

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 10, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160009-EI
Company Name: Florida Power & Light
Company Code: EI802
Audit Purpose: Nuclear Cost Recovery Clause
Audit Control No: 16-005-4-1

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

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
Turkey Point Units 6 & 7

Twelve Months Ended December 31, 2015

Docket No. 160009-EI
Audit Control No. 16-005-4-1
May 31, 2015

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

Iliana H. Piedra
Audit Manager

A handwritten signature in black ink, appearing to read "Gabriela Leon".

Gabriela Leon
Audit Staff

A handwritten signature in blue ink, appearing to read "Marisa Glover".

Marisa Glover
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Office of Industry Development and Market Analysis in its audit service request dated January 5, 2016. 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 2015 filing for the Nuclear Cost Recovery Clause (Turkey Point Units 6 & 7 Project) in Docket No. 160009-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

Site selection costs, are costs that are expended prior to the selection of a site.

Pre-construction costs, are costs that are expended after a site has been selected in preparation for the construction of a nuclear power plant, incurred up to and including the date the utility completes site clearing work.

FPL/Utility refers to Florida Power & Light Company.

CCRC refers to Capacity Cost Recovery Clause.

NCRC refers to Nuclear Cost Recovery Clause.

Objectives: The objective was to determine whether the Utility's 2015 NCRC filings in Docket No. 160009-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.

Construction Work in Progress (CWIP)

Objectives: The objectives were to verify that pre-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 25-6.043, F.A.C.

Procedures: We sampled and verified the monthly pre-construction expenditures and traced to invoices and other supporting documentation including contracts. We verified various sample items to purchase orders for contracts over \$250,000. We verified a sample of salary expenses and traced to time sheets. We verified a sample of legal fees and traced to invoices. We recalculated Schedule T-6. 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, 2015 through December 31, 2015 and whether Schedules T-2 and T-3 reflect the amounts in Order No. PSC-14-0617-FOF-EI, issued October 27, 2014.

Procedures: We verified the amount collected on the Schedule T-1 to the NCRC jurisdictional amount approved in Order No. PSC-14-0617-FOF-EI, and to the CCRC in Docket No. 160001-EI and verified that the approved factor was used to bill the customers. 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 adjustment is accurately calculated.

Procedures: We traced the projected and estimated True-Up amount to prior NCRC Orders. We traced the beginning balances included in the schedule to the prior audit. We reconciled the monthly recovered costs to the supporting schedules in the filing. We traced the Allowance for Funds Used During Construction (AFUDC) rate applied to the rates approved in Order No. PSC-14-0193-PAA-EI, issued April 25, 2014. We recalculated Schedule T-3A and verified the Final True-Up amount. No exceptions were noted.

Other Issues

Objectives: The objectives were to determine whether the carrying cost for site selection and pre-construction costs listed on the Utility's Schedule T-2 include the correct balances from the supporting schedules of the filing and were appropriately calculated.

Procedures: We traced the projected and estimated true-up amounts to prior NCRC Orders. We traced the beginning balances included in the schedule to the prior docket. We reconciled the monthly costs to the supporting schedules in the filing. We traced the AFUDC rate applied by the Utility to the rate approved in Order No. PSC-14-0193-PAA-EI. We recalculated Schedule T-2 and verified the Final True-Up. No exceptions were noted.

True-Up

Objectives: The objective was to determine whether the final True-Up filed on Schedule T-1 was properly calculated.

Procedures: We traced the December 31, 2014, Site Selection and Pre-Construction True-Up Provisions to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015 using the Commission approved beginning balances as of December 31, 2014, the approved AFUDC interest rate, and the 2015 costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: Schedule T-1 True-Up of Site Selection Cost

Schedule T-1 (True-up)		Turkey Point Units 6&7 Site Selection Carrying Costs on Cost Balance True-up Filing: Retail Revenue Requirements Summary					[Section (6)(c)1.a.]	
FLORIDA PUBLIC SERVICE COMMISSION		EXPLANATION: Provide the calculation of the true-up of total retail revenue requirements based on actual carrying costs for the prior year and the previously filed costs.					For the Year Ended 12/31/2015	
COMPANY: FLORIDA POWER & LIGHT COMPANY							Witness: Jennifer Grant-Keene	
DOCKET NO.: 150009-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	Site Selection Revenue Requirements (Schedule T-2, Line 7)	(\$188)	(\$184)	(\$176)	(\$169)	(\$160)	(\$152)	(\$1,027)
2	Construction Carrying Cost Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Recoverable O&M Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	DTA(DTL) Carrying Cost (Schedule T-3A, Line 8)	\$13,325	\$13,326	\$13,326	\$13,326	\$13,327	\$13,327	\$78,957
5	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Total Period Revenue Requirements (Lines 1 through 5)	<u>\$13,137</u>	<u>\$13,142</u>	<u>\$13,150</u>	<u>\$13,159</u>	<u>\$13,167</u>	<u>\$13,176</u>	<u>\$78,930</u>
7	Projected Cost and Carrying Cost on DTA(DTL) for the Period (Order No. PSC 14-0617-FOF-EI)	<u>\$12,209</u>	<u>\$12,212</u>	<u>\$12,212</u>	<u>\$12,212</u>	<u>\$12,212</u>	<u>\$12,212</u>	<u>\$73,270</u>
8	True-up to Projections (Over)/Under Recovery for the Period (Line 6 - Line 7)	<u>\$828</u>	<u>\$930</u>	<u>\$938</u>	<u>\$946</u>	<u>\$955</u>	<u>\$963</u>	<u>\$5,659</u>
9	Actual / Estimated Revenue Requirements for the period (Order No. PSC 15-0521-FOF-EI)	<u>\$13,108</u>	<u>\$13,113</u>	<u>\$13,121</u>	<u>\$13,130</u>	<u>\$13,138</u>	<u>\$13,146</u>	<u>\$78,756</u>
10	Final True-up Amount for the Period (Line 6 - Line 9)	<u>\$28</u>	<u>\$29</u>	<u>\$29</u>	<u>\$29</u>	<u>\$29</u>	<u>\$30</u>	<u>\$174</u>
* Totals may not add due to rounding								

Turkey Point Units 6&7
 Site Selection Carrying Costs on Cost Balance
 True-up Filing: Retail Revenue Requirements Summary

[Section (6)(c)1.a.]

Schedule T-1 (True-up)

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: Provide the calculation of the true-up of total retail revenue requirements based on actual carrying costs for the prior year and the previously filed costs.

For the Year Ended 12/31/2015

COMPANY: FLORIDA POWER & LIGHT COMPANY

DOCKET NO.: 160009-EI

Witness: Jennifer Grant-Keena

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	Site Selection Revenue Requirements (Schedule T-2, Line 7)	(\$143)	(\$142)	(\$146)	(\$161)	(\$156)	(\$152)	(\$1,926)
2	Construction Carrying Cost Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Recoverable O&M Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	DTA/DTL Carrying Cost (Schedule T-3A, Line 8)	\$13,328	\$13,328	\$13,329	\$13,329	\$13,329	\$13,330	\$155,930
5	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Total Period Revenue Requirements (Lines 1 through 5)	<u>\$13,184</u>	<u>\$13,186</u>	<u>\$13,182</u>	<u>\$13,178</u>	<u>\$13,173</u>	<u>\$13,168</u>	<u>\$158,002</u>
7	Projected Cost and Carrying Cost on DTA/DTL for the Period (Order No. PSC 14-0617-FOF-EI)	\$13,905	\$13,924	\$13,950	\$13,977	\$14,008	\$14,030	\$157,080
8	True-up to Projections (Over)/Under Recovery for the Period (Line 6 - Line 7)	<u>(\$720)</u>	<u>(\$738)</u>	<u>(\$768)</u>	<u>(\$799)</u>	<u>(\$830)</u>	<u>(\$862)</u>	<u>\$942</u>
9	Actual / Estimated Revenue Requirements for the period (Order No. PSC 15-0521-FOF-EI)	\$13,166	\$13,158	\$13,154	\$13,149	\$13,144	\$13,139	\$157,658
10	Final True-up Amount for the Period (Line 6 - Line 9)	<u>\$28</u>	<u>\$28</u>	<u>\$28</u>	<u>\$29</u>	<u>\$29</u>	<u>\$29</u>	<u>\$345</u>

* Totals may not add due to rounding

Exhibit 2: Schedule T-1 True-Up of Pre-Construction Cost

Schedule T-1 (True-up)		Turkey Point Units 6&7 Pre-Construction Costs and Carrying Costs on Construction Cost Balance True-up Filing: Retail Revenue Requirements Summary						(Section 8)(c)1.a.)
Line No.	EXPLANATION:	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) 6 Month Total
FLORIDA PUBLIC SERVICE COMMISSION		Provide the calculation of the true-up of total retail revenue requirements based on actual expenditures for the prior year and previously filed expenditures.						For the Year Ended 12/31/2015
COMPANY: FLORIDA POWER & LIGHT COMPANY								Witness: Jennifer Grant-Keene
DOCKET NO.: 160009-EI								
Jurisdictional Dollars								
1	Pre-Construction Revenue Requirements (Schedule T-2, Line 7)	\$1,082,527	\$2,420,676	\$1,311,551	\$1,487,404	\$1,635,826	\$1,242,581	\$9,380,636
2	Construction Carrying Costs Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Recoverable O&M Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	DTA/DTL Carrying Costs (Schedule T-3A, Line 8)	\$538,018	\$542,511	\$547,356	\$550,878	\$555,180	\$559,132	\$3,283,085
5	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Total Period Revenue Requirements (Lines 1 through 5)	\$1,620,545	\$2,963,187	\$1,858,908	\$2,048,372	\$2,391,016	\$1,801,694	\$12,663,721
7	Projected Costs and Carrying Costs for the Period (Order No. PSC 14-0817-FOF-EI) (e)	\$1,270,611	\$3,366,449	\$3,627,540	\$405,086	\$2,401,325	\$4,091,639	\$15,362,951
8	True-up to Projections (Over/Under Recovery for the Period (Line 6 - Line 7)	\$349,933	(\$403,262)	(\$1,988,632)	\$1,643,286	(\$10,308)	(\$2,290,246)	(\$2,679,230)
9	Actual / Estimated Revenue Requirements for the period (Order No. PSC-15-0521-FOF-EI)	\$1,619,401	\$2,982,023	\$2,130,186	\$2,136,483	\$2,241,286	\$1,888,665	\$12,978,045
10	Final True-up Amount for the Period (Line 6 - Line 9)	\$1,143	\$1,164	(\$271,278)	(\$88,111)	\$149,731	(\$85,772)	(\$284,324)
11	(a) Total being recovered in 2015 as approved in Order No. PSC-14-0817-FOF-EI in Docket No. 140008-EI.							6 Month Total
12	2013 Final True-Up (2013 Schedule T-1, Line 10)	(\$0)	(\$0)	\$216,800	(\$637,117)	(\$438,136)	\$1,491,428	\$632,975
13	2014 (Over/Under Recovery (Schedule AE-1, Line 8)	\$16,386	\$2,038,917	\$1,891,752	(\$377,746)	\$1,162,282	\$1,016,667	\$5,848,558
14	2015 Projected Costs / Carrying Costs (Schedule P-2, Line 7)	\$718,182	\$789,292	\$1,079,022	\$876,130	\$1,130,431	\$1,033,631	\$6,625,889
15	2015 Projected DTA/DTL Carrying Costs (Schedule P-3A, Line 8)	\$538,043	\$538,240	\$540,888	\$543,819	\$548,750	\$548,612	\$3,265,730
16	2015 Total (Over/Under Recovery	\$1,270,611	\$3,366,449	\$3,627,540	\$405,086	\$2,401,325	\$4,091,639	\$15,362,951

* Totals may not add due to rounding

See notes on Page 2

Turkey Point Units 6&7
Pre-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.: 160009-E1

EXPLANATION: Provide the calculation of the true-up of total retail revenue requirements based on actual expenditures for the prior year and previously filed expenditures.

For the Year Ended 12/31/2015

Witness: Jennifer Grant-Keene

Line No.	(H) Actual July	(I) Annual August	(J) Actual September	(K) Actual October	(L) Actual November	(M) Actual December	(N) 12 Month Total
Jurisdictional Dollars							
1	\$1,445,651	\$1,427,791	\$2,233,568	\$723,815	\$1,553,715	\$973,897	\$17,749,073
2	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4	\$561,314	\$504,974	\$569,781	\$573,533	\$576,284	\$579,413	\$9,718,383
5	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	<u>\$2,006,965</u>	<u>\$1,932,765</u>	<u>\$2,803,349</u>	<u>\$1,297,348</u>	<u>\$2,129,999</u>	<u>\$1,553,309</u>	<u>\$24,467,457</u>
7	\$659,031	(\$710,802)	\$2,252,935	\$2,411,124	\$1,706,501	(\$2,001,503)	\$19,680,436
8	<u>\$1,347,935</u>	<u>\$2,703,367</u>	<u>\$550,414</u>	<u>(\$1,113,776)</u>	<u>\$423,498</u>	<u>\$3,554,812</u>	<u>\$4,787,020</u>
9	\$1,857,149	\$1,704,333	\$1,842,668	\$1,632,525	\$1,797,534	\$3,739,222	\$25,781,487
10	<u>\$149,816</u>	<u>\$228,432</u>	<u>\$98,891</u>	<u>(\$535,177)</u>	<u>\$382,455</u>	<u>(\$2,185,913)</u>	<u>(\$1,314,010)</u>
11	<u>(a) Total recovered in 2015 as approved in Order No. PSC-14-0617-FOF-EI in Docket No. 140009-EI:</u>						
	July	August	September	October	November	December	12 Month Total
12	\$556,215	(\$187,119)	\$569,101	\$846,185	(\$151,998)	(\$2,729,012)	(\$463,648)
13	(\$1,279,278)	(\$1,879,653)	\$37,860	\$245,950	\$525,006	(\$2,538,164)	\$950,338
14	\$829,459	\$801,148	\$1,088,193	\$759,507	\$770,773	\$2,697,815	\$12,571,584
15	\$552,635	\$555,018	\$557,781	\$660,482	\$582,720	\$587,796	\$5,612,164
16	<u>\$659,031</u>	<u>(\$710,802)</u>	<u>\$2,252,935</u>	<u>\$2,411,124</u>	<u>\$1,706,501</u>	<u>(\$2,001,503)</u>	<u>\$19,680,436</u>

* Totals may not add due to rounding