

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 21, 2019
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20190002-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3b: Energy Conservation Cost Recovery
Audit Control No: 2019-024-4-1

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 no 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 Month Ended December 31, 2018

Docket No. 20190002-EG
Audit Control No. 2019-024-4-1

June 7, 2019

Gabriela M. Leon
Audit Manager

Yen Ngo
Audit Staff

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, 2019. 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 2018 filing for the Energy Conservation Cost Recovery Clause in Docket No. 20190002-EG.

This report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the 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, 2018, through December 31, 2018.

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

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2018, through December 31, 2018, 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-2018-0100-FOF-EI, issued February 22, 2018 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 April 2018 and recalculated each to verify the use of the correct tariff rates for each of the clause audits of this Utility in Docket 20190001-EI, Audit Control Number 2019-017-4-1. No exceptions were noted.

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 2018 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 Efficiency and Conservation Act (FEECA) filing.

Procedures: We verified the number of participants reported in the Utility's March 1, 2018 FEECA filing for Business Heating, Ventilating, and Air Conditioning Program, Solar and Pilot Program Common Expenses, Residential New Construction Program (Builsmart), 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, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the Commission approved beginning balance as of December 31, 2017, the Financial Commercial Paper rates, and the 2018 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 2017 to 2018 to expenses. There were not significant variances. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True Up

FLORIDA POWER LIGHT COMPANY ENERGY CONSERVATION COST RECOVERY CONSERVATION TRUE-UP CALCULATION

SCHEDULE CT-3

JANUARY
2018
THROUGH
DECEMBER
2018

	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. Conservation Clause Revenues (Net of Revenue Taxes)	11,811,597	11,080,002	11,022,765	11,523,671	12,516,078	13,443,667	14,818,743	15,264,572	14,582,147	14,778,714	12,968,323	11,515,559	155,325,838
2. Total Revenues	\$11,811,597	\$11,080,002	\$11,022,765	\$11,523,671	\$12,516,078	\$13,443,667	\$14,818,743	\$15,264,572	\$14,582,147	\$14,778,714	\$12,968,323	\$11,515,559	\$155,325,838
3. Adjustment Not Applicable To Period - Prior True-up	\$1,138,833	\$1,138,833	\$1,138,833	\$1,138,833	\$1,138,833	\$1,138,833	\$1,138,833	\$1,138,833	\$1,138,833	\$1,138,833	\$1,138,833	\$1,138,833	\$13,665,996
4. Conservation Revenues Applicable To Period (Line 2+ 3)	\$12,950,430	\$12,218,835	\$12,161,598	\$12,662,504	\$13,654,911	\$14,582,500	\$15,957,576	\$16,403,405	\$15,720,980	\$15,917,547	\$14,107,156	\$12,654,392	\$168,991,834
5. Conservation Expenses (CT-3 Page 8, Line 18) ⁽¹⁾	10,795,040	9,766,318	10,343,594	13,042,696	13,794,573	14,754,939	14,043,234	16,656,165	15,120,943	14,356,754	12,145,880	13,915,695	158,735,829
6. True-up This Period (Line 4- Line 5) ⁽¹⁾	\$2,155,391	\$2,452,517	\$1,818,004	(\$380,191)	(\$139,682)	(\$172,439)	\$1,914,341	(\$252,760)	\$600,037	\$1,560,793	\$1,961,276	(\$1,261,303)	\$10,256,004
7. Interest Provision ⁽¹⁾	\$28,893	\$30,805	\$36,296	\$38,102	\$35,998	\$35,245	\$35,963	\$35,514	\$35,954	\$38,400	\$40,429	\$40,285	\$431,884
8. True-up & Interest Provision Beginning of Month	13,665,996	14,711,447	16,055,936	16,771,403	15,290,480	14,047,983	12,771,957	13,583,428	12,227,349	11,724,507	12,184,867	13,047,739	13,665,996
8a. Deferred True-up Beginning of Period ⁽¹⁾	8,635,987	8,635,987	8,635,987	8,635,987	8,635,987	8,635,987	8,635,987	8,635,987	8,635,987	8,635,987	8,635,987	8,635,987	8,635,987
9. Prior True-up Collected/(Refunded)	(1,138,833)	(1,138,833)	(1,138,833)	(1,138,833)	(1,138,833)	(1,138,833)	(1,138,833)	(1,138,833)	(1,138,833)	(1,138,833)	(1,138,833)	(1,138,833)	(13,665,996)
10. End of Period True-up- Over/(Under) Recovery (Line 6+7+8+8a+9)	\$23,347,434	\$24,691,923	\$25,407,390	\$23,926,467	\$22,683,971	\$21,407,944	\$22,219,415	\$20,863,336	\$20,360,494	\$20,820,854	\$21,683,727	\$19,323,875	\$19,323,875

Note :
Totals
may not
add due
to
rounding.
()
Reflects
under-
recovery

⁽¹⁾The 2017 Final True-up, 2018 Actual/Estimated true-up and associated interest amounts do not tie to the amounts approved in Order No. PSC- 2018-0562-FOF-EG issued November 28, 2018 due to corrections to CWIP balances related to ECCR charges incorrectly booked to base rates. The errors, which affected 2017 ending balances for Residential Load Management and Business On Call programs, were not identified until after FPL filed the 2018 Actual/Estimated true-up and the resulting corrections moving charges from base rates to ECCR were made in October 2018. These corrections resulted in a decrease of \$1,414 to the 2017 final net true-up over-recovery amount and a \$22,157 decrease to the 2018 Actual/Estimated true-up over-recovery amount.

FLORIDA POWER LIGHT COMPANY ENERGY CONSERVATION COST RECOVERY CONSERVATION TRUE-UP CALCULATION

SCHEDULE CT-3

	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
JANUARY 2018 THROUGH DECEMBER 2018													
INTEREST PROVISION	22,301,983	23,347,434	24,891,923	25,407,390	23,926,467	22,683,971	21,407,944	22,219,415	20,883,336	20,360,494	20,820,854	21,683,727	N/A
1. Beginning True-Up Amount (Page 9, Line 8 + 8a)													N/A
2. Ending True-Up Amount Before Interest (Page 9, Line 6 + 8 + 8a +9)	23,318,541	24,661,118	25,371,094	23,888,368	22,647,972	21,372,699	22,183,452	20,827,822	20,324,540	20,782,454	21,643,297	19,283,591	N/A
3. Total of Beginning & Ending True-Up (Line 1 + 2)	\$45,620,524	\$48,008,552	\$50,063,018	\$49,295,755	\$46,574,440	\$44,056,670	\$43,591,397	\$43,047,237	\$41,187,876	\$41,142,948	\$42,484,151	\$40,967,317	N/A
4. Average True-Up Amount (50% of Line 3)	\$22,810,262	\$24,004,276	\$25,031,509	\$24,647,878	\$23,287,220	\$22,028,335	\$21,795,698	\$21,523,619	\$20,593,938	\$20,571,474	\$21,232,076	\$20,483,659	N/A
5. Interest Rate - First Day of Reporting Business Month	1.58000%	1.46000%	1.62000%	1.86000%	1.85000%	1.86000%	1.98000%	1.98000%	1.98000%	2.21000%	2.27000%	2.30000%	N/A
6. Interest Rate - First Day of Subsequent Business Month	1.46000%	1.62000%	1.86000%	1.85000%	1.86000%	1.98000%	1.98000%	1.98000%	2.21000%	2.27000%	2.30000%	2.42000%	N/A
7. Total (Line 5 + 6)	3.04000%	3.08000%	3.48000%	3.71000%	3.71000%	3.84000%	3.96000%	3.96000%	4.19000%	4.48000%	4.57000%	4.72000%	N/A
8. Average Interest Rate (50% of Line 7)	1.52000%	1.54000%	1.74000%	1.85500%	1.85500%	1.92000%	1.98000%	1.98000%	2.09500%	2.24000%	2.28500%	2.36000%	N/A
9. Monthly Average Interest Rate (Line 8 / 12)	0.12667%	0.12833%	0.14500%	0.15458%	0.15458%	0.16000%	0.16500%	0.16500%	0.17458%	0.18667%	0.19042%	0.19667%	N/A
10. Interest Provision for the Month (Line 4 x 9)	\$28,893	\$30,605	\$36,296	\$36,102	\$35,998	\$35,245	\$35,963	\$35,514	\$35,954	\$38,400	\$40,429	\$40,285	\$431,884

Note: Totals may not add due to rounding.