

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
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2013

Docket No. 140001-EI
Audit Control No. 14-027-4-3
April 29, 2014

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

Iliana H. Piedra
Audit Manager

A handwritten signature in blue ink, appearing to read "Jeffery A. Small", written over a horizontal line.

Jeffery A. Small
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 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 Capacity 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 Florida Public Service Commission.

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

CCRC refers to the Capacity Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2013, through December 31, 2013, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC 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 Revenue Reports and reconciled them to the general ledger and the CCRC 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.

The revenues reported are net of the West County Energy Center Unit 3 (WCEC-3) recovery. Commission Order No. PSC-11-0579-FOF-EI, issued December 16, 2011, approved a cost recovery rate change for the WCEC-3 non-fuel revenue requirements based on projected fuel savings. We verified that the Utility's WCEC-3 recovery factors agreed to the Order.

Transmission Revenues

Objectives: The objective was to determine whether transmission revenues derived from non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC filing per Commission Order PSC-99-2512-FOF-EI, issued December 22, 1999.

Procedures: We traced the wholesale transmission revenues that are derived from the non-separated, non-energy broker network, from the CCRC filing to the general ledger. We selected a sample of revenue transactions and traced them to source documentation. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether the Operation and Maintenance (O&M) Expense listed on the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC filing.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was reviewed to ensure the expense was related to the CCRC filing and that the expense was charged to the correct accounts. No exceptions were noted.

Purchase Power Contracts

Objective: The objective was to determine whether capacity purchases were recorded according to the terms and conditions of the contracts.

Procedures: We reconciled invoices for capacity purchases to the contracts to determine if they were recorded in the general ledger and according to the terms and conditions of the contracts. No exceptions were noted.

Nuclear Regulatory Commission (NRC) Fee

Objective: The objective was to determine whether the amounts included for the NRC fee and the recoverable portion of the fee increase are consistent with the percentage approved for recovery through the clause.

Procedures: We obtained the NRC invoices paid in 2013 and computed the percentage allocated to the capacity clause. We concluded that the fees allocated to the capacity clause are below the percentage approved for recovery in Commission Order No. PSC-03-1461-FOF-EI, issued December 22, 2003. No exceptions were noted.

Incremental Security Cost

Objective: The objective was to determine whether the security costs recovered are incremental to the security costs included in base rates.

Procedures: We traced the expenses in the filing to the general ledger. We tested a sample of security costs included in the filing. We computed total security costs and compared them to corresponding amounts included in base rates consistent with the method approved in Order No. PSC 03-1461-FOF-EI, issued December 22, 2003.

True-up

Objective: The objective was to determine whether 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 Commission approved beginning balance as of December 31, 2012, the Financial Commercial Paper rates, and the 2013 CCRC filing revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's CCRC filing expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2013 to 2012 expenses. The explanations provided by the Utility for significant variances were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True Up

**FLORIDA POWER & LIGHT COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP
FOR THE PERIOD JANUARY 2013 THROUGH DECEMBER 2013**

	(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	Total	
1	\$18,437,513	\$16,819,340	\$17,107,824	\$18,482,672	\$18,487,263	\$18,076,979	\$18,714,060	\$18,056,943	\$18,026,832	\$18,563,190	\$18,387,344	\$18,370,436	\$198,472,373	
2	\$23,038,287	\$23,209,917	\$20,512,305	\$23,359,041	\$22,728,373	\$23,148,194	\$23,388,910	\$23,174,885	\$23,193,201	\$23,275,062	\$23,207,695	\$23,270,698	\$279,503,480	
3	\$0	\$0	(\$2,563,648)	(\$660,982)	(\$660,982)	(\$660,982)	(\$660,982)	(\$660,982)	(\$660,982)	(\$660,982)	(\$660,982)	(\$660,982)	(\$10,331,764)	
4	(\$443,444)	(\$443,444)	(\$433,240)	(\$421,847)	(\$414,845)	(\$408,049)	(\$405,855)	(\$398,781)	(\$391,807)	(\$385,034)	(\$378,160)	(\$371,265)	(\$4,801,501)	
5	\$2,742,107	\$3,070,332	\$3,486,119	\$3,248,334	\$2,732,257	\$3,485,081	\$2,485,373	\$3,728,780	\$4,144,063	\$3,209,604	\$3,161,608	\$4,801,912	\$40,277,571	
6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,859	
8	\$2,370,838	\$2,203,612	\$2,161,119	\$1,343,672	\$1,441,836	(\$627,741)	\$1,138,719	\$784,731	\$930,009	\$682,320	\$1,056,565	\$2,130,914	\$16,516,659	
9	(\$328,135)	(\$578,609)	(\$848,612)	(\$380,815)	(\$477,335)	(\$249,376)	(\$294,356)	(\$214,153)	(\$213,788)	(\$318,520)	(\$378,425)	(\$406,877)	(\$4,854,204)	
10	\$48,714,174	\$46,073,747	\$30,348,664	\$42,770,478	\$41,838,983	\$40,564,103	\$41,190,683	\$42,274,242	\$44,257,438	\$42,388,680	\$42,078,634	\$48,043,677	\$214,881,472	
11	97.97032%	97.97032%	97.97032%	97.97032%	97.97032%	97.97032%	97.97032%	97.97032%	97.97032%	97.97032%	97.97032%	97.97032%	97.97032%	
12	\$44,788,322	\$45,158,597	\$38,586,103	\$41,902,373	\$40,781,494	\$39,740,782	\$40,230,543	\$41,418,210	\$43,017,594	\$41,626,239	\$42,106,501	\$44,163,623	\$504,411,431	
13	\$12,349,674	\$14,229,199	\$14,667,616	\$13,013,324	\$12,802,720	\$12,859,602	\$12,293,132	\$12,165,111	\$12,000,151	\$11,658,604	\$11,728,016	\$11,774,802	\$151,491,400	
14	\$37,038,988	\$39,237,796	\$33,283,760	\$34,913,896	\$33,964,213	\$32,406,674	\$32,823,878	\$33,601,221	\$35,917,733	\$33,414,842	\$33,833,418	\$38,943,488	\$485,602,832	
15	\$32,434,434	\$48,419,054	\$49,832,032	\$43,331,631	\$39,331,343	\$41,802,701	\$43,868,930	\$49,005,836	\$49,280,105	\$42,290,497	\$36,840,617	\$33,736,897	\$702,228,539	
16	(\$3,048,666)	(\$3,048,666)	(\$3,048,666)	(\$3,048,666)	(\$3,048,666)	(\$3,048,666)	(\$3,048,666)	(\$3,048,666)	(\$3,048,666)	(\$3,048,666)	(\$3,048,666)	(\$3,048,666)	(\$36,603,998)	
17	\$47,385,867	\$44,364,488	\$44,765,406	\$48,282,948	\$39,303,289	\$38,853,118	\$40,820,344	\$46,957,270	\$46,240,516	\$39,241,910	\$33,792,331	\$48,892,111	\$641,842,364	
18	(\$5,850,128)	(\$15,063,328)	(\$8,476,314)	(\$8,832,132)	(\$1,866,954)	\$4,434,441	\$8,314,608	\$10,338,948	\$8,331,783	\$3,827,068	(\$2,241,187)	(\$7,285,378)	(\$14,386,328)	
19	(\$4,127)	(\$6,184)	(\$6,336)	(\$6,622)	(\$6,366)	(\$4,259)	(\$2,070)	(\$2,417)	(\$1,750)	(\$1,138)	(\$861)	(\$1,231)	(\$42,704)	
20	(\$60,883,035)	(\$65,189,703)	(\$76,149,831)	(\$78,877,717)	(\$80,167,904)	(\$78,418,829)	(\$69,918,860)	(\$82,866,884)	(\$37,184,663)	(\$23,775,880)	(\$14,901,432)	(\$12,093,012)	(\$80,583,035)	
21	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	(\$7,913,484)	
22	\$5,048,588	\$5,048,588	\$5,048,588	\$5,048,588	\$5,048,588	\$5,048,588	\$5,048,588	\$5,048,588	\$5,048,588	\$5,048,588	\$5,048,588	\$5,048,588	\$60,583,035	
23	(\$73,102,109)	(\$63,063,918)	(\$68,491,201)	(\$68,001,380)	(\$63,339,113)	(\$73,630,344)	(\$66,470,165)	(\$45,068,046)	(\$31,689,434)	(\$22,814,918)	(\$20,608,487)	(\$22,218,616)	(\$22,218,616)	
24														
25	As approved on Order No PSC-13-0684-POP-EI													
26														
27	Total may not add due to rounding													
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