

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: June 1, 2012
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120009-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3f Nuclear Turkey Pt Units 6 & 7
Audit Control No: 12-010-4-1

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 Commission Clerk. There were confidential work papers associated with this audit.

CJP/klh
Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

RECEIVED -FPSC
12 JUN - 1 AM 8:59
COMMISSION
CLERK

DOCUMENT NUMBER 03538

03538 JUN-1 2012

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

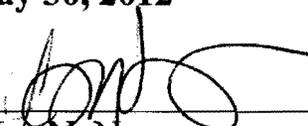
Auditor's Report

Florida Power & Light Utility
Nuclear Cost Recovery Clause
Turkey Point Plant Units 6 & 7

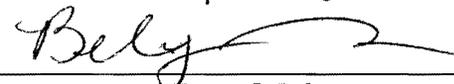
December 31, 2011

Docket No. 120009-EI
Audit Control No. 12-010-4-1

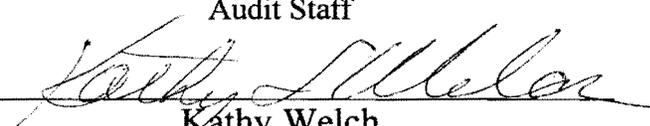
May 30, 2012



Yen N. Ngo
Audit Manager



Bety Maitre
Audit Staff



Kathy Welch
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	4
Exhibit	
1: True-up.....	4

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 12, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Florida Power & Light in support of its filing for Turkey Point Units 6 & 7 Nuclear Cost Recovery Clause in Docket No. 120009-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

Definitions

“Site Selection costs” are costs that are expended prior to the selection of a site.

“Preconstruction costs” are costs that are expended after a site has been selected in preparation for the construction of a nuclear power plant, incurred up to and including the date the utility completes site clearing work.

Utility	Florida Power & Light
NCRC	Nuclear Cost Recovery Clause
New Nuclear	Turkey Point Units 6 & 7

General

Objectives: Our overall objective in this engagement was to verify that the Utility’s 2011 NCRC filings in Docket No. 120009-EI are consistent with and in compliance with Section 366.93, F.S., and Rule 25-6.0423, F.A.C.

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

Revenue

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 that were included in the Capacity Cost Recovery Clause (CCRC). The NCRC costs are recovered as apart of the CCRC rate.

Procedures: We verified the NCRC amount approved in Order PSC-11-0547-FOF-EI to the Capacity Cost Recovery Clause. In that audit, we reconciled revenues to the ledger and the Utility’s “Revenue and Rate” reports. We also selected a random sample of bills for the month of April and September 2011 and recalculated each to verify use of the correct tariff rate. No exceptions were noted.

Specific

Objectives: Our objective was to verify that the Utility’s filing is properly recorded on its books and records according to the Uniform System of Accounts (USoA).

Procedures: We reconciled the Utility's filing to its general ledger and verified that the costs incurred were posted to the proper accounts.

Objectives: Our objectives were to verify that: 1) Schedules T-2 – Site Selection and Pre-Construction Plant Additions, Expenditures, and Carrying Cost are accurately calculated, and, 2) They include the correct balances from the supporting schedules of the Utility's 2011 NCRC filing.

Procedures: We reconciled the monthly site selection, pre-construction, and construction carrying cost balances displayed on Schedules T-2, respectively, to the supporting schedules in the Utility's 2011 NCRC filing. We recalculated the schedules and reconciled the Allowance for Funds Used During Construction (AFUDC) rates applied by the Utility to the rates approved in Order No. PSC-10-0470-PAA-EI, issued July 23, 2010.

Objectives: Our objectives were to verify that: 1) The Deferred Tax Return Requirement amounts displayed on Schedule T-3A–Site Selection and Pre-Construction Carrying Cost on Deferred Tax Assets which roll forward to Schedule T-1, are accurately calculated, and, 2) They include the correct balances from the supporting schedules of the Utility's 2011 NCRC filing.

Procedures: We reconciled the monthly Site Selection and Pre-Construction Deferred Tax Carrying Cost accruals displayed on Schedule T-3A to the supporting schedules in the Utility's 2011 NCRC filing. We recalculated a sample of the monthly carrying cost balances for deferred tax assets based on the equity and debt components established in Order No. PSC-10-0470-PAA-EI.

Objectives: Our objectives were to verify that: 1) The jurisdictional nuclear construction amounts, displayed on Schedules T-6-Preconstruction Capital Additions, which roll forward to Schedules T-2, are accurately calculated, 2) That they are appropriately recoverable through the NCRC and in compliance with Section 366.93, F.S., and Rule 25-6.043, F.A.C., and, 3) That they are supported by original source documentation.

Procedures: We traced the construction of work in process additions in Schedule T-6 to the general ledger and traced a sample of entries to supporting documentation. We verified that additions related to the New Nuclear project and were charged to the correct accounts. We tested a sample of salary & overhead costs to the supporting documentation. We reviewed the contracts and the change orders to verify that the charges related to the description in the contracts. No exceptions were noted.

True-up

Objectives: Our objectives were to verify that: 1) Schedule T-1 Site Selection and Pre-Construction – Summary of Jurisdictional Recovery amounts are accurately calculated, and, 2) They include the correct balances from the supporting schedules of the Utility's 2011 NCRC filing.

Procedures: We reconciled and recalculated a sample of the monthly revenue requirement accruals displayed on Schedule T-1 to the supporting schedules in the Utility's 2011 NCRC filing.

Audit Findings

None

Exhibit

Exhibit 1: True-up

	Turkey Point Units 6&7	
	Site Selection Costs and Carrying Cost on Site Selection Cost Balance	[Section (5)(c)1.b.]
Schedule T-1 (True-up)	True-up Filing: Retail Revenue Requirements Summary	
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 expenditures.	
COMPANY: FLORIDA POWER & LIGHT COMPANY		For the Year Ended 12/31/2011
DOCKET NO.: 120009EI		Witness: Winnie Powers

Line No.		(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) 6 Month Total
Jurisdictional Dollars								
1.	Site Selection Revenue Requirements (Schedule T-2, line 7)	(\$17,149)	(\$17,013)	(\$16,876)	(\$16,740)	(\$16,603)	(\$16,466)	(\$100,847)
2.	Construction Carrying Cost Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3.	Recoverable O&M Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4.	DTA/DTL Carrying Cost (Schedule T-3A, line 8)	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$90,442
5.	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6.	Total Period Revenue Requirements (Lines 1 through 5)	<u>(\$2,076)</u>	<u>(\$1,939)</u>	<u>(\$1,802)</u>	<u>(\$1,666)</u>	<u>(\$1,529)</u>	<u>(\$1,393)</u>	<u>(\$10,405)</u>
7.	Projected Revenue Requirements for the period (Order No. PS)	(\$2,076)	(\$1,939)	(\$1,803)	(\$1,666)	(\$1,529)	(\$1,393)	(\$10,405)
8.	Difference (True-up to Projections) (Line 6 - Line 7)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
9.	Actual / Estimated Revenue Requirements for the period(a)	(\$2,076)	(\$1,939)	(\$1,802)	(\$1,666)	(\$1,529)	(\$1,393)	(\$10,405)
10.	Final True-up Amount for the Period (Line 6 - Line 9)	<u>(\$0)</u>	<u>(\$0)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$0)</u>	<u>(\$0)</u>

* Totals may not add due to rounding

(a) Total Collections of cost and carrying cost in 2011 (See exhibit WP-10 in Docket No11009-EI)

Total collections of cost and carrying cost in 2011 from T-2(T-2	(\$17,149)	(\$17,013)	(\$16,876)	(\$16,740)	(\$16,603)	(\$16,466)	(\$100,847)
Total collections of DTA/DTL carrying cost in 2011 from T-3A (li	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$90,442
Recovery of cost and carrying cost in 2011	<u>(\$2,076)</u>	<u>(\$1,939)</u>	<u>(\$1,803)</u>	<u>(\$1,666)</u>	<u>(\$1,529)</u>	<u>(\$1,393)</u>	<u>(\$10,405)</u>

Turkey Point Units 6&7
Site Selection Costs and Carrying Costs on Site Selection Cost Balance
True-up Filing: Retail Revenue Requirements Summary

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

Schedule T-1 (True-up)

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 expenditures.

COMPANY FLORIDA POWER & LIGHT COMPANY

For the Year Ended 12/31/2011

DOCKET NO. 110009-EI

Witness: Winnie Powers

Line No.		Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	12 Month Total
Jurisdictional Dollars								
1.	Site Selection Revenue Requirements (Schedule T-2, line 7)	\$0	\$0	\$0	\$0	\$0	\$0	(\$196,778)
2.	Construction Carrying Cost Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3.	Recoverable O&M Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4.	DTA/(DTL) Carrying Cost (Schedule T-3A, line 8)	\$0	\$0	\$0	\$0	\$0	\$0	\$180,883
5.	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6.	Total Period Revenue Requirements (Lines 1 through 5)	\$0	\$0	\$0	\$0	\$0	\$0	(\$15,895)
7.	Projected Return Requirements for the period (Order No. PSC 11-	(\$17,149)	(\$17,013)	(\$16,876)	(\$16,740)	(\$16,603)	(\$16,466)	(\$15,895)
8.	Difference (True-up to Projections) (Line 6 - Line 7)	\$17,149	\$17,013	\$16,876	\$16,740	\$16,603	\$16,466	\$1
9.	Actual / Estimated Revenue Requirements for the period(a)	\$0	\$0	\$0	\$0	\$0	\$0	(\$15,895)
10.	Final True-up Amount for the Period (Line 6 - Line 9)	\$0	\$0	\$0	\$0	\$0	\$0	(\$0)

* Totals may not add due to rounding

(a) Total Collections of cost and carrying cost in 2011 (See exhibit WP-10 in Docket No 110009-EI)

Total collections of cost and carrying cost in 2011 from T-2(T-2 no	(\$16,330)	(\$16,193)	(\$16,057)	(\$15,920)	(\$15,784)	(\$15,647)	(\$196,778)
Total collections of DTA/DTL carrying cost in 2011 from T-3A (line	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$180,883
Recovery of cost and carrying cost in 2011	(\$1,256)	(\$1,120)	(\$983)	(\$847)	(\$710)	(\$574)	(\$15,895)

Turley Point Units 6&7

Pre-Construction Costs and Carrying Costs on Construction Cost Balance

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

Schedule T-1 (True-up)

True-up Filing Retail Revenue Requirements Summary

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 expenditures.

COMPANY: FLORIDA POWER & LIGHT COMPANY

For the Year Ended 12/31/2011

DOCKET NO.: 120009-EI

Witness: Winnie Powers

Line No.	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) 6 Month Total	
Jurisdictional Dollars								
1.	Pre-Construction Revenue Requirements (Schedule T-2, line 7)	(\$4,547,106)	(\$4,435,297)	(\$3,414,011)	(\$3,350,259)	(\$5,334,619)	(\$3,608,646)	(\$24,689,937)
2.	Construction Carrying Cost Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3.	Recoverable O&M Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4.	DTA/(DTL) Carrying Cost (Schedule T-3A, line 8)	\$339,475	\$344,194	\$350,636	\$358,498	\$362,683	\$367,670	\$2,123,157
5.	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6.	Total Period Revenue Requirements (Lines 1 through 5)	<u>(\$4,207,631)</u>	<u>(\$4,091,103)</u>	<u>(\$3,063,375)</u>	<u>(\$2,991,761)</u>	<u>(\$4,971,936)</u>	<u>(\$3,240,976)</u>	<u>(\$22,566,781)</u>
7.	Projected Revenue Requirements for the period (Order No. PS)	(\$1,599,412)	(\$2,358,983)	(\$576,627)	(\$3,033,110)	(\$3,149,487)	(\$2,225,577)	(\$12,943,195)
8.	Difference (Line 6 - Line 7)	<u>(\$2,608,219)</u>	<u>(\$1,732,120)</u>	<u>(\$2,486,748)</u>	<u>\$41,349</u>	<u>(\$1,822,449)</u>	<u>(\$1,015,399)</u>	<u>(\$9,623,586)</u>
9.	Actual / Estimated Revenue Requirements for the period	(\$4,207,580)	(\$4,091,031)	(\$2,405,622)	(\$2,024,090)	(\$2,541,470)	(\$2,302,518)	(\$17,572,310)
10.	Final True-up Amount for the Period (Line 6 - Line 9)	<u>(\$51)</u>	<u>(\$71)</u>	<u>(\$657,753)</u>	<u>(\$967,671)</u>	<u>(\$2,430,466)</u>	<u>(\$938,458)</u>	<u>(\$4,994,471)</u>

* Totals may not add due to rounding

Tukey Point Units 6&7

Pre-Construction Carrying Cost Construction Cost Balance
True-up Billing Retail Revenue Requirements Summary

[Section 5(q)(1)(b)]

Schedule T-1 (True-up)

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 expenditures.

COMPANY: FLORIDA POWER & LIGHT COMPANY

For the Year Ended 12/31/2011

DOCKET NO.: 120009-EI

Witness: Winnie Powers

Line No.		(H) Actual July	(I) Actual August	(J) Actual September	(K) Actual October	(L) Actual November	(M) Actual December	(N) 12 Month Total
Jurisdictional Dollars								
1.	Pre-Construction Revenue Requirements (Schedule T-2, line 7)	(\$4,342,315)	(\$2,748,210)	(\$4,321,162)	(\$4,178,603)	(\$4,371,320)	(\$3,230,549)	(\$47,882,097)
2.	Construction Carrying Cost Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3.	Recoverable O&M Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4.	DTA/DTL Carrying Cost (Schedule T-3A, line 8)	\$373,385	\$380,353	\$382,474	\$381,976	\$385,921	\$391,301	\$4,418,565
5.	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6.	Total Period Revenue Requirements (Lines 1 through 5)	<u>(\$3,968,930)</u>	<u>(\$2,367,857)</u>	<u>(\$3,938,688)</u>	<u>(\$3,796,627)</u>	<u>(\$3,985,400)</u>	<u>(\$2,839,249)</u>	<u>(\$43,463,532)</u>
7.	Projected Revenue Requirements for the period (Order No. PS)	(\$3,735,944)	(\$2,499,160)	(\$3,969,949)	(\$3,838,660)	(\$3,870,429)	(\$2,617,561)	(\$33,474,898)
8.	Difference (Line 6 - Line 7)	<u>(\$232,986)</u>	<u>\$131,303</u>	<u>\$31,261</u>	<u>\$42,033</u>	<u>(\$114,971)</u>	<u>(\$221,688)</u>	<u>(\$9,988,634)</u>
9.	Actual / Estimated Revenue Requirements for the period	(\$2,741,964)	(\$757,015)	(\$2,030,001)	(\$1,651,076)	(\$1,158,152)	(\$2,180,482)	(\$28,091,001)
10.	Final True-up Amount for the Period (Line 6 - Line 9)	<u>(\$1,226,965)</u>	<u>(\$1,610,842)</u>	<u>(\$1,908,687)</u>	<u>(\$2,145,551)</u>	<u>(\$2,827,248)</u>	<u>(\$658,767)</u>	<u>(\$15,372,530)</u>

* Totals may not add due to rounding