

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-**

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**DATE:** May 22, 2012  
**TO:** Office of Commission Clerk  
**FROM:** Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 120007-EI  
Company Name: Florida Power & Light Company  
Company Code: EI802  
Audit Purpose: A3d Environmental Cost Recovery Clause  
Audit Control No: 12-019-4-1

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RECEIVED-FPSC  
12 MAY 22 AM 10:55  
COMMISSION  
CLERK

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/klh

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER - DATE

03237 MAY 22 09

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  
Environmental Cost Recovery Clause

**Twelve Months Ended December 31, 2011**

Docket No. 120007-EI  
Audit Control No. 12-019-4-1

**May 18, 2012**

Handwritten signature of Gabriela M. Leon in blue ink.

Gabriela M. Leon  
Audit Manager

Handwritten signature of Kathy Welch in blue ink.

Kathy Welch  
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 Economic Regulation in its audit service request dated January 19, 2012. We have applied these procedures to the attached summary exhibits and to several related schedules prepared by Florida Power & Light in support of its filing for the Environmental Recovery Clause in Docket No. 120007-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**

#### Definition

Utility refers to the Florida Power & Light Company  
ECRC refers to the Environmental Cost Recovery Clause.

### **Capital Investments**

#### Utility Plant in Service

**Objectives:** The objectives were to verify all ECRC 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 (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2011 Form 42-8A. No exceptions were noted.

#### Construction Work in Progress

**Objective:** The objective was to verify net investments associated with the following capital projects:

- 1) DeSoto Next Generation Solar Energy Center
- 2) Space Coast Next Generation Solar Energy Center
- 3) Martin Next Generation Solar Energy Center
- 4) Manatee Temporary Heating System

**Procedures:** We selected a sample of the additions to the capital projects. We verified that additions had appropriate supporting documentation and were recorded to the correct project and account. 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 ECRC.

**Procedures:** We reconciled the 2011 filing to the Utility's monthly Environmental Revenue Reports. We computed the factors by rate code and compared them to the last Commission order PSC-110083-FOF-EI. We selected a random sample of residential and commercial customers' bills for the months of April and September 2011 and recalculated each to verify 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 Form 42-5A filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing for the months of January through December 2011. The source documentation for selected items was reviewed to ensure the expense was related to the ECRC 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 recalculated Depreciation Expense on a test basis. We traced total year depreciation expense for each capital project listed on Form 42-8A to the general ledger detail. No exceptions were noted.

## Other Issues

### SO<sub>2</sub> Allowances

**Objectives:** The objectives were to verify investments, inventory, expensed amounts, and allowance auction proceeds. We also verified the amounts included in working capital in Form 42-8A.

**Procedures:** We traced the Emission Allowances accounts to the general ledger. Proceeds were traced to the invoices from auction sales provided by the EPA. We traced the jurisdictional factors to Commission Order No. PSC 11-0083-FOF-EI.

## **True-up**

**Objective:** The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A 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 ECRC revenues and costs. No exceptions were noted.

## **Analytical Review**

**Objective:** The objective was to perform an analytical review of the Utility's ECRC Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

**Procedures:** We compared 2011 to 2010 revenues and expenses and used this in sample selection.

Audit Findings

**None**



## Exhibits

### Exhibit 1: True-up

Florida Power & Light Company  
 Environmental Cost Recovery Clause  
 Calculation of the Final True-up Amount for the Period  
 January 2011 through December 2011

Form 42-2A  
 Page 1 of 2

Line No.	January	February	March	April	May	June
1 ECRC Revenues (net of Revenue Taxes)	\$13,775,033	\$11,515,412	\$9,034,033	\$10,845,080	\$11,348,251	\$12,797,518
2 True-up Provision (Order No. PSC-11-0083-FOF-EI)	3,351,777	3,351,777	3,351,777	3,351,777	3,351,777	3,351,777
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	17,126,810	14,867,189	12,385,810	13,996,857	14,700,028	16,149,295
4 Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-5A, Line 8)	1,587,230	1,238,474	1,914,752	2,054,131	1,865,532	5,283,874
b - Capital Investment Projects (Form 42-7A, Line 8)	12,091,790	12,123,969	11,908,334	11,849,389	12,203,867	12,376,483
c - Total Jurisdictional ECRC Costs	13,679,021	13,362,443	13,823,086	14,003,520	13,869,399	17,660,357
5 Over(Under) Recovery (Line 3 - Line 4c)	3,447,789	1,504,746	(1,435,276)	(8,863)	830,830	(1,510,075)
6 Interest Provision (Form 42-3A, Line 10)	9,437	9,257	7,713	8,024	4,978	4,080
7 Prior Periods True-Up to be (Collected)/Refunded in 2011	40,221,324	40,328,773	38,491,000	33,711,860	30,359,254	27,843,285
a - Deferred True-Up from 2010 (Form 42-1A, Line 7)	5,038,425	5,038,425	5,038,425	5,038,425	5,038,425	5,038,425
8 True-Up Collected/(Refunded) (See Line 2)	(3,351,777)	(3,351,777)	(3,351,777)	(3,351,777)	(3,351,777)	(3,351,777)
9 End of Period True-Up (Lines 5+6+7+8)	45,363,199	43,527,425	38,748,085	35,395,880	32,879,710	28,021,918
10 Adjustments to Period Total True-Up Including Interest						
11 End of Period Total Net True-Up (Lines 9+10)	\$45,363,199	\$43,527,425	\$38,748,085	\$35,395,880	\$32,879,710	\$28,021,918

Florida Power & Light Company  
Environmental Cost Recovery Clause  
Calculation of the Final True-up Amount for the Period  
January 2011 through December 2011

Form 42-2A  
Page 2 of 2

Line No.	July	August	September	October	November	December	End of Period Amount
1 ECRC Revenues (net of Revenue Taxes)	\$12,842,140	\$13,414,448	\$13,738,149	\$11,529,875	\$9,485,841	\$9,578,152	\$139,899,738
2 True-up Provision (Order No. PSC-11-0083-FOF-EI)	3,351,777	3,351,777	3,351,777	3,351,777	3,351,777	3,351,777	40,221,324
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	16,193,917	16,766,223	17,089,926	14,881,452	12,837,618	12,927,929	179,921,062
4 Jurisdictional ECRC Costs							
a - O&M Activities (Form 42-6A, Line 8)	2,513,327	(2,811,825)	7,288,419	2,188,883	1,802,480	(2,108,540)	22,872,738
b - Capital Investment Projects (Form 42-7A, Line 8)	12,388,728	12,407,188	12,438,539	12,487,870	12,481,878	12,592,858	147,415,602
c - Total Jurisdictional ECRC Costs	14,882,053	9,795,384	19,704,958	14,634,753	14,384,458	10,484,118	170,288,340
5 Over/(Under) Recovery (Line 3 - Line 4c)	1,311,864	8,970,859	(2,617,032)	248,688	(1,558,840)	2,443,811	9,632,723
6 Interest Provision (Form 42-3A, Line 10)	3,150	2,684	1,885	1,585	1,432	688	52,882
7 Prior Periods True-Up to be (Collected)/Refunded in 2011	22,885,483	20,948,730	24,570,478	18,603,554	15,500,040	10,582,855	40,221,324
a - Deferred True-Up from 2010 (Form 42-1A, Line 7)	5,036,425	5,036,425	5,036,425	5,036,425	5,036,425	5,036,425	
8 True-Up Collected/(Refunded) (See Line 2)	(3,351,777)	(3,351,777)	(3,351,777)	(3,351,777)	(3,351,777)	(3,351,777)	(40,221,324)
9 End of Period True-Up (Lines 5+6+7+8)	25,985,158	28,608,802	23,639,879	20,638,468	15,829,280	14,722,011	9,685,585
10 Adjustments to Period Total True-Up Including Interest							
11 End of Period Total Net True-Up (Lines 9+10)	\$25,985,158	\$28,608,802	\$23,639,879	\$20,638,468	\$15,829,280	\$14,722,011	\$9,685,585