

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 10, 2013
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 130009-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3f Nuclear Cost Recovery Clause
Audit Control No.: 13-010-4-1

RECEIVED FPSC
13 JUN 10 PM 2:04
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 are confidential work papers associated with this audit.

LD/ld

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

03184 JUN 10 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
Nuclear Extended Power Uprate

Twelve Months Ended December 31, 2012

Docket No. 130009-EI
Audit Control No. 13-010-4-1
June 7, 2013

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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 Office of Industry Development and Market Analysis in its audit service request dated January 10, 2013. We have applied these procedures to the attached schedules prepared by Florida Power & Light Company, and to several of its related schedules in support of its 2012 Nuclear Cost Recovery Clause for its construction cost expenditures for the Uprate activity in Docket No. 130009-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

Construction Costs are costs that are expended to construct the nuclear power plant, but not limited to, the costs of constructing power plant buildings and all associated permanent structures, equipment and systems.

Utility refers to Florida Power & Light Company.

CCRC refers to Capacity Cost Recovery Clause.

NCRC refers to Nuclear Cost Recovery Clause.

Rate Base

Objectives: The objectives were to reconcile actual transfers of construction work in progress (CWIP) to plant, and to determine whether accumulated depreciation and depreciation expense on the plant transferred were based on the Commission base rate change Order No.'s, PSC-12-0647-PAA-EI, PSC-11-0575-PAA-EI, PSC-11-0078-PAA-EI, and PSC-10-0207-PAA-EI.

Procedures: We reconciled the amounts for Plant in Service from the orders to FPL's books and the Utility's filing, Appendix A and B. Depreciation is not recorded on the asset level and does not reconcile to the general ledger. Therefore, we recalculated accumulated depreciation and depreciation expense using Commission approved rates from Docket No. 080677-EI and actual Plant in Service. Plant in service, accumulated depreciation, and depreciation expense were compared to the Commission Base rate change Order No.'s PSC-12-0647-PAA-EI and PSC-11-0575-PAA-EI. Base rate change Orders PSC-11-0078-PAA-EI and PSC-10-0207-PAA-EI were not relevant to the 2012 test year.

Construction Work in Progress (CWIP)

Objectives: The objectives were to verify that Construction Costs listed on the Utility's Schedule T-6 filing were supported by adequate documentation and that the capital additions were appropriately recoverable through the NCRC and in compliance with Section 366.93, F.S. and Rule 25-6.043, F.A.C.

Procedures: We traced CWIP additions in Schedule T-6 to the general ledger and judgmentally selected a sample for testing. We verified that additions had appropriate supporting documentation, were related to the Extended Power Uprate (EPU) project, and were charged to the correct accounts. Finding 1 discusses the adjustment to Construction Carrying cost revenue requirement.

Recovery

Objectives: The objectives were to determine whether the Utility used the Commission approved CCRC factors to bill customers for the period January 1, 2012 through December 31,

2012, and whether Schedule T-3, T-3A, T-4, and Appendix C reflects the ordered amount in Commission Order No. PSC-11-0547-FOF-EI.

Procedures: We agreed the amount collected on Schedule T-3, T-3A, T-4, and Appendix C to the 2012 NCRC jurisdictional amount approved in Commission Order No. PSC-11-0547-FOF-EI and to the Capacity Cost Recovery Clause in Docket 130001-EI. In that audit, we reconciled revenues to the ledger and "Revenue and Rate" reports. We also selected a random sample of bills and recalculated each bill to verify use of the approved rate. No exceptions were noted.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether operation and maintenance (O&M) expenses on Schedule T-4 are supported by adequate source documentation and appropriately recoverable through the NCRC clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of 2012 O&M expenses for testing. The source documentation for selected items was reviewed to ensure the expense was related to the EPU project and that the expense was charged to the correct accounts. Finding 2 discusses the adjustment to Recoverable O&M Revenue Requirement.

Carrying Cost on Deferred Tax Adjustment

Objectives: The objectives were to determine whether Schedule T-3A - Carrying Cost on Deferred Tax Assets (DTA) included the correct balances from the supporting schedules and the deferred tax requirement amounts are accurately calculated.

Procedures: We traced the projected True-Up adjustments and the beginning balances included in the schedule to prior NCRC Commission Orders. We traced the estimated tax deduction for research and development to supporting schedules and the 2011 Federal Income Tax return. We traced the AFUDC rate applied by the Utility to the rate approved in Commission Order No. PSC-13-0163-PAA-EI. We recalculated Schedule T- 3A and verified the Construction Carrying Cost on DTA and the Under (Over) Recovery balance. No exceptions were noted.

Other Issues

Separate and Apart Procedures

Objectives: The objectives were to review and document FPL's separate and apart process for identifying and applying the adjustments necessary to ensure costs recovered thru the NCRC are limited to the EPU.

Procedures: We reviewed FPL's testimony and procedures related to the separate and apart process. We reviewed the "Recoverable Cost Justification Forms" prepared by the Utility in 2012 and reconciled them to the sample items when applicable. We used the separate and apart procedures to determine whether CWIP and O&M sample items related to the EPU project. No exceptions were noted.

True-up

Objectives: The objective was to determine if the True-Up and Interest Provision as filed on Schedule T-1 was properly calculated.

Procedures: We traced the revenue requirements for Carrying Costs on Construction and Deferred Tax Adjustment, O&M, and Base Rate to supporting calculation schedules. We recalculated the True-Up amounts as of December 31, 2012 using the Commission approved beginning balance as of December 31, 2011, Debt and Equity Components, the Financial Commercial Paper rates, and the 2012 EPU costs. We traced all adjustments to source documents. Finding 1 and 2 discuss the adjustments to Construction Carrying Cost and Recoverable O&M Revenue Requirements.

Analytical Review

Objectives: The objective was to perform an analytical review of the Utility's EPU Cost to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2012 to 2011 costs and used the information to judgmentally select the sample. There was a large amount of CWIP placed in service with the completion of St. Lucie Units 1 and 2, and Turkey Point Unit 3 EPU projects in 2012. No exceptions were noted.

Audit Findings

Finding 1: Adjustment to Construction Carrying Cost

Audit Analysis: Total costs on Schedule T-6 and Appendix B included work order T00000002434 - GSU - St. Lucie Spare GSU Transformer Coolers & Pumps. The costs from this work order were calculated using an incorrect jurisdictional factor. The rate used was the Transmission - Other factor of 0.90431145. The correct rate for Transmission - GSU is 0.98051733. The first schedule on the following page computes the effect on carrying cost revenue requirement for Schedule T-3.

Work order T00000002434 - GSU - St. Lucie Spare GSU Transformer Coolers & Pumps was placed into service in November of 2012. Therefore, there is also an effect on Appendix B due to the costs being transferred to plant in service. The second schedule on the following page computes the effect on the base rate revenue requirement in Appendix C.

Effect on the General Ledger: There is no effect on the general ledger.

Effect on the Filing: Construction Carrying Cost and Base Rate Revenue Requirements should increase by \$3,740 and \$2,735, respectively.

Carrying Charge Adjustment on Work Order T0000002434

Description	Rates	Beq. Bal.	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	12-Mo Total	End Bal.
Work Order T0000002434		\$ 214,337	\$ 100	\$ 21,449	\$ 65,100	\$ 4,839	\$ 2,111	\$ 241	\$ 614,073	\$ 6,338	\$ 1,682,088	\$ 24,847	\$ (295,762)	\$ -	\$ 2,125,424	\$ 2,339,761
Adjustments		\$ (1,111)	\$ 0	\$ 0	\$ 28,890	\$ (28,912)	\$ 0	\$ (88)	\$ 558,829	\$ (558,857)	\$ 1,444,748	\$ (444)	\$ (289,160)	\$ 0	\$ 1,155,086	\$ 1,153,975
T0000002434 Net of Adj.		\$ 215,448	\$ 100	\$ 21,449	\$ 36,210	\$ 33,751	\$ 2,111	\$ 249	\$ 55,244	\$ 565,195	\$ 237,340	\$ 25,291	\$ (6,602)	\$ -	\$ 970,338	\$ 1,185,786
Trans. GSU Jurisdictional Amt.	0.98051733	\$ 211,250	\$ 98	\$ 21,031	\$ 35,504	\$ 33,094	\$ 2,070	\$ 244	\$ 54,168	\$ 554,183	\$ 232,716	\$ 24,798	\$ (6,473)	\$ -	\$ 951,433	\$ 1,162,683
Trans. Other Jurisdictional Amt.	0.90431145	\$ 194,832	\$ 90	\$ 19,397	\$ 32,745	\$ 30,521	\$ 1,909	\$ 225	\$ 49,958	\$ 511,112	\$ 214,629	\$ 22,871	\$ (5,970)	\$ -	\$ 877,488	\$ 1,072,319
Difference		\$ 16,418	\$ 8	\$ 1,635	\$ 2,759	\$ 2,572	\$ 161	\$ 19	\$ 4,210	\$ 43,071	\$ 18,087	\$ 1,927	\$ (503)	\$ -	\$ 73,945	\$ 90,364
Trans. GSU Jurisdictional Amt. Diff.		\$ 16,418	\$ 8	\$ 1,635	\$ 2,759	\$ 2,572	\$ 161	\$ 19	\$ 4,210	\$ 43,071	\$ 18,087	\$ 1,927	\$ (503)	\$ -	\$ 73,945	\$ 90,364
Transfer to Plant in Service															\$ 90,364	\$ 90,364
CWIP Base Eligible for Return		\$ 16,418	\$ 16,426	\$ 18,204	\$ 21,116	\$ 23,860	\$ 24,218	\$ 24,448	\$ 28,871	\$ 72,176	\$ 90,705	\$ 93,346	\$ 3,286	\$ 3,709	\$ 3,740	\$ 3,740
Average CWIP			\$ 16,422	\$ 17,315	\$ 19,660	\$ 22,488	\$ 24,039	\$ 24,333	\$ 26,659	\$ 50,523	\$ 81,440	\$ 92,026	\$ 48,316	\$ 3,498		
Equity Comp. grossed up for taxes	0.007439034		\$ 122	\$ 129	\$ 146	\$ 167	\$ 179	\$ 181	\$ 198	\$ 376	\$ 606	\$ 685	\$ 359	\$ 26	\$ -	\$ 3,174
Debt Component (Average CWIP	0.001325847		\$ 22	\$ 23	\$ 26	\$ 30	\$ 32	\$ 32	\$ 35	\$ 67	\$ 108	\$ 122	\$ 64	\$ 5	\$ -	\$ 566
Total Return Requirements			\$ 144	\$ 152	\$ 172	\$ 197	\$ 211	\$ 213	\$ 234	\$ 443	\$ 714	\$ 807	\$ 423	\$ 31	\$ -	\$ 3,740

Adjustment to Base Revenue Requirement

Description	Rates	Nov-12	Dec-12	Total
Work Order T0000002434		\$ 2,339,761	\$ 2,339,761	
Trans. GSU Jurisdictional Amt.	0.98051733	\$ 2,294,176	\$ 2,294,176	
Trans. Other Jurisdictional Amt.	0.90431145	\$ 2,115,873	\$ 2,115,873	
Difference		\$ 178,304	\$ 178,304	\$ 178,304
Depreciation	2.90%	\$ 215	\$ 431	\$ 646
Accumulated Depreciation		\$ 215	\$ 646	\$ 646
Net Plant In Service		\$ 178,088	\$ 177,657	\$ 177,657
Average Plant		\$ 89,044	\$ 177,873	\$ 177,873
Return	9.30%	\$ 690	\$ 1,379	\$ 2,069
Total Depreciation and Return		\$ 906	\$ 1,809	\$ 2,715
Base Eligible for Return		\$ 906	\$ 2,719	
Average CWIP		\$ 453	\$ 1,812	
Equity Comp. grossed up for taxes	0.007439034	\$ 3	\$ 13	\$ 17
Debt Component (Average CWIP	0.001325847	\$ 1	\$ 2	\$ 3
		\$ 4	\$ 16	\$ 20
Total Return Requirements		\$ 910	\$ 1,825	\$ 2,735

Finding 2: Adjustment to Recoverable O&M

Audit Analysis: The Utility paid \$15,609.16 for one-year extended warranties on 521 hand held radios during the test year which were included in the costs on T-4. Each radio comes with a 3-year warranty. The extended warranty claim period is outside the remaining duration of the project, which is scheduled to be completed in 2013. On May 29, 2013, the Utility reclassified the one-year warranty purchases from recoverable O&M to non-recoverable O&M. On the next page, we calculate the effect on Recoverable O&M Revenue Requirements.

Effect on the General Ledger: There is no effect on the General Ledger

Effect on the Filing: Recoverable O&M Revenue Requirements should be reduced by \$15,329.

Effect on Schedule T-4

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	12 Mo Total
Jurisdictional Generation O&M Cost													
Nuclear Generation O&M Cost	\$ (2,996)	\$ (150)		\$ (6,292)		\$ (3,176)					\$ (2,996)		\$ (15,609)
Jurisdiction Factors	0.98202247	0.98202247	0.98202247	0.98202247	0.98202247	0.98202247	0.98202247	0.98202247	0.98202247	0.98202247	0.98202247	0.98202247	0.98202247
Jurisdictional Recoverable Gen. O&M Cost	\$ (2,942)	\$ (147)	\$ -	\$ (6,178)	\$ -	\$ (3,119)	\$ -	\$ -	\$ -	\$ -	\$ (2,942)	\$ -	\$ (15,329)
Interest Provision													
Total Jurisdictional Recoverable Cost	\$ (2,942)	\$ (147)	\$ -	\$ (6,178)	\$ -	\$ (3,119)	\$ -	\$ -	\$ -	\$ -	\$ (2,942)	\$ -	\$ (15,329)
Prior Month (over/under Recovery)	\$ -	\$ (2,942)	\$ (147)	\$ (0)	\$ (6,179)	\$ (1)	\$ (3,120)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (2,944)	\$ (2,944)
Balance Eligible for Interest	\$ -	\$ (2,942)	\$ (3,069)	\$ (3,090)	\$ (9,268)	\$ (9,269)	\$ (12,389)	\$ (12,390)	\$ (12,391)	\$ (12,392)	\$ (12,393)	\$ (12,393)	\$ (15,337)
Average Unamortized Balance	\$ -	\$ (1,471)	\$ (3,016)	\$ (3,090)	\$ (6,179)	\$ (9,269)	\$ (10,829)	\$ (12,389)	\$ (12,390)	\$ (12,392)	\$ (12,393)	\$ (12,393)	\$ (13,865)
Interest Rate	0.00625%	0.00958%	0.00833%	0.00875%	0.01042%	0.00958%	0.01042%	0.01208%	0.00875%	0.00875%	0.01250%	0.00875%	
Interest Provision	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (2)	\$ (1)	\$ (10)
Total Jurisdictional Recoverable Cost	\$ (2,942)	\$ (147)	\$ -	\$ (6,178)	\$ -	\$ (3,119)	\$ -	\$ -	\$ -	\$ -	\$ (2,942)	\$ -	\$ (15,329)
Total Interest Provision	\$ -	\$ (0)	\$ (0)	\$ (0)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (2)	\$ (1)	\$ (10)
Total Jurisdictional Cost W/ Interest	\$ (2,942)	\$ (147)	\$ (0)	\$ (6,179)	\$ (1)	\$ (3,120)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (2,944)	\$ (1)	\$ (15,338)

Exhibits

Exhibit 1: True-up

		[Section 5(c)1.b.]						
Schedule T-1 (True-up)	SL Lucie and Turkey Point Upgrade Project Construction Costs and Carrying Costs on Construction Cost Balance True-up Filing: Retail Revenue Requirements Summary							
FLORIDA PUBLIC SERVICE COMMISSION COMPANY: FLORIDA POWER & LIGHT COMPANY DOCKET NO.: 130009-EI	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	For the Year Ended 12/31/2012 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	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2.	Construction Carrying Cost Revenue Requirements (Schedule T-3, line 9)	\$9,444,265	\$10,623,846	\$11,924,675	\$11,739,694	\$10,068,362	\$10,843,369	\$64,644,251
3.	Recoverable O&M Revenue Requirements (Schedule T-4, line 36)	\$655,547	\$347,355	\$298,852	\$777,111	\$627,147	\$568,753	\$3,262,585
4.	DTA(DTL) Carrying Cost (Schedule T-3A, line 8)	(\$211,250)	(\$201,990)	(\$180,050)	(\$154,823)	(\$121,075)	(\$111,408)	(\$990,606)
5.	Other Adjustments (a) (Appendix C, Line 8)	\$47	\$77	\$10,410	\$1,587,244	\$4,716,768	\$4,745,452	\$11,061,998
6.	Total Period Revenue Requirements (Lines 1 through 5)	\$9,898,610	\$10,768,269	\$12,001,677	\$13,949,216	\$15,293,229	\$16,076,185	\$77,878,207
7.	Projected Revenue Requirements for the period (Order No. PSC 11-0547-FOF-EI)	\$9,628,039	\$9,217,049	\$10,221,314	\$11,033,343	\$11,520,667	\$17,017,054	\$67,837,467
8.	Difference (Line 6 - Line 7)	\$1,260,571	\$1,552,240	\$1,780,363	\$2,915,873	\$3,772,562	(840,869)	\$10,340,740
9.	Actual / Estimated Revenue Requirements for the period (Order No. PSC 12-0650-FOF-EI)	\$9,489,324	\$10,723,121	\$11,880,002	\$13,439,890	\$15,427,515	\$19,009,623	\$79,999,475
10.	Final True-up of Upgrade Construction Carrying Costs (Line 6 - Line 9)	\$369,286	\$46,168	\$121,675	\$909,326	(\$134,295)	(\$2,933,428)	(\$1,991,269)

* Totals may not add due to rounding

11. (a) Other Adjustments Line 5 represents Base Rate Revenue Requirements for 2012 and carrying costs on over/under recoveries. Refer to Appendix C Line 8.

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

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

Schedule T-1 (True-up)

FLORIDA PUBLIC SERVICE COMMISSION
COMPANY: FLORIDA POWER & LIGHT COMPANY
DOCKET NO.: 130009-E1

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

For the Year Ended 12/31/2012
Witness: Minnie 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.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2.	\$11,510,980	\$12,353,415	\$7,079,278	\$8,047,571	\$5,861,708	\$4,503,305	\$112,000,508
3.	\$495,922	\$831,020	\$81,023	\$15,873	\$316,430	\$2,251,320	\$7,214,153
4.	(\$100,339)	(\$86,723)	(\$74,062)	(\$65,984)	(\$45,921)	(\$25,304)	(\$1,368,939)
5.	\$4,989,900	\$5,308,931	\$13,011,647	\$15,379,798	\$16,314,089	\$18,525,903	\$84,590,266
6.	\$16,895,464	\$18,404,643	\$20,087,887	\$21,377,257	\$22,448,305	\$25,255,224	\$202,415,988
7.	\$12,972,687	\$13,371,098	\$13,999,801	\$14,583,896	\$14,936,543	\$15,415,131	\$152,916,422
8.	\$3,883,777	\$5,033,545	\$6,088,086	\$6,793,361	\$7,509,763	\$9,840,093	\$19,499,565
9.	\$19,293,241	\$17,167,070	\$17,939,335	\$20,334,659	\$22,294,958	\$21,542,955	\$198,531,694
10.	(\$2,436,776)	\$1,237,573	\$2,158,552	\$1,042,897	\$161,346	\$3,712,269	\$3,884,284

* Totals may not add due to rounding

11. (e) Other Adjustments Line 5 represents Base Rate Revenue Requirements for 2012 and carrying costs on over/under recoveries. Refer to Appendix C Line 8.