

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-**

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**DATE:** May 30, 2018  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 20180007-EI  
Company Name: Florida Power & Light Company  
Company Code: EI802  
Audit Purpose: A3d: Environmental Cost Recovery Clause  
Audit Control No: 2018-036-4-1

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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

State of Florida



## Public Service Commission

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

### Auditor's Report

Florida Power & Light Company  
Environmental Cost Recovery Clause

**Twelve Months Ended December 31, 2017**

Docket No. 20180007-EI  
Audit Control No. 2018-036-4-1  
**May 21, 2018**

A handwritten signature in blue ink, appearing to read "M Glover", written over a horizontal line.

Marisa Glover  
Audit Manager

A handwritten signature in black ink, appearing to read "Lynn Deamer", written over a horizontal line.

Lynn Deamer  
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 Engineering in its audit service request dated February 1, 2018. 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 2017 filing for the Environmental Cost Recovery Clause in Docket No. 20180007-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**

#### Definition

Utility refers to the Florida Power & Light Company.  
ECRC refers to the Environmental Cost Recovery Clause.

### **Capital Investments**

#### Utility Plant in Service

**Objectives:** The objectives were to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2017, through December 31, 2017.

**Procedure:** We reconciled Plant in Service (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2017 Form 42-8A. No exceptions were noted.

#### Construction Work in Process

**Objective:** The objectives were to verify net investments associated with the following capital projects, and to determine whether any project which involved the replacement or retirement of an existing plant asset is retired at the installed costs by the Utility in accordance with Rule 25-6.0142(4)(b), F.A.C.

- 1) Martin Next Generation Solar Energy Center Project 39
- 2) Turkey Point Cooling and Canal Monitoring Plan Project 42
- 3) 800MW Unit ESP Project 45

**Procedures:** We selected a sample of the additions to the capital projects for review. We determined whether additions had appropriate supporting documentation and were recorded to the correct project and account. We determined whether items that were replaced had a corresponding retirement, which was recorded in accordance with Rule 25-6.0142(4) (b), F.A.C. We reconciled Construction Work in Process Non-Interest Bearing amounts on Form 42-8A to the general ledger. No exceptions were noted.

## Revenue

### Operating Revenues

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECRC.

**Procedures:** We reconciled the 2017 filing to the Utility's monthly Environmental Revenue Reports. We selected a random sample of residential and commercial customers' bills and recalculated each to verify the use of the correct tariff rate. This work was performed jointly with the revenue portions of the other clause audits of the Utility. The work product is contained in Docket No. 20180001-EI, Audit Control Number 2018-019-4-1. No exceptions were noted.

## Expense

### Operation and Maintenance Expense

**Objectives:** The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Form 42-5A filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for Projects 39-Martin Next Generation Solar Energy Center, 42-Turkey Point Cooling and Canal Monitoring Plan and 45-800 MW Unit ESP. The source documentation for selected items was reviewed to ensure the expense was related to the ECRC that the expense was charged to the correct account, and the expense was recorded in the proper test period. No exceptions were noted.

### Depreciation and Amortization

**Objective:** The objective was to verify that the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

**Procedures:** We recalculated Depreciation Expense on a test basis. We traced total year Depreciation Expense for each capital project listed on Form 42-8A to the general ledger detail. No exceptions were noted.

## Other Issues

### SO<sub>2</sub> Allowances

**Objectives:** The objectives were to verify investments, inventory, expensed amounts, allowance auction proceeds and to verify amounts included in Working Capital, Form 42-8A.

**Procedures:** We traced 2017 consumption for SO<sub>2</sub> Allowances, net of Gains on Sales of Emission Allowances, from the Utility's detailed Allowances Reports to the Total Emissions Schedule on Form 42-8A. We reconciled the inventory amounts in the general ledger to the Working Capital Calculation on Form 42-8A. No exceptions were noted.

## **True-up**

**Objective:** The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A was properly calculated.

**Procedures:** We traced the December 31, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Financial Commercial Paper rates, and the 2017 ECRC revenues and costs. No exceptions were noted.

Audit Findings

**None**



## Exhibit

### Exhibit 1: True-Up

JANUARY 2017 THROUGH DECEMBER 2017													
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Jan - 2017	Feb - 2017	Mar - 2017	Apr - 2017	May - 2017	Jun - 2017	Jul - 2017	Aug - 2017	Sep - 2017	Oct - 2017	Nov - 2017	Dec - 2017	Total
1. ECRC Revenues (net of Revenue Taxes)	\$19,020,904	\$16,158,964	\$17,092,622	\$18,716,891	\$21,244,550	\$23,622,657	\$24,983,373	\$24,781,611	\$23,728,803	\$22,522,607	\$18,989,331	\$18,243,961	\$249,106,274
2. True-up Provision	\$949,348	\$949,348	\$949,348	\$949,348	\$949,348	\$949,348	\$949,348	\$949,348	\$949,348	\$949,348	\$949,348	\$949,348	\$11,392,170
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	\$19,970,251	\$17,108,312	\$18,041,970	\$19,666,238	\$22,193,897	\$24,572,004	\$25,932,720	\$25,730,959	\$24,678,151	\$23,471,955	\$19,938,679	\$19,193,308	\$260,498,444
4. Jurisdictional ECRC Costs													
a. O&M Activities (Form 42-5A, Line 9)	\$1,801,543	\$2,530,350	\$2,348,467	\$2,515,814	\$2,669,478	\$3,246,176	\$3,456,368	\$3,283,451	\$2,266,734	\$3,296,207	\$3,212,958	\$3,127,332	\$33,754,880
b. Capital Investment Projects (Form 42-7A, Line 9)	\$14,022,596	\$14,001,320	\$13,978,047	\$13,954,361	\$13,929,761	\$13,906,445	\$13,881,632	\$13,860,207	\$13,844,510	\$13,843,210	\$13,845,786	\$13,883,802	\$166,951,676
c. Total Jurisdictional ECRC Costs	\$15,824,140	\$16,531,670	\$16,326,514	\$16,470,175	\$16,599,239	\$17,152,621	\$17,338,000	\$17,143,658	\$16,111,244	\$17,139,417	\$17,058,743	\$17,011,134	\$200,706,556
5. Over/(Under) Recovery (Line 3 - Line 4c)	\$4,146,112	\$576,642	\$1,715,456	\$3,196,063	\$5,594,658	\$7,419,383	\$8,594,720	\$8,587,301	\$8,566,907	\$6,332,538	\$2,879,935	\$2,182,174	\$59,791,888
6. Interest Provision (Form 42-3A, Line 10)	\$22,425	\$22,021	\$25,356	\$30,036	\$32,824	\$41,543	\$51,529	\$58,049	\$53,396	\$60,889	\$81,523	\$98,493	\$578,084
7. Prior Periods True-Up to be (Collected)/Refunded	\$11,392,170	\$14,611,359	\$14,260,674	\$15,052,139	\$17,328,891	\$22,007,026	\$28,518,604	\$36,215,506	\$43,911,508	\$51,582,464	\$57,026,543	\$59,038,653	\$11,392,170
a. Deferred True-Up (Form 42-1A, Line 7) <sup>(a)</sup>	\$23,872,381	\$23,872,381	\$23,872,381	\$23,872,381	\$23,872,381	\$23,872,381	\$23,872,381	\$23,872,381	\$23,872,381	\$23,872,381	\$23,872,381	\$23,872,381	\$23,872,381
8. True-Up Collected /(Refunded) (See Line 2)	(\$949,348)	(\$949,348)	(\$949,348)	(\$949,348)	(\$949,348)	(\$949,348)	(\$949,348)	(\$949,348)	(\$949,348)	(\$949,348)	(\$949,348)	(\$949,348)	(\$11,392,170)
9. End of Period True-Up (Lines 5+6+7+7a+8)	\$38,483,740	\$38,133,055	\$38,924,520	\$41,201,272	\$45,879,407	\$52,390,985	\$60,087,887	\$67,783,889	\$75,454,844	\$80,898,924	\$82,911,034	\$84,242,353	\$60,369,973
10. Adjustments to Period Total True-Up Including Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11. End of Period Total Net True-Up (Lines 9+10)	\$38,483,740	\$38,133,055	\$38,924,520	\$41,201,272	\$45,879,407	\$52,390,985	\$60,087,887	\$67,783,889	\$75,454,844	\$80,898,924	\$82,911,034	\$84,242,353	\$60,369,973

<sup>(a)</sup> From FPL's 2016 Final True-up filed on April 3, 2017.

JANUARY 2017 THROUGH DECEMBER 2017

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Jan - 2017	Feb - 2017	Mar - 2017	Apr - 2017	May - 2017	Jun - 2017	Jul - 2017	Aug - 2017	Sep - 2017	Oct - 2017	Nov - 2017	Dec - 2017	Total
1. Beginning True-Up Amount (Form 42-2A, Lines 7 + 7a + 10)	\$35,264,551	\$38,483,740	\$38,133,055	\$38,924,520	\$41,201,272	\$45,879,407	\$52,390,985	\$60,087,887	\$67,783,889	\$75,454,844	\$80,898,924	\$82,911,034	N/A
2. Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	\$38,461,315	\$38,111,034	\$38,899,163	\$41,171,238	\$45,846,582	\$52,349,442	\$60,036,357	\$67,725,840	\$75,401,448	\$80,838,034	\$82,829,511	\$84,143,861	N/A
3. Total of Beginning & Ending True-Up (Lines 1 + 2)	\$73,725,866	\$76,594,774	\$77,032,219	\$80,095,756	\$87,047,854	\$98,228,849	\$112,427,342	\$127,813,727	\$143,185,337	\$156,292,879	\$163,728,435	\$167,054,895	N/A
4. Average True-Up Amount (Line 3 x 1/2)	\$36,862,933	\$38,297,387	\$38,516,109	\$40,047,878	\$43,523,927	\$49,114,425	\$56,213,671	\$63,906,863	\$71,592,668	\$78,146,439	\$81,864,217	\$83,527,448	N/A
5. Interest Rate (First Day of Reporting Month)	0.72000%	0.74000%	0.64000%	0.94000%	0.86000%	0.95000%	1.08000%	1.12000%	1.06000%	0.73000%	1.14000%	1.25000%	N/A
6. Interest Rate (First Day of Subsequent Month)	0.74000%	0.64000%	0.94000%	0.86000%	0.95000%	1.08000%	1.12000%	1.06000%	0.73000%	1.14000%	1.25000%	1.58000%	N/A
7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)	1.46000%	1.38000%	1.58000%	1.80000%	1.81000%	2.03000%	2.20000%	2.18000%	1.79000%	1.87000%	2.39000%	2.83000%	N/A
8. Average Interest Rate (Line 7 x 1/2)	0.73000%	0.69000%	0.79000%	0.90000%	0.90500%	1.01500%	1.10000%	1.09000%	0.89500%	0.93500%	1.19500%	1.41500%	N/A
9. Monthly Average Interest Rate (Line 8 x 1/12)	0.06083%	0.05750%	0.06583%	0.07500%	0.07542%	0.08458%	0.09167%	0.09083%	0.07458%	0.07792%	0.09958%	0.11792%	N/A
10. Interest Provision for the Month (Line 4 x Line 9)	\$22,425	\$22,021	\$25,356	\$30,036	\$32,824	\$41,543	\$51,529	\$58,049	\$53,396	\$60,889	\$81,523	\$98,493	\$578,084