

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 2, 2017
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 170002-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3b: Energy Conservation Cost Recovery
Audit Control No: 17-024-4-1

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
Energy Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2016

Docket No. 170002-EG
Audit Control No. 17-024-4-1
May 31, 2017

A blue ink signature of Yen Ngo, written in a cursive style, positioned above a horizontal line.

Yen Ngo
Audit Manager

A blue ink signature of Gabriela Leon, written in a cursive style, positioned above a horizontal line.

Gabriela Leon
Audit Staff

A blue ink signature of Marisa Glover, written in a cursive style, positioned above a horizontal line.

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 Division of Economics in its audit service request dated January 19, 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 2016 filing for the Energy Conservation Cost Recovery clause in Docket No. 170002-EG.

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

Definition

FPL/Utility refers to Florida Power & Light Company.

ECCR refers to the Energy Conservation Cost Recovery Clause .

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, 2016, through December 31, 2016.

Procedure: We reconciled Plant in Service and Accumulated Depreciation for selected capital projects on Schedule 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, 2016, through December 31, 2016, 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-15-0542-FOF-EG, issued November 23, 2015 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 month of March 2016 and recalculated each to verify the use of the correct tariff rates for each of the clause audits of this Utility in Docket 170001-EI, Audit Control Number 17-024-4-2. No exceptions were noted (See Fuel Cost Recovery Audit, Docket No. 170001-EI, ACN 17-023-4-1).

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.

Procedures: We traced O&M expenses in the filing to the general ledger. We 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 a sample of 2016

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, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission approved beginning balance as of December 31, 2015, the Financial Commercial Paper rates, and the 2016 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 2015 to 2016 expenses. The Utility's overall expenses were less than the expenses from the prior year. The reduction was due to the discontinuation of some of the programs and a decline of the participants in the majority of the existing programs. No exceptions were noted.

Other

Objectives: The objective was to verify the number of program participants reported in the Utility's Florida Energy Efficiency and Conservation Act (FEECA) filing.

Procedures: We verified the number of program participants reported in the Utility's March 1, 2017 FEECA filing for Business Heating, Ventilating, and Air-Conditioning Program, Solar Pilot Program Common Expenses, Residential New Construction Program (BuiltSmart), and Residential Low-Income Weatherization Program. We traced the program participants to source documentation. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

SCHEDULE: CT-3

FLORIDA POWER AND LIGHT COMPANY
ENERGY CONSERVATION COST RECOVERY CONSERVATION PROGRAM COSTS
JANUARY THROUGH DECEMBER 2016

PROGRAM TITLE	Monthly Data												
	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	Twelve Month Amount
1. Residential Home Energy Survey	\$328,872	\$667,904	\$477,480	\$400,619	\$369,158	\$497,046	\$2,311,704	\$904,353	\$2,041,115	\$552,720	\$1,974,416	\$1,215,714	\$11,741,102
2. Residential Ceiling Insulation	\$60,024	\$82,742	\$42,944	\$46,756	\$52,707	\$65,966	\$98,357	\$150,128	\$72,065	\$44,489	\$72,233	\$49,650	\$838,062
3. Residential Air Conditioning	\$509,578	\$384,013	\$296,064	\$432,912	\$494,419	\$465,329	\$585,716	\$557,028	\$532,714	\$326,229	\$361,723	\$279,572	\$5,225,297
4. Residential New Construction (BuildSmart®)	\$38,408	\$49,496	\$61,320	\$50,454	\$42,257	\$33,826	\$41,288	\$45,504	\$43,186	\$41,046	\$38,286	\$46,878	\$531,947
5. Residential Low-Income Weatherization	\$14,677	\$83,466	\$26,998	\$36,319	\$41,903	\$33,144	\$18,112	\$13,251	\$17,627	\$48,402	\$43,580	\$33,535	\$411,014
6. Residential Load Management ("On Call")	\$3,011,442	\$2,837,063	\$3,484,958	\$4,505,792	\$4,470,932	\$4,899,609	\$4,834,533	\$4,543,175	\$4,722,937	\$4,445,263	\$3,426,009	\$3,029,854	\$48,211,569
7. Business Energy Evaluation	\$398,014	\$549,533	\$417,211	\$411,365	\$424,894	\$410,477	\$1,052,415	\$617,071	\$1,554,814	\$481,088	\$1,180,121	\$439,148	\$7,936,152
8. Business Lighting	\$6,688	\$17,911	\$31,338	\$10,091	\$21,955	\$24,014	\$34,703	\$83,689	\$23,114	\$14,779	\$21,880	\$21,533	\$311,695
9. Business Heating, Ventilating & A/C	\$81,749	\$230,270	\$1,578,194	\$275,901	\$960,630	\$253,331	(\$254,325)	\$165,754	\$142,680	\$160,702	\$1,917,109	\$254,542	\$5,766,534
10. Business Custom Incentive	\$4,375	\$5,210	\$26,768	\$12,362	\$139,925	\$6,070	\$12,991	\$291,848	\$6,793	\$5,361	\$119,735	\$6,293	\$637,731
11. Business On Call	\$40,913	\$40,366	\$59,761	\$521,397	\$532,684	\$528,704	\$541,910	\$515,804	\$513,017	\$506,397	(\$34,806)	\$52,480	\$3,818,627
12. Commercial/Industrial Load Control	\$2,630,885	\$2,942,905	\$2,485,676	\$2,724,274	\$2,888,572	\$6,061,715	\$3,602,592	\$3,632,848	\$3,002,114	\$2,789,320	\$2,570,839	\$5,030,521	\$40,362,262
13. Commercial/Industrial Demand Reduction	\$1,358,055	\$1,286,541	\$1,322,499	\$1,544,637	\$1,695,371	\$1,808,216	\$1,882,402	\$1,892,323	\$1,857,276	\$1,786,705	\$1,544,457	\$1,456,296	\$19,434,778
14. Cogeneration & Small Power Production	\$33,992	\$24,763	\$34,111	\$27,892	\$31,288	\$28,503	\$27,094	\$32,255	\$29,794	\$24,467	\$27,631	\$27,049	\$348,838
15. Conservation Research & Development	\$3,077	\$3,269	\$16,691	\$3,170	\$3,333	\$53,808	\$22,728	\$3,092	\$3,032	\$3,141	\$2,592	\$3,370	\$121,304
16. Common Expenses	\$794,712	\$942,037	\$899,580	\$737,332	\$747,145	\$742,732	\$688,593	\$724,924	\$712,994	\$776,536	\$803,840	\$853,059	\$9,423,486
17. Business Photovoltaic for Schools Pilot	\$220,897	\$215,339	\$247,316	\$201,834	\$200,643	\$199,450	\$198,479	\$197,282	\$196,085	\$154,638	\$193,691	\$192,494	\$2,418,150
18. Solar Pilot Projects Common Expenses	\$32,509	\$32,282	\$32,056	\$31,829	\$31,603	\$31,376	\$31,159	\$30,932	\$30,704	\$30,477	\$30,249	\$30,021	\$375,196
19. Discontinued Programs (1)	19,979.88	5,823.15	237,689.13	(284.92)	798.64	(1,359.51)	(1,601.00)	5.75	(6.23)	0.00	0.00	0.00	261,045
20. Recoverable Conservation Expenses	\$9,588,847	\$10,400,933	\$11,778,654	\$11,974,651	\$13,150,218	\$16,141,956	\$15,728,850	\$14,401,267	\$15,502,055	\$12,191,760	\$14,293,585	\$13,022,009	\$158,174,789

(1)Residual expenses from programs discontinued in 2015

Totals may not add due to rounding.

Exhibit 1: True-Up, continued

FLORIDA POWER AND LIGHT COMPANY

CONSERVATION TRUE-UP INTEREST CALCULATION JANUARY THROUGH DECEMBER 2016

	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. CONSERVATION PROGRAM REVENUES													
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)	\$14,727,751	\$12,986,447	\$13,698,928	\$14,699,130	\$15,347,672	\$17,323,095	\$19,292,348	\$19,077,990	\$18,508,521	\$16,646,709	\$14,069,290	\$13,940,515	\$190,318,396
3. Total Revenues	\$14,727,751	\$12,986,447	\$13,698,928	\$14,699,130	\$15,347,672	\$17,323,095	\$19,292,348	\$19,077,990	\$18,508,521	\$16,646,709	\$14,069,290	\$13,940,515	\$190,318,396
4. Adjustment Not Applicable To Period - Prior True-up	(\$1,496,497)	(\$1,496,497)	(\$1,496,497)	(\$1,496,497)	(\$1,496,497)	(\$1,496,497)	(\$1,496,497)	(\$1,496,497)	(\$1,496,497)	(\$1,496,497)	(\$1,496,497)	(\$1,496,497)	(\$17,957,961)
5. Conservation Revenues Applicable To Period (Line B3 + B4)	\$13,231,254	\$11,489,950	\$12,202,431	\$13,202,633	\$13,851,175	\$15,826,598	\$17,795,851	\$17,581,493	\$17,012,024	\$15,150,212	\$12,572,793	\$12,444,018	\$172,360,435
6. Conservation Expenses (From CT-3, Page 7, Line 20)	\$9,588,847	\$9,588,847	\$9,588,847	\$9,588,847	\$9,588,847	\$9,588,847	\$9,588,847	\$9,588,847	\$9,588,847	\$9,588,847	\$9,588,847	\$9,588,847	\$158,174,789
7. True-up This Period (Line B5 - Line B6)	\$3,642,407	\$1,901,103	\$2,613,584	\$3,613,786	\$4,262,328	\$6,237,751	\$8,207,004	\$7,992,646	\$7,423,177	\$5,561,365	\$2,983,946	\$2,855,171	\$14,185,648
8. Interest Provision For The Month (From CT-3, Page 9, Line C10)	(\$1,183)	\$107	\$919	\$1,589	\$2,144	\$2,788	\$3,853	\$5,439	\$7,189	\$9,251	\$10,100	\$12,804	\$55,000
9. True-up & Interest Provision Beginning of Month	(\$17,957,961)	(\$12,820,240)	(\$10,234,618)	(\$8,313,422)	(\$5,587,356)	(\$3,387,757)	(\$2,203,832)	\$1,363,518	\$6,045,680	\$9,059,335	\$13,523,536	\$13,309,340	(\$17,957,961)
9a. Deferred True-up Beginning of Period	\$11,839,477	\$11,839,477	\$11,839,477	\$11,839,477	\$11,839,477	\$11,839,477	\$11,839,477	\$11,839,477	\$11,839,477	\$11,839,477	\$11,839,477	\$11,839,477	\$11,839,477
10. Prior True-up Collected/(Refunded)	\$1,496,497	\$1,496,497	\$1,496,497	\$1,496,497	\$1,496,497	\$1,496,497	\$1,496,497	\$1,496,497	\$1,496,497	\$1,496,497	\$1,496,497	\$1,496,497	\$17,957,964
11. End of Period True-up - Over/(Under) Recovery (Line B7+B8+B9+B9a+B10)	(\$980,763)	\$1,604,859	\$3,526,055	\$6,252,121	\$8,451,720	\$9,635,645	\$13,202,995	\$17,885,157	\$20,898,812	\$25,363,013	\$25,148,817	\$26,080,125	\$26,080,125
C. INTEREST PROVISION													
1. Beginning True-up Amount (Line B9 + B9a)	(\$6,118,484)	(\$980,763)	\$1,604,859	\$3,526,055	\$6,252,121	\$8,451,720	\$9,635,645	\$13,202,995	\$17,885,157	\$20,898,812	\$25,363,013	\$25,148,817	\$124,869,947
2. Ending True-up Amount Before Interest (Line B7+B9+B9a+B10)	(\$979,580)	\$2,416,837	\$5,714,940	\$8,636,338	\$12,010,946	\$16,185,968	\$19,339,146	\$22,692,138	\$26,804,831	\$27,956,674	\$29,843,456	\$29,500,485	\$200,122,181
3. Total of Beginning & Ending True-up (Line C1+C2)	(\$7,098,062)	\$623,991	\$5,129,994	\$9,776,587	\$14,701,697	\$18,084,578	\$22,834,787	\$31,082,713	\$38,776,780	\$46,252,575	\$50,501,729	\$51,216,138	\$281,883,507
4. Average True-up Amount (50% of Line C3)	(\$3,549,031)	\$311,996	\$2,564,997	\$4,888,294	\$7,350,848	\$9,042,289	\$11,417,393	\$15,541,356	\$19,388,390	\$23,126,287	\$25,250,865	\$25,608,069	\$140,941,754
5. Interest Rate - First Day of Reporting Business Month	0.40000%	0.40000%	0.42000%	0.44000%	0.34000%	0.36000%	0.38000%	0.43000%	0.41000%	0.48000%	0.48000%	0.48000%	N/A
6. Interest Rate - First day of Subsequent Business Month	0.40000%	0.42000%	0.44000%	0.34000%	0.36000%	0.38000%	0.43000%	0.41000%	0.48000%	0.48000%	0.48000%	0.72000%	N/A
7. Total (Line C5 + C6)	0.80000%	0.82000%	0.86000%	0.78000%	0.70000%	0.74000%	0.81000%	0.84000%	0.89000%	0.96000%	0.96000%	1.20000%	N/A
8. Average Interest Rate (50% of Line C7)	0.40000%	0.41000%	0.43000%	0.39000%	0.35000%	0.37000%	0.40500%	0.42000%	0.44500%	0.48000%	0.48000%	0.60000%	N/A
9. Monthly Average Interest Rate (Line C8 / 12)	0.03333%	0.03417%	0.03583%	0.03250%	0.02917%	0.03083%	0.03375%	0.03500%	0.03708%	0.04000%	0.04000%	0.05000%	N/A
10. Interest Provision for the Month (Line C4 x C9)	(\$1,183)	\$107	\$919	\$1,589	\$2,144	\$2,788	\$3,853	\$5,439	\$7,189	\$9,251	\$10,100	\$12,804	\$55,000

Totals may not add due to rounding.

() Reflects Under-recovery

N/A = Not applicable