

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 7, 2017

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 170009-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3f: Nuclear Cost Recovery Clause
Audit Control No.: 17-006-4-1

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/cmm

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, 2016

Docket No. 170009-EI
Audit Control No. 17-006-4-1
May 31, 2017

A handwritten signature in blue ink, reading "Iliana H. Piedra".

Iliana H. Piedra
Audit Manager

A handwritten signature in blue ink, reading "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, 2017. 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 2016 filing for the Nuclear Cost Recovery Clause (Turkey Point Units 6 & 7 Project) in Docket No. 170009-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 2016 NCRC filings in Docket No. 170009-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, 2016 through December 31, 2016 and whether Schedules T-2 and T-3 reflect the amounts in Order No. PSC-15-0521-FOF-EI, issued November 3, 2015.

Procedures: We verified the amount collected on the Schedule T-1 to the NCRC jurisdictional amount approved in Order No. PSC-15-0521-FOF-EI, and to the CCRC 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, 2015, 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, 2016 using the Commission approved beginning balances as of December 31, 2015, the approved AFUDC interest rate, and the 2016 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 667 Site Selection Carrying Cost on Site Selection Cost Balance True-up Filing: Retail Revenue Requirements Summary						[Section (6)(c)1.a.]
FLORIDA PUBLIC SERVICE COMMISSION COMPANY: FLORIDA POWER & LIGHT COMPANY DOCKET NO.: 170009-EI		EXPLANATION: Provide the calculation of the true-up of total retail revenue requirements based on actual carrying cost for the prior year and the previously filed costs.						For the Year Ended 12/31/2016 Witness: Jennifer Grant-Keene
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)	\$57	\$53	\$46	\$39	\$32	\$25	\$254
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 6)	\$13,298	\$13,298	\$13,298	\$13,298	\$13,298	\$13,298	\$79,769
5	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Total Period Revenue Requirements (Lines 1 through 5)	<u>\$13,355</u>	<u>\$13,351</u>	<u>\$13,344</u>	<u>\$13,338</u>	<u>\$13,331</u>	<u>\$13,323</u>	<u>\$80,042</u>
7	Projected Cost and Carrying Cost on DTA(DTL) for the Period (Order No. PSC-15-0521-FOF-EI) (a)	\$14,201	\$14,202	\$14,209	\$14,217	\$14,225	\$14,233	\$85,287
8	Difference (True-up to Projections) (Over)/Under Recovery for the Period (Line 6 - Line 7)	<u>(\$846)</u>	<u>(\$850)</u>	<u>(\$865)</u>	<u>(\$880)</u>	<u>(\$894)</u>	<u>(\$910)</u>	<u>(\$5,244)</u>
9	Actual / Estimated Revenue Requirements for the period (a)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Final True-up Amount for the Period (Line 6 - Line 9)	<u>(\$846)</u>	<u>(\$850)</u>	<u>(\$865)</u>	<u>(\$880)</u>	<u>(\$894)</u>	<u>(\$910)</u>	<u>(\$5,244)</u>
* Totals may not add due to rounding								
See notes on Page 2								
Page 1 of 2								
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)	\$16	\$17	\$23	\$28	\$34	\$41	\$415
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 6)	\$13,298	\$13,298	\$13,298	\$13,298	\$13,298	\$13,298	\$159,578
5	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Total Period Revenue Requirements (Lines 1 through 5)	<u>\$13,316</u>	<u>\$13,315</u>	<u>\$13,321</u>	<u>\$13,327</u>	<u>\$13,333</u>	<u>\$13,339</u>	<u>\$159,993</u>
7	Projected Cost and Carrying Cost on DTA(DTL) for the Period (Order No. PSC-15-0521-FOF-EI) (a)	\$12,551	\$12,533	\$12,502	\$12,470	\$12,438	\$12,406	\$160,186
8	Difference (True-up to Projections) (Over)/Under Recovery for the Period (Line 6 - Line 7)	<u>\$765</u>	<u>\$783</u>	<u>\$819</u>	<u>\$856</u>	<u>\$894</u>	<u>\$933</u>	<u>(\$193)</u>
9	Actual / Estimated Revenue Requirements for the period (a)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Final True-up Amount for the Period (Line 6 - Line 9)	<u>\$765</u>	<u>\$783</u>	<u>\$819</u>	<u>\$856</u>	<u>\$894</u>	<u>\$933</u>	<u>(\$193)</u>
Notes								
11	(a) Per Order No. PSC-16-0266-PCO-EI the Commission deferred consideration of FPL's Actual/Estimated 2016 True-up.							
* Totals may not add due to rounding								
Page 2 of 2								

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

Schedule T-1 (True-up)		Turkey Point Units 667 Pre-Construction Costs and Carrying Costs on Construction Cost Balance True-up Filing: Retail Revenue Requirements Summary						[Section 6(x)1.a.]
FLORIDA PUBLIC SERVICE COMMISSION COMPANY: FLORIDA POWER & LIGHT COMPANY DOCKET NO.: 170009-EI		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 12/31/2016 Witness: Jennifer Grant-Keene
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 (Schedule T-2, Line 7)	\$1,327,727	\$1,183,104	\$3,217,347	\$1,573,735	\$1,355,525	\$1,889,575	\$10,547,014
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)	\$580,784	\$582,593	\$587,182	\$580,751	\$571,523	\$574,217	\$3,477,029
5	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Total Period Revenue Requirements (Lines 1 through 5)	\$1,908,510	\$1,765,697	\$3,804,529	\$2,154,486	\$1,927,049	\$2,463,792	\$14,024,043
7	Projected Cost and Carrying Cost for the Period (Order No. PSC-15-0521-FOF-EI) (a)	\$1,970,197	\$2,235,612	\$3,407,604	\$3,560,697	\$2,576,177	\$1,396,017	\$15,148,305
8	Final True-up Amount of (Over)/Under Recovery for the Period (Line 6 - Line 7)	(\$61,687)	(\$469,915)	\$396,905	(\$1,406,211)	(\$651,129)	\$1,067,775	(\$1,124,262)
9	Actual / Estimated Revenue Requirements for the period (b)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Final True-up Amount for the Period (Line 8 - Line 9)	(\$61,687)	(\$469,915)	\$396,905	(\$1,406,211)	(\$651,129)	\$1,067,775	(\$1,124,262)
11	(a) Total recovered in 2016 as approved in Order No PSC-15-0521-FOF-EI in Docket No 150009-EI							6 Month Total
12	2014 Final True-Up (2013 Schedule T-1, Line 10)	(\$536)	(\$336)	\$441,332	(\$2,173)	\$596,009	\$907,072	\$1,941,369
13	2015 (Over)/Under Recovery (Schedule AE-1, Line 8)	\$348,790	(\$404,426)	(\$1,697,354)	\$1,731,397	(\$180,039)	(\$2,203,274)	(\$2,304,996)
14	2016 Projected Cost / Carrying Cost (Schedule P-2, Line 7)	\$1,038,807	\$2,050,628	\$4,065,223	\$1,225,413	\$1,532,191	\$2,076,968	\$11,987,448
15	2016 Projected DTA/DTL Carrying Cost (Schedule P-3A, Line 8)	\$95,137	\$389,549	\$598,403	\$606,059	\$610,017	\$615,231	\$3,604,394
16	2016 Total (Over)/Under Recovery	\$1,070,197	\$2,235,612	\$3,407,604	\$3,560,697	\$2,576,177	\$1,396,017	\$15,148,305
* Totals may not add due to rounding See notes on Page 2								
Page 1								
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 (Schedule T-2, Line 7)	\$1,401,970	\$2,099,575	\$1,485,291	\$1,365,391	\$1,101,303	\$3,106,417	\$21,109,961
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)	\$576,970	\$580,033	\$583,221	\$585,352	\$586,925	\$591,052	\$6,960,591
5	Other Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	Total Period Revenue Requirements (Lines 1 through 5)	\$1,978,940	\$2,679,608	\$2,068,513	\$1,950,743	\$1,688,228	\$3,700,469	\$28,090,552
7	Projected Cost and Carrying Cost for the Period (Order No. PSC-15-0521-FOF-EI) (a)	\$1,787,798	\$3,966,153	\$2,525,157	\$1,557,685	\$1,598,339	\$7,825,913	\$34,089,349
8	Actual (Over)/Under Recovery for the Period (Line 6 - Line 7)	\$211,150	(\$1,286,544)	(\$456,644)	\$393,058	\$89,090	(\$3,825,445)	(\$5,998,797)
9	Actual / Estimated Revenue Requirements for the period (b)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	Final True-up Amount for the Period (Line 8 - Line 9)	\$211,150	(\$1,286,544)	(\$456,644)	\$393,058	\$89,090	(\$3,825,445)	(\$5,998,797)
11	(a) Total recovered in 2016 as approved in Order No PSC-15-0521-FOF-EI in Docket No 150009-EI							12 Month Total
12	2014 Final True-Up (2013 Schedule T-1, Line 10)	(\$963,676)	(\$110,049)	\$437,551	\$640,787	\$27,441	(\$2,034,734)	(\$691,512)
13	2015 (Over)/Under Recovery (Schedule AE-1, Line 8)	\$1,198,119	\$2,174,925	(\$410,277)	(\$570,599)	\$81,034	\$6,740,725	\$6,101,031
14	2016 Projected Cost / Carrying Cost (Schedule P-2, Line 7)	\$943,981	\$378,906	\$1,871,306	\$665,027	\$876,864	\$3,780,114	\$21,303,710
15	2016 Projected DTA/DTL Carrying Cost (Schedule P-3A, Line 8)	\$619,594	\$622,360	\$626,493	\$630,470	\$633,000	\$639,809	\$7,376,121
16	2016 Total (Over)/Under Recovery	\$1,787,798	\$3,966,153	\$2,525,157	\$1,557,685	\$1,598,339	\$7,825,913	\$34,089,349
17	(b) Per Order No. PSC-16-0268-PCO-EI the Commission deferred consideration of FPL's Actual/Estimated 2016 True-up.							
* Totals may not add due to rounding								
Page 2								