

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
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2013

Docket No. 140007-EI
Audit Control No. 14-010-4-1
May 29, 2014

A blue ink signature of Bety Maitre, written in a cursive style.

Bety Maitre
Audit Staff

A blue ink signature of Yen Ngo, written in a cursive style.

Yen Ngo
Audit Staff

A blue ink signature of Gabriela M. Leon, written in a cursive style.

Gabriela M. Leon
Audit Manager

A blue ink signature of Jeffery A. Small, written in a cursive style.

Jeffery A. Small
Reviewer

Table of Contents

Purpose	1
Objectives and Procedures.....	2
Audit Findings	
None.....	5
Exhibit	
1: True-Up	1

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 Engineering in its audit service request dated January 09, 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 Environmental Cost Recovery Clause in Docket No. 140007-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

Definition

Utility refers to the Florida Power & Light Company.
ECRC refers to the Environmental Cost Recovery Clause.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify a sample of ECRC project-related plant additions, retirements and adjustments for the period January 1, 2013, through December 31, 2013.

Procedure: We reconciled Plant in Service (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2013 Form 42-8A. No exceptions were noted.

Construction Work in Progress

Objective: The objective was to verify net investments associated with the following capital projects, and to determine whether any project which involved the replacement or retirement of an existing plant asset is retired at the installed costs by the Utility in accordance with Rule 25-6.0142(4)(b), Florida Administrative Code.

- 1) CAIR Compliance No. 31
- 2) Martin Next Generation Solar Energy Center No. 39
- 3) 800 MW Unit ESP Project No. 45

Procedures: We selected a sample of the additions to the capital projects for review. We determined whether additions had appropriate supporting documentation and were recorded to the correct project and account. We determined whether items that were replaced had a corresponding retirement. We compared the ledger to the Depreciation Base and the Non-Interest Bearing amount on Form 42-8A. No exceptions were noted.

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.

Procedures: We reconciled the 2013 filing to the Utility's monthly Environmental Revenue Reports. We computed the factors by rate code and compared them to Order No. PSC-12-0613-FOF-EI, issued November 16, 2012. We selected a random sample of residential and commercial customers' bills for the month of January 2013 and February 2013 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Form 42-5A filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for Projects 31, 39, 45 and 49 for the months January through December 2013. The source documentation for selected items was reviewed to ensure the expense was related to the ECRC, charged to the correct accounts, and in the correct amounts. No exceptions were noted.

Depreciation and Amortization

Objective: The objective was to verify that the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

Procedures: We recalculated Depreciation Expense on a test basis. We traced total year Depreciation Expense for each capital project listed on Form 42-8A to the general ledger detail. No exceptions were noted.

Other Issues

SO₂ Allowances

Objectives: The objectives were to verify investments, inventory, expensed amounts, allowance auction proceeds and to verify amounts included in Working Capital, Form 42-8A.

Procedures: We traced 2013 consumption for SO₂ Allowances from the Utility's detailed Allowances Reports to the Total Emissions Schedule on Form 42-5E. We traced the proceeds on the sales to the Environmental Protection Agency's payment coupons. We reviewed all of the inventory accounts in the ledger and compared them to the inventory reported in the FERC forms. We reconciled the gains in the ledger to the Working Capital calculation on Form 42-8A. We reviewed the Utility's procedure manual for treatment of the allowances and compared it to the ledger. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A 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 ECRC revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2013 to 2012 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

FLORIDA POWER & LIGHT COMPANY
ENVIRONMENTAL COST RECOVERY CLAUSE
CALCULATION OF THE FINAL TRUE-UP AMOUNT FOR THE PERIOD

FORM 42-2A

FOR THE PERIOD OF: JANUARY 2013 THROUGH DECEMBER 2013

	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. ECRC Revenues (net of Revenue Taxes)	\$15,683,634	\$14,681,658	\$14,427,592	\$15,888,017	\$17,887,417	\$19,000,114	\$20,377,201	\$21,501,172	\$21,750,751	\$19,940,125	\$17,075,176	\$18,405,673	\$213,796,533
2. True-up Provision (Order No. PSC-12-0613-PDF-E)	\$82,044	\$82,044	\$82,044	\$82,044	\$82,044	\$82,044	\$82,044	\$82,044	\$82,044	\$82,044	\$82,044	\$82,044	\$884,532
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	\$15,965,679	\$14,743,702	\$14,509,637	\$15,969,061	\$17,969,461	\$19,082,159	\$20,459,245	\$21,583,216	\$21,832,796	\$19,022,169	\$17,157,222	\$18,487,717	\$214,781,065
4. Jurisdictional ECRC Costs													
a. O&M Activities (Form 42-5A, Line 9)	\$2,159,432	\$1,833,028	\$1,130,927	\$1,945,905	\$2,026,985	\$2,005,921	\$2,482,677	\$1,997,926	\$1,337,622	\$1,732,045	\$1,672,027	\$2,741,848	\$23,036,543
b. Capital Investment Projects (Form 42-7A, Line 9)	\$15,299,325	\$15,216,534	\$21,907,697	\$15,426,105	\$15,454,731	\$15,487,917	\$15,512,901	\$15,574,930	\$15,661,523	\$15,694,771	\$15,714,074	\$15,722,197	\$192,672,706
c. Total Jurisdictional ECRC Costs	\$17,458,757	\$17,049,562	\$23,038,625	\$17,372,011	\$17,481,716	\$17,493,839	\$17,995,579	\$17,542,856	\$16,999,145	\$17,426,816	\$17,386,101	\$18,464,045	\$215,709,249
5. Over/(Under) Recovery (Line 3 - Line 4c)	(\$1,493,078)	(\$2,305,860)	(\$8,528,988)	(\$1,403,950)	\$487,746	\$1,588,320	\$2,463,668	\$4,040,360	\$4,833,450	\$1,595,353	(\$228,876)	(\$1,976,328)	(\$826,185)
6. Interest Provision (Form 42-3A, Line 10)	\$83	(\$44)	(\$454)	(\$740)	(\$726)	(\$579)	(\$401)	(\$256)	(\$56)	\$80	\$115	\$77	(\$2,903)
7. Prior Periods True-Up to be Collected/Refunded	\$984,532	(\$590,508)	(\$2,978,456)	(\$11,589,942)	(\$13,076,677)	(\$12,671,703)	(\$11,166,007)	(\$8,784,784)	(\$4,026,724)	(\$75,374)	\$1,438,015	\$1,127,207	\$884,532
a. Deferred True-Up (Form 42-1A, Line 7) ⁽¹⁾	\$1,227,750	\$1,227,750	\$1,227,750	\$1,227,750	\$1,227,750	\$1,227,750	\$1,227,750	\$1,227,750	\$1,227,750	\$1,227,750	\$1,227,750	\$1,227,750	\$0
8. True-Up Collected / (Refunded) (See Line 2)	(\$82,044)	(\$82,044)	(\$82,044)	(\$82,044)	(\$82,044)	(\$82,044)	(\$82,044)	(\$82,044)	(\$82,044)	(\$82,044)	(\$82,044)	(\$82,044)	(\$884,532)
9. End of Period True-Up (Lines 5+6+7+8)	\$637,242	(\$1,750,706)	(\$10,382,192)	(\$11,848,927)	(\$11,443,953)	(\$9,938,257)	(\$7,557,034)	(\$3,598,974)	\$1,152,376	\$2,665,765	\$2,354,957	\$296,862	(\$831,086)
10. Adjustments to Period Total True-Up Including Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11. End of Period Total Net True-Up (Lines 9+10)	\$637,242	(\$1,750,706)	(\$10,382,192)	(\$11,848,927)	(\$11,443,953)	(\$9,938,257)	(\$7,557,034)	(\$3,598,974)	\$1,152,376	\$2,665,765	\$2,354,957	\$296,862	(\$831,086)

⁽¹⁾ From FPL's 2012 Final True-up filed on April 1, 2013.