

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 10, 2019
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, ^{LD} Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20190001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 2019-017-4-2

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 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
Miami District Office

Auditor's Report

Florida Power & Light Company
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2018

Docket No. 20190001-EI
Audit Control No. 2019-017-4-2
April 26, 2019

Handwritten signature of Yen Ngo in black ink.

Yen Ngo
Audit Manager

Handwritten signature of Gabriela Leon in black ink.

Gabriela Leon
Audit Staff

Handwritten signature of Marisa Glover in black ink.

Marisa Glover
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 summary exhibit and to several related schedules prepared by Florida Power & Light Company in support of its 2018 filing for the Capacity Cost Recovery Clause in Docket No. 20190001-EI.

This report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

FPL/Utility refers to the Florida Power & Light Company.

CCRC refers to the Capacity Cost Recovery Clause.

Revenue

Operating Revenues

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 CCRC.

Procedures: We computed revenues using the factors to the Order No. PSC-2018-0100-FOF-EI, issued February 22, 2018 and actual KWH sales from the Revenue Reports and reconciled them to the general ledger and the CCRC. We selected a sample of residential and commercial customers' bills for the period and recalculated each to verify the use of the correct tariff rate. This work was performed jointly with the revenue portions of the other clause audits of Florida Power & Light Company. The work product is contained in Docket No. 20190001-EI, ACN 2019-017-4-1. No exceptions were noted.

Transmission Revenues

Objectives: The objective was to determine whether transmission revenues derived from non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC per Order PSC-1999-2512-FOF-EI, issued December 22, 1999.

Procedures: We traced the wholesale transmission revenues that are derived from the non-separated, non-energy broker network, from the CCRC to the general ledger. We selected a sample of revenue transactions and traced them to source documentation. No exceptions were noted.

Expense

Purchase Power Contracts

Objectives: The objective was to determine whether capacity purchases were recorded to the terms and conditions of the contracts.

Procedures: We reconciled the monthly capacity charges to the general ledger. We selected a month to sample the different vendors and agreed the purchases to the terms and conditions in the contracts. No exceptions were noted.

Incremental Security Cost

Objective: The objective was to determine whether the security costs recovered are incremental to the security costs included in base rates.

Procedures: We traced the expenses in the filing to the general ledger. We tested a sample of security costs included in the filing. We computed total security costs and compared them to corresponding amounts included in base rates consistent with the method approved in Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003. We also verified that the total incremental security cost was within range of the amount allocated to CCRC in the 2016 rate increase schedule. No exceptions were noted.

Nuclear Regulatory Commission (NRC) Fee

Objective: The objective was to determine whether the amounts included for the NRC fee and the recoverable portion of the fee increase are consistent with the percentage approved for recovery through the clause.

Procedures: We obtained the NRC invoices paid in 2018 and computed the percentage allocated to the CCRC. We concluded that the fees allocated to the CCRC are below the percentage approved for recovery in Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003. No exceptions were noted.

Other

Capital Investments

Objectives: The objectives were to determine the accuracy of the balances, depreciation expenses, and amortization for the Nuclear Incremental Security Return on Investment Schedules, the Cedar Bay Regulatory Asset and Liability, the Indiantown Transaction and the Early Retirement Regulatory Asset of Saint John River Power Park (SJRRP) for the period January 1, 2018 through December 31, 2018.

Procedures: We reconciled the Plant in Service and Construction Work in Progress balances to the general ledger and traced the beginning balances to the prior audit Docket No. 20180001-EI, Audit Control No. 2018-019-4-2. We tested a sample of capital security costs for one month. We recalculated the return on investment amounts using the Utility's debt and equity rates. We traced the Indiantown Transaction Regulatory Asset – Loss of Purchase Power Agreement (PPA) to the recovery amount in Order No. PSC-2018-0028 issued on January 18, 2018. We traced the SJRRP Transaction Shutdown Payment amount to the Order No. PSC-2017-0415-AS-EI issued on October 24, 2017. We traced the Cedar Bay Regulatory Asset and Liability to the recovery amounts in Order No. PSC-2015-0401-ASEI, issued September 23, 2015. We determined that the related amortization and the return of the unamortized balance is calculated according to the Orders. We also randomly recalculated one month of the Nuclear Incremental Security and Fukushima depreciation expenses and traced the depreciation and rates to PSC No. 2016-0560-AS-EI issued on December 15, 2016 and PSC No. 2010-0153-FOF-EI issued on March 17, 2010. No exceptions were noted.

True-Up

Objective: The objective was to determine whether the True-Up and Interest Provision as filed was properly calculated.

Procedures: We traced the December 31, 2017, True-Up Provision to the 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 CCRC revenues and costs. We traced the Nuclear Cost Recovery Cost amount, Port Everglades Generation Base Rate Adjustment (GBRA) amount, and all the jurisdictional factors to the Order No. PSC-2018-0028-FOF-EI issued on January 8, 2018. No exceptions were noted.

Analytical Review

Objectives: The objectives 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 the prior year.

Procedures: We compared 2018 to 2017 revenues and expenses. The Utility had no significant variances. Further follow-up was not required.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

Line No.	Line	Jan - 2018	Feb - 2018	Mar - 2018	Apr - 2018	May - 2018	Jun - 2018	Jul - 2018	Aug - 2018	Sep - 2018	Oct - 2018	Nov - 2018	Dec - 2018	Total
1	Total Base Capacity Costs	22,328,395	19,972,301	21,900,922	22,978,936	21,478,251	21,737,246	22,080,633	22,644,673	21,735,950	21,244,810	20,923,484	22,288,600	252,930,848
2	Base Jurisdictional Factor	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%
3	Total Base Jurisdictional Capacity Costs	21,189,058	19,601,359	20,568,922	21,129,480	20,547,212	20,794,979	21,289,413	21,607,407	20,783,740	20,323,696	19,920,827	21,132,257	241,968,788
4														
5	Total Intermediate Capacity Costs	67,885	306,257	275,021	132,874	144,885	170,455	170,744	105,203	12,188	209,930	173,894	220,245	2,107,952
6	Intermediate Jurisdictional Factor	94.1437%	94.1437%	94.1437%	94.1437%	94.1437%	94.1437%	94.1437%	94.1437%	94.1437%	94.1437%	94.1437%	94.1437%	94.1437%
7	Total Intermediate Jurisdictional Capacity Costs	62,737	289,319	258,914	123,920	136,103	158,944	159,219	98,041	11,741	197,833	163,709	207,345	2,030,716
8														
9	Total Peaking Capacity Costs	29,104	10,300	64,498	32,454	29,588	25,892	28,495	30,333	23,088	66,107	57,900	83,781	603,267
10	Peaking Jurisdictional Factor	94.7388%	94.7388%	94.7388%	94.7388%	94.7388%	94.7388%	94.7388%	94.7388%	94.7388%	94.7388%	94.7388%	94.7388%	94.7388%
11	Total Peaking Jurisdictional Capacity Costs	27,573	9,744	61,153	30,766	28,031	24,530	26,711	28,737	21,673	62,833	54,654	81,267	571,816
12														
13	Total Solar Capacity Costs													
14	Solar Jurisdictional Factor	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%	95.6652%
15	Total Solar Jurisdictional Capacity Costs													
16														
17	Total General Capacity Costs	\$2,971	\$2,950	\$2,940	\$2,924	\$2,903	\$2,893	\$2,850	\$11,066	\$11,117	\$2,715	\$2,599	\$2,584	\$50,881
18	General Jurisdictional Factor	96.9449%	96.9449%	96.9449%	96.9449%	96.9449%	96.9449%	96.9449%	96.9449%	96.9449%	96.9449%	96.9449%	96.9449%	96.9449%
19	Total General Jurisdictional Capacity Costs	\$2,881	\$2,865	\$2,850	\$2,835	\$2,819	\$2,804	\$2,780	\$10,844	\$10,778	\$2,632	\$2,617	\$2,562	\$49,307
20														
21	Total Transmission Capacity Costs													
22	Transmission Jurisdictional Factor	88.7974%	88.7974%	88.7974%	88.7974%	88.7974%	88.7974%	88.7974%	88.7974%	88.7974%	88.7974%	88.7974%	88.7974%	88.7974%
23	Total Transmission Jurisdictional Capacity Costs													
24														
25	Total Distribution Capacity Costs													
26	Distribution Jurisdictional Factor	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%	100.0000%
27	Total Distribution Jurisdictional Capacity Costs													
28														
29	Total Jurisdictional Capacity Costs	21,287,278	19,818,938	20,691,058	21,395,911	20,714,255	20,991,258	21,328,121	21,700,029	20,941,132	20,606,500	20,142,007	21,623,471	244,619,338
30														
31	Nuclear Cost Recovery Costs	(688,337)	(689,748)	(674,205)	(678,722)	(683,290)	(687,940)	(692,866)	(697,499)	(702,470)	(707,874)	(713,264)	(685,444)	(6,550,293)
32														
33	Jurisdictional Capacity Charges Authorized	20,610,942	19,140,190	20,020,853	20,720,268	20,030,965	20,303,318	20,635,255	21,008,530	20,238,662	19,898,626	19,428,743	20,938,027	238,069,045
34														
35	Capacity Cost Recovery Revenues	20,930,641	19,014,735	17,854,813	18,054,560	20,288,678	21,610,960	21,932,653	22,817,272	21,584,076	21,679,317	19,159,600	18,988,220	243,340,828
36														
37	Prior Period True-Up Provision	78,102	78,102	78,102	78,102	78,102	78,102	78,102	78,102	78,102	78,102	78,102	78,102	937,222
38														
39	Port Everglades QRBA Refund	429,660	429,660	429,660	429,660	429,660	429,660	429,660	429,660	429,660	429,660	429,660	429,660	5,155,918
40														
41	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	21,447,403	20,172,488	18,399,573	18,632,322	20,794,437	22,119,722	22,460,365	23,324,678	22,091,838	22,387,878	19,687,571	17,492,982	248,433,788
42														
43														
44	True-Up Provision for Month - Over/(Under)	830,461	7,776,307	(1,854,275)	(1,854,948)	763,478	2,018,404	1,624,912	2,118,448	1,853,182	2,307,952	236,848	(3,144,045)	13,373,726
45														
46	Interest Provision for Month	5,100	10,004	14,943	12,534	11,017	13,110	5,734	1,974	2,183	26,815	28,746	25,891	203,757
47														
48	True-Up & Interest Provision Beginning of Month	6,093,140	6,420,859	5,899,569	11,352,476	9,302,302	9,569,203	11,089,857	12,422,741	14,049,802	15,415,881	17,443,586	17,203,399	6,093,140
49														
50	Deferred True-Up - Over/(Under) Recovery	(2,212,807)	(2,212,807)	(2,212,807)	(2,212,807)	(2,212,807)	(2,212,807)	(2,212,807)	(2,212,807)	(2,212,807)	(2,212,807)	(2,212,807)	(2,212,807)	(2,212,807)
51														
52	Port Everglades QRBA Refund Current Month	(429,660)	(429,660)	(429,660)	(429,660)	(429,660)	(429,660)	(429,660)	(429,660)	(429,660)	(429,660)	(429,660)	(429,660)	(5,155,918)
53														
54	Prior Period True-up Provision - Collected/(Refunded) this Month	(78,102)	(78,102)	(78,102)	(78,102)	(78,102)	(78,102)	(78,102)	(78,102)	(78,102)	(78,102)	(78,102)	(78,102)	(937,222)
55														
56	End of Period True-up - Over/(Under) Recovery	4,206,133	11,488,782	9,199,669	7,889,468	7,350,388	6,877,050	6,209,934	11,836,788	13,204,054	13,230,789	14,980,882	11,364,876	11,364,876
57														
58	Change in End of Period True-up Balance	327,810	7,278,610	(2,347,993)	(2,050,174)	268,903	152,652	1332,884	1626,860	1367,269	2,028,703	(240,107)	(3,825,915)	7,484,343
59														
60	RAF for Month	3,030	9,241	(1,690)	(1,476)	92	1,095	980	1,711	984	1,459	(173)	(2,611)	8,183
61	RAF Balance	3,030	9,270	6,601	5,124	5,217	6,312	7,301	8,522	9,507	10,966	12,703	14,914	89,996

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Line No.	Line	Jan - 2018	Feb - 2018	Mar - 2018	Apr - 2018	May - 2018	Jun - 2018	Jul - 2018	Aug - 2018	Sep - 2018	Oct - 2018	Nov - 2018	Dec - 2018
1	1. Beginning True-up Amount	3,860,333	4,208,153	11,488,762	9,139,889	7,089,495	7,358,398	8,877,050	10,209,934	11,838,795	13,204,054	15,230,759	14,980,582
2	2. Ending True-up Amount Before Interest	4,203,033	11,478,698	9,124,728	7,076,981	7,345,211	8,884,040	10,194,201	11,818,621	13,182,215	15,204,244	14,961,848	11,338,785
3	3. Total Beginning & Ending True-Up Amount (Lines 1+2)	8,083,366	15,684,851	20,611,488	16,216,830	14,434,706	16,220,438	19,071,251	22,028,558	25,019,010	28,408,299	30,192,605	26,329,378
4	4. Average True-Up Amount (50% of Line 3)	4,041,683	7,842,425	10,305,744	8,108,315	7,217,353	8,110,219	9,535,626	11,014,278	12,509,505	14,204,149	15,096,303	13,164,689
5	5. Interest Rate - First day of Reporting Business Month	1.58000%	1.46000%	1.62000%	1.88000%	1.85000%	1.87000%	1.88000%	1.98000%	1.98000%	2.21000%	2.27000%	2.30000%
6	6. Interest Rate - First day of Subsequent Business Month	1.46000%	1.62000%	1.86000%	1.85000%	1.87000%	1.98000%	1.88000%	1.98000%	2.21000%	2.27000%	2.30000%	2.42000%
7	7. Total Interest Rate (Lines 5+6)	3.04000%	3.08000%	3.48000%	3.71000%	3.72000%	3.85000%	3.86000%	3.86000%	4.19000%	4.48000%	4.57000%	4.72000%
8	8. Average Interest Rate (50% of Line 7)	1.52000%	1.54000%	1.74000%	1.85500%	1.86000%	1.92500%	1.88000%	1.98000%	2.09500%	2.24000%	2.28500%	2.36000%
9	9. Monthly Average Interest Rate (1/2 of Line 8)	0.12667%	0.12833%	0.14500%	0.15458%	0.15500%	0.19042%	0.19500%	0.19500%	0.17458%	0.18887%	0.19042%	0.19887%
10	10. Interest Provision for the Month (Line 4 x Line 9)	5,119	10,084	14,843	12,534	11,197	13,010	16,734	18,174	21,840	28,514	28,746	25,881
11	Total Interest Provision for Year												203,767
12	NOTE: Columns and rows may not add due to rounding.												