


Kathy Welch
Reviewer

DOCUMENT NUMBER-DATE

04615 JUL 11 2012

FPSC-COMMISSION CLERK

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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 Economic Regulation in its audit service request dated January 10, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Power & Light Company in support of its 2011 filing for Energy Conservation Cost Recovery in Docket No. 120002-EG.

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

Definition

Utility refers to the Florida Power & Light Company.
ECCR refers to the Energy Conservation Cost Recovery.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify all ECCR project-related plant additions, retirements and adjustments for the period January 1, 2011, through December 31, 2011, and to verify that any project which involved the replacement or retirement of an existing plant asset is retired at the installed costs by the Utility in accordance with Florida Public Service Commission Rule 25-6.0142(4)(b), F.A.C.

Procedure: We reconciled Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2011 Schedule CT-4. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2011, through December 31, 2011, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECCR clause.

Procedures: We reconciled the 2011 filing to the Utility's monthly Revenue Reports. We computed the factors by rate code and compared them to the last Commission Order No. PSC-11-0076-FOF-EG. We selected a random sample of residential and commercial customers' bills for the month of April and September 2011 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Schedule CT-3 was supported by adequate documentation and that the expenses are appropriately recoverable through the ECCR.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was related to the ECCR clause and that the expense was charged to the correct accounts. 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 performed an analytical review of the Depreciation Expense to verify that it was fairly consistent to the prior year. We traced total year Depreciation Expense for each capital project listed on Schedule CT-3 to the general ledger detail. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule CT-3 was properly calculated.

Procedures: We traced the December 31, 2010, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates, and the 2011 ECCR revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True Up

Florida Power & Light Company
Energy Conservation Program Costs
January through December 2011

Program Title	January	February	March	April	May	June	July	August	September	October	November	December	Total For Period
1. Residential Home Energy Survey	\$468,136	\$511,963	\$541,998	\$847,302	\$575,232	\$1,671,094	\$1,379,098	\$942,250	\$745,302	\$1,179,525	\$1,915,612	\$1,213,328	\$12,001,061
2. Residential Building Envelope	573,140	248,043	586,686	473,779	343,281	476,824	628,427	479,826	368,309	565,044	419,774	157,627	\$5,424,759
3. Residential Load Management ("On Call")	3,315,508	3,528,877	3,411,999	5,346,330	5,439,776	5,577,037	5,456,543	5,705,629	5,244,533	5,131,631	3,815,082	3,324,485	\$55,497,461
4. Duct System Testing & Repair	136,344	92,915	131,829	110,329	67,719	76,343	52,454	58,128	56,827	45,293	63,678	53,207	\$944,876
5. Residential Air Conditioning	5,804,634	7,480,251	11,073,150	6,820,089	6,098,744	5,423,673	5,353,462	6,517,307	5,711,169	5,760,718	5,893,878	4,199,073	\$76,340,171
6. Residential New Construction (BuildSmart®)	100,196	59,022	61,433	92,603	71,181	42,413	51,814	75,206	67,269	68,762	54,327	49,466	\$793,691
7. Low-Income Weatherization	3,049	12,238	28,158	6,120	17,808	32,811	3,146	34,470	19,372	20,010	12,084	4,288	\$198,754
8. Business On Call	34,988	38,976	69,242	458,154	501,293	493,537	469,393	513,531	484,336	488,316	86,527	241,803	\$3,929,326
9. Cogeneration & Small Power Production	51,590	24,472	57,837	40,147	43,488	63,170	43,739	58,790	50,366	43,323	51,459	44,486	\$694,768
10. Business Efficient Lighting	31,106	71,058	49,482	29,997	28,019	152,531	24,038	39,192	46,184	38,561	49,478	17,736	\$617,469
11. Commercial/Industrial Load Control	1,910,126	1,534,021	1,601,214	1,738,361	2,182,781	3,353,258	1,870,104	2,266,645	1,836,282	1,827,508	1,827,323	3,356,190	\$25,324,354
12. C/I Demand Reduction	622,679	662,036	671,162	765,524	872,838	891,480	905,011	904,231	908,106	880,918	881,786	603,030	\$9,575,823
13. Business Energy Evaluation	247,147	223,652	216,916	289,987	317,235	784,794	394,722	503,179	671,178	942,567	914,322	674,389	\$6,179,219
14. Business Heating, Ventilating & A/C	288,763	418,191	149,176	246,915	607,219	319,264	447,043	817,633	235,025	141,595	291,973	68,481	\$4,241,778
15. Business Custom Incentive	5,970	5,902	141,303	6,439	6,194	(8,253)	37,499	5,896	89,888	5,098	4,938	4,703	\$205,777
16. Business Building Envelope	431,610	385,955	378,416	387,325	406,979	637,588	821,970	479,017	239,239	574,953	558,480	200,321	\$5,694,853
17. Business Water Heating	3,074	4,085	4,326	4,436	4,539	5,148	4,233	6,716	4,369	44,370	4,398	4,022	\$94,147
18. Business Refrigeration	1,018	2,372	1,827	2,687	2,692	2,580	4,313	10,299	1,481	2,372	1,466	1,154	\$34,861
19. Conservation Research & Development	3,442	12,373	3,002	3,215	63,740	64,648	63,692	223		60,766	(22,653)		\$252,648
20. Res. Solar Water Heating Pilot							1,272	21,482	148,210	163,485	61,133	180,263	\$575,845
21. Res. Solar Water Heating (LJNC) Pilot							1,430	1,387	1,951	1,835	1,477	2,869	\$11,169
22. Business Solar Water Heating Pilot								1,049	87	6,053	948	102,885	\$111,822
23. Residential Photovoltaic Pilot							3,407	49,705	182,914	1,221,473	433,319	1,327,092	\$3,217,919
24. Business Photovoltaic Pilot							4,178	2,187	30,536	49,296	120	853,120	\$968,138
25. Business Photovoltaic for Schools Pilot												3,300	\$3,300
26. Renewable Research & Demo. Project												23,285	\$23,285
27. Solar Pilot Projects Common Expenses					242,285	354,437	296,273	169,420	298,102	(601,820)	82,611	6,697	\$847,976
28. Common Expenses	1,099,662	1,160,189	2,068,076	1,469,176	1,369,170	1,418,434	1,177,362	1,398,187	1,501,379	535,828	1,335,183	1,242,154	\$15,874,280
29. Subtotal All Programs	\$15,361,141	\$16,547,025	\$21,231,043	\$19,448,916	\$19,262,454	\$22,234,832	\$19,700,853	\$21,182,226	\$18,962,037	\$19,218,221	\$18,739,152	\$17,967,777	\$ 229,855,678
30. LESS: Included in Base Rates	(112,054)	(160,913)	(113,658)	(177,630)	(111,485)	(223,031)		(173,044)	(129,653)	(122,726)	(107,770)	(128,073)	\$ (1,562,837)
31. Recoverable Conservation Expenses	\$13,249,087	\$16,386,111	\$21,117,384	\$19,271,286	\$19,150,969	\$22,009,800	\$19,700,853	\$21,009,182	\$18,832,384	\$19,095,495	\$18,631,382	\$17,839,704	\$228,292,840
Totals may not add due to rounding													

Docket No. 120002-EG
 Florida Power & Light Co.
 Exhibit AS-1
 Schedule C1-3
 Page 1 of 3

FLORIDA POWER & LIGHT COMPANY
ENERGY CONSERVATION COST RECOVERY TRUE-UP & INTEREST CALCULATION
JANUARY THROUGH DECEMBER 2011

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
RESIDENTIAL LOAD CONTROL CREDIT \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$
CONSERVATION CLAUSE REVENUES (Net of Revenue Taxes)	14,999,365	12,937,677	16,624,443	19,069,480	20,386,960	22,245,443	22,483,408	23,439,563	23,604,222	20,637,613	17,475,372	17,298,723	231,202,269
TOTAL REVENUES	\$ 14,999,365	\$ 12,937,677	\$ 16,624,443	\$ 19,069,480	\$ 20,386,960	\$ 22,245,443	\$ 22,483,408	\$ 23,439,563	\$ 23,604,222	\$ 20,637,613	\$ 17,475,372	\$ 17,298,723	\$ 231,202,269
ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	(4,444,442)	(4,444,442)	(4,444,442)	(4,444,442)	(4,444,442)	(4,444,442)	(4,444,442)	(4,444,442)	(4,444,442)	(4,444,442)	(4,444,442)	(4,444,442)	(53,333,302)
CONSERVATION REVENUES APPLICABLE TO PERIOD (Lines 3 + 4)	\$ 10,554,923	\$ 8,493,236	\$ 12,180,001	\$ 14,625,038	\$ 15,942,519	\$ 17,801,001	\$ 18,038,966	\$ 18,995,121	\$ 19,159,780	\$ 16,193,171	\$ 13,030,930	\$ 12,854,281	\$ 177,868,967
CONSERVATION EXPENSES (From CT-3, Page 1, Line 31)	15,249,087	16,386,113	21,117,384	19,271,286	19,150,969	22,009,800	19,700,853	21,009,182	18,832,384	19,095,495	18,631,382	17,839,704	228,293,640
TRUE-UP THIS PERIOD (Lines 5 - 6)	\$ (4,694,163)	\$ (7,892,877)	\$ (8,937,383)	\$ (4,646,249)	\$ (3,208,451)	\$ (4,202,800)	\$ (1,661,887)	\$ (2,014,061)	\$ 327,396	\$ (2,902,324)	\$ (5,600,452)	\$ (4,983,423)	\$ (50,424,673)
INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line 10)	(9,222)	(9,609)	(9,396)	(8,526)	(7,576)	(6,829)	(5,804)	(4,515)	(3,082)	(2,859)	(3,183)	(1,880)	(72,482)
TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	(53,333,302)	(53,592,246)	(57,050,291)	(61,532,628)	(61,762,961)	(60,334,546)	(60,305,733)	(57,328,982)	(55,103,116)	(50,334,360)	(48,795,101)	(49,954,294)	(53,333,302)
A. DEFERRED TRUE-UP BEGINNING OF PERIOD (2010 FINAL TRUE-UP)	9,183,523	9,183,523	9,183,523	9,183,523	9,183,523	9,183,523	9,183,523	9,183,523	9,183,523	9,183,523	9,183,523	9,183,523	9,183,523
PRIOR TRUE-UP COLLECTED (REFUNDED)	4,444,442	4,444,442	4,444,442	4,444,442	4,444,442	4,444,442	4,444,442	4,444,442	4,444,442	4,444,442	4,444,442	4,444,442	53,333,302
END OF PERIOD TRUE-UP OVER/UNDER RECOVERY (Lines 7 + 8 + 9 + 9a + 10)	\$ (44,408,733)	\$ (47,866,768)	\$ (52,169,105)	\$ (52,579,438)	\$ (51,351,073)	\$ (51,122,210)	\$ (48,345,459)	\$ (45,919,593)	\$ (41,150,837)	\$ (39,611,578)	\$ (40,770,721)	\$ (41,313,633)	\$ (41,313,634)

NOTES: () Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY
ENERGY CONSERVATION COST RECOVERY TRUE-UP & INTEREST CALCULATION
JANUARY THROUGH DECEMBER 2011

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
INTEREST PROVISION													
1. BEGINNING TRUE-UP AMOUNT (Schedule CT-3, page 2 Lines 8 + 9a)	(\$4,149,778)	(\$4,498,722)	(\$7,866,768)	(\$2,369,188)	(\$2,579,439)	(\$1,351,823)	(\$1,122,210)	(\$8,343,459)	(\$5,919,583)	(\$1,150,837)	(\$9,611,578)	(\$8,770,771)	(\$359,645,283)
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST (Schedule CT3, page 2, Lines 7+ 8 +9 +9a + 10)	(\$4,399,341)	(\$7,857,154)	(\$2,359,709)	(\$2,578,912)	(\$1,343,447)	(\$1,115,381)	(\$8,399,655)	(\$5,915,078)	(\$1,147,753)	(\$9,608,720)	(\$8,767,588)	(\$1,311,733)	(\$358,736,657)
3. TOTAL OF BEGINNING & ENDING TRUE-UP (Lines 1 + 2)	(\$88,549,278)	(\$92,265,881)	(\$106,226,477)	(\$104,940,017)	(\$103,922,886)	(\$182,466,404)	(\$99,461,866)	(\$94,260,337)	(\$87,067,348)	(\$89,799,557)	(\$98,379,167)	(\$82,082,524)	(\$1,116,381,943)
4. AVERAGE TRUE-UP AMOUNT (50 % of Line 3)	(\$44,274,639)	(\$46,132,941)	(\$53,113,238)	(\$52,470,009)	(\$51,961,443)	(\$51,233,202)	(\$49,730,933)	(\$47,130,269)	(\$43,533,674)	(\$44,899,778)	(\$49,189,583)	(\$41,041,262)	(\$558,190,971)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.25000%	0.25000%	0.0025	0.20000%	0.19000%	0.16000%	0.16000%	0.12000%	0.11000%	0.06000%	0.11000%	0.08000%	N/A
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.25000%	0.25000%	0.20000%	0.19000%	0.16000%	0.16000%	0.12000%	0.11000%	0.06000%	0.11000%	0.08000%	0.03000%	N/A
7. TOTAL (Lines 5 + 6)	0.50000%	0.50000%	0.45000%	0.39000%	0.35000%	0.32000%	0.28000%	0.23000%	0.17000%	0.17000%	0.19000%	0.11000%	N/A
8. AVERAGE INTEREST RATE (50% of Line 7)	0.25000%	0.25000%	0.22500%	0.19500%	0.17500%	0.16000%	0.14000%	0.11500%	0.08500%	0.08500%	0.09500%	0.05500%	N/A
9. MONTHLY AVERAGE INTEREST RATE (Line 8 / 12)	0.02083%	0.02083%	0.01875%	0.01625%	0.01458%	0.01333%	0.01167%	0.00958%	0.00708%	0.00708%	0.00792%	0.00458%	N/A
10. INTEREST PROVISION FOR THE MONTH (Lines 4 X 9)	(\$9,722)	(\$9,689)	(\$9,396)	(\$8,526)	(\$7,526)	(\$6,828)	(\$5,804)	(\$4,515)	(\$3,082)	(\$2,859)	(\$3,163)	(\$1,880)	(\$72,482)
NOTES: () Reflects Underrecovery N/A = Not Applicable Totals may not add due to rounding													