

State of Florida



Public Service Commission

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12 MAY 30 PM 2:40
COMMISSION
CLERK

DATE: May 30, 2012
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3a Fuel Cost Recovery Clause
Audit Control No: 12-013-4-2

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 were confidential work papers associated with this audit.

CJP/klh

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

03452 MAY 30 2012
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
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2011

Docket No. 120001-EI
Audit Control No. 12-013-4-2

May 29, 2012

Handwritten signature of Iliana H. Piedra in cursive script.

Iliana H. Piedra
Audit Manager

Handwritten signature of Kathy Welch in cursive script.

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 17, 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 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 120001-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

Fuel Clause refers to the Fuel and Purchased Power Cost Recovery Clause

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 Fuel Clause.

Procedures: We reconciled the 2011 filing to the Utility's monthly Revenue and Rate Report. We computed the factors by rate code and compared them to the last Commission Order No. PSC-11-0094-FOF-EI. We selected a random sample of 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

Fuel Cost of System Net Generation and Adjustments to Fuel Costs

Objectives: The objectives were to verify that the Fuel Cost of System Net Generation and the Adjustments to Fuel Cost listed on the Utility's Calculation of Actual True-Up were supported by adequate documentation and that the expenses are appropriately recoverable through the Fuel Clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of these 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 Fuel Clause and that the expense was charged to the correct accounts. No exceptions were noted.

Fuel Cost of Purchased Power

Objectives: The objectives were to determine if power purchased on Schedule A7 was accurate and charged according to the contract.

Procedures: The purchases for one month were traced to invoices and rates were reconciled to the Utility's Unit Power Sales contract with Southern Company. No exceptions were noted.

Objective: The objective was to review the Utility's audit of its Unit Power Sales contracts with Southern Company and Jacksonville Electric Authority.

Procedure: The Utility did not perform any audits during 2011. Therefore no audits were reviewed.

Energy Payments to Qualifying Facilities

Objective: The objective was to verify that energy payments to qualifying facilities on Schedule A8 are based on the negotiated contract rate.

Procedures: Since the charges for the month are based on estimates and true-ups for the prior month, the estimates for one month were traced to the source documents and the true-ups were traced to the prior estimate and to the actual bill for the period. No exceptions were noted.

Fuel Cost of Power Sold and Gains from Off-System Sales

Objective: The objective was to verify that in Schedule A-6, FPL has credited generation related gains derived from non-separated wholesale energy sales to the fuel clause as set forth in Commission Order No. PSC-00-1744-PAA-EI.

Procedures: We reconciled Schedule A6 to the general ledger and judgmentally selected a sample of sales for testing for the months of January through December 2011. The sales were traced to deal reports, deal logs and confirmations. The gains were recalculated. No exceptions were noted.

Vendor Credits and Rebates

Objective: The objective was to verify that vendor credits and rebates are credited to the fuel costs.

Procedures: We obtained a printout of a fuel payable account, selected various invoices and verified that no credits or refunds were present. We also obtained a statement from the Utility confirming that the Utility did not receive any credits or refunds from any vendor.

Coal Inventory Adjustments

Objectives: The objectives were to verify that coal inventory has been completed and that adjustments to inventory were made in accordance with Commission Order No. PSC-97-0359-FOF-EI.

Procedures: We obtained the inventory analysis, inventory adjustments and survey reports. The adjustments were recalculated and traced to survey reports and inventory analysis. The inventory adjustments were traced to the fuel filing. We verified that the methodology from Commission Order No. PSC-97-0359-FOF-EI was used to calculate the adjustments.

Natural Gas Storage

Objective: The objective was to verify the payments for firm natural gas storage to Bay Gas.

Procedures: We tested various invoices and agreed the quantities and storage and transaction fees to the Storage Service Agreement between FPL and Bay Gas.

Transportation Costs

Objective: The objective was to verify that the firm transportation service charges for natural gas agree with the firm transportation service (FTS) rate schedules from the pipeline company tariff.

Procedures: We obtained a listing from all the FTS payments in 2011. We selected one month of payments for testing and agreed them to the invoices, purchase statements and to the pipeline company tariffs. We also agreed the charges to the Utility's Monthly Gas Closing Report.

West County Energy Unit 3 Start Up Costs

Objective: The objective was to verify that the Utility followed Rule 25-6.0144, F.A.C. related to the start up burns for No. 2 light oil for West County Unit 3.

Procedures: We reviewed the amounts charged to the non-fuel work order and the fuel recoverable accounts in the fuel clause. We agreed the quantity and amounts to fuel requisitions and to the Utility's calculations per Rule 25-6.0144, F.A.C. No exceptions were noted.

True-Up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on the Calculation of Actual True-Up 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 Fuel revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

CALCULATION OF ACTUAL TRUE-UP AMOUNT							
FLORIDA POWER & LIGHT COMPANY							
FOR THE PERIOD JANUARY THROUGH DECEMBER 2011							
LINE NO.		(1)	(2)	(3)	(4)	(5)	(6)
		JAN	FEB	MAR	APR	MAY	JUN
Fuel Costs & Net Power Transactions							
1	a Fuel Cost of System Net Generation	\$ 260,924,565	\$ 230,539,932	\$ 277,937,145	\$ 362,857,835	\$ 336,892,644	\$ 366,724,259
	b Nuclear Fuel Disposal Costs	\$ 1,677,280	\$ 1,444,991	\$ 1,318,624	\$ 1,079,322	\$ 1,442,507	\$ 2,058,657
	c Scherer Coal Cost Depreciation & Return	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	a Fuel Cost of Power Sold (Per A6)	\$ (4,009,768)	\$ (1,677,344)	\$ (1,782,084)	\$ (1,163,324)	\$ (768,090)	\$ (1,084,547)
	b Gains from Off-System Sales	\$ (1,326,148)	\$ (320,085)	\$ (448,454)	\$ (109,826)	\$ (250,546)	\$ (224,434)
3	a Fuel Cost of Purchased Power (Per A7)	\$ 16,774,439	\$ 16,077,360	\$ 16,226,888	\$ 23,966,182	\$ 29,135,637	\$ 34,253,521
	b Energy Payments to Qualifying Facilities (Per A8)	\$ 12,419,461	\$ 11,634,402	\$ 7,162,779	\$ 16,805,829	\$ 17,051,367	\$ 16,958,352
4	Energy Cost of Economy Purchases (Per A9)	\$ 94,500	\$ 850,100	\$ 8,412,290	\$ 13,557,890	\$ 19,203,472	\$ 13,871,218
5	Total Fuel Costs & Net Power Transactions	\$ 286,354,329	\$ 258,349,357	\$ 308,827,188	\$ 416,993,007	\$ 402,706,992	\$ 432,557,026
Adjustments to Fuel Cost							
	a Sales to Fla Keys Elect Coop (FKEC) & City of Key West (CKW) (a)	\$ (3,600,184)	\$ (2,807,088)	\$ (2,740,542)	\$ (3,168,932)	\$ (3,946,605)	\$ (1,000,942)
	b Energy Imbalance Fuel Revenues	\$ (114,986)	\$ 51,289	\$ 18,775	\$ 38,137	\$ (24,412)	\$ (55,593)
	c Inventory Adjustments	\$ (46,791)	\$ (139,996)	\$ (226,170)	\$ (37,946)	\$ (247,200)	\$ (350,542)
	d Non Recoverable Oil/Tank Bottoms - Docket No. 13092	\$ (287,932)	\$ 0	\$ 0	\$ 339,257	\$ 0	\$ (306,223)
7	Adjusted Total Fuel Costs & Net Power Transactions	\$ 282,504,436	\$ 255,453,641	\$ 305,879,251	\$ 414,163,524	\$ 398,488,775	\$ 430,843,726
kWh Sales							
1	Jurisdictional kWh Sales	8,220,267,594	6,928,617,388	7,012,026,078	8,238,265,393	8,743,942,500	9,831,304,301
2	Sale for Resale (excluding FKEC & CKW)	101,986,216	89,563,607	81,155,964	92,796,495	105,577,550	176,686,850
3	Sub-Total Sales (excluding FKEC & CKW)	8,322,253,810	7,018,180,995	7,093,182,042	8,331,161,888	8,849,520,110	10,007,991,151
4	Jurisdictional % of Total Sales (B1/B3)	98.77454%	98.72383%	98.85586%	98.88615%	98.80697%	98.23454%
True-up Calculations							
1	Juris Fuel Revenues (Net of Revenue Taxes)	\$ 343,010,761	\$ 284,647,830	\$ 295,226,305	\$ 350,288,670	\$ 370,179,243	\$ 409,237,835
2	Fuel Adjustment Revenues Not Applicable to Period						
	a Prior Period True-up (Collected/Refunded) This Period	\$ (18,061,688)	\$ (18,061,688)	\$ (18,061,688)	\$ (18,061,688)	\$ (18,061,688)	\$ (18,061,688)
	b GPIF, Net of Revenue Taxes (b)	\$ (675,838)	\$ (675,838)	\$ (675,838)	\$ (675,838)	\$ (675,838)	\$ (675,838)
3	Jurisdictional Fuel Revenues Applicable to Period	\$ 324,273,234	\$ 265,910,304	\$ 276,488,779	\$ 331,551,144	\$ 351,441,717	\$ 390,500,309
4	a Adjusted Total Fuel Costs & Net Power Transactions (Line A-7)	\$ 282,504,436	\$ 255,453,641	\$ 305,879,251	\$ 414,163,524	\$ 398,488,775	\$ 430,843,726
	b Adj Total Fuel Costs & Net Power Transactions - Excluding 100% Retail Items						
		282,504,436	255,453,641	305,879,251	414,163,524	398,488,775	430,843,726
5	Jurisdictional Sales % of Total kWh Sales (Line B-4)	98.77454 %	98.72383 %	98.85586 %	98.88615 %	98.80697 %	98.23454 %
6	Jurisdictional Total Fuel Costs & Net Power Transactions (Line C4b x C5 x 1.00083)	\$ 279,274,063	\$ 252,402,939	\$ 302,630,539	\$ 409,890,291	\$ 394,061,484	\$ 423,588,639
7	True-up Provision for the Month - Over(Under) Recovery (Line C3 - Line C6)	\$ 44,999,171	\$ 13,507,364	\$ (26,141,760)	\$ (78,339,147)	\$ (42,619,768)	\$ (33,088,330)
8	Interest Provision for the Month	\$ (48,057)	\$ (38,211)	\$ (32,200)	\$ (33,466)	\$ (36,216)	\$ (35,755)
9	a True-up & Interest Provision Beg. of Period - Over(Under) Recovery	\$ (216,740,260)	\$ (153,727,457)	\$ (122,196,615)	\$ (130,308,887)	\$ (190,619,812)	\$ (215,214,108)
	b Deferred True-up Beginning of Period - Over(Under) Recovery	\$ (45,498,494)	\$ (45,498,494)	\$ (45,498,494)	\$ (45,498,494)	\$ (45,498,494)	\$ (45,498,494)
10	a Prior Period True-up Collected(Refunded) This Period	\$ 18,061,688	\$ 18,061,688	\$ 18,061,688	\$ 18,061,688	\$ 18,061,688	\$ 18,061,688
11	End of Period Net True-up Amount Over(Under) Recovery (Lines C7 through C10)	\$ (199,225,951)	\$ (167,695,109)	\$ (175,807,381)	\$ (236,118,306)	\$ (260,712,602)	\$ (275,774,998)
(a) New contract for FKEC in effect May 2011 (Accounting month June 2011), this line only includes CKW.							
(b) Generation Performance Incentive Factor is ((88,115,900/12) x 99.9280%) - See Order No. PSC-11-0094-FOF-EL.							

CALCULATION OF ACTUAL TRUE-UP AMOUNT								
FLORIDA POWER & LIGHT COMPANY								
FOR THE PERIOD JANUARY THROUGH DECEMBER 2011								
LINE NO.		(7)	(8)	(9)	(10)	(11)	(12)	(13)
		JUL	AUG	SEP	OCT	NOV	DEC	TOTAL PERIOD
A Fuel Costs & Net Power Transactions								
1	a) Fuel Cost of System Net Generation	\$ 374,815,144	\$ 374,502,788	\$ 330,306,811	\$ 299,103,396	\$ 260,253,680	\$ 256,080,515	\$ 3,730,938,714
	b) Nuclear Fuel Disposal Costs	\$ 2,221,735	\$ 1,949,567	\$ 2,016,343	\$ 1,638,673	\$ 1,752,075	\$ 1,497,932	\$ 20,097,705
	c) Scherer Coal Cans Depreciation & Return	\$ 0	\$ 0	\$ 0	\$ 0	\$ (190)	\$ (379)	\$ (569)
2	a) Fuel Cost of Power Sold (Per A6)	\$ (1,223,437)	\$ (1,407,503)	\$ (748,481)	\$ (700,544)	\$ (1,235,459)	\$ (607,300)	\$ (16,407,880)
	b) Gains from Off-System Sales	\$ (280,204)	\$ (432,917)	\$ (151,953)	\$ (318,028)	\$ (510,457)	\$ (345,536)	\$ (4,918,688)
3	a) Fuel Cost of Purchased Power (Per A7)	\$ 31,008,144	\$ 31,738,790	\$ 28,703,392	\$ 19,010,229	\$ 11,483,404	\$ 8,262,347	\$ 266,640,333
	b) Energy Payments to Qualifying Facilities (Per A8)	\$ 16,921,396	\$ 17,284,349	\$ 14,402,419	\$ 7,264,584	\$ 5,423,879	\$ 5,411,011	\$ 148,739,829
4	Energy Cost of Economy Purchases (Per A9)	\$ 9,053,235	\$ 12,138,957	\$ 5,745,008	\$ (649,097)	\$ (724,203)	\$ (1,021,254)	\$ 80,531,315
5	Total Fuel Costs & Net Power Transactions	\$ 432,516,014	\$ 435,774,030	\$ 380,273,540	\$ 325,349,212	\$ 276,442,730	\$ 269,277,336	\$ 4,225,620,759
6 Adjustments to Fuel Cost								
	a) Sales to Fla Keys Elect Coop (FKEC) & City of Key West (CKW) (a)	\$ (1,047,184)	\$ (1,006,884)	\$ (1,066,773)	\$ (966,296)	\$ (934,621)	\$ (713,699)	\$ (22,999,669)
	b) Energy Imbalance Fuel Revenues	\$ (203,888)	\$ (134,576)	\$ (820,252)	\$ (115,389)	\$ 19,840	\$ 12,217	\$ (1,329,038)
	c) Inventory Adjustments	\$ 80,683	\$ (63,485)	\$ (15,201)	\$ (478,854)	\$ (195,338)	\$ 237,468	\$ (1,483,371)
	d) Non Recoverable Oil/Tank Bottoms - Docket No. 13092	\$ 37,330	\$ (31,533)	\$ (3,326)	\$ (36,091)	\$ (47,729)	\$ 3,667	\$ (334,580)
7	Adjusted Total Fuel Costs & Net Power Transactions	\$ 431,382,954	\$ 434,535,552	\$ 378,367,987	\$ 323,752,383	\$ 275,284,881	\$ 268,816,989	\$ 4,199,474,101
B kWh Sales								
1	Jurisdictional kWh Sales	9,849,417,416	10,273,158,100	10,534,335,509	8,887,561,495	7,369,886,852	7,438,557,023	103,327,439,709
2	Sale for Resale (excluding FKEC & CKW)	181,157,811	193,824,366	191,401,871	176,961,580	153,446,898	140,878,017	1,685,437,225
3	Sub-Total Sales (excluding FKEC & CKW)	10,030,575,227	10,466,982,466	10,725,737,380	9,064,523,075	7,523,333,750	7,579,435,040	105,012,876,934
4	Jurisdictional % of Total Sales (B1/B3)	98.19394%	98.14823%	98.21549%	98.04776%	97.96039%	98.14131%	98.39502%
C True-up Calculation								
1	Juris Fuel Revenues (Net of Revenue Taxes)	\$ 410,364,241	\$ 429,408,116	\$ 440,444,299	\$ 367,323,139	\$ 300,605,224	\$ 303,213,882	\$ 4,303,949,545
2 Fuel Adjustment Revenues Not Applicable to Period								
	a) Prior Period True-up (Collected)/Refunded This Period	\$ (18,061,688)	\$ (18,061,688)	\$ (18,061,688)	\$ (18,061,688)	\$ (18,061,688)	\$ (18,061,688)	\$ (216,740,260)
	b) GPIF, Net of Revenue Taxes (b)	\$ (675,838)	\$ (675,838)	\$ (675,838)	\$ (675,838)	\$ (675,838)	\$ (675,838)	\$ (8,110,057)
3	Jurisdictional Fuel Revenues Applicable to Period	\$ 391,626,714	\$ 410,670,590	\$ 421,706,773	\$ 348,585,613	\$ 281,867,698	\$ 284,476,356	\$ 4,079,099,229
4	a) Adjusted Total Fuel Costs & Net Power Transactions (Line A-7)	\$ 431,382,954	\$ 434,535,552	\$ 378,367,987	\$ 323,752,383	\$ 275,284,881	\$ 268,816,989	\$ 4,199,474,101
	b) Adj Total Fuel Costs & Net Power Transactions - Excluding 100% Retail Items	\$ 431,382,954	\$ 434,535,552	\$ 378,367,987	\$ 323,752,383	\$ 275,284,881	\$ 268,816,989	\$ 4,199,474,101
5	Jurisdictional Sales % of Total kWh Sales (Line B-4)	98.19394 %	98.14823 %	98.21549 %	98.04776 %	97.96039 %	98.14131 %	98.39502 %
6	Jurisdictional Total Fuel Costs & Net Power Transactions (Line C4b x C5 x 1.00093)	\$ 423,943,501	\$ 426,842,939	\$ 371,924,414	\$ 317,695,428	\$ 269,899,970	\$ 264,039,486	\$ 4,136,187,692
7	True-up Provision for the Month - Over/(Under) Recovery (Line C3 - Line C6)	\$ (32,316,786)	\$ (16,172,349)	\$ 49,782,359	\$ 30,890,185	\$ 11,973,728	\$ 20,436,870	\$ (57,088,463)
8	Interest Provision for the Month	\$ (33,015)	\$ (27,698)	\$ (18,003)	\$ (13,870)	\$ (12,888)	\$ (5,595)	\$ (34,473)
9	a) True-up & Interest Provision Beg. of Period - Over/(Under) Recovery	\$ (230,276,504)	\$ (244,564,617)	\$ (242,702,975)	\$ (174,876,931)	\$ (125,938,927)	\$ (95,915,900)	\$ (216,740,260)
	b) Deferred True-up Beginning of Period - Over/(Under) Recovery	\$ (45,498,494)	\$ (45,498,494)	\$ (45,498,494)	\$ (45,498,494)	\$ (45,498,494)	\$ (45,498,494)	\$ (45,498,494)
10	a) Prior Period True-up Collected/(Refunded) This Period	\$ 18,061,688	\$ 18,061,688	\$ 18,061,688	\$ 18,061,688	\$ 18,061,688	\$ 18,061,688	\$ 216,740,260
11	End of Period Net True-up Amount Over/(Under) Recovery (Lines C7 through C10)	\$ (290,063,111)	\$ (288,201,469)	\$ (220,375,425)	\$ (171,437,421)	\$ (141,414,394)	\$ (102,921,431)	\$ (102,921,431)
(a) New contract for FKEC in effect May 2011 (Accounting month June 2011), this line only includes CKW.								
(b) Generation Performance Incentive Factor is ((98,115,908/12) x 99.9280%) - See Order No. FSC-11-0094-POP-EI.								