

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: July 12, 2023

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

RE: Docket No.: 20230010-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3g: Storm Protection Plan Cost Recovery Clause
Audit Control No.: 2023-011-1-1

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 the Commission Clerk. There are no confidential work papers associated with this audit.

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

Auditor's Report

Florida Power & Light Company
Storm Protection Plan Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230010-EI
Audit Control No. 2023-011-1-1

July 10, 2023

A handwritten signature in cursive script, reading "Donna D. Brown", written over a horizontal line.

Donna D. Brown
Audit Manager

A handwritten signature in cursive script, reading "Todd M. Brown", written over a horizontal line.

Todd M. Brown
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 Office of Industry Development & Market Analysis in its audit service request dated January 9, 2023. We have applied these procedures to the attached schedules prepared by Florida Power & Light Company in support of its filing for Storm Protection Plan Cost Recovery in Docket No. 20230010-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Florida Power & Light Company.

SPPCRC refers to the Storm Protection Plan Cost Recovery Clause.

SPP refers to Storm Protection Plan.

Background

On April 3, 2023, Florida Power & Light Company filed support for its actual Storm Protection Plan Cost Recovery factor (true-up) for the period January 2022 through December 2022.

Objectives: The objectives were to reconcile the Implementation SPPCRC Overhead Hardening Operation and Maintenance Expenses to the general ledger, and to review a statistical or judgmental sample of expenses.

Procedures: We reconciled the operation and maintenance (O&M) expenses to the general ledger. We statistically sampled Implementation SPPCRC Overhead Hardening expenses. No exceptions were noted.

Objectives: The objectives were to audit the following capital investments: Feeder Hardening Program, Distribution Lateral Undergrounding Program, and Transmission Wooden Structure Hardening. In addition, our objectives were to: 1) Verify the investment amounts are recorded in the correct plant accounts; 2) Reconcile the corresponding plant-in-service/depreciation base; 3) Verify the calculations of non-interest bearing construction work-in-progress (CWIP); 4) Verify the most recent Commission-approved depreciation and amortization periods are used in calculating depreciation expense; and 5) Reconcile depreciation savings for retired assets that have depreciation recovered through base rates.

Procedure: We reconciled the capital investments to the Utility's general ledger. We verified the calculations of the non-interest bearing CWIP. We verified that the most recent Commission-approved depreciation and amortization periods were used in calculating the depreciation expenses. We requested support for depreciation savings for retired assets that have depreciation recovered through base rates. We statistically sampled the Feeder Hardening Program, the Distribution Lateral Undergrounding Program, the Transmission Wooden Structure Hardening capital investments. No exceptions were noted.

Objective: The objective was to verify the SPPCRC program-related plant additions, retirements, and adjustments for the period January 1, 2022, through December 31, 2022.

Procedures: We reconciled the SPPCRC program-related additions, retirements, and adjustments to the general ledger. No exceptions were noted.

Objectives: The objectives were to reconcile operation and maintenance expenses to the general ledger and review a statistical sample or judgmental sample of the projects listed on Form 5A.

Procedures: We reconciled the operation and maintenance expenses to the general ledger. We statistically sampled projects from each of the O&M programs listed on Form 5A. No exceptions were noted.

Other

Objectives: The objectives were to: 1) Substantiate if the Utility changed any of its accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause, and 2) Verify if the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause.

Procedures: We requested and reviewed the accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. We reviewed whether the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. Audit staff determined that the Utility has not made changes to its allocation method. 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 verified the True-Up and Interest Provision amounts as of December 31, 2022, using the Financial Commercial Paper rates and 2022 revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-Up Calculation

FLORIDA POWER & LIGHT COMPANY
Storm Protection Plan Recovery Clause (SPPCRC)
Final True-Up
Calculation of True-Up Amount

For the Period of: January 2022 Through December 2022													
Line	a-Jan - 2022	a-Feb - 2022	a-Mar - 2022	a-Apr - 2022	a-May - 2022	a-Jun - 2022	a-Jul - 2022	a-Aug - 2022	a-Sep - 2022	a-Oct - 2022	a-Nov - 2022	a-Dec - 2022	End of Period Total
1.Clause Revenues (net of Revenue Taxes)	\$16,467,660	\$17,993,534	\$17,510,604	\$16,860,266	\$19,561,546	\$22,067,495	\$23,961,999	\$24,363,435	\$23,511,484	\$25,236,771	\$18,589,204	\$17,889,526	\$243,236,464
2.True-Up Provision - Prior Period (a)	\$143,099	\$143,099	\$143,099	\$143,099	\$143,099	\$143,099	\$143,099	\$143,099	\$143,099	\$143,099	\$143,099	\$143,099	\$1,717,183
3.Clause Revenues Applicable to Period (Lines 1 + 2)	\$16,610,759	\$17,236,633	\$17,653,703	\$16,803,365	\$19,704,645	\$22,210,593	\$24,125,098	\$24,496,533	\$23,654,583	\$25,381,870	\$18,712,303	\$18,032,623	\$241,952,647
4.Jurisdictional Rev. Req.													
a.Overhead Hardening	\$7,059,897	\$7,616,679	\$8,816,343	\$9,048,644	\$8,633,459	\$10,705,963	\$10,984,385	\$10,967,377	\$12,274,526	\$12,413,974	\$13,216,060	\$14,160,194	\$126,679,267
b.Undergrounding	\$1,945,440	\$2,143,125	\$2,412,253	\$2,701,521	\$2,926,214	\$3,173,846	\$3,466,606	\$3,711,796	\$3,945,636	\$4,201,465	\$4,296,127	\$4,629,124	\$39,561,445
c.Vegetation Management	\$6,563,991	\$7,039,959	\$7,695,630	\$7,632,545	\$8,495,725	\$7,313,253	\$7,160,383	\$6,740,446	\$7,677,494	\$3,074,398	\$5,726,942	\$8,060,631	\$85,203,005
d. Implementation Costs	\$32,388	\$33,561	\$88,170	\$31,594	\$33,990	\$27,458	\$27,022	\$34,113	\$43,325	\$36,625	\$33,672	\$33,669	\$436,486
e.Total Jurisdictional Revenue Requirements (b)	\$15,997,726	\$16,834,623	\$16,993,401	\$19,414,373	\$21,089,388	\$21,220,516	\$21,541,799	\$23,395,732	\$23,940,963	\$19,726,062	\$23,274,701	\$26,842,606	\$251,660,232
5.Over/(Under) Recovery (Line 3 - Line 4e)	\$1,612,952	\$401,709	(\$1,339,699)	(\$90,988)	(\$1,384,743)	\$960,075	\$2,583,302	\$1,102,801	\$13,600	\$655,788	(\$4,662,399)	(\$8,809,984)	(\$9,927,585)
6.Interest Provision (SPPCRC Form 3A, Line 10)	\$511	\$972	\$1,661	\$2,304	\$2,585	\$3,565	\$7,989	\$12,582	\$16,682	\$19,031	\$14,990	(\$6,772)	\$75,109
7.Beginning Balance True-Up & Interest Provision:	\$1,717,183	\$2,577,547	\$2,637,130	\$1,356,913	\$634,230	(\$891,627)	(\$40,496)	\$2,407,098	\$3,379,982	\$3,266,165	\$3,797,696	(\$882,622)	\$1,717,183
a. Deferred True-Up - Beginning of Period (c)	\$3,429,634	\$3,429,634	\$3,429,634	\$3,429,634	\$3,429,634	\$3,429,634	\$3,429,634	\$3,429,634	\$3,429,634	\$3,429,634	\$3,429,634	\$3,429,634	\$3,429,634
8.True-Up Collected/(Redunded) (see Line 2)	(\$143,099)	(\$143,099)	(\$143,099)	(\$143,099)	(\$143,099)	(\$143,099)	(\$143,099)	(\$143,099)	(\$143,099)	(\$143,099)	(\$143,099)	(\$143,099)	(\$1,717,183)
9.End of Period Total True-Up (Lines 5+6+7a+8):	\$6,067,181	\$6,268,764	\$4,785,647	\$4,063,664	\$2,536,617	\$3,369,136	\$5,637,331	\$6,809,615	\$6,665,799	\$7,227,519	\$2,537,012	(\$6,422,843)	(\$6,852,477)
10.Adjustment to Period True-Up Including Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11.End of Period Total True-Up (Lines 9 + 10)	\$6,067,181	\$6,268,764	\$4,785,647	\$4,063,664	\$2,536,617	\$3,369,136	\$5,637,331	\$6,809,615	\$6,665,799	\$7,227,519	\$2,537,012	(\$6,422,843)	(\$6,852,477)

Exhibit 2: Interest Provision for True-Up

FLORIDA POWER & LIGHT COMPANY
Storm Protection Plan Recovery Clause (SPPCRC)
First True-Up
Calculation of Interest Provision for True-Up Amount

For the Period of: January 2022 Through December 2022												
Line	a-Jan - 2022	a-Feb - 2022	a-Mar - 2022	a-Apr - 2022	a-May - 2022	a-Jun - 2022	a-Jul - 2022	a-Aug - 2022	a-Sep - 2022	a-Oct - 2022	a-Nov - 2022	a-Dec - 2022
1. Beginning True-Up Amount (SPPCRC Form 2A, Line 7+7a+10)	\$5,148,817	\$6,007,181	\$6,268,764	\$4,785,647	\$4,063,864	\$2,536,607	\$3,309,136	\$5,637,331	\$6,609,615	\$6,695,799	\$7,227,519	\$2,537,012
2. Ending True-Up Amount Before Interest	\$6,006,670	\$6,265,792	\$4,783,316	\$4,061,580	\$2,536,022	\$3,305,664	\$5,829,342	\$6,797,034	\$6,693,117	\$7,229,489	\$2,522,022	(\$6,416,071)
3. Total of Beginning & Ending True-Up (Lines 1 + 2)	\$11,153,487	\$12,272,973	\$11,252,730	\$8,847,207	\$6,599,886	\$5,924,191	\$9,218,480	\$12,634,365	\$13,489,733	\$13,914,247	\$9,749,542	(\$3,879,059)
4. Average True-Up Amount (Line 3 x 1/2)	\$5,576,743	\$6,136,487	\$5,625,365	\$4,423,603	\$3,299,943	\$2,962,095	\$4,609,240	\$6,317,183	\$6,744,966	\$6,952,143	\$4,874,771	(\$1,939,529)
5. Interest Rate (First Day of Reporting Business Month)	0.05%	0.14%	0.24%	0.49%	0.76%	1.12%	1.76%	2.40%	2.36%	3.20%	3.37%	4.01%
6. Interest Rate (First Day of Subsequent Business Month)	0.14%	0.24%	0.49%	0.76%	1.12%	1.76%	2.40%	2.36%	3.20%	3.37%	4.01%	4.37%
7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.22%	0.38%	0.73%	1.25%	1.88%	2.88%	4.16%	4.76%	5.58%	6.57%	7.38%	8.38%
8. Average Interest Rate (Line 7 x 1/2) - Annual	0.110%	0.190%	0.365%	0.625%	0.940%	1.440%	2.080%	2.380%	2.790%	3.285%	3.698%	4.190%
9. Monthly Average Interest Rate (Line 8 x 1/12)	0.009%	0.016%	0.030%	0.052%	0.078%	0.120%	0.173%	0.198%	0.232%	0.274%	0.308%	0.349%
10. Interest Provision for the Month (Line 4 x Line 9)	\$511	\$972	\$1,681	\$2,304	\$2,595	\$3,555	\$7,969	\$12,582	\$15,682	\$19,031	\$14,950	(\$6,772)