

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

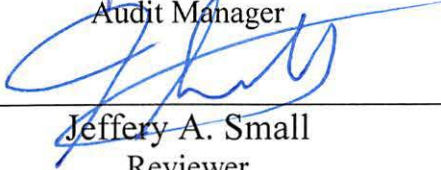
Twelve Months Ended December 31, 2013

Docket No. 140001-EI
Audit Control No. 14-027-4-1

April 15, 2014



Yen N. Ngo
Audit Manager



Jeffery A. Small
Reviewer

Table of Contents

Purpose1

Objectives and Procedures.....2

Audit Findings

 None.....6

Exhibit

 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 27, 2014. 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 2013 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 140001-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

FPSC refers to the Florida Public Service Commission.

FPL/Utility refers to the Florida Power & Light Company.

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

Revenue

Operating Revenue

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2013, through December 31, 2013, and whether FPL applied the Commission approved cost recovery factor to actual KWH sales for the FAC filing.

Procedures: We computed revenues using the factors in Order No. 12-0664-FOF-EI, issued December 21, 2012 and actual KWH sales from the Fuel Revenue Reports and reconciled them to the general ledger and FAC filing. We selected a sample of residential and commercial customers' bills for the period and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expenses

Recoverable Expenses

Objectives: The objectives were to review fuel expenses for coal, oil, nuclear, and natural gas included in the FAC filing and to determine whether those expenses are properly recoverable based on the requirements established in Order No. 14546, issued July 8, 1985.

Procedures: We reconciled fuel expenses in the FAC filing to the general ledger. We reviewed and sampled fuel expenses reported on Schedules A-1 and A-2 and other supporting documentation to determine that fuel expense included in the FAC filing complied with the requirements of Order No. 14546. No exceptions were noted.

Objectives: The objective was to determine whether FPL has credited generation-related gains derived from non-separated wholesale energy sales to the FAC filing as required in Order No. PSC-00-1744-PAA-EI, issued September 26, 2000.

Procedures: : We selected a sample of energy sales transactions for the period. The sales transactions were traced to FPL deal reports, deal logs, and confirmations. The gains were recalculated and the credit was traced to the FAC filing. No exceptions were noted.

Objective: The objective was to determine whether energy payments to qualifying facilities on Schedule A-8 are based on the appropriate standard offer or negotiated contract rate.

Procedures: We selected a sample of energy payment transactions for the period. The payments were traced to FPL deal reports, deal logs, and confirmations. The gains were recalculated and the credit was traced to the FAC filing. No exceptions were noted.

Objective: The objective was to determine whether the firm transportation service (FTS) charge for transporting natural gas agrees with the FTS rate schedules from the pipeline company's tariff.

Procedures: We obtained lists of all FTS payments in 2013. We selected one month of FTS payments and agreed them to the vendor invoices, FPL purchase statements and to the pipeline company's posted tariffs. We agreed the FTS charges to FPL's Monthly Gas Closing Report. No exceptions were noted.

Objectives: The objectives were to determine whether semi-annual coal inventory surveys were completed and that inventory adjustments to coal supplies were made as required in Order PSC-97-0359-FOF-EI, issued March 31, 1997.

Procedures: We obtained FPL's coal inventory analysis, inventory adjustment and survey reports. The adjustments were recalculated and reconciled to the survey reports and inventory analysis. We verified that the inventory adjustment calculations were consistent with the requirements of Order No. PSC-97-0359-FOF-EI. The inventory adjustments were traced to the FAC filing and the general ledger. No exceptions were noted.

Objective: The objective was to determine whether any vendor credits or rebates were credited to fuel cost in the FAC filing.

Procedures: We obtained a schedule of FPL's fuel payable account for the period. We selected a sample of invoices and verified that no credits or refunds were present. Additionally, we obtained a statement from FPL confirming that no credits or refunds were received during the period. No exceptions were noted.

Objective: The objective was to determine whether purchased power payments on Schedule A-7 were accurate and charged according to the vendor contracts.

Procedures: We obtained and sampled the purchased power invoices for Southern Company. We recalculated and reconciled the invoiced rates to the associated power sales contract. No exceptions were noted.

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

Procedures: We tested a sample of vendor invoices and agreed the quantities and costs to the terms and conditions of the gas storage agreement. No exceptions were noted.

Other

Objectives: The objective was to determine whether the heat rates shown on Schedule A-4 for the Generating Performance Incentive Factor (GPIF) units reconcile with the annual GPIF filings.

Procedures: We reconciled the heat rates with the annual GPIF filings. We recalculated and reconciled the service hours, reserve shutdown hours, and unavailable hours to source documentation. No exceptions were noted.

Objectives: The objectives were to determine whether the coal and oil purchases on Form 423 reconcile with the FAC filing and are supported by source documentation and backed by contractual obligations.

Procedures: We reconciled coal and oil purchases on Form 423 with the FAC filing and the Fossil Fuel Inventory Report for the period. 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 transportation rates were calculated in compliance with vendor contracts. No exceptions were noted.

Objective: The objective was to determine whether the incremental gains included in the FAC filing are consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-13-0023-S-EI, issued January 14, 2013.

Procedures: We obtained a schedule of all incremental gains by asset optimization measure as defined in Order No. PSC-13-0023-S-EI that were included in the FAC filing. We reviewed a sample of the transactions for each asset optimization measure for the period and traced each transaction to supporting invoices, purchase statements, and pipeline reports. We verified that the transactions were "arms length" and not associated with FPL's parent, NextEra Energy, Inc. or its subsidiaries. We recalculated the incremental gains and reviewed the market price and index inputs used by FPL to calculate the gains. We also selected a sample of incremental costs and traced them to the invoices to verify these costs were related to the Incremental Optimization program.

Objective: The objective was to determine whether the incremental optimization costs included in the FAC filing are consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-13-0023-S-EI.

Procedures: We obtained a schedule of all incremental optimization cost as defined in Order No. PSC-13-0023-S-EI that were included in the FAC filing. We reviewed a sample of the incremental cost incurred by FPL to manage the Incentive Mechanism and its related purchase and sales programs.

Objectives: The objectives were to determine whether the gains on short-term power sales and the savings on short-term power purchases are included in the FAC filing and that they are consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-13-0023-S-EI.

Procedures: We obtained a schedule of short-term power sales and purchases included in the FAC filing. We reviewed a sample of power transactions to check for gains or savings on short-term purchases that should be included as part of the Incentive Mechanism. We verified that FPL's application of the phrase "short-term" for these transactions is consistent with the intentions defined in Order No. PSC-13-0023-S-EI.

Objectives: The objective was to examine FPL's analysis and internal audits its Unit Power Sales contracts with Southern Company and the Jacksonville Electric Authority (JEA).

Procedures: We obtained and reviewed FPL's internal audit of the Unit Power Sales contracts with the Southern Company and JEA. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed was properly calculated.

Procedures: We traced the December 31, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the approved beginning balance as of December 31, 2012, the Financial Commercial Paper rates, and the 2013 revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True Up

FLORIDA POWER & LIGHT COMPANY CALCULATION OF FINAL TRUE-UP AMOUNT

FOR THE PERIOD: JANUARY 2013 THROUGH DECEMBER 2013

Line No.	(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	12 Month Period	
Fuel Costs & Net Power Transactions														
1														
2	\$220,057,800	\$208,050,832	\$234,833,800	\$287,218,328	\$278,720,275	\$280,888,776	\$280,851,861	\$299,440,880	\$284,283,285	\$271,957,888	\$227,448,882	\$238,848,989	\$3,070,837,144	
3	\$1,850,385	\$1,417,734	\$1,144,829	\$1,818,307	\$2,007,177	\$2,258,231	\$2,453,434	\$2,421,838	\$2,298,880	\$1,713,988	\$2,032,223	\$2,284,102	\$23,710,878	
4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
6	\$3,701,518	\$8,548,257	\$8,851,076	\$8,190,789	\$4,718,820	\$3,101,107	\$3,484,880	\$2,681,851	\$2,885,570	\$2,835,310	\$4,702,354	\$5,148,825	\$54,818,237	
7	\$17,904,732	\$8,358,840	\$3,174,845	\$14,987,888	\$18,882,340	\$24,818,822	\$21,478,018	\$22,963,877	\$19,428,563	\$21,478,113	\$12,123,732	\$8,087,546	\$178,843,823	
8	\$1,878,837	\$1,308,884	\$8,001,459	\$8,682,457	\$18,882,340	\$11,182,480	\$0,314,806	\$10,813,383	\$10,148,888	\$8,728,341	\$7,448,887	\$4,332,450	\$48,738,823	
9	\$86,808	\$82,873	\$143,886	\$138,283	\$121,100	\$188,471	\$137,882	\$1,188,468	\$1,273,828	\$1,748,818	\$174,881	\$11,008	\$3,778,231	
10	\$228,713,812	\$208,808,778	\$254,822,458	\$308,136,015	\$299,910,819	\$302,120,215	\$302,265,317	\$327,005,811	\$305,867,680	\$288,801,278	\$243,288,840	\$244,734,184	\$3,301,142,281	
Incremental Optimization Costs														
12	\$0	\$0	\$0	\$20,822	\$21,401	\$28,231	\$33,219	\$32,833	\$30,798	\$33,542	\$30,858	\$32,804	\$283,407	
14	\$0	\$0	\$384,700	\$218,385	\$227,805	\$128,840	\$183,343	\$127,118	\$132,885	\$145,728	\$282,198	\$300,582	\$2,180,432	
16	\$0	\$0	\$384,700	\$338,017	\$348,208	\$153,780	\$188,782	\$158,151	\$183,883	\$178,271	\$282,784	\$338,486	\$2,422,658	
Adjustments to Fuel Cost														
17	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
18	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
19	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
21	\$225,898,537	\$203,818,980	\$254,534,014	\$307,848,338	\$299,910,819	\$302,120,215	\$302,265,317	\$327,005,811	\$305,867,680	\$288,801,278	\$243,288,840	\$244,734,184	\$3,301,142,281	
Jurisdictional kWh Sales														
23	7,844,412,081	7,198,918,875	8,977,282,788	7,871,872,188	8,818,283,782	9,110,083,405	8,734,288,549	10,251,788,851	10,380,746,922	8,276,198,287	8,227,451,350	7,834,808,213	102,783,837,311	
24	143,888,880	132,834,881	143,084,345	183,835,835	171,782,487	178,513,387	128,084,884	184,282,478	204,870,280	183,181,814	181,501,034	187,135,778	2,048,804,828	
25	7,833,100,841	7,281,882,656	7,180,287,143	7,828,687,833	8,738,088,229	9,288,570,018	8,913,331,178	10,438,221,329	10,345,517,112	8,248,877,811	8,408,748,284	8,091,844,588	104,838,781,340	
27	88.10168%	87.8288%	87.8977%	88.0278%	88.0451%	88.1018%	88.0882%	88.1422%	88.0834%	88.0218%	87.8430%	88.0585%	88.0800%	
True-up Calculation														
29	\$233,383,810	\$218,081,517	\$211,824,837	\$229,504,379	\$261,558,288	\$287,481,871	\$287,835,348	\$305,867,884	\$308,014,768	\$268,585,140	\$240,723,078	\$230,782,876	\$3,022,840,037	
Fuel Adjustment Revenues Not Applicable to Period														
30	\$4,007,108	\$4,007,108	\$4,007,108	\$4,007,108	\$4,007,108	\$4,007,108	\$4,007,108	\$4,007,108	\$4,007,108	\$4,007,108	\$4,007,108	\$4,007,108	\$48,085,298	
31	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
32	\$238,132,087	\$218,081,517	\$211,824,837	\$229,504,379	\$261,558,288	\$287,481,871	\$287,835,348	\$305,867,884	\$308,014,768	\$268,585,140	\$240,723,078	\$230,782,876	\$3,022,840,037	
33	\$238,132,087	\$218,081,517	\$211,824,837	\$229,504,379	\$261,558,288	\$287,481,871	\$287,835,348	\$305,867,884	\$308,014,768	\$268,585,140	\$240,723,078	\$230,782,876	\$3,022,840,037	
34	\$238,132,087	\$218,081,517	\$211,824,837	\$229,504,379	\$261,558,288	\$287,481,871	\$287,835,348	\$305,867,884	\$308,014,768	\$268,585,140	\$240,723,078	\$230,782,876	\$3,022,840,037	
35	88.10168%	87.8288%	87.8977%	88.0278%	88.0451%	88.1018%	88.0882%	88.1422%	88.0834%	88.0218%	87.8430%	88.0585%	88.0800%	
36	\$238,132,087	\$218,081,517	\$211,824,837	\$229,504,379	\$261,558,288	\$287,481,871	\$287,835,348	\$305,867,884	\$308,014,768	\$268,585,140	\$240,723,078	\$230,782,876	\$3,022,840,037	
True-up Provisions for the Month - Over/Under Recovery (Line 33 - Line 36)														
37	\$16,840,334	\$18,854,804	(\$1,717,822)	(\$48,838,824)	(\$38,778,880)	(\$43,803,021)	(\$14,828,430)	(\$18,288,878)	\$23,880,848	(\$23,181,471)	\$5,375,041	(\$11,288,804)	(\$148,288,348)	
Interest Provisions for the Month														
38	\$2,812	\$3,088	\$4,722	\$1,783	(\$1,333)	(\$1,333)	(\$3,812)	(\$4,578)	(\$8,348)	(\$8,348)	(\$8,102)	(\$8,178)	(\$25,833)	
True-up & Interest Provision Dep. of Period - Over/Under Recovery														
39	\$48,885,288	\$88,821,434	\$78,874,328	\$38,154,312	\$48,888,888	(\$38,154,312)	(\$38,154,312)	(\$38,154,312)	(\$14,847,182)	(\$122,148,878)	(\$102,187,783)	(\$128,888,888)	\$48,885,288	
Deferred True-up Beginning of Period - Over/Under Recovery														
40	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	(\$4,880,884)	
Prior Period True-up Collected/Refunded This Period														
41	(\$4,007,108)	(\$4,007,108)	(\$4,007,108)	(\$4,007,108)	(\$4,007,108)	(\$4,007,108)	(\$4,007,108)	(\$4,007,108)	(\$4,007,108)	(\$4,007,108)	(\$4,007,108)	(\$4,007,108)	(\$48,085,298)	
42	\$38,378,780	\$72,323,878	\$33,800,238	\$38,418	(\$42,743,847)	(\$38,388,738)	(\$108,387,838)	(\$18,388,838)	(\$108,748,437)	(\$123,882,838)	(\$122,882,838)	(\$147,884,288)	(\$147,884,288)	

43
44
45 ⁽¹⁾ Actuals include various adjustments as noted on the A-Schedules.
46 ⁽²⁾ Fixed kWh includes all wholesale customers except C&W.
47 ⁽³⁾ Prior Period 2011/2012 Net True-up.
48 ⁽⁴⁾ Generation Performance Incentive Factor is (\$7,703,812/12) = \$642,009.33 - See Order No. PEG-13-0864-FDP-EL.
49 ⁽⁵⁾ Deferred 2013 Fuel True-up.
50
51 Note: Amounts may not agree to Actual/Estimated Filing or A-Schedules due to rounding.