

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:** June 4, 2018  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, <sup>LD</sup> Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 20180002-EI  
Company Name: Florida Power & Light  
Company Code: EI802  
Audit Purpose: A3b: Energy Conservation Cost Recovery  
Audit Control No: 2018-017-4-1

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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 no 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  
Miami District Office

### Auditor's Report

Florida Power & Light Company  
Energy Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2017

Docket No. 20180002-EG  
Audit Control No. 2018-017-4-1  
May 26, 2018

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Gabriela Leon  
Audit Manager

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Marisa N. 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 24, 2017. 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 Energy Conservation Cost Recovery Clause in Docket No. 20180002-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, 2017, through December 31, 2017.

**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, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales.

**Procedures:** We computed revenues using the factors in Order PSC-2016-0547-FOF-EI issued November 22, 2016 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 June 2017 and recalculated each to verify the use of the correct tariff rates for each of the clause audits of this Utility in Docket 20180001-EI, Audit Control Number 2018-019-4-1. No exceptions were noted. (See Fuel Cost Recovery Audit, Docket 20180001-EI, ACN 2018-019-4-1).

### Expense

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expenses listed on the Utility's Schedule CT-3 of the Utility's ECCR 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 2017 depreciation expense and traced total depreciation expense to the general ledger. 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 and 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.

### **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, 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 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 2016 to 2017 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.

Audit Findings

**None**

## Exhibit

### Exhibit 1: True-Up

SCHEDULE CT-3

**FLORIDA POWER & LIGHT COMPANY  
ENERGY CONSERVATION COST RECOVERY  
FINAL TRUE-UP FOR THE PERIOD**

JANUARY 2017 THROUGH DECEMBER 2017

	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
<b>CONSERVATION PROGRAM REVENUES</b>													
1. Residential Load Control Credit													
2. Conservation Clause Revenues (Net of Revenue Taxes)	\$11,483,704	\$10,155,930	\$10,572,568	\$11,508,558	\$12,828,528	\$13,993,695	\$14,753,061	\$14,778,840	\$14,403,564	\$13,662,608	\$11,655,600	\$11,122,285	\$150,896,984
3. Total Revenues	\$11,483,704	\$10,155,930	\$10,572,568	\$11,508,558	\$12,828,528	\$13,993,695	\$14,753,061	\$14,778,840	\$14,403,564	\$13,662,608	\$11,655,600	\$11,122,285	\$150,896,984
4. Adjustment Not Applicable To Period - Prior True-up	\$1,517,798	\$1,517,798	\$1,517,798	\$1,517,798	\$1,517,798	\$1,517,798	\$1,517,798	\$1,517,798	\$1,517,798	\$1,517,798	\$1,517,798	\$1,517,798	\$18,213,555
5. Conservation Revenues Applicable To Period (Line 3+ 4)	\$12,981,500	\$11,673,728	\$12,090,366	\$13,026,356	\$14,346,326	\$15,511,493	\$16,270,859	\$16,296,638	\$15,921,362	\$15,180,406	\$13,173,398	\$12,640,083	\$169,110,539
6. Conservation Expenses (CT-3 Page 8, Line 16)	\$11,026,734	\$10,503,823	\$10,005,989	\$11,633,071	\$12,958,458	\$16,185,483	\$14,394,821	\$15,488,483	\$13,642,758	\$14,688,659	\$10,198,909	\$13,813,318	\$154,818,595
7. True-up This Period (Line 5 - Line 6)	\$1,954,766	\$1,169,905	\$2,084,377	\$1,393,285	\$1,387,868	(\$674,002)	\$1,876,038	\$830,174	\$2,078,622	\$481,743	\$2,978,487	(\$1,173,227)	\$14,193,824
8. Interest Provision For The Month (From CT-3, Page 10, Line 10)	\$15,988	\$15,158	\$17,435	\$19,967	\$19,920	\$21,378	\$22,345	\$22,013	\$18,044	\$18,663	\$24,112	\$27,653	\$242,902
9. True-up & Interest Provision Beginning of Month	\$18,213,555	\$18,988,522	\$18,333,888	\$18,817,888	\$18,813,150	\$18,501,140	\$18,330,718	\$18,711,303	\$18,045,683	\$18,824,563	\$15,817,193	\$17,089,998	\$18,213,555
9a. Deferred True-up Beginning of Period	\$7,888,571	\$7,888,571	\$7,888,571	\$7,888,571	\$7,888,571	\$7,888,571	\$7,888,571	\$7,888,571	\$7,888,571	\$7,888,571	\$7,888,571	\$7,888,571	\$7,888,571
10. Prior True-up Collected/(Refunded)	(\$1,517,798)	(\$1,517,798)	(\$1,517,798)	(\$1,517,798)	(\$1,517,798)	(\$1,517,798)	(\$1,517,798)	(\$1,517,798)	(\$1,517,798)	(\$1,517,798)	(\$1,517,798)	(\$1,517,798)	(\$18,213,555)
11. End of Period True-up - Over/(Under) Recovery (Line 7+8+9a+10)	\$28,533,083	\$26,200,257	\$28,784,268	\$26,479,720	\$26,367,711	\$24,167,286	\$24,577,873	\$23,812,284	\$24,481,133	\$23,483,763	\$24,868,587	\$22,303,386	\$22,303,386

Note : Totals may not add due to rounding.

( ) Reflects under-recovery