

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  
Extended Power Uprate  
St. Lucie Units 1 & 2 and Turkey Point Units 3 & 4

**Twelve Months Ended December 31, 2013**

Docket No. 140009-EI  
Audit Control No. 14-007-4-1  
**May 22, 2014**

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Bety Maitre  
Audit Manager

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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 Nuclear Cost Recovery Clause (Extended Power Uprate of St. Lucie Units 1 & 2 and Turkey Point Units 3 & 4 Projects) 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

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.

FPL/Utility refers to Florida Power & Light Company.

CCRC refers to Capacity Cost Recovery Clause.

NCRC refers to Nuclear Cost Recovery Clause.

EPU refers to Extended Power Uprate.

#### Additional Information

The EPU project was completed in 2013. FPL does not anticipate filing for NCRC next year.

**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.

### **Rate Base**

**Objectives:** The objectives were to reconcile actual transfers of construction work in progress to Plant in Service, 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, issued December 11, 2012 and PSC-14-0024-PAA-EI, issued January 10, 2014.

**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. 090130-EI and actual Plant in Service. Plant in Service, Accumulated Depreciation, and Depreciation Expense were compared to the Commission Base Rate change Orders. No exceptions were noted.

## **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 25-6.0423, 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. 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-3, T-3A, T-4, and Appendix C reflect the amounts in Order No. PSC-12-0650-FOF-EI, issued December 12, 2012.

**Procedures:** We agreed the amount collected on Schedules T-3, T-3A, T-4, and Appendix C 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.

## **Expense**

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expense on Schedule T-4 is 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 2013 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. 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 adjustments to prior NCRC Commission Orders. We traced the beginning balances included in the schedule to the prior docket. We reconciled the monthly construction cost to the supporting schedules. We traced the Allowance for Funds Used During Construction (AFUDC) rate applied by the Utility to the rate approved in Order Nos. PSC-10-0470-PAA-EI, issued July 23, 2010 and PSC-13-0493-PAA-EI, issued October 18, 2013. We recalculated Schedule T-3A and verified the True-up. No exceptions were noted.

## **Other Issues**

**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 costs associated with the EPU project.

**Procedures:** We reviewed FPL's testimony and procedures related to the separate and apart process. We used the separate and apart procedures to determine whether CWIP and O&M sample items were 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 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 construction cost to supporting schedules. No exceptions were noted.

## **Analytical Review**

**Objectives:** The objective was to perform an analytical review of the Utility's EPU 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**

## Exhibit

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

Schedule T-1 (True-up)		St. Lucie and Turkey Point Uprate Project Construction Costs and Carrying Costs on Construction Cost Balance True-up Filing: Retail Revenue Requirements Summary						[Section (b)(c)(1).e.]
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-Kuene	
DOCKET NO.: 140008-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	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Construction Carrying Cost Revenue Requirements (Schedule T-3, Page 1, Line 9)	\$3,209,148	\$5,438,159	\$5,907,075	\$3,685,137	\$327,114	\$311,229	\$18,758,463
3	Recoverable O&M Revenue Requirements (Schedule T-4, Page 1, Line 38)	\$152,942	\$1,115,741	\$3,701,375	\$1,054,426	\$880,539	(\$190,079)	\$9,700,244
4	DTA(DTL) Carrying Cost (Schedule T-3A, Page 1, Line 8)	(\$18,210)	(\$9,024)	\$870	\$2,514	(\$51)	(\$52)	(\$21,153)
5	Other Adjustments (a)	\$1,251,036	\$1,263,817	\$1,260,959	\$4,183,703	\$9,056,818	\$8,154,822	\$24,171,054
6	Total Period Revenue Requirements (Lines 1 through 5)	<u>\$4,596,918</u>	<u>\$7,809,492</u>	<u>\$10,770,679</u>	<u>\$8,905,780</u>	<u>\$9,284,620</u>	<u>\$9,260,919</u>	<u>\$49,617,607</u>
7	Projected Revenue Requirements for the period (Order No. PSC 12-0650-FOF-EI)	\$6,637,121	\$8,495,875	\$7,481,326	\$7,303,594	\$7,049,134	\$7,011,240	\$43,978,290
8	Difference (True-up to Projections) (Over)/Under Recovery for the Period (Line 6 - Line 7)	<u>(\$2,040,203)</u>	<u>(\$686,383)</u>	<u>\$3,289,352</u>	<u>\$1,602,186</u>	<u>\$2,235,486</u>	<u>\$1,250,680</u>	<u>\$5,639,318</u>
9	Actual / Estimated Revenue Requirements for the period (b)	\$5,301,954	\$7,815,891	\$10,479,062	\$9,366,853	\$9,832,545	\$8,820,828	\$52,616,933
10	Final True-up Amount for the Period (Line 6 - Line 8)	<u>(\$705,036)</u>	<u>(\$618)</u>	<u>\$291,616</u>	<u>(\$481,083)</u>	<u>(\$367,725)</u>	<u>(\$1,550,908)</u>	<u>(\$2,989,326)</u>

\* Totals may not add due to rounding

See notes on Page 2 of 2



**St. Lucie and Turkey Point Upgrade Project  
Construction Costs and Carrying Costs on Construction 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	Pre-Construction Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Construction Carrying Cost Revenue Requirements (Schedule T-3, Page 2, Line 9)	\$247,185	\$223,790	\$200,269	\$176,778	\$153,317	\$129,520	\$19,889,321
3	Recoverable O&M Revenue Requirements (Schedule T-4, Page 1, Line 35)	\$309,933	\$555,296	\$1,383,541	\$966,646	\$334,236	\$330,961	\$10,599,788
4	DTA/(DTL) Carrying Cost (Schedule T-3A, Page 2, Line 8)	(\$46)	(\$47)	(\$47)	(\$47)	(\$48)	(\$48)	(\$21,439)
5	Other Adjustments (a)	\$8,195,011	\$8,232,685	\$8,270,054	\$8,321,359	\$8,345,152	\$8,368,575	\$73,902,908
6	Total Period Revenue Requirements (Lines 1 through 5)	<u>\$8,762,083</u>	<u>\$9,012,735</u>	<u>\$9,862,827</u>	<u>\$9,464,736</u>	<u>\$8,832,657</u>	<u>\$8,827,908</u>	<u>\$104,370,552</u>
7	Projected Revenue Requirements for the period (Order No. PSC 12-0850-FOF-EI)	\$6,973,345	\$6,935,451	\$6,897,557	\$6,859,663	\$6,821,769	\$6,783,875	\$65,249,950
8	Difference (True-up to Projections) (Over)/Under Recovery for the Period (Line 6 - Line 7)	<u>\$1,778,738</u>	<u>\$2,077,284</u>	<u>\$2,965,270</u>	<u>\$2,605,072</u>	<u>\$2,010,888</u>	<u>\$2,044,033</u>	<u>\$39,120,602</u>
9	Actual / Estimated Revenue Requirements for the period (a)	\$9,578,017	\$9,001,048	\$8,877,443	\$8,879,076	\$8,668,962	\$8,653,505	\$107,273,584
10	Final True-up Amount for the Period (Line 6 - Line 9)	<u>(\$823,934)</u>	<u>(\$988,313)</u>	<u>\$985,384</u>	<u>\$585,660</u>	<u>(\$183,305)</u>	<u>(\$26,597)</u>	<u>(\$2,803,032)</u>

Notes:

- 11 (a) Other Adjustments Line 5 represents Base Rate Revenue Requirements for 2013 and carrying costs on over/under recoveries. Refer to Appendix C Line 8.  
12 (b) This schedule reflects the terms of the stipulation that was approved by the Commission in Docket No. 130009-EI (see Order No. PSC-13-0493-FCF-EI, Attachment A, Issue 1).

\* Totals may not add due to rounding