

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 Cost Recovery Clause  
Turkey Point Units 6 & 7

**Twelve Months Ended December 31, 2013**

Docket No. 140009-EI  
Audit Control No. 14-007-4-2

**May 22, 2014**

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Gabriela M. Leon  
Audit Manager

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Yen Ngo  
Audit Staff

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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 Office of Industry Development and Market Analysis in its audit service request dated January 7, 2014. 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 2013 filing for the Nuclear Cost Recovery Clause (Turkey Point Units 6 & 7 Project) in Docket No. 140009-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.

Pre-construction 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.

FPL/Utility refers to Florida Power & Light Company.

CCRC refers to Capacity Cost Recovery Clause.

NCRC refers to Nuclear Cost Recovery Clause.

**Objectives:** The objective was to determine whether the Utility's 2013 NCRC filings in Docket No. 140009-EI are consistent and in compliance with Section 366.93, Florida Statutes (F.S.), and Rule 25-6.0423, Florida Administrative Code (F.A.C.)

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

### **Construction Work in Progress (CWIP)**

**Objectives:** The objectives were to verify that pre-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 sampled and verified the monthly pre-construction expenditures and traced to invoices and other supporting documentation including contracts. We verified various sample items to purchase orders for contracts over \$250,000. We verified a sample of salary expenses and agreed to time sheets. We recalculated the respective overheads. We verified affiliate charges by comparing the cost rate to a market rate to determine that the lower rate was used. We performed an overall calculation of the affiliate rate per hour including overheads, multiplied by the total hours charged to determine the reasonableness of the amount in the filing. We agreed the calculation of the jurisdictional factor to the Utility's documentation. We recalculated Schedule T-6. No exceptions were noted.

### **Recovery**

**Objectives:** The objectives were to determine whether the Utility used the Commission approved CCRC factors to bill customers for the period January 1, 2013 through December 31, 2013 and whether Schedules T-2 and T3A reflect the amounts in Order No. PSC-12-0650-FOF-EI, issued December 11, 2012.

**Procedures:** We agreed the amount collected on the Schedule T-1 to the NCRC jurisdictional amount approved in Order No. PSC-12-0650-FOF-EI, and to the CCRC in Docket No. 140001-EI. No exceptions were noted.

### **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 is accurately calculated.

**Procedures:** We traced the projected and estimated True-Up amount to prior NCRC Orders. We traced the beginning balances included in the schedule to the prior audit. We reconciled the monthly recovered costs to the supporting schedules in the filing. We traced the Allowance for Funds Used During Construction (AFUDC) rate applied to the rates approved in Order Nos. PSC-10-0470-PAA-EI, issued July 23, 2010 and PSC-13-0493-FOF-EI, issued October 18, 2013. We recalculated Schedule T-3A and verified the Final True-Up amount. No exceptions were noted.

### **Other Issues**

**Objectives:** The objectives were to determine whether the carrying cost for site selection and pre-construction costs listed on the Utility's Schedule T-2 include the correct balances from the supporting schedules of the filing and were appropriately calculated.

**Procedures:** We traced the projected and estimated true-up amounts to prior NCRC Orders. We traced the beginning balances included in the schedule to the prior docket. We reconciled the monthly pre-construction costs to the supporting schedules in the filing. We traced the AFUDC rate applied by the Utility to the rate approved in Order Nos. PSC-10-0470-PAA-EI and PSC-13-0493-FOF-EI. We recalculated Schedule T-2 and verified the Final True-Up. We traced adjustments to proper source documentation. No exceptions were noted.

### **True-up**

**Objectives:** The objective was to determine whether the final True-Up filed on Schedule T-1 was properly calculated.

**Procedures:** We recalculated the True-Up as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012. We reconciled the Projected and Actual/Estimated amounts to prior NCRC orders. We traced the site selection and pre-construction cost to supporting schedules. No exceptions were noted.

### **Analytical Review**

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

**Procedures:** We compared 2013 to 2012 costs and used the information to judgmentally select the sample. Further follow-up was not required. No exceptions were noted.

Audit Findings

**None**

## Exhibits

### Exhibit 1: Schedule T-1 True Up of Site Selection Cost

Schedule T-1 (True-up)	<b>Turkey Point Units 6&amp;7</b> <b>Site Selection Costs and Carrying Costs on Site Selection Cost Balance</b> <b>True-up Filing: Retail Revenue Requirements Summary</b>	[Section (6)(c)1.a.]
FLORIDA PUBLIC SERVICE COMMISSION	EXPLANATION: Provide the calculation of the final true-up of total retail revenue requirements based on actual expenditures for the prior year and the previously filed expenditures.	For the Year Ended 12/31/2013
COMPANY: FLORIDA POWER & LIGHT COMPANY		Witness: Jennifer Grant-Keene
DOCKET NO.: 140009-E1		

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	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$90,442
5	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	<u>\$15,074</u>	<u>\$15,074</u>	<u>\$15,074</u>	<u>\$15,074</u>	<u>\$15,074</u>	<u>\$15,074</u>	<u>\$90,442</u>
7	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$90,442
8	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
9	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$90,442
10	<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

See notes on Page 2 of 2

**Turkey Point Units 8&7**  
**Site Selection Costs and Carrying Costs on Site Selection Cost Balance**  
**True-up Filing: Retail Revenue Requirements Summary**

[Section (6)(c)1.a.]

Schedule T-1 (True-up)

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA POWER & LIGHT COMPANY  
 DOCKET NO.: 140009-EI

EXPLANATION: Provide the calculation of the final true-up of total retail revenue requirements based on actual expenditures for the prior year and the previously filed expenditures.

For the Year Ended 12/31/2013  
 Witness: Jennifer Grant-Keene

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	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	\$13,374	\$13,301	\$13,347	\$13,334	\$13,321	\$13,307	\$170,485
5	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	<u>\$13,374</u>	<u>\$13,361</u>	<u>\$13,347</u>	<u>\$13,334</u>	<u>\$13,321</u>	<u>\$13,307</u>	<u>\$170,485</u>
7	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$15,074	\$180,883
8	<u>(\$1,700)</u>	<u>(\$1,713)</u>	<u>(\$1,726)</u>	<u>(\$1,740)</u>	<u>(\$1,753)</u>	<u>(\$1,767)</u>	<u>(\$10,398)</u>
9	\$13,374	\$13,361	\$13,347	\$13,334	\$13,321	\$13,307	\$170,485
10	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Notes:

11 (a) This schedule reflects the terms of the stipulation that was approved by the Commission in Docket No. 130009-EI (see Order No. PSC-13-0403-FOF-EI, Attachment A, issue 1).

\* Totals may not add due to rounding

## Exhibit 2: Schedule T-1 True Up of Pre Construction Cost

Schedule T-1 (True-up)		Turkey Point Units 687 Pre-Construction Costs and Carrying Costs on Construction Cost Balance True-up Filing: Retail Revenue Requirements Summary					[Section (B)(1)a.]	
FLORIDA PUBLIC SERVICE COMMISSION		EXPLANATION: Provide the calculation of the final true-up of total retail revenue requirements based on actual expenditures for the prior year and previously filed expenditures.					For the Year Ended 12/31/2013	
COMPANY: FLORIDA POWER & LIGHT COMPANY							Witness: Jennifer Grant-Keens	
DOCKET NO: 140009-EI								
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)	(\$11,746)	\$164,684	\$1,252,018	\$620,034	\$645,454	\$2,682,923	\$6,353,968
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)	\$505,244	\$510,026	\$510,008	\$524,522	\$531,071	\$541,068	\$3,128,835
5	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Total Period Revenue Requirements (Lines 1 through 5)	\$493,499	\$674,710	\$1,768,024	\$1,144,556	\$1,176,525	\$3,223,989	\$8,462,203
7	Projected Revenue Requirements for the Period (a)	\$1,814,217	\$2,500,923	\$2,504,734	\$1,723,318	\$1,382,481	\$2,920,008	\$12,935,682
8	Difference (True-up to Projections) (Over)/Under Recovery for the Period (Line 6 - Line 7)	(\$1,320,718)	(\$1,916,214)	(\$735,811)	(\$578,763)	(\$205,955)	\$303,981	(\$4,463,479)
9	Actual / Estimated Revenue Requirements for the period (b)	\$493,499	\$674,710	\$1,552,124	\$1,781,872	\$1,614,663	\$1,732,560	\$7,849,229
10	Final True-up Amount for the Period (Line 6 - Line 9)	\$0	\$0	\$216,800	(\$637,117)	(\$436,138)	\$1,491,429	\$632,975
11	(a) Total recovered in 2013 as approved in Order No PRG-12-0650-FOF-EI in Docket No 120209-EI. See Revised WP-5, Column 10, Line 20, Docket No 120209-EI filed June 11, 2012.	January	February	March	April	May	June	6 Month Total
12	2011 Final True-Up (2011 T-1, Line 10)	(\$51)	(\$71)	(\$657,753)	(\$967,571)	(\$2,430,466)	(\$938,458)	(\$4,994,471)
13	2012 (Over)/Under Recovery (AE-1, Line 8)	(\$1,178,270)	(\$923,313)	(\$1,404,788)	(\$309,927)	\$678,376	\$928,829	(\$2,000,094)
14	2013 Projected Cost / Carrying Cost (P-2, Line 7)	\$2,468,499	\$2,580,337	\$4,021,781	\$2,534,014	\$2,568,753	\$2,455,973	\$16,628,458
15	2013 Projected DTA/DTL Carrying Cost (P-3A, Line 8)	\$525,039	\$533,972	\$545,494	\$559,902	\$565,818	\$574,564	\$3,301,789
16	2013 Total (Over)/Under Recovery	\$1,814,217	\$2,500,923	\$2,504,734	\$1,723,318	\$1,382,481	\$2,920,008	\$12,935,582

\* Totals may not add due to rounding

See notes on Page 2 of 2

**Turkey Point Units 667**  
**Pre-Construction Costs and Carrying Costs on Construction Cost Balance**  
**True-up Filing: Retail Revenue Requirements Summary**

[Section (G)(1) a.]

Schedule T-1 (True-up)

FLORIDA PUBLIC SERVICE COMMISSION  
 COMPANY: FLORIDA POWER & LIGHT COMPANY  
 DOCKET NO.: 140009-EI

EXPLANATION: Provide the calculation of the final true-up of total retail revenue requirements based on actual expenditures for the prior year and previously filed expenditures.

For the Year Ended 12/31/2013

Witness: Jennifer Grant-Keene

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	\$1,838,153	\$2,161,902	\$1,023,376	\$1,152,037	(\$24,028)	(\$57,948)	\$12,046,340
2	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	\$480,673	\$499,885	\$508,937	\$516,333	\$521,213	\$524,227	\$6,190,204
5	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	<u>\$2,328,826</u>	<u>\$2,661,967</u>	<u>\$2,132,313</u>	<u>\$1,668,370</u>	<u>\$496,595</u>	<u>\$466,279</u>	<u>\$18,236,544</u>
7	\$1,065,641	\$1,355,005	\$1,320,757	\$663,002	\$406,180	\$2,122,973	\$20,175,240
8	<u>\$1,263,185</u>	<u>\$1,306,962</u>	<u>\$805,557</u>	<u>\$705,368</u>	<u>\$90,405</u>	<u>(\$1,656,685)</u>	<u>(\$1,638,597)</u>
9	\$1,772,611	\$2,849,082	\$1,563,212	\$822,185	\$646,583	\$3,195,291	\$18,700,193
10	<u>\$556,215</u>	<u>(\$187,115)</u>	<u>\$669,101</u>	<u>\$846,185</u>	<u>(\$151,998)</u>	<u>(\$2,726,012)</u>	<u>(\$463,349)</u>

Notes:

(a) Total recovered in 2013 as approved in Order No. PSC-12-0650-FOF-EI in Docket No. 120008-EI. See Revised WP-5, Column 10, Line 20, Docket No. 120009-EI, filed June 11, 2012.	July	August	September	October	November	December	12 Month Total
12 2011 Final True-Up (2011 T-1, Line 10)	(\$1,226,865)	(\$1,610,842)	(\$1,808,687)	(\$2,145,551)	(\$2,827,248)	(\$656,767)	(\$15,372,330)
13 2012 (Over)/Under Recovery (A-E-1, Line 8)	(\$392,827)	\$318,865	\$751,865	\$596,627	\$647,295	\$409,767	\$734,499
14 2013 Projected Cost / Carrying Cost (P-2, Line 7)	\$2,102,947	\$2,056,283	\$1,887,070	\$1,807,063	\$1,677,307	\$1,757,305	\$27,916,133
15 2013 Projected DTA/DTL Carrying Cost (P-3A, Line 8)	\$582,460	\$589,698	\$598,509	\$602,863	\$608,825	\$614,666	\$6,866,139
16 2013 Total (Over)/Under Recovery	<u>\$1,065,641</u>	<u>\$1,355,005</u>	<u>\$1,320,757</u>	<u>\$663,002</u>	<u>\$406,180</u>	<u>\$2,122,973</u>	<u>\$20,175,240</u>

16 (b) This schedule reflects the terms of the stipulation that was approved by the Commission in Docket No. 130008 (see Order No. PGC-13-0493-FOF-EI, Attachment A, issue 1)

\* Totals may not add due to rounding