

State of Florida



Public Service Commission

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CLERK

DATE: June 1, 2011

TO: Office of Commission Clerk

FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*

RE: Docket No.: 110009-EI
 Company Name: Florida Power & Light Company
 Company Code: EI802
 Audit Purpose: Nuclear Cost Recovery Clause – Extended Power Uprate
 Audit Control No: 11-024-4-2

Attached is the final audit report for the Utility stated above. Volumes 4 and 5 of the audit working papers is forwarded for confidential treatment pursuant to Rule 25-22.006, Florida Administrative Code. The audit report and volumes 1, 2, and 3 of the work papers are public and held by the Bureau of Auditing. An attached index lists all confidential material.

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.

CJP/ir

Attachments: Audit Report
Confidential Document Index
Confidential Binder Listed Above

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

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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
Nuclear Extended Power Uprate

Twelve months ended December 31, 2010

Docket No. 110009-EI
Audit Control No. 11-024-4-2
May 31, 2011

Handwritten signature of Iliana H. Piedra in cursive.

Iliana H. Piedra
Audit Manager

Handwritten signature of Yen N. Ngo in cursive.

Yen N. Ngo
Audit Staff

Handwritten signature of Kathy Welch in cursive.

Kathy Welch
Reviewer

DOCUMENT NUMBER-DATE

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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 24, 2011. We have applied these procedures to the attached summary exhibit prepared by Florida Power & Light Company (FPL) and to several of its related schedules in support of its filing for the Nuclear Extended Power Uprate in Docket No. 110009-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

Objectives: Our overall objective was to verify FPL's T-1 schedule--Revenue Requirements Summary, which includes the construction carrying cost revenue requirement, the operating and maintenance revenue requirement and the deferred tax asset/liability carrying cost. Also that it is consistent with Section 366.93, F.S., and Rule 25-6.0423, F.A.C.¹

Procedures: We performed the following specific objectives and procedures to satisfy the overall objectives mentioned above.

Objective: The objective of the audit was to verify the 2010 Carrying Costs on Construction Cost Balance as shown on Schedule T-3.

Procedures: We verified the components of the T-3 schedule, recalculated the schedule and traced FPL's debt and equity rates to source documentation. We also agreed the adjustments to source documentation.

Objective: The objective of the audit was to verify the 2010 carrying costs on Deferred Tax Asset/Liability as shown on T-3A.

Procedures: We verified the components of the T-3A schedule, recalculated the schedule and traced FPL's debt and equity rates to source documentation. We also agreed the adjustments to source documentation.

Objective: The objective of the audit was to review any internal audits to determine if any adjustments affect the audit.

Procedures: We read FPL's internal audit for the nuclear uprate project. We determined what testing was done and reviewed any findings.

Construction Work in Progress

Objective: The objective of the audit was to verify the 2010 Construction Costs as shown on Schedule T-6 – Monthly Expenditures.

Procedures: We obtained Excel files of all the charges made to the filing. We reconciled the filing to these files. We sorted the files by both dollar amounts and vendors, and selected a sample that included high dollar amounts and an assortment of the various vendors. We selected cash vouchers, journal vouchers, material and supplies, and payroll source codes. We traced the sample to source documentation.

We compared the amounts paid to the contractors to the invoices and purchase orders and also compared the rates paid to the contracts when applicable. We also traced various sample items to a listing of open contracts provided by FPL.

For payroll we obtained a list of all employees charged to the uprate. The hours and amounts in this report were reconciled to FPL's payroll reports.

¹ Rule 25-6.0423, Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery.

For the affiliate charges we obtained invoices and journal vouchers. We recalculated the payroll dollars and compared them to a market rate from an outside source. We also traced travel expenses to source documentation and determined the relationship to the project.

We recalculated adjustments made to Schedule T-6 and traced them to supporting documentation.

Objective: The objective of the audit was to review and document FPL's separate and apart process for identifying and applying adjustments necessary to ensure the nuclear uprate amounts are limited to those costs that are separate and apart from nuclear costs that would have been necessary had there been no uprate project.

Procedures: We read FPL's testimony related to the separate and apart procedures. We reviewed the Recoverable Cost Justification Forms prepared by FPL and reconciled to sample items, when applicable.

Objectives: The objective of the audit was to review and reconcile clearings to plant in service and depreciation for years ending 2009 and 2010, pursuant to Orders PSC-10-0207-PAA-EI² and PSC-11-0078-PAA-EI³, respectively.

Procedures: We reconciled the amounts for plant in service and depreciation from the Orders to FPL's books. We also reconciled the plant in service amounts from the Orders to FPL's filing Appendix A.

Objective: The objective of the audit was to reconcile Schedule T-6 to the general ledger.

Procedure: The total capital costs were reconciled to the general ledger.

Operating and Maintenance Expenses

Objective: The objective of the audit was to verify the 2010 Operating and Maintenance costs as shown on Schedule T-4—O&M Monthly Expenditures.

Procedures: We obtained Excel files of all the charges made to the filing. We reconciled the filing to these files. We sorted the files to select a sample that included an assortment of all source codes. We reconciled the sample items to the proper source documentation.

We recalculated adjustments made to Schedule T-4 and traced them to supporting documentation.

Objective: The objective of the audit was to reconcile Schedule T-4 to the general ledger.

Procedure: The total operating and maintenance costs were reconciled to the general ledger.

² See Order PSC-10-0207-PAA-EI issued April 5, 2010 in Docket No. 090529-EI, Re: Extended Power Uprate project.

³ See Order PSC-11-0078-PAA-EI issued January 31, 2011 in Docket No. 100419-EI, Re: Extended Power Uprate system..

Audit Findings

None

Exhibits

Exhibit 1: Schedule T-1 – True Up Filing: Retail Revenue Requirements Summary

Schedule T-1 (True-up)		St. Louis and Turkey Point Upgrade Project Construction Costs and Carrying Costs on Construction Cost-Bases True-up Filing (Retail Revenue Requirements Summary)						[Section 56(c)(1), 6.]
FLORIDA PUBLIC SERVICE COMMISSION		EXPLANATION: Provide the calculation of the actual true-up of total retail revenue requirements based on actual expenditures for the prior year and the previously filed requirements.						For the Year Ended 12/31/2019
COMPANY: FLORIDA POWER & LIGHT COMPANY								Witness: WGrile Powers
DOCKET NO.: 19000-EP								
Line No.		(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) # Months Total
Jurisdictional Dollars								
1.	Pre-Construction Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2.	Construction Carrying Cost Revenue Requirements (Schedule T-3, line 4)	\$2,725,234	\$2,657,184	\$2,666,267	\$3,139,176	\$3,281,143	\$3,432,291	\$16,162,144
3.	Recoverable O&M Revenue Requirements (Schedule T-4, line 3B)	\$24,847	\$45,934	\$14,857	\$12,507	\$20,752	\$1,755,188	\$1,869,794
4.	DTM(DTL) Carrying Cost (Schedule T-3, line B)	(\$158,022)	(\$186,306)	(\$184,581)	(\$189,886)	(\$173,341)	(\$177,328)	(\$1,401,133)
5.	Other Adjustments (a)	\$0	\$0	\$0	(\$78)	\$227	\$2,182	(\$2,313)
6.	Total Period Revenue Requirements (Lines 1 through 5)	<u>\$2,586,309</u>	<u>\$2,742,700</u>	<u>\$2,547,793</u>	<u>\$3,099,820</u>	<u>\$3,117,762</u>	<u>\$4,052,083</u>	<u>\$15,469,088</u>
7.	Proposed Revenue Requirements for the period (Order No. PSC 09-0768-FOF-18)	\$2,652,018	\$2,529,787	\$3,616,886	\$3,828,462	\$5,155,119	\$4,740,784	\$23,471,494
8.	Difference (Line 6 - Line 7)	<u>(\$65,709)</u>	<u>(\$117,087)</u>	<u>(\$1,069,093)</u>	<u>(\$728,642)</u>	<u>(\$1,977,357)</u>	<u>(\$322,150)</u>	<u>(\$7,002,406)</u>
9.	Actual / Estimated Revenue Requirements for the period	\$2,586,309	\$2,742,184	\$2,507,097	\$2,971,003	\$3,347,282	\$3,553,267	\$16,241,582
10.	Final True-Up Amount for the Period (Line 6 - Line 9)	<u>(\$700)</u>	<u>(\$140)</u>	<u>(\$40,784)</u>	<u>(\$157,612)</u>	<u>(\$828,600)</u>	<u>\$1,478,118</u>	<u>\$187,477</u>

(a) Other Adjustments Line 5 represents the true-up of the Base Rate Revenue Requirements for 2019 and carrying costs on (over)/under recoveries. Refer to Appendix C Line 8. Totals may not add due to rounding.

**St. Lucie and Turkey Point Upgrade Project
Construction Costs and Carrying Costs on Construction Cost Statement
True-up Filing: Partial Revenue Requirements Statement**

[Section (5)(a)1.b.]

Schedule T-1 (True-up)

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: Provide the calculation of the actual true-up of
base rate revenue requirements based on actual
expenditures for the prior year and the previously filed
expenditures.

For the Year Ended 12/31/2010

COMPANY: FLORIDA POWER & LIGHT COMPANY

BUCKET NO.: 11000-01

Website: www.fpc.com

Line No.	P-0 Actual July	D1 Actual August	L1 Actual September	O1 Actual October	L1 Actual November	D1 Actual December	D1 12 Month Total
1	Pre-Constructor Revenue Requirements						
	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	\$3,814,225	\$3,804,878	\$4,119,739	\$4,419,770	\$4,041,875	\$5,055,081	\$24,114,268
3	(\$17,055)	(\$59,041)	(\$741,287)	(\$716,228)	(\$327,760)	(\$294,832)	(\$2,256,403)
4	(\$182,304)	(\$148,800)	(\$215,016)	(\$203,431)	(\$309,342)	(\$314,848)	(\$1,293,241)
5	(\$3,088)	(\$36,288)	(\$27,134)	(\$12,376)	\$0,000	(\$4,124)	(\$79,926)
6	<u>\$3,591,685</u>	<u>\$3,551,547</u>	<u>\$3,096,307</u>	<u>\$3,483,733</u>	<u>\$3,711,875</u>	<u>\$4,416,187</u>	<u>\$18,308,582</u>
7	\$4,825,578	\$5,128,218	\$5,328,088	\$5,708,281	\$7,186,689	\$7,748,890	\$35,825,624
8	<u>\$1,233,893</u>	<u>\$1,576,671</u>	<u>\$2,231,781</u>	<u>\$2,224,548</u>	<u>\$3,474,814</u>	<u>\$3,332,703</u>	<u>\$17,516,942</u>
9	\$3,778,216	\$3,461,881	\$4,461,564	\$5,006,236	\$6,425,821	\$7,437,448	\$31,525,353
10	<u>\$1,233,893</u>	<u>\$1,576,671</u>	<u>\$2,231,781</u>	<u>\$2,224,548</u>	<u>\$3,474,814</u>	<u>\$3,332,703</u>	<u>\$17,516,942</u>

(a) Other Adjustments Line 5 represents the true-up of the Base Rate Revenue Requirements for 2010 and carrying costs on (over) under recovered. Refer to Appendix C Line 6. Totals may not add due to rounding.

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