

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: June 9, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: Fuel Cost Recovery Clause
Audit Control No: 16-020-4-1

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 are confidential work papers associated with this audit.

LMD/cm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

tate of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

Auditor's Report

Florida Power & Light Company
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2015

Docket No. 160001-EI
Audit Control No. 16-020-4-1
May 25, 2016

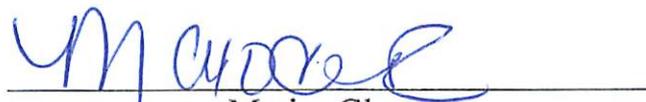


Yen Ngo
Audit Manager



Gabriela Leon

Audit Staff



Marisa Glover
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report set forth by the Division of Accounting and Finance in its audit service request dated January 20, 2016. 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 2015 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 160001-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

FPL/Utility refers to the Florida Power & Light Company.

FAC refers to the Fuel and Purchased Power Cost Recovery Clause.

Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2015, through December 31, 2015, and whether FPL applied the Commission approved cost recovery factor to actual KWH sales for the FAC.

Procedures: We computed revenues using the factors in Order No. 14-0701-FOF-EI, issued December 19, 2014 and actual KWH sales from the Fuel Revenue Reports and reconciled them to the general ledger and FAC. 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.

Expenses

Objectives: The objectives were to review the expenses which the Utility included in the FAC and to determine whether those expenses are properly recoverable based on the requirements established in Order No. 14546, issued July 8, 1985.

Procedures: We reconciled fuel expenses in the FAC to the general ledger. We reviewed and sampled fuel expenses reported on Schedules A-1 and A-2 and other supporting documentation to determine that fuel expense included in the FAC complied with the requirements of Order No. 14546. No exceptions were noted.

Objectives: The objective was to determine whether generation-related gains derived from non-separated wholesale energy sales were credited to the FAC as required in Order No. PSC-00-1744-PAA-EI, issued September 26, 2000.

Procedures: We selected August's Energy Marketing energy sales transactions to sample for the period. The transactions were traced to invoices, and Energy Marketing reports. The gains were recalculated and the credit was traced to the FAC. No exceptions were noted.

Objective: The objective was to determine whether energy payments to qualifying facilities on Schedule A-8 are based on the appropriate standard offer or negotiated contract rate.

Procedures: We selected a sample of energy payment transactions for the period. The payments were traced to purchase statements, invoices and billing statements. The gains were recalculated and the credit was traced to the FAC. No exceptions were noted.

Objectives: The objective was to determine whether the payments for firm natural gas storage were recorded according to the terms and conditions of the Storage Service Agreement between FPL and Bay Gas Storage Co., Ltd.

Procedures: We tested a sample of vendor invoices and agreed the quantities and costs to the terms and conditions of the gas storage agreement. No exceptions were noted.

Objective: The objective was to determine whether the firm transportation service (FTS) charge for transporting natural gas agrees with the FTS rate schedules from the pipeline company's tariff.

Procedures: We obtained lists of all FTS payments in 2015. We sampled FTS payments and traced them to the vendor invoices, FPL purchase statements and to the pipeline company's posted tariffs. No exceptions were noted.

Objectives: The objective was to determine whether purchased power payments on Schedule A-7 were accurate and charged according to the vendor contracts.

Procedures: We obtained and sampled purchased power for Jacksonville Electric Authority and Southern Company. We recalculated and traced the sample to the true-up schedules. The true-up schedules were verified and the prior months fuel costs were reconciled to actual invoices. No exceptions were noted.

Inventory

Objectives: The objectives were to determine whether semi-annual coal inventory surveys were completed and that inventory adjustments to coal supplies were made as required in Order PSC-97-0359-FOF-EI, issued March 31, 1997.

Procedures: We obtained FPL's coal inventory analysis, inventory adjustment and survey reports. The adjustments were recalculated and reconciled to the survey reports and inventory analysis. We verified that the inventory adjustment calculations were consistent with the requirements of Order No. PSC-97-0359-FOF-EI. The inventory adjustments were traced to the FAC and the general ledger. No exceptions were noted.

Other

Objectives: The objective was to determine whether any vendor credits or rebates were credited to fuel cost in the FAC.

Procedures: We obtained a schedule of FPL's fuel payable account for the period. We selected a sample of invoices and verified that no credits or refunds were present. Additionally, we obtained a statement from FPL confirming that no credits or refunds were received during the period. No exceptions were noted.

Objective: The objective was to determine whether the heat rates shown on Schedule A-4 for the Generating Performance Incentive Factor (GPIF) units reconcile with the annual GPIF filings.

Procedures: We reconciled the heat rates with the annual GPIF filings. We recalculated and reconciled the service hours, reserve shutdown hours, and unavailable hours to source documentation. No exceptions were noted.

Objective: The objectives were to determine whether the coal and oil purchases on Form 423 reconcile with the FAC and are supported by source documentation and backed by contractual obligations.

Procedures: We reconciled coal and oil purchases on Form 423 with the FAC and the Fossil Fuel Inventory Report for the period. We traced Schedule A-5 to the Fuel Used in the Electric Generating Plants Reports which were tested in our sampling of Fuel Costs of System Net Generation. We also traced receipts to the fuel invoices and verified that the transportation rates were calculated in compliance with vendor contracts. No exceptions were noted.

Objective: The objective was to determine whether the incremental gains included in the FAC are consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-13-0023-S-EI, issued January 14, 2013.

Procedures: We obtained a schedule of all incremental gains by asset optimization measure as defined in Order No. PSC-13-0023-S-EI that were included in the FAC. We reviewed a sample of the transactions for each asset optimization measure for the period and traced each transaction to supporting invoices, purchase statements, and pipeline reports. We verified that the transactions were "arm's length" and not associated with FPL's parent, NextEra Energy, Inc. or its subsidiaries. We recalculated the incremental gains and reviewed the market price and index inputs used by FPL to calculate the gains. We also selected a sample of incremental costs and traced them to the invoices to verify these costs were related to the Incremental Optimization program. No exceptions were noted.

Objective: The objective was to determine whether the incremental optimization costs included in the FAC are consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-13-0023-S-EI.

Procedures: We obtained a schedule of all incremental optimization costs as defined in Order No. PSC-13-0023-S-EI that were included in the FAC. We reviewed a sample of the incremental costs incurred by FPL to manage the Incentive Mechanism and its related purchase and sales programs. No exceptions were noted.

Objectives: The objectives were to determine whether the gains on short-term power sales and the savings on short-term power purchases are included in the FAC and that they are consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-13-0023-S-EI.

Procedures: We obtained a schedule of short-term power sales and purchases included in the FAC. We reviewed a sample of power transactions to check for gains or savings on short-term purchases that should be included as part of the Incentive Mechanism. We verified that FPL's application of the phrase "short-term" for these transactions is consistent with the intentions defined in Order No. PSC-13-0023-S-EI. No exceptions were noted.

Objectives: The objective was to examine FPL's analysis and internal audits of its Unit Power Sales contracts with Southern Company and the Jacksonville Electric Authority (JEA).

Procedures: The Utility did not perform an internal audit during 2015 of Unit Power Sales contracts with the Southern Company and JEA. No exceptions were noted.

Gas Reserve Investment

Objectives: The objectives were to 1) Verify that FPL has added the appropriate FERC subaccounts to correspond with the accounts used by the Gas Reserve Company, set forth in Order No. PSC-15-0038-FOF-EI, in Docket No. 150001-EI, issued January 12, 2015, 2) Identify the dollar amount by account and/or subaccount used in the Net Working Capital Adjustment for 2015, and 3) Identify the methodology for calculating Depletion for 2015.

Procedures: We verified that FPL has added the appropriate FERC subaccounts to correspond with the accounts used by the Gas Reserve Company. We identified the dollar amount by account and subaccount that was used in the Net Working Capital Adjustment for 2015. We identified the methodology for calculating depletion for 2015. No exceptions were noted.

True-Up

Objective: The objective was to determine if the True-Up and Interest Provision as filed was properly calculated.

Procedures: We traced the December 31, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the approved beginning balance as of December 31, 2014, the Financial Commercial Paper rates, and the 2015 revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

FOR THE PERIOD JANUARY 2016 THROUGH DECEMBER 2016

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	12 Month Period	
1	Fuel Costs & Net Power Transactions													
2	Fuel Cost of System Net Generation (Per A3) ⁽¹⁾	\$246,064,759	\$216,161,860	\$267,064,388	\$277,629,341	\$281,601,530	\$301,524,023	\$303,259,051	\$311,136,907	\$297,316,972	\$278,042,046	\$253,493,993	\$235,457,687	\$3,260,575,473
3	Scherer Coal Cars Depreciation & Return (Per A2)	\$0	\$0	(\$53,435)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$53,435)
4	Cedar Bay - Rail Coal Cars Lessee per Docket No 150075-D	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$114,014	\$121,104	\$131,064	\$114,014	\$114,014	\$480,290
5	Fuel Cost of Power Sold (Per A6)	(\$16,429,924)	(\$15,076,225)	(\$6,686,000)	(\$746,351)	(\$2,230,160)	(\$1,625,793)	(\$1,682,910)	(\$1,875,924)	(\$1,283,252)	(\$2,159,877)	(\$1,911,102)	(\$3,595,024)	(\$56,404,635)
6	Generation Off-System Sales (Per A6)	(\$8,270,059)	(\$9,725,531)	(\$3,166,590)	(\$332,482)	(\$767,301)	(\$554,966)	(\$390,051)	(\$517,102)	(\$435,049)	(\$580,636)	(\$519,488)	(\$1,329,134)	(\$26,796,039)
7	Fuel Cost of Purchased Power (Per A7)	\$7,435,276	\$9,007,205	\$9,977,819	\$9,894,170	\$18,878,007	\$20,837,329	\$23,046,179	\$25,740,657	\$22,068,137	\$22,780,970	\$20,212,605	\$7,997,514	\$198,337,975
8	Energy Payment to Qualifying Facilities (Per A8)	\$1,327,100	\$1,063,110	\$960,587	\$7,244,958	\$10,248,302	\$11,774,346	\$10,151,103	\$10,252,365	\$9,536,509	\$5,582,260	(\$1,312,571)	\$1,489,027	\$67,337,191
9	Energy Cost of Economy Purchases (Per A9)	\$0	\$145,000	\$1,294,660	\$2,398,817	\$1,359,485	\$4,329,019	\$2,390,635	\$4,065,340	\$3,521,110	\$688,290	\$1,758,821	\$262,244	\$22,232,429
10	Total Fuel Costs & Net Power Transactions	\$230,718,330	\$202,765,437	\$259,431,389	\$296,286,452	\$309,288,963	\$336,083,954	\$336,075,202	\$348,772,248	\$329,840,441	\$305,275,151	\$271,653,321	\$240,396,428	\$3,465,707,215
11	Incremental Optimization Costs													
12	Incremental Personnel, Software, and Hardware Costs (Per A2)	\$37,399	\$34,067	\$44,881	\$35,301	\$33,614	\$34,536	\$32,298	\$61,710	\$34,040	\$45,280	\$30,911	\$40,910	\$473,500
13	Variable Power Plant O&M Cost over 54,000 MWh Threshold (Per A6)	\$157,609	\$688,185	\$438,890	\$73,170	\$127,879	\$92,891	\$92,895	\$69,567	\$69,730	\$112,090	\$103,347	\$320,433	\$2,563,924
14	Total	\$195,208	\$922,252	\$483,771	\$108,471	\$167,493	\$127,426	\$125,193	\$151,277	\$104,070	\$157,378	\$142,259	\$361,043	\$3,037,474
15	Dodd-Frank Fees	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$304	\$375	\$375	\$375	\$375	\$4,500
16	Adjustments to Fuel Cost													
17	Energy Imbalance Fuel Revenues	(\$10,166)	(\$129,018)	(\$52,190)	(\$79,012)	(\$134,041)	(\$90,157)	(\$105,407)	(\$105,834)	(\$129,837)	(\$80,182)	(\$6,372)	(\$80,826)	(\$1,055,982)
18	Inventory Adjustments	(\$349,002)	\$271,182	(\$16,541)	\$40,609	(\$52,902)	(\$2,969)	\$88,955	(\$107,475)	(\$100,518)	(\$107,167)	(\$125,538)	(\$135,086)	(\$122,869)
19	Non-Recoverable Oil Tank Bottoms	(\$1,347,774)	\$840,820	\$0	\$0	\$1,005,377	\$0	(\$47,633)	\$0	(\$242,422)	\$205,006	\$0	\$0	\$623,894
20	Adjusted Total Fuel Costs & Net Power Transactions	\$229,116,575	\$202,600,049	\$259,846,859	\$296,356,894	\$310,348,365	\$336,110,043	\$337,036,685	\$348,710,601	\$329,408,709	\$305,551,222	\$271,664,045	\$240,571,134	\$3,467,504,101
21	Jurisdictional kWh Sales													
22	Jurisdictional kWh Sales	7,954,413,052	7,113,174,773	7,792,924,515	8,634,798,845	9,380,232,035	10,001,639,015	10,763,691,577	10,646,987,154	10,480,394,526	9,413,964,298	9,095,762,441	8,562,416,040	109,820,398,271
23	Sales or Resale	389,766,418	453,052,189	446,421,902	534,432,568	586,536,336	590,679,241	620,086,073	676,411,420	651,600,570	560,885,928	555,873,117	526,088,422	6,610,533,788
24	Sub-Total Sales	8,344,179,470	7,566,226,962	8,199,346,417	9,169,231,413	9,966,768,373	10,592,318,256	11,383,777,650	11,323,398,574	11,132,195,096	9,994,850,218	9,651,635,558	9,106,504,462	110,430,432,059
25	Jurisdictional % of Total Sales (Line 25/27)	95.3746%	94.01210%	94.55540%	94.1716%	94.09620%	94.4235%	94.5526%	94.0264%	94.1449%	94.1691%	94.2403%	94.2242%	94.3227%
26	True-up Calculation													
27	Jurisdictional Fuel Revenues (Net of Revenue Taxes)	\$266,628,604	\$237,417,940	\$259,468,001	\$291,742,132	\$292,351,904	\$313,031,073	\$340,620,964	\$336,176,556	\$330,158,043	\$293,622,830	\$261,860,985	\$263,926,764	\$3,507,947,625
28	Fuel Adjustment Revenues Not Applicable to Period													
29	Prior Period True-up (Collected)/Refunded This Period ⁽²⁾	(\$22,221,724)	(\$22,221,724)	(\$22,221,724)	(\$22,221,724)	(\$22,221,724)	(\$22,221,724)	(\$22,221,724)	(\$22,221,724)	(\$22,221,724)	(\$22,221,724)	(\$22,221,724)	(\$22,221,724)	(\$266,660,660)
30	GP&F, Net of Interest Taxes ⁽³⁾	(\$983,868)	(\$983,868)	(\$983,868)	(\$983,868)	(\$983,868)	(\$983,868)	(\$983,868)	(\$983,868)	(\$983,868)	(\$983,868)	(\$983,868)	(\$983,868)	(\$11,806,410)
31	Midcourse correction - Prior Period True-up (Collected)/Refunded This Period	\$0	\$0	\$0	\$0	\$1,261,105	\$1,261,105	\$1,261,105	\$1,261,105	\$1,261,105	\$1,261,105	\$1,261,105	\$1,261,105	\$10,088,837
32	Jurisdictional Fuel Revenues Applicable to Period	\$243,623,212	\$214,212,348	\$236,282,409	\$268,536,540	\$270,407,019	\$291,086,586	\$310,676,497	\$314,232,066	\$308,213,590	\$271,070,550	\$260,036,497	\$241,984,276	\$3,239,569,357
33	Adjusted Total Fuel Costs & Net Power Transactions	\$229,116,575	\$202,600,049	\$259,846,859	\$296,356,894	\$310,348,365	\$336,110,043	\$337,036,685	\$348,710,601	\$329,408,709	\$305,551,222	\$271,664,045	\$240,571,134	\$3,467,504,101
34	Jurisdictional Sales/Net Total kWh Sales (Line 29)													
35	Juris. Total Fuel Costs & Net Power Trans. (Line 37/Line 38/100%)	\$216,687,382	\$190,647,110	\$246,114,468	\$279,555,266	\$292,506,200	\$317,959,704	\$319,207,480	\$328,406,707	\$310,693,371	\$288,325,460	\$256,660,371	\$227,095,602	\$3,276,479,195
36	True-up Provision for the Month - Over/(Under) Recovery (Line 36 - Line 39)	\$24,735,831	\$23,365,231	(\$9,832,059)	(\$11,018,725)	(\$22,159,250)	(\$20,273,118)	(\$500,893)	(\$14,254,039)	(\$2,476,615)	(\$10,647,110)	\$3,356,127	\$14,886,675	(\$36,006,838)
37	Interest Provision for the Month	(\$10,417)	(\$4,798)	(\$11,840)	(\$9,130)	(\$9,411)	(\$10,827)	(\$10,837)	(\$11,307)	(\$11,073)	(\$10,351)	(\$9,567)	(\$12,578)	(\$141,155)
38	True-up & Interest Provision Beg. of Period - Over/(Under) Recovery	(\$266,660,668)	(\$219,722,550)	(\$174,150,393)	(\$151,772,568)	(\$150,576,700)	(\$151,768,741)	(\$167,110,066)	(\$136,751,268)	(\$130,056,595)	(\$111,566,864)	(\$107,203,700)	(\$82,970,526)	(\$266,660,680)
39	Deferred True-up Beginning of Period - Over/(Under) Recovery ⁽⁴⁾	\$10,068,837	\$10,068,837	\$10,068,837	\$10,068,837	\$10,068,837	\$10,068,837	\$10,068,837	\$10,068,837	\$10,068,837	\$10,068,837	\$10,068,837	\$10,068,837	\$10,068,837
40	Prior Period True-up Collected (Refunded) This Period ⁽²⁾	\$22,221,724	\$22,221,724	\$22,221,724	\$22,221,724	\$22,221,724	\$22,221,724	\$22,221,724	\$22,221,724	\$22,221,724	\$22,221,724	\$22,221,724	\$22,221,724	\$266,660,680
41	Midcourse correction - 2014 Final True-up collected (refunded) this period	\$0	\$0	\$0	\$0	(\$1,261,105)	(\$1,261,105)	(\$1,261,105)	(\$1,261,105)	(\$1,261,105)	(\$1,261,105)	(\$1,261,105)	(\$1,261,105)	(\$10,088,837)
42	End of Period Net True-up Amount Over/(Under) Recovery (Lines 40 through 45)	(\$209,633,713)	(\$164,061,556)	(\$151,683,731)	(\$140,469,863)	(\$141,097,804)	(\$147,021,229)	(\$126,062,431)	(\$119,967,758)	(\$101,498,027)	(\$97,194,869)	(\$72,867,069)	(\$37,050,993)	(\$37,050,993)
43	Net (Under)/Over Recovery													
44	⁽¹⁾ Actuals include various adjustments as noted on the A-G Schedules													
45	⁽²⁾ Prior Period 2013/2014 True-up													
46	⁽³⁾ Generating Performance Incentive Factor is ((1,614,923 / 12) * 99.9260%) - See Order No. PBC-14-0701-POF-B													
47	⁽⁴⁾ 2014 Final True-up													
48	Note: Amounts may not agree to Actual/Estimated Filing or A-G Schedules due to rounding													