

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  
Energy Conservation Cost Recovery

**Twelve Months Ended December 31, 2013**

Docket No. 140002-EG  
Audit Control No. 14-017-4-1  
**June 16, 2014**

A handwritten signature in blue ink, appearing to read "Iliana H. Piedra".

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Iliana H. Piedra  
Audit Manager

A handwritten signature in blue ink, appearing to read "Jeffery A. Small".

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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 Division of Economic Regulation in its audit service request dated January 14, 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 Energy Conservation Cost Recovery clause in Docket No. 140002-EG.

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

FPL/Utility refers to Florida Power & Light Company.  
ECCR refers to the Energy Conservation Cost Recovery.

### **Capital Investments**

**Objectives:** The objectives were to verify the accuracy of the balances for ECCR project related plant additions, retirements and adjustments for the period January 1, 2013, through December 31, 2013.

**Procedure:** We reconciled Plant in Service and Accumulated Depreciation for selected capital projects on Schedules CT-4 of the Utility's filing to the Plant and Reserve Balances by Production Site reports. We selected specific months and obtained detail from an Activity Cost Report. We traced selected items to source documentation. We recalculated the return on investment amounts using the Utility's debt and equity rates. No exceptions were noted.

### **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 the Utility applied the Commission approved cost recovery factor to actual KWH sales.

**Procedures:** We computed revenues using the factors in Order No. PSC 12-0611-FOF-EG, issued November 15, 2012 and actual KWH usage and reconciled them to the general ledger and the ECCR 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.

### **Expense**

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on Schedule CT-3 of the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECCR clause.

**Procedures:** We traced O&M 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 for the current period, charged to the correct account and appropriately recoverable through the ECCR clause. We reconciled incentives to the corresponding program standards. Advertising expenses were reviewed for compliance with Rule 25-17.015(5), Energy Conservation Cost Recovery, Florida Administrative Code. We recalculated the amounts included in base rates using the applicable base amount and payroll tax

rate. We recalculated a sample of 2013 depreciation expense and traced total depreciation expense to the general ledger. No exceptions were noted.

### **True-up**

**Objective:** The objective was to determine if the True-Up and Interest Provision as filed on Schedule CT-3 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 ECCR revenues and costs. No exceptions were noted.

### **Analytical Review**

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

**Procedures:** We compared 2013 to 2012 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  
ENERGY CONSERVATION COST RECOVERY  
CONSERVATION PROGRAM COSTS

SCHEDULE D1-3

JANUARY THROUGH DECEMBER 2013

	Monthly Data												Twelve Month Amount
	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	
1. Residential Home Energy Survey	\$42,816	\$46,526	\$540,747	\$456,196	\$565,026	\$561,726	\$1,905,615	\$1,404,128	\$1,912,997	\$1,596,154	\$1,127,771	\$707,647	\$11,719,821
2. Residential Building Envelope	\$360,649	\$237,087	\$231,825	\$234,798	\$223,677	\$166,156	\$317,812	\$341,391	\$220,145	\$376,490	\$264,651	\$272,297	\$3,230,196
3. Residential Duct System Testing & Repair	\$52,063	\$49,461	\$66,368	\$52,633	\$49,362	\$40,391	\$64,112	\$49,950	\$36,605	\$49,142	\$52,489	\$62,579	\$625,187
4. Residential Air Conditioning	\$3,485,547	\$4,079,728	\$4,069,457	\$5,229,280	\$5,482,478	\$5,535,063	\$5,950,367	\$7,785,055	\$7,534,665	\$7,119,492	\$4,445,781	\$4,765,383	\$65,518,266
5. Residential New Construction (BuildSmart)	\$48,807	\$59,293	\$69,006	\$58,198	\$57,650	\$47,925	\$58,666	\$55,997	\$55,114	\$40,564	\$53,080	\$54,451	\$567,770
6. Residential Low-income Weatherization	\$25,088	\$14,400	\$21,417	\$9,038	\$7,291	\$11,456	\$12,201	\$10,567	\$7,564	\$5,908	\$7,269	\$5,236	\$137,427
7. Residential Load Management ("On Call")	\$3,456,044	\$3,519,261	\$3,385,165	\$5,029,907	\$5,376,596	\$5,379,718	\$5,272,791	\$5,334,906	\$5,451,713	\$6,720,105	\$3,714,637	\$3,477,465	\$65,068,367
8. Business Energy Evaluation	\$362,181	\$334,931	\$350,031	\$479,635	\$266,636	\$418,651	\$1,025,312	\$855,994	\$1,106,276	\$617,989	\$718,564	\$611,102	\$7,551,501
9. Business Efficient Lighting	\$39,294	\$49,775	\$47,109	\$18,819	\$43,876	\$42,213	\$47,453	\$32,650	\$77,784	\$27,562	\$42,593	\$50,422	\$564,340
10. Business Heating Ventilating & A/C	\$464,088	\$98,206	\$210,839	\$300,617	\$82,175	\$650,621	\$298,878	\$946,066	\$709,692	\$764,461	\$181,441	\$1,901,007	\$6,708,068
11. Business Custom Incentive	\$1,723	\$1,531	\$1,809	\$8,113	\$1,777	\$20,512	\$441,628	\$4,697	\$3,867	\$124,613	\$8,806	\$164,657	\$813,752
12. Business Building Envelope	\$698,012	\$1,087,726	\$452,692	\$561,355	\$407,956	\$381,827	\$387,517	\$323,720	\$633,700	\$673,759	\$483,369	\$941,156	\$7,012,809
13. Business Waste Heating	\$3,842	\$2,641	\$2,124	\$2,711	\$2,677	\$3,848	\$4,663	\$2,034	\$2,583	\$1,010	\$1,196	\$3,231	\$34,958
14. Business Refrigeration	\$1,937	\$2,172	\$3,136	\$29,891	(\$25,291)	\$1,466	\$4,394	\$2,869	\$3,744	\$1,757	\$2,273	\$2,577	\$30,955
15. Business On Call	\$48,506	\$42,436	\$69,866	\$465,515	\$504,350	\$565,820	\$545,059	\$560,965	\$547,605	\$438,555	\$104,857	\$61,853	\$3,936,622
16. Commercial/Industrial Load Control	\$2,529,641	\$2,478,941	\$2,492,551	\$3,169,164	\$2,890,491	\$5,629,293	\$3,495,600	\$3,006,416	\$3,583,464	\$2,843,576	\$3,281,915	\$4,372,310	\$39,773,297
17. Commercial/Industrial Demand Reduction	\$1,115,613	\$1,110,954	\$1,092,693	\$1,245,407	\$1,383,817	\$1,513,731	\$1,507,283	\$1,595,595	\$1,563,145	\$1,521,179	\$1,393,234	\$1,256,714	\$16,248,326
18. Res. Solar Water Heating Pilot	\$172,553	\$118,640	\$129,163	\$123,228	\$118,880	\$88,317	\$130,481	\$93,216	\$92,043	\$94,953	\$104,920	\$126,796	\$1,367,853
19. Res. Solar Water Heating (LINC) Pilot	\$50,659	\$9,774	\$14,114	\$36,026	\$66,456	\$36,113	\$104,697	\$72,389	\$15,442	\$12,492	\$39,044	\$26,778	\$480,150
20. Residential Photovoltaic Pilot	\$1,211,039	\$923,644	\$541,829	\$213,695	\$318,936	\$155,735	\$175,627	\$61,577	\$36,854	\$44,395	\$67,365	\$662,168	\$4,412,975
21. Business Solar Water Heating Pilot	\$29,910	\$11,408	\$5,168	\$26,142	\$8,019	\$6,408	\$2,688	\$2,268	\$4,666	\$2,809	\$2,949	\$23,893	\$126,308
22. Business Photovoltaic Pilot	\$130,275	\$446,326	\$300,153	\$475,852	\$166,004	\$110,249	\$89,419	\$30,196	(\$12,126)	\$43,399	\$51,495	\$117,711	\$1,848,955
23. Business Photovoltaic for Service Pilot	\$10,551	\$8,294	\$17,732	\$42,613	\$15,038	\$13,216	\$29,285	\$25,127	\$56,460	\$49,927	\$78,766	\$49,927	\$414,071
24. Renewable Research & Demo. Project	\$22,584	\$29,440	\$2,999	\$143,942	\$46,656	\$24,969	\$11,029	\$31,219	\$13,858	\$33,691	\$84,826	\$172,579	\$987,662
25. Solar Pilot Projects Common Expenses	\$47,634	\$46,083	\$46,492	\$46,258	\$46,326	\$41,736	\$48,121	\$45,625	\$45,138	\$43,311	\$45,693	\$51,586	\$553,974
26. Cogeneration & Small Power Production	\$53,260	\$42,071	\$47,846	\$49,517	\$53,279	\$46,356	\$51,069	\$50,653	\$49,673	\$49,947	\$44,056	\$48,244	\$578,252
27. Conservator Research & Development	\$26,356	\$34,177	\$27,686	\$16,236	\$14,748	\$8,270	\$138,948	\$81,652	\$138,948	\$12,830	\$27,907	\$44,773	\$474,773
28. Common Expenses	\$1,328,393	\$1,058,402	\$1,157,259	\$1,157,888	\$1,220,728	\$1,113,781	\$1,201,144	\$1,120,884	\$1,033,593	\$1,174,910	\$1,641,676	\$1,191,567	\$13,606,517
29. Subtotal All Programs	\$16,191,825	\$16,366,367	\$15,497,284	\$19,703,172	\$19,518,005	\$22,659,384	\$23,266,174	\$23,915,048	\$24,843,568	\$23,820,945	\$17,405,749	\$21,235,972	\$244,443,534
30. Less: Included in Base Rates	(\$147,281)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$147,281)
31. Recoverable Conservation Expenses	\$16,044,544	\$16,366,367	\$15,497,284	\$19,703,172	\$19,518,005	\$22,659,384	\$23,266,174	\$23,915,048	\$24,843,568	\$23,820,945	\$17,405,749	\$21,235,972	\$244,296,253

FLORIDA POWER & LIGHT COMPANY  
ENERGY CONSERVATION COST RECOVERY  
CONSERVATION TRUE-UP AND INTEREST CALCULATION

SCHEDULE C-3

JANUARY 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
<b>B. CONSERVATION PROGRAM REVENUES</b>													
1. Residential Load Control Credit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Conservation Clause Revenues (Net of Revenue Taxes)	\$17,058,694	\$16,128,653	\$16,254,314	\$17,369,423	\$18,925,743	\$20,020,428	\$21,269,511	\$22,227,676	\$22,322,341	\$20,155,928	\$18,359,583	\$17,477,634	\$227,618,978
3. Total Revenues	\$17,058,694	\$16,128,653	\$16,254,314	\$17,369,423	\$18,925,743	\$20,020,428	\$21,269,511	\$22,227,676	\$22,322,341	\$20,155,928	\$18,359,583	\$17,477,634	\$227,618,978
4. Adjustment Not Applicable To Period - Prior True-up	\$216,137	\$216,137	\$216,137	\$216,137	\$216,137	\$216,137	\$216,137	\$216,137	\$216,137	\$216,137	\$216,137	\$216,137	\$2,593,640
5. Conservation Revenues Applicable To Period (Line B3 - B4)	\$17,284,830	\$16,344,790	\$16,480,451	\$17,576,559	\$19,141,880	\$20,236,565	\$21,484,648	\$22,443,813	\$22,538,477	\$20,371,995	\$18,614,820	\$17,693,821	\$230,212,518
6. Conservation Expenses (From C-3, Page 1, Line 31)	\$16,044,544	\$16,386,367	\$15,497,284	\$19,703,172	\$19,518,005	\$22,659,354	\$23,265,174	\$23,915,048	\$24,843,598	\$23,820,645	\$17,465,749	\$21,235,972	\$244,296,255
7. True-up This Period (Line B5 - Line B6)	\$1,240,286	(\$41,576)	\$983,166	(\$2,126,613)	(\$176,126)	(\$2,422,830)	(\$1,761,526)	(\$1,471,235)	(\$2,305,121)	(\$3,448,990)	\$1,209,070	(\$3,542,151)	(\$14,083,635)
8. Interest Provision For The Month (From C-3, Page 3, Line C10)	\$192	\$291	\$295	\$210	\$105	\$3	(\$193)	(\$168)	(\$284)	(\$386)	(\$487)	(\$790)	(\$1,053)
9. True-up & Interest Provision Beginning of Month	\$2,593,640	\$3,617,981	\$3,360,560	\$4,127,884	\$1,795,344	\$1,193,187	(\$1,445,776)	(\$3,443,542)	(\$5,131,101)	(\$7,652,645)	(\$11,318,147)	(\$10,325,700)	\$2,593,640
9a. Deferred True-up Beginning of Period	\$189,597	\$189,597	\$189,597	\$189,597	\$189,597	\$189,597	\$189,597	\$189,597	\$189,597	\$189,597	\$189,597	\$189,597	\$189,597
10. Prior True-up Collected/Refunded	(\$216,137)	(\$216,137)	(\$216,137)	(\$216,137)	(\$216,137)	(\$216,137)	(\$216,137)	(\$216,137)	(\$216,137)	(\$216,137)	(\$216,137)	(\$216,137)	(\$2,593,640)
11. End of Period True-up - Over/(Under) Recovery (Line B7+B8+B9+B9a+B10)	\$2,807,578	\$3,550,157	\$4,317,481	\$1,974,541	\$1,382,764	(\$1,256,179)	(\$3,253,945)	(\$4,941,504)	(\$7,462,046)	(\$11,128,550)	(\$10,136,103)	(\$13,895,052)	(\$13,895,052)

Totals may not add due to rounding.

( ) Reflects Under-recovery

N/A = Not applicable

FLORIDA POWER & LIGHT COMPANY  
ENERGY CONSERVATION COST RECOVERY  
CONSERVATION TRUE-UP AND INTEREST CALCULATION

SCHEDULE CT-3

JANUARY 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
<b>C. INTEREST PROVISION</b>													
1. Beginning True-up Amount (Line B3 + B9a)	\$2,763,237	\$3,807,578	\$3,550,157	\$4,317,481	\$1,974,941	\$1,362,784	(\$1,256,179)	(\$2,253,945)	(\$4,941,504)	(\$7,483,045)	(\$11,128,553)	(\$10,136,103)	(\$20,363,149)
2. Ending True-up Amount Before Interest (Line B7+B9-B9a+E10)	\$3,807,386	\$3,549,965	\$4,317,186	\$1,974,732	\$1,362,579	(\$1,256,183)	(\$2,253,842)	(\$4,941,317)	(\$7,482,762)	(\$11,128,162)	(\$10,135,616)	(\$13,894,391)	(\$37,040,424)
3. Total of Beginning & Ending True-up (Line C1+C2)	\$6,590,623	\$7,357,444	\$7,867,343	\$6,292,213	\$3,357,521	\$126,601	(\$4,510,021)	(\$6,195,262)	(\$12,404,268)	(\$18,561,209)	(\$21,264,169)	(\$24,030,494)	(\$57,403,573)
4. Average True-up Amount (50% of Line C3)	\$3,295,312	\$3,678,722	\$3,933,671	\$3,146,106	\$1,678,810	\$63,301	(\$2,255,010)	(\$4,097,631)	(\$6,202,133)	(\$9,285,604)	(\$10,632,083)	(\$12,015,247)	(\$28,701,786)
5. Interest Rate - First Day of Reporting Business Month	0.05000%	0.09000%	0.10000%	0.08000%	0.08000%	0.07000%	0.06000%	0.05000%	0.06000%	0.05000%	0.05000%	0.06000%	N/A
5. Interest Rate - First day of Subsequent Business Month	0.09000%	0.10000%	0.08000%	0.08000%	0.07000%	0.06000%	0.05000%	0.06000%	0.05000%	0.05000%	0.05000%	0.06000%	N/A
7. Total (Line C5 + C6)	0.14000%	0.19000%	0.18000%	0.16000%	0.15000%	0.13000%	0.11000%	0.11000%	0.11000%	0.10000%	0.11000%	0.14000%	N/A
8. Average Interest Rate (50% of Line C7)	0.07000%	0.09500%	0.09000%	0.08000%	0.07500%	0.06500%	0.05500%	0.05500%	0.05500%	0.05000%	0.05500%	0.07000%	N/A
9. Monthly Average Interest Rate (Line C8 / 12)	0.00583%	0.00792%	0.00750%	0.00667%	0.00625%	0.00542%	0.00458%	0.00458%	0.00458%	0.00417%	0.00458%	0.00583%	N/A
10. Interest Provision for the Month (Line C4 x C8)	\$192	\$281	\$295	\$210	\$105	\$3	(\$193)	(\$188)	(\$284)	(\$388)	(\$497)	(\$700)	(\$1,053)

Totals may not add due to rounding.

( ) Reflects Under-recovery

N/A = Not applicable