


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: July 28, 2022
TO: Office of the Commission Clerk
FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 
RE: Docket No.: 20220007-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3d: Environmental Cost Recovery Clause
Audit Control No: 2022-018-1-2

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 the Commission Clerk. There are no confidential work papers associated with this audit.

TMB/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
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2021

Docket No. 20220007-EI

Audit Control No. 2022-018-1-2

July 19, 2022

M Glover for Y. Ngo

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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 January 14, 2022. 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 2020 filing for the Environmental Cost Recovery Clause in Docket No. 20220007-EI.

The report is intended only by internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to 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, 2021, through December 31, 2021, and to verify that 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), Florida Administrative Code (F.A.C).

Procedure: We reconciled Plant in Service (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2021 Form 42-8A. We selected a sample of the additions and retirements to the capital projects. We verified that additions had appropriate supporting documentation and were recorded to the correct project and account. We also verified that the replacement or retirement of an existing plant asset was recorded by the Utility in accordance with 25-6.0142(4)(b), F.A.C. No exceptions were noted.

Construction Work in Progress

Objectives: 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) Project 39 – Martin Solar Project
- 2) Project 42 – PTN Cooling Canal Monitoring System – Base & Intermediate
- 3) Project 47 – NPDES Permit Renewal Requirement

Procedures: We reconciled Construction Work in Progress (CWIP) Non-Interest Bearing amounts (Line 4) to the general ledger for each capital project listed on Form 42-8A. We selected a sample of capital project additions, and determined whether the additions were recorded to the correct project and account. We also 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. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2021, through December 31, 2021, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2021 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. The work product is contained in Docket 20220001-EI, Audit Control No. 2022-003-4-1. 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 are 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 testing for the twelve-month period of 2021. The source documentation for selected items was reviewed to ensure the expense was related to the ECRC, charged to the correct accounts, and recorded in the proper 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 of Project 39 – Martin Solar Project and agreed the depreciation rates to the Depreciation Study. 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

SO₂ Allowances

Objectives: The objectives were to verify the SO₂, and NO_x emission allowance investments, inventory, expensed amounts, allowance auction proceeds, and to verify amounts included in Working Capital, Form 42-8A.

Procedures: We traced 2021 consumption for SO₂ 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, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2021, using the Commission-approved beginning balance as of December 31, 2020, the Financial Commercial Paper rates, and the 2021 ECRC revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECRC Revenues, Expenses, and Plant In Services to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2021 to 2020 Plant In Services and Capital Investment. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

CALCULATION OF THE FINAL TRUE-UP AMOUNT FOR THE PERIOD

Line No.		Jan - 2021	Feb - 2021	Mar - 2021	Apr - 2021	May - 2021	Jun - 2021	Jul - 2021	Aug - 2021	Sep - 2021	Oct - 2021	Nov - 2021	Dec - 2021	Total
1	Line No.													
2														
3	1. ECRC Revenues (net of Revenue Taxes)	\$11,121,867	\$10,765,699	\$11,299,742	\$12,083,753	\$13,749,434	\$14,524,310	\$15,169,749	\$16,193,946	\$15,752,684	\$14,034,546	\$12,192,408	\$11,163,576	\$158,051,715
4														
5	2. True-up Provision	1,570,977	1,570,977	1,570,977	1,570,977	1,570,977	1,570,977	1,570,977	1,570,977	1,570,977	1,570,977	1,570,977	1,570,977	18,851,728
6														
7	3. ECRC Revenues Applicable to Period (Lines 1 + 2)	12,692,845	12,336,676	12,870,719	13,654,730	15,320,412	16,095,287	16,740,727	17,764,924	17,323,661	15,605,524	13,763,385	12,734,553	176,903,443
8														
9	4. Jurisdictional ECRC Costs													
10	a - O&M Activities (Form 42-5A, Line 9)	2,079,525	2,074,644	1,966,305	2,031,992	2,286,979	1,583,886	2,249,787	1,672,711	2,198,870	557,901	1,773,333	1,625,669	22,301,401
11	b - Capital Investment Projects (Form 42-7A, Line 9)	12,441,157	12,425,509	12,401,367	12,381,575	12,357,452	12,333,057	12,314,021	12,221,772	12,196,978	12,174,650	12,153,263	11,513,218	146,914,019
12	c - Total Jurisdictional ECRC Costs	14,520,682	14,500,153	14,367,672	14,413,567	14,644,431	13,916,944	14,563,808	14,094,483	14,395,847	12,732,551	13,926,595	13,138,887	169,215,420
13														
14	5. Over/(Under) Recovery (Line 3 - Line 4c)	(1,827,838)	(2,163,477)	(1,496,953)	(758,837)	675,981	2,178,344	2,176,919	3,670,441	2,928,014	2,872,973	(163,210)	(404,334)	7,688,023
15														
16	6. Interest Provision (Form 42-3A, Line 10)	2,253	2,001	2,071	1,661	941	1,020	1,225	1,186	1,378	1,673	2,103	1,956	19,467
17														
18	7. Prior Periods True-Up to be (Collected)/Refunded	16,851,728	15,455,166	11,722,713	8,656,853	6,328,700	5,434,645	6,043,031	6,650,198	10,105,661	11,464,076	12,768,659	11,036,574	124,518,006
19														
20	a - Deferred True-Up (Form 42-1A, Line 7)	14,657,306	14,657,306	14,657,306	14,657,306	14,657,306	14,657,306	14,657,306	14,657,306	14,657,306	14,657,306	14,657,306	14,657,306	175,887,676
21														
22	8. True-Up Collected/(Refunded) (See Line 2)	(1,570,977)	(1,570,977)	(1,570,977)	(1,570,977)	(1,570,977)	(1,570,977)	(1,570,977)	(1,570,977)	(1,570,977)	(1,570,977)	(1,570,977)	(1,570,977)	(16,851,728)
23														
24	9. End of Period True-Up (Lines 5+6+7+7a+8)	30,112,473	26,380,019	23,314,160	20,886,007	20,091,951	20,700,338	21,307,504	23,408,153	26,121,383	27,425,051	25,693,881	23,720,525	289,261,444
25														
26	10. Adjustments to Period Total True-Up including Interest								1,354,814		914			1,355,729
27														
28	11. End of Period Total Net True-Up (Lines 9 + 10)	30,112,473	26,380,019	23,314,160	20,886,007	20,091,951	20,700,338	21,307,504	24,762,968	26,121,383	27,425,966	25,693,881	23,720,525	290,617,173
29														
30	Monthly Over/(Under)	(3,396,562)	(3,732,454)	(3,065,860)	(2,328,153)	(894,055)	608,386	607,167	2,100,649	1,358,415	1,303,669	(1,732,085)	(1,973,356)	(11,144,238)
31														
32	RAF Monthly	(2,446)	(2,687)	(2,207)	(1,676)	(644)	438	437	1,512	978	939	(1,247)	(1,421)	(8,024)
33														
34	RAF Balance	21,681	18,994	16,786	15,110	14,468	14,904	15,341	16,854	17,832	18,771	17,523	16,103	204,365

Exhibit 2: Interest Provision

FLORIDA POWER & LIGHT
ENVIRONMENTAL COST RECOVERY CLAUSE
CALCULATION OF THE FINAL TRUE-UP AMOUNT FOR THE PERIOD

Line No.	Line	Jan - 2021	Feb - 2021	Mar - 2021	Apr - 2021	May - 2021	Jun - 2021	Jul - 2021	Aug - 2021	Sep - 2021	Oct - 2021	Nov - 2021	Dec - 2021
1													
2	1. Beginning True-Up Amount	33,509,035	30,112,473	26,380,019	23,314,160	20,986,007	20,091,951	20,700,338	22,662,319	24,762,968	26,122,297	27,425,966	25,693,881
3	(Form 42-2A, Lines 7 + 7a + 10)												
4													
5	2. Ending True-Up Amount before Interest	30,110,219	26,378,018	23,312,089	20,984,345	20,091,010	20,699,318	21,306,279	24,761,782	26,120,004	27,424,292	25,691,778	23,718,569
6	(Line 1 + Form 42-2A, Lines 5 + 8)												
7													
8	3. Total Beginning & Ending True-Up (Lines 1 + 2)	63,619,254	56,490,491	49,692,108	44,298,505	41,077,017	40,791,269	42,006,617	47,424,101	50,882,972	53,546,589	53,117,744	49,412,450
9													
10	4. Average True-Up Amount (Line 3 x 1/2)	31,809,627	28,245,246	24,846,054	22,149,253	20,538,508	20,395,635	21,003,308	23,712,050	25,441,486	26,773,295	26,558,872	24,706,225
11													
12	5. Interest Rate (First Day of Reporting Month)	0.09000%	0.08000%	0.09000%	0.11000%	0.07000%	0.04000%	0.08000%	0.06000%	0.06000%	0.07000%	0.08000%	0.11000%
13													
14	6. Interest Rate (First Day of Subsequent Month)	0.08000%	0.09000%	0.11000%	0.07000%	0.04000%	0.08000%	0.06000%	0.06000%	0.07000%	0.08000%	0.11000%	0.08000%
15													
16	7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.17000%	0.17000%	0.20000%	0.18000%	0.11000%	0.12000%	0.14000%	0.12000%	0.13000%	0.15000%	0.19000%	0.19000%
17													
18	8. Average Interest Rate (Line 7 x 1/2)	0.08500%	0.08500%	0.10000%	0.09000%	0.05500%	0.06000%	0.07000%	0.06000%	0.06500%	0.07500%	0.09500%	0.09500%
19													
20	9. Monthly Average Interest Rate (Line 8 x 1/12)	0.00708%	0.00708%	0.00833%	0.00750%	0.00458%	0.00500%	0.00583%	0.00500%	0.00542%	0.00625%	0.00792%	0.00792%
21													
22	10. Interest Provision for the Month (Line 4 x Line 9)	2,253	2,001	2,071	1,661	941	1,020	1,225	1,186	1,378	1,673	2,103	1,956
23													
24	RAF for Month	(2,446)	(2,687)	(2,207)	(1,676)	(644)	438	437	1,512	978	939	(1,247)	(1,421)
25	Balance	21,681	18,994	16,786	15,110	14,466	14,904	15,341	16,854	17,832	18,771	17,523	16,103