

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: May 1, 2013
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 130001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3a Fuel Cost Recovery Clause
Audit Control No.: 13-016-4-1

RECEIVED
FPSC
13 MAY - 1 PM 5:59
COMMISSION
CLERK

Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of 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.

LD/th

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-GATE

02402 MAY-1 2

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, 2012

Docket No. 130001-EI

Audit Control No. 13-016-4-1

April 30, 2013

A handwritten signature in black ink, appearing to read "Yen N. Ngo", written over a horizontal line.

Yen N. Ngo
Audit Manager

A handwritten signature in black ink, appearing to read "Iliana H. Piedra", written over a horizontal line.

Iliana H. Piedra
Audit Staff

A handwritten signature in black ink, appearing to read "Kathy L. Welch", written over a horizontal line.

Kathy L. Welch
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

 None..... 6

Exhibits

 1: True-Up..... 7

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 Accounting and Finance in its audit service request dated January 16, 2013. 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. 130001-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

Utility refers to the Florida Power & Light Company.

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

Revenue

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2012 through December 31, 2012, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the Fuel clause.

Procedures: We reconciled the 2012 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-11-0579-FOF-EI. We selected a random sample of residential and commercial customers' bills for the month of August 2012 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expenses

Fuel Cost of System Net Generation and Adjustment to Fuel Cost

Objectives: The objectives were to determine whether 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 expense in the filing to the general ledger. We judgmentally selected a sample of these expenses for testing for the months of January through December 2012. 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 account. No exceptions were noted.

Fuel Cost of Purchased Power

Objectives: The objectives were to determine whether power purchased on Schedule A-7 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 (JEA).

Procedure: The audits of the billing from JEA related to the St. John's River Power Plant Debt and Fuel costs were reviewed. There were no audits of the other billing components from JEA or an audit of Southern Company's contract in 2012. No exceptions were noted.

Energy Payment Qualifying Facilities

Objectives: The objectives were to determine whether energy payments to qualifying facilities on Schedule A-8 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

Objectives: The objective was to determine whether 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 PSC-00-1744-PAA-EI.

Procedures: We reconciled Schedule A-6 to the general ledger and judgmentally selected a sample of sales for testing for the months of January through December 2012. The sales were traced to the deal reports, deal logs, and confirmations. The gains were recalculated and traced to the credit in the fuel clause. No exceptions were noted.

Vendor Credits and Rebates

Objectives: The objectives were to determine whether vendor credits and rebates are credited to the fuel costs.

Procedures: We obtained a printout of the 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. No exceptions were noted.

Coal Inventory Adjustments

Objectives: The objectives were to determine whether coal inventory has been completed and that adjustments to inventory were made in accordance with Commission Order PSC-97-0359-FOF-EI.

Procedures: We obtained the inventory analysis, inventory adjustment and survey reports. The inventory adjustments were recalculated and traced to survey reports and inventory analysis. The adjustments were traced to the fuel filing and the general ledger. We determined whether the methodology from Commission Order PSC-97-0359-FOF-EI was used to calculate the adjustments. No exceptions were noted.

Natural Gas Storage

Objectives: The objective was to determine whether the payments for firm natural gas storage to Bay Gas were recorded according to the terms and condition of the Storage Service Agreement between FPL and Bay Gas Storage Co., Ltd.

Procedures: We tested various invoices and agreed the quantities costs to the terms and conditions of the agreement.

Transportation Service Charges

Objectives: The objectives were to determine whether the firm transportation service charges for natural gas agree with the firm transmission service (FTS) rate schedules from the pipeline company's tariff.

Procedures: We obtained a listing from all the FTS payments in 2012. 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. No exceptions were noted.

Purchased Power

Objectives: The objective was to determine whether the cost of purchased power on Schedule A-9 was substantiated by source documentation.

Procedures: The costs on Schedule A-9 were traced to deal reports for one month. Deals from this report were selected at random and traced to purchase statements and invoices. No exceptions were noted.

Reconciliation of Coal and Oil Purchases on FPSC Form 423 with Schedule A-5

Objectives: The objective was to reconcile coal and oil purchases noted on FPSC Form 423 with the monthly Schedule A-5, contractual obligations, and source documentation.

Procedures: We reconciled coal and oil purchases on Form 423 with the Schedule A-5 and the Fossil Fuel Inventory Report for the year. We traced Schedule A-5 to the Fuel Used in the Electric Generating Plants Reports which were tested in our sampling of Fuel Costs of System Net Generation. We also traced receipts to the fuel invoices and verified that the rates as well as the adjustments calculated were in compliance with vendor contracts. No exceptions were noted.

Generating Performance Incentive Factor

Objectives: The objective was to determine whether the service hours, reserve shutdown hours, and unavailable hours filed in Schedule A-4 for the Generating Performance Incentive Factor filing agree to source documentation.

Procedures: We traced the service hours, reserve shutdown hours, and unavailable hours filed in Schedule A-4 to source documentation. We determined the reason for the difference was rounding. No exceptions were noted.

True-up

Objectives: 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, 2011 True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2012, using the Commission approved beginning balance as of December 31, 2011, the Financial Commercial Paper rates, and the 2012 Fuel revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

**FLORIDA POWER & LIGHT COMPANY
CALCULATION OF ACTUAL TRUE-UP AMOUNT
FOR THE PERIOD OF JANUARY 2012 THROUGH DECEMBER 2012**

GC-2012-01-0

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Line No.	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	Period Total
Fuel Costs & Net Power Transactions													
1													
2	6237,893,691	6223,000,978	6340,004,014	6243,073,269	6278,267,823	6366,420,731	6308,006,051	6341,186,634	6301,400,269	6297,050,632	6348,982,370	6286,728,761	63,318,848,853
3	91,633,971	91,331,180	91,623,644	90,000,000	91,331,610	91,463,132	91,370,300	91,318,169	91,100,040	91,338,338	91,333,379	91,737,830	918,702,634
4	(947,663)	80	80	80	80	80	80	80	80	80	80	80	(947,663)
5	(91,380,733)	(91,338,704)	(90,943,367)	(90,361,432)	(90,944,767)	(90,977,804)	(90,623,914)	(90,777,664)	(90,687,704)	(90,622,550)	(91,088,853)	(90,604,000)	(910,339,634)
6	(384,721)	(408,658)	(418,978)	(422,894)	(422,482)	(422,303)	(424,800)	(418,918)	(427,444)	(432,878)	(448,430)	(433,137)	(4,378,754)
7	88,136,434	82,888,780	81,888,888	82,732,433	81,448,238	81,838,672	81,438,180	81,437,268	81,838,918	81,448,231	81,838,768	81,838,768	818,413,850
8	97,241,604	93,690,360	94,333,708	94,000,000	94,000,000	94,000,000	94,000,000	94,218,742	94,000,768	93,753,643	94,000,000	94,000,000	938,704,368
9	(1,000,000)	948,870	91,394,338	94,748,000	94,801,421	94,480,861	93,800,000	93,800,000	94,387,380	93,800,000	(91,334,334)	938,835	938,918,746
10	2250,728,433	2220,177,323	2378,230,428	2278,238,634	2308,838,765	2348,978,311	2308,413,351	2341,618,561	2300,981,839	2297,050,632	2348,982,370	2286,728,761	23,318,848,853
Adjustments to Fuel Cost													
11													
12	(2076,378)	(2076,378)	(2076,378)	(2076,378)	(2076,378)	(2076,378)	(2076,378)	(2076,378)	(2076,378)	(2076,378)	(2076,378)	(2076,378)	(20,763,780)
13	918,610	(92,800)	(924,804)	(928,132)	(937,842)	(974,132)	91,293,880	928,880	(942,000)	(918,000)	888,120	(914,811)	91,130,880
14	(963,788)	911,078	939,134	971,432	(919,118)	(939,918)	910,354	(97,394,687)	914,000	(901,118)	9100,370	913,332	(97,918,040)
15	(904,388)	(910,838)	974,978	80	(919,487)	80	808,827	(918,211)	91,618,711	91,187,880	(9178,294)	80	93,192,740
16	(2,043,936)	(2,066,138)	(2,077,134)	(2,076,064)	(20,763,780)								
Jurisdictional True-Up													
17													
18	7,040,494,640	6,958,004,441	7,406,300,430	6,897,897,840	6,397,468,174	6,888,688,717	6,896,732,800	6,286,712,897	6,847,231,748	6,286,734,000	7,041,043,894	7,106,008,140	102,228,548,143
19	141,828,445	141,091,804	142,828,880	139,448,840	137,583,821	148,367,885	144,010,830	141,142,742	141,000,691	141,000,691	141,000,691	141,000,691	1,410,000,691
20	7,182,323,134	7,100,096,245	7,549,129,310	7,037,346,680	6,535,051,995	7,037,056,602	7,040,743,630	6,427,855,639	7,000,000,000	7,000,000,000	7,182,044,585	7,247,008,831	103,638,639,234
21													
22	88.29438%	87.84737%	88.11238%	88.88379%	88.11948%	88.88889%	88.17760%	88.67889%	87.87305%	88.03133%	87.79189%	88.13457%	N/A
True-up Calculation													
23													
24	6294,993,692	6229,637,329	6339,739,972	6268,358,370	6297,267,823	6368,938,379	6309,413,351	6338,638,029	6297,052,632	6298,091,210	6340,336,139	6288,004,636	63,794,692,730
True-up Calculation													
25													
26	(94,318,791)	(94,318,791)	(94,318,791)	(94,318,791)	(94,318,791)	(94,318,791)	(94,318,791)	(94,318,791)	(94,318,791)	(94,318,791)	(94,318,791)	(94,318,791)	(943,187,791)
27	(947,238)	(947,238)	(947,238)	(947,238)	(947,238)	(947,238)	(947,238)	(947,238)	(947,238)	(947,238)	(947,238)	(947,238)	(9,472,380)
28	(952,556)	(9,525,560)											
29	1348,120,250	1328,744,748	1378,129,310	1378,129,310	1378,129,310	1378,129,310	1378,129,310	1378,129,310	1378,129,310	1378,129,310	1378,129,310	1378,129,310	13,781,293,100
30	88.29438%	87.84737%	88.11238%	88.88379%	88.11948%	88.88889%	88.17760%	88.67889%	87.87305%	88.03133%	87.79189%	88.13457%	88.00000%
31	1348,120,250	1328,744,748	1378,129,310	13,781,293,100									
True-up Provision for the Month - Over(Under) Recovery (Line 26 - Line 31)													
32	934,402,858	371,645,867	(82,300,257)	912,678,858	(94,868,676)	918,868,676	(91,318,864)	928,868,676	918,868,676	918,868,676	918,868,676	918,868,676	9,188,686,676
Interest Provision for the Month													
33	(94,800)	(94,800)	(94,800)	(94,800)	(94,800)	(94,800)	(94,800)	(94,800)	(94,800)	(94,800)	(94,800)	(94,800)	(948,000)
True-up & Interest Provision Beg. of Period - Over(Under) Recovery													
34	(91,800,400)	(91,800,400)	(91,800,400)	(91,800,400)	(91,800,400)	(91,800,400)	(91,800,400)	(91,800,400)	(91,800,400)	(91,800,400)	(91,800,400)	(91,800,400)	(918,004,000)
Deferred Fuel True-up - Over(Under) Recovery													
35	(91,121,028)	(91,121,028)	(91,121,028)	(91,121,028)	(91,121,028)	(91,121,028)	(91,121,028)	(91,121,028)	(91,121,028)	(91,121,028)	(91,121,028)	(91,121,028)	(911,210,280)
Prior Period True-up Collected/Returned This Period													
36	94,318,791	94,318,791	94,318,791	94,318,791	94,318,791	94,318,791	94,318,791	94,318,791	94,318,791	94,318,791	94,318,791	94,318,791	943,187,791
37	(94,318,791)	(943,187,791)											
38													
39													
40													
41													
42													

39 ⁽¹⁾ End ROW include of wholesale customers except ROW.
 40 ⁽²⁾ Prior Period 20120011 True-up.
 41 ⁽³⁾ Generation Performance Incentive Factor to (28,871,489)(2) + 88,838(8) - See Order No. PSC-11-079-POF-01
 42 ⁽⁴⁾ Deferred 2011 Fuel True-up.