

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: May 5, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150001-EI
Company Name: Florida Power & Light
Company Code: EI802
Audit Purpose: Capacity Cost Recovery Clause
Audit Control No: 15-023-4-2

Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of this memo and the audit report. If the Utility desires to file a response to the audit report, it should send a response to the Office of Commission Clerk. There is confidential work papers associated with this audit.

LMD/cp

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

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, 2014

Docket No. 150001-EI
Audit Control No. 15-023-4-2
April 29, 2015

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

Iliana H. Piedra
Audit Manager

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

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 22, 2015. 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 2014 filing for the Capacity Cost Recovery Clause in Docket No. 150001-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

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, 2014, through December 31, 2014, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We computed revenues using the factors in Order No. 13-0665-FOF-EI, issued December 18, 2013 and actual KWH sales from the Revenue Reports and reconciled them to the general ledger and the CCRC. 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. 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. No exceptions were noted.

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 per 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 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 operation and maintenance (O&M) expenses listed on the Utility's filing were supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC.

Procedures: We traced the monthly charges for transmission of electricity by others in the filing to the general ledger. We selected a month of transmission charges for testing. The source

documentation for the selected items was reviewed to ensure that the expenses were related to the CCRC. 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 the monthly capacity charges to the general ledger. We selected a sample of various months for different vendors and agreed the purchases to the terms and conditions in the contracts. 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. 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 2014 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 Order No. PSC-03-1461-FOF-EI, issued December 22, 2003. No exceptions were noted.

Other

Capital Investments

Objectives: The objectives were to determine the accuracy of the balances for the Incremental Security Return on Investment Schedules for the period January 1, 2014 through December 31, 2014.

Procedures: We agreed the Plant in Service and Construction Work in Progress balances to the general ledger. We selected specific months for testing and agreed these items to source documentation. We recalculated the depreciation expense using approved Commission rates. We recalculated the return on investment amounts using the Utility's debt and equity rates. No exceptions were noted.

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, 2013, True-Up Provision to the Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014 using the Commission approved beginning balance as of December 31, 2013, the Financial Commercial Paper rates, and the 2014 CCRC revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2014 to 2013 expenses. The explanations provided by the Utility for significant variances were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

	(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	Payments to Non-co-generators	\$ 15,981,900	\$ 16,233,234	\$ 16,358,713	\$ 16,555,580	\$ 16,366,782	\$ 15,991,037	\$ 16,262,201	\$ 16,357,770	\$ 18,065,229	\$ 14,327,837	\$ 13,524,020	\$ 13,664,413	\$ 189,688,716
2	Payments to Co-generators	\$ 23,244,820	\$ 23,022,928	\$ 23,623,265	\$ 23,628,645	\$ 23,617,296	\$ 23,628,851	\$ 23,625,996	\$ 23,636,729	\$ 23,639,375	\$ 23,633,321	\$ 23,661,673	\$ 23,087,398	\$ 282,650,298
3	SJRPP Suspension Accrual	(\$ 763,761)	(\$ 763,761)	(\$ 763,761)	(\$ 681,721)	(\$ 743,251)	(\$ 743,251)	(\$ 743,251)	(\$ 743,251)	(\$ 743,251)	(\$ 743,251)	(\$ 743,251)	(\$ 743,251)	(\$ 8,919,012)
4	Return on SJRPP Suspension Liability	(\$ 364,800)	(\$ 358,703)	(\$ 352,605)	(\$ 346,835)	(\$ 341,147)	(\$ 335,213)	(\$ 324,533)	(\$ 318,685)	(\$ 312,837)	(\$ 306,988)	(\$ 301,140)	(\$ 295,291)	(\$ 3,958,776)
5	Incremental Plant Security Costs O&M	\$ 2,812,089	\$ 2,361,141	\$ 3,121,461	\$ 2,577,033	\$ 3,021,100	\$ 3,500,438	\$ 2,763,956	\$ 3,273,372	\$ 3,521,219	\$ 3,522,280	\$ 4,587,244	\$ 4,356,995	\$ 39,418,329
6	Incremental Plant Security Costs Capital	\$ 0	\$ 8	\$ 498	\$ 1,556	\$ 3,997	\$ 7,539	\$ 17,598	\$ 24,434	\$ 25,931	\$ 34,512	\$ 44,182	\$ 58,340	\$ 218,596
7	Incremental Nuclear NRC Compliance Costs O&M	\$ 0	\$ 0	\$ 417,452	\$ 57,564	\$ 86,790	\$ 45,317	\$ 8,880	\$ 71,186	\$ 2,073,352	\$ 77,090	\$ 38,786	\$ 303,221	\$ 3,179,640
8	Incremental Nuclear NRC Compliance Costs Capital	\$ 22,579	\$ 31,025	\$ 36,604	\$ 44,186	\$ 53,653	\$ 63,646	\$ 79,726	\$ 101,208	\$ 124,861	\$ 147,076	\$ 168,517	\$ 197,451	\$ 1,070,553
9	Transmission of Electricity by Others	\$ 1,594,907	\$ 2,075,397	\$ 2,025,711	\$ 1,887,221	\$ 2,165,572	\$ 618,359	\$ 936,268	\$ 785,079	\$ 876,565	\$ 1,550,843	\$ 2,026,839	\$ 2,508,320	\$ 19,051,081
10	Transmission Revenues from Capacity Sales	(\$ 796,807)	(\$ 666,444)	(\$ 390,253)	(\$ 190,943)	(\$ 283,539)	(\$ 273,311)	(\$ 219,499)	(\$ 148,036)	(\$ 241,059)	(\$ 356,000)	(\$ 610,779)	(\$ 500,958)	(\$ 4,677,629)
11	Total (Lines 1 through 10)	\$ 41,730,927	\$ 42,534,826	\$ 44,077,085	\$ 43,532,287	\$ 43,947,254	\$ 42,503,412	\$ 42,407,343	\$ 43,039,805	\$ 47,029,386	\$ 41,886,720	\$ 42,396,090	\$ 42,636,638	\$ 517,721,772
12	Jurisdictional Separation Factor ¹⁾	95.20688%	95.20688%	95.20688%	95.20688%	95.20688%	95.20688%	95.20688%	95.20688%	95.20688%	95.20688%	95.20688%	95.20688%	N/A
13	Jurisdictional CCR Charges	\$ 39,730,715	\$ 40,496,082	\$ 41,964,419	\$ 41,445,734	\$ 41,840,811	\$ 40,466,174	\$ 40,374,710	\$ 40,976,858	\$ 44,775,213	\$ 39,879,041	\$ 40,363,997	\$ 40,593,014	\$ 492,906,767
14	Nuclear Cost Recovery Costs ²⁾	\$ 3,489,048	\$ 3,133,366	\$ 3,699,553	\$ 3,404,690	\$ 3,511,264	\$ 3,747,873	\$ 3,300,047	\$ 3,243,053	\$ 3,715,196	\$ 3,280,069	\$ 3,093,881	\$ 5,843,207	\$ 43,461,248
15	Jurisdictional CCR Charges	\$ 43,219,763	\$ 43,629,448	\$ 45,663,972	\$ 44,850,424	\$ 45,352,074	\$ 44,214,048	\$ 43,674,757	\$ 44,219,911	\$ 48,490,409	\$ 43,159,110	\$ 43,457,877	\$ 46,436,221	\$ 536,368,015
16	CCR Revenues (Net of Revenue Taxes)	\$ 45,101,409	\$ 42,451,927	\$ 40,975,966	\$ 42,967,824	\$ 49,497,111	\$ 51,123,371	\$ 53,946,292	\$ 57,182,571	\$ 57,368,989	\$ 50,503,207	\$ 43,709,548	\$ 42,162,192	\$ 576,990,405
17	Prior Period True-up Provision	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 2,772,556)	(\$ 33,270,675)
18	CCR Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 42,328,852	\$ 39,679,371	\$ 38,203,410	\$ 40,195,268	\$ 46,724,555	\$ 48,350,814	\$ 51,173,735	\$ 54,410,015	\$ 54,596,432	\$ 47,730,651	\$ 40,936,991	\$ 39,389,636	\$ 543,719,730
19	True-up Provision for Month - Over / (Under) Recovery (Line 18 - Line 15)	(\$ 890,911)	(\$ 3,950,077)	(\$ 7,460,562)	(\$ 4,655,156)	\$ 1,372,480	\$ 4,136,767	\$ 7,498,978	\$ 10,190,104	\$ 6,106,023	\$ 4,571,541	(\$ 2,520,886)	(\$ 7,046,586)	\$ 7,351,716
20	Interest Provision for Month	(\$ 1,330)	(\$ 1,134)	(\$ 1,293)	(\$ 1,697)	(\$ 1,301)	(\$ 854)	(\$ 595)	(\$ 15)	\$ 577	\$ 1,016	\$ 1,409	\$ 1,540	(\$ 3,677)
21	True-up Interest Provision Beginning of Month - Over / (Under) Recovery	(\$ 33,270,675)	(\$ 31,390,359)	(\$ 32,569,014)	(\$ 37,258,313)	(\$ 39,142,610)	(\$ 34,998,874)	(\$ 28,090,405)	(\$ 17,819,466)	(\$ 4,856,821)	\$ 4,022,335	\$ 11,367,448	\$ 11,620,528	(\$ 33,270,675)
22	Deferred True-up - Over / (Under) Recovery	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159	\$ 11,054,159
23	Prior Period True-up Provision - Collected / (Refunded) this Month	\$ 2,772,556	\$ 2,772,556	\$ 2,772,556	\$ 2,772,556	\$ 2,772,556	\$ 2,772,556	\$ 2,772,556	\$ 2,772,556	\$ 2,772,556	\$ 2,772,556	\$ 2,772,556	\$ 2,772,556	\$ 33,270,675
24	End of Period True-up - Over / (Under) Recovery (Sum of Lines 19 through 23)	(\$ 20,336,200)	(\$ 21,514,855)	(\$ 26,204,154)	(\$ 28,088,451)	(\$ 23,944,715)	(\$ 17,036,246)	(\$ 6,765,307)	\$ 6,197,338	\$ 15,076,494	\$ 22,421,607	\$ 22,674,687	\$ 18,402,198	\$ 18,402,198
25														
26	¹⁾ As approved on Order No PSC-13-0665-FOF-EI													
27														
28	Total may not add due to rounding													
29														