

State of Florida




# Public Service Commission

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**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** September 21, 2022  
**TO:** Office of the Commission Clerk  
**FROM:** Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis   
**RE:** Docket No.: 20210010-EI  
Company Name: Florida Power & Light  
Company Code: EI802  
Audit Purpose: A3g: Storm Protection Plan Cost Recovery Clause  
Audit Control No: 2021-314-1-3

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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 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  
Tampa District Office

### Auditor's Report

Florida Power and Light  
Storm Protection Plan Cost Recovery Clause

**As of December 31, 2021**

Docket No. 20220010-EI  
Audit Control No. 2021-314-1-3  
**September 9, 2022**

A handwritten signature in black ink, appearing to read "Tomer", written above a horizontal line.

Tomer Kopelovich  
Audit Manager

A handwritten signature in black ink, appearing to read "Simon", written above a horizontal line.

Simon Ojada  
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 Office of Industry Development and Market Analysis in its audit service request dated November 10, 2021. We have applied these procedures to the attached schedules prepared by Florida Power and Light in support of its filing for Storm Protection Plan Cost Recovery in Docket No. 20220010-EI.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

FPL or Utility refers to Florida Power and Light.

SPPCRC refers to Storm Protection Plan Cost Recovery Clause.

SPP refers to Storm Protection Plan.

#### Background

On April 1, 2022, Florida Power and Light filed support for its actual Storm Protection Cost Recovery factor for the period January 2021 through December 2021, and its 2021 Storm Protection Plan Accomplishments.

**Objectives:** The objectives were: 1) To reconcile the implemented SPP operation and maintenance expenses to the general ledger, and 2) To review a statistical sample or judgmental sample of operation and maintenance expenses.

**Procedures:** We reconciled the operation and maintenance (O&M) expenses to the general ledger. We reviewed a sample of payroll expenses, the only operation and maintenance expenses incurred and booked to the SPP Implementation Costs during 2021. Employee expenses consisted of employee time billed for programing, administrative, and additional resources necessary to track and manage SPP projects on an annual basis that are recovered through the SPPCRC. There were no other O&M expenses incurred or booked to the SPP Implementation Costs. No exceptions were noted.

**Objectives:** The objectives were to audit the following capital investments: Feeder Hardening Program, Distribution Lateral Undergrounding Program, and Transmission Wooden Structure Hardening. In addition, our objectives were to: 1) Verify that the investment amounts are recorded in the correct plant accounts; 2) Reconcile the corresponding plant-in-service/depreciation base, 3) Verify the calculations of the non-interest bearing construction work in progress (CWIP), 4) Verify that the most recent Commission-approved depreciation and amortization periods are used in calculating the depreciation expenses, and 5) Reconcile the depreciation savings for retired assets that have depreciation recovered through base rates.

**Procedures:** We verified that the most recent Commission-approved depreciation and amortization periods were used in calculating depreciation expense. The Utility provided a reasonable and representative sample of the 2021 SPP projects in accordance with the utility's discussion and agreement with audit staff. The Utility did not perform a calculation to determine the amount of depreciation expense savings related to the retirement of existing plant resulting from its SPP programs in base rates. According to the Utility, there is nothing in Section 366.96, F.S., or Rules 25-6.030 and 25-6.031, F.A.C., that requires the Utility to calculate and include depreciation expense savings associated with plant that is retired as part of a SPP program or

project, and the reductions to depreciation expense resulting from retired plant are reflected in FPL's applicable base rate proceeding. No exceptions were noted.

**Objective:** The objective was to verify the SPPCRC program-related plant additions, retirements, and adjustments for the period January 1, 2021, through December 31, 2021.

**Procedures:** We audited a sample of SPPCRC program-related plant additions, retirements, and adjustments for the period January 1, 2021, through December 31, 2021, by reviewing supporting documents for the Feeder Hardening Program, the Distribution Lateral Undergrounding Program, and Transmission Wooden Structure Hardening. No exceptions were noted.

**Objectives:** The objectives were to reconcile the operation and maintenance expenses to the general ledger and to review a statistical sample or judgement sample of the projects listed on Form 5A Summary.

**Procedures:** We reconciled the O&M expenses to the general ledger. We reviewed a sample of payroll expenses, the only O&M expenses incurred and booked to the SPP Implementation Costs during 2021. No exceptions were noted.

## **Other**

**Objectives:** The objectives were to: 1) Substantiate if the Utility changed any of its accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause, and 2) Verify if the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause.

**Procedures:** We requested and reviewed the accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. We reviewed whether the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. No exceptions were noted.

## **True-Up**

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

**Procedures:** We recalculated the True-Up and Interest Provision amounts as of December 31, 2021, using the Financial Commercial Paper rates, and the 2021 revenues and costs. No exceptions were noted.

Audit Findings

**None**

# Exhibit

## Exhibit 1: True-Up Calculation

FLORIDA POWER & LIGHT COMPANY  
 Storm Protection Plan Recovery Clause (SPRCRC)  
 Final True-Up  
 Calculation of True-Up Amount

Form 2A

For the Period of January 2021 - December 2021

	Jan-2021	Feb-2021	Mar-2021	Apr-2021	May-2021	Jun-2021	Jul-2021	Aug-2021	Sep-2021	Oct-2021	Nov-2021	Dec-2021	End of Period Total
1. Clause Payments (net of Revenue Taxes)	\$3,118,177	\$3,077,689	\$3,182,037	\$3,350,870	\$3,620,035	\$3,070,844	\$4,118,244	\$4,372,438	\$4,250,514	\$3,870,493	\$3,429,041	\$3,122,047	\$40,735,428
2. True-Up Premium - Prior Period	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. Clause Revenue Application to Period (Lines 1 + 2)	\$3,118,177	\$3,077,689	\$3,182,037	\$3,350,870	\$3,620,035	\$3,070,844	\$4,118,244	\$4,372,438	\$4,250,514	\$3,870,493	\$3,429,041	\$3,122,047	\$40,735,428
4. Accruals/True-Up Req													
a. Overhead Handling	\$150,000	\$457,240	\$229,068	\$1,320,894	\$1,637,837	\$2,374,640	\$2,752,598	\$3,063,773	\$3,643,690	\$4,134,071	\$4,567,346	\$2,182,883	\$50,912,831
b. Underpayment	\$50,837	\$153,594	\$271,330	\$420,810	\$564,050	\$752,442	\$928,700	\$1,005,501	\$1,235,703	\$1,409,574	\$1,507,224	\$1,714,441	\$10,070,697
c. Underpayment Management	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Underpayment Costs	\$3,648	\$5,202	\$8,152	\$8,870	\$13,195	\$30,239	\$10,222	\$38,542	\$37,451	\$21,703	\$11,834	\$10,020	\$231,672
e. Total Underpayment Requirements	\$204,372	\$610,800	\$1,126,390	\$1,750,312	\$2,144,801	\$2,414,801	\$2,881,710	\$3,287,813	\$3,882,811	\$4,286,319	\$4,589,611	\$2,910,922	\$40,844,571
5. Over (Under) Recovery (Line 3 - Line 4e)	\$2,913,805	\$2,466,889	\$2,055,647	\$1,600,558	\$1,475,234	\$656,043	\$236,734	\$88,665	\$366,824	\$584,122	\$839,430	\$211,125	\$2,890,857
6. Interest Provision (SPRCRC Form 2A, Line 12)	\$103	\$254	\$534	\$916	\$446	\$542	\$900	\$622	\$829	\$622	\$648	\$387	\$2,113
7. Beginning Balance True-Up & Interest Provision	\$0	\$2,913,909	\$2,379,798	\$7,432,406	\$9,044,685	\$10,430,270	\$11,238,025	\$11,782,097	\$11,838,564	\$11,274,714	\$9,502,370	\$6,782,714	\$6,782,714
a. Overhead Handling	\$0	\$2,913,909	\$2,379,798	\$7,432,406	\$9,044,685	\$10,430,270	\$11,238,025	\$11,782,097	\$11,838,564	\$11,274,714	\$9,502,370	\$6,782,714	\$6,782,714
b. Underpayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
c. Underpayment Management	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Underpayment Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8. True-Up Correction (Payment) (see Line 2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9. End of Period Total True-Up (Lines 4e+7+8)	\$2,913,805	\$2,466,889	\$2,055,647	\$1,600,558	\$1,475,234	\$656,043	\$236,734	\$88,665	\$366,824	\$584,122	\$839,430	\$211,125	\$2,890,857
10. Adjustment to Period True-Up (Interest) (see Line 6)	\$0	\$2,913,909	\$2,379,798	\$7,432,406	\$9,044,685	\$10,430,270	\$11,238,025	\$11,782,097	\$11,838,564	\$11,274,714	\$9,502,370	\$6,782,714	\$6,782,714
11. End of Period Total True-Up (Lines 9 + 10)	\$2,913,805	\$5,380,798	\$4,435,445	\$9,064,812	\$10,509,370	\$11,086,313	\$11,474,738	\$11,866,534	\$11,274,734	\$9,502,679	\$6,782,714	\$2,890,857	\$2,890,857

10. In August 2021, the Florida State Tax Court ruled that the 4.52% to 3.51% True-Up Rate was not a true-up rate and that the 2020 and 2021 tax years require a retroactive adjustment and interest to update the tax rate used in 2021. This rate was weighted average cost of capital (WACC) for the cost recovery clause with movements during 2020.



**Exhibit 1 (cont'd)**

FLORIDA POWER & LIGHT COMPANY  
 Storm Protection Plan Recovery Clause (SPPCRC)  
 Final True-Up  
 Calculation of Interest Provision for True-Up Amount  
 For the Period of January 2021 - December 2021

Form 3A

Line	a-Jan - 2021	a-Feb - 2021	a-Mar - 2021	a-Apr - 2021	a-May - 2021	a-Jun - 2021	a-Jul - 2021	a-Aug - 2021	a-Sep - 2021	a-Oct - 2021	a-Nov - 2021	a-Dec - 2021
1. Beginning True-Up Amount (SPPCRC Form 2A, Line 7+7a+10)	\$0	\$2,013,908	\$5,376,798	\$7,432,408	\$9,044,695	\$10,429,279	\$11,288,025	\$11,782,937	\$11,696,554	\$11,274,784	\$9,592,579	\$8,782,714
2. Ending True-Up Amount Before Interest	\$2,013,805	\$5,375,504	\$7,431,875	\$9,044,057	\$10,428,833	\$11,287,483	\$11,689,914	\$11,687,961	\$11,274,167	\$9,591,927	\$8,782,096	\$8,068,328
3. Total of Beginning & Ending True-Up (Lines 1 + 2)	\$2,013,805	\$8,239,412	\$12,807,873	\$16,476,475	\$19,483,518	\$21,696,752	\$22,947,629	\$23,680,898	\$23,172,710	\$20,885,711	\$18,374,644	\$16,771,112
4. Average True-Up Amount (Line 3 x 1/2)	\$1,456,902	\$4,144,706	\$6,403,835	\$8,238,238	\$9,741,759	\$10,948,351	\$11,473,969	\$11,840,449	\$11,586,355	\$10,433,359	\$9,187,322	\$8,485,556
5. Interest Rate (First Day of Reporting Business Month)	0.09%	0.09%	0.09%	0.11%	0.07%	0.04%	0.06%	0.06%	0.06%	0.07%	0.08%	0.11%
6. Interest Rate (First Day of Subsequent Business Month)	0.08%	0.09%	0.11%	0.07%	0.04%	0.05%	0.05%	0.06%	0.07%	0.03%	0.11%	0.08%
7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.17%	0.17%	0.20%	0.18%	0.11%	0.12%	0.14%	0.12%	0.13%	0.16%	0.19%	0.19%
8. Average Interest Rate (Line 7 x 1/2) - Annual	0.085%	0.085%	0.100%	0.089%	0.055%	0.060%	0.070%	0.060%	0.065%	0.078%	0.095%	0.095%
9. Monthly Average Interest Rate (Line 8 x 1/12)	0.007%	0.007%	0.008%	0.008%	0.005%	0.005%	0.006%	0.005%	0.005%	0.006%	0.008%	0.008%
10. Interest Provision for the Month (Line 4 x Line 9)	\$103	\$294	\$534	\$618	\$446	\$542	\$500	\$262	\$323	\$452	\$648	\$357

Docket No. 20220010-E1  
 Florida Power & Light Company  
 Exhibit RED-1 FPL 2021 Final True-up SPPCRC  
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