

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: May 8, 2023

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis 

RE: Docket No.: 20230001-EI
Company Name: Florida Power & Light
Company Code: EI802
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2023-010-4-1

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 the Commission Clerk. There are confidential work papers associated with this audit.

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

Auditor's Report

Florida Power & Light Company
Fuel and Purchased Power Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230001-EI
Audit Control No. 2023-010-4-1
April 27, 2023

A handwritten signature in blue ink, appearing to read "Yen N. Ngo".

Yen N. Ngo
Audit Manager

A handwritten signature in black ink, appearing to read "Donna D. Brown".

Donna D. Brown
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 Accounting & Finance in its audit service request dated January 9, 2023. 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 2022 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20230001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Florida Power & Light Company.

Fuel Clause refers to the Fuel and Purchased Power Cost Recovery Clause.

Analytical Review

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

Procedures: We compared 2022 revenues and expenses to 2020 and 2021. We requested explanations from the Utility for any significant changes to revenues and expenses. The Utility-provided explanations were sufficient and further follow-up was not required.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2022 through December 31, 2022, and whether FPL applied the Commission-approved cost recovery factor to actual KWH sales for the Fuel Clause.

Procedures: We reconciled the 2022 filing to the Utility's monthly revenue reports and the general ledger. We computed the factors by rate code and compared them to Commission Order No. PSC-2021-0442-FOF-EI, issued November 30, 2021, in Docket No. 20210001-EI. We selected a sample of residential and commercial customers' bills for the month of March 2022. We recalculated each customer bill to verify usage of the correct tariff rate. This work was also performed in Docket No. 20230001-EI, Audit Control No. 2023-010-4-2, with the revenue portion of the other clause audits. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to review the expenses which the Utility included in the Fuel Clause and to determine whether those expenses were properly recoverable based on the requirements established in Order No. 14546, issued July 8, 1985.

Procedures: We reconciled fuel expenses in the Fuel Clause to the general ledger. We reviewed and sampled fuel expenses reported on Schedules A-1 and A-2 for the month of March 2022, and

other supporting documentation to determine that fuel expense included in the Fuel Clause complied with the requirements of Order No. 14546. No exceptions were noted.

Objective: The objective was to determine whether generation-related gains derived from non-separated wholesale energy sales were credited to the Fuel Clause as required in Order No. PSC-2000-1744-PAA-EI, issued September 26, 2000.

Procedures: We selected one month (March 2022) of Energy Marketing energy sales transactions to sample for the period. The transactions were traced to invoices and Energy Marketing reports. The gains were recalculated and the credit was traced to the Fuel Clause. No exceptions were noted.

Objective: The objective was to determine whether energy payments to qualifying facilities on Schedule A-8 were based on the appropriate standard offer or negotiated contract rate.

Procedures: We selected a sample of energy payment transactions for the period ending March 2022. The payments were traced to purchase statements, invoices, and billing statements. No exceptions were noted.

Objective: The objective was to determine whether the payments for firm natural gas storage were recorded according to the terms and conditions of the Storage Service Agreements between FPL and two parties.

Procedures: We tested the vendor invoices for the year ended December 31, 2022, and agreed the quantities and costs to the terms and conditions of the gas storage agreement. No exceptions were noted.

Objective: The objective was to determine whether the firm transportation service (FTS) charge for transporting natural gas agrees with the FTS rate schedules from the pipeline company's tariff.

Procedures: We sampled the March 2022 FTS payments and traced them to the vendor invoices, FPL purchase statements, and to the pipeline company's posted tariffs. No exceptions were noted.

Objective: The objective was to determine whether purchased power payments on Schedule A-7 were supported by proper source documentation.

Procedures: We obtained and sampled purchased power payments for the month of March 2022. We recalculated and traced the amounts to the true-up schedules. The true-up schedules were verified and the prior months fuel costs were reconciled to actual invoices. No exceptions were noted.

Inventory

Objectives: The objectives were to determine whether semi-annual coal inventory surveys were completed and that inventory adjustments to coal supplies were made as required in Order No. PSC-1997-0359-FOF-EI, issued March 31, 1997.

Procedures: We obtained FPL's coal inventory analysis, inventory adjustment, and survey reports. We recalculated the adjustments and reconciled them to the survey reports and inventory analysis. We verified that the inventory adjustment calculations were consistent with the

requirements of Order No. PSC-1997-0359-FOF-EI. The inventory adjustments were traced to the filing and the general ledger. No exceptions were noted.

Other

Objectives: The objectives were to determine whether the coal and oil purchases on Form 423 reconcile with the monthly Schedule A-5, contractual obligations, and source documentation.

Procedures: We reconciled the March 2022 coal and oil purchases on Form 423 with the filing and the Fossil Fuel Inventory Report for the period. We also traced Schedule A-5 to the Fuel Used in the Electric Generating Plants Reports, which were tested in our sampling of Fuel Costs of System Net Generation. No exceptions were noted.

Objective: The objective was to examine FPL's analysis and audit of its Unit Power Sales (UPS) contracts with the Southern Companies and the Jacksonville Electric Authority (JEA).

Procedures: There was no audit report issued during 2022. No further work was performed.

Objective: The objective was to determine whether the incremental gains included in the Fuel Clause were consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-2016-0560-AS-EI, issued December 15, 2016, in Docket No. 20160088-EI.

Procedures: We obtained a schedule for the month of March 2022 of all incremental gains by asset optimization measure as defined in Order No. PSC-2013-0023-S-EI that were included in the Fuel Clause. We reviewed a sample of the transactions for each asset optimization measure for the period and traced each transaction to supporting invoices, purchase statements, and pipeline reports. We verified that the transactions were "arm's length" and not associated with FPL's parent, NextEra Energy, Inc., or its subsidiaries. We recalculated the incremental gains and reviewed the market price and index inputs used by FPL to calculate the gains. We also selected a sample of incremental costs and traced them to the invoices to verify these costs were related to the Incremental Optimization program. No exceptions were noted.

Objective: The objective was to determine whether the incremental optimization costs included in the Fuel Clause were consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-2016-0560-AS-EI.

Procedures: We obtained a schedule of all incremental optimization costs for the month of March 2022 as defined in Order No. PSC-2016-0560-AS-EI that were included in the Fuel Clause. We reviewed a sample of the incremental costs incurred by FPL to manage the Incentive Mechanism and its related purchase and sales programs. No exceptions were noted.

Objectives: The objectives were to determine whether the gains on short-term power sales and the savings on short-term power purchases were included in the Fuel Clause and that they were consistent with FPL's Incentive Mechanism that was approved in Order No. PSC 2016-0560-AS-EI.

Procedures: We obtained a schedule of short-term power sales and purchases included in the Fuel Clause for the month ended March 2022. We reviewed a sample of power transactions to check for gains or savings on short-term purchases that should be included as part of the Incentive Mechanism. We verified that FPL's application of the phrase "short-term" for these transactions is consistent with the intentions defined in Order No. PSC 2016-0560-AS-EI. No exceptions were noted.

Revenue Expansion Factor

Objective: The objective was to verify that the revenue expansion factor applied to any capital investment being recovered through the fuel clause does not contain a component for bad debt expense.

Procedures: We requested support for whether the revenue expansion factor applied to any capital investments being recovered through the Fuel Clause contained a component for bad debt expense. Per the Utility response, the revenue expansion factor does not contain any component for bad debt expense. Further follow-up was not needed.

True-up

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

Procedures: We traced the December 31, 2021, True-Up Provision to Commission Order Nos. PSC-2021-0460-PCO-EI and PSC-2023-0026-FOF-EI, issued December 15, 2021 and January 6, 2023, respectively. We also recalculated the True-Up and Interest Provision amounts as of December 31, 2022, using the Commission approved beginning balance as of December 31, 2021, the Financial Commercial Paper rates, and the 2022 Fuel Clause revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True Up

FLORIDA POWER & LIGHT COMPANY
FUEL COST RECOVERY CLAUSE (FCR)
CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A2

FOR THE PERIOD OF: December 2022

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Line No.		Current Month				Year to Date			
		Actual	Estimated	Difference	Difference %	Actual	Estimated	Difference	Difference %
1	Fuel Costs & Net Power Transactions								
2	Net Cost of System Net Generation (A3) ⁽¹⁾	461,032,007	439,077,260	21,954,747	5.0%	6,460,111,261	5,859,215,042	600,896,219	10.3%
3	Lease Costs	152,985	129,001	23,984	18.6%	2,950,922	2,822,965	127,957	4.5%
4	Fuel Cost of Stratified Sales	(10,246,491)	(10,180,880)	(65,611)	0.6%	(151,596,379)	(137,107,162)	(14,489,217)	10.6%
5	Fuel Cost of Power Sold (A6)	(23,114,276)	(9,482,587)	(13,631,689)	143.8%	(225,534,469)	(185,296,112)	(40,238,357)	21.7%
6	Gains from Off-System Sales (A6)	(23,603,110)	(1,640,732)	(21,962,378)	1,338.6%	(64,427,444)	(37,628,763)	(26,798,690)	71.2%
7	Fuel Cost of Purchased Power, Exclusive of Economy (A7)	26,474,982	12,852,781	13,622,201	106.0%	328,121,670	267,246,037	60,875,633	22.6%
8	Energy Payments to Qualifying Facilities (A8)	1,597,594	2,388,464	(790,871)	(33.1%)	27,351,716	31,146,961	(3,795,245)	(12.2%)
9	Energy Cost of Economy Purchases (A9)	28,471	0	28,471	N/A	43,855,103	27,308,841	16,546,262	60.6%
10		432,322,161	433,143,307	(821,146)	(0.2%)	6,420,832,380	5,827,707,819	593,124,561	10.2%
11	Optimization Activities ⁽²⁾								
12	Incremental Personnel, Software, and Hardware Costs	38,411	35,823	2,588	7.2%	527,488	480,304	47,184	9.8%
13	Variable O&M Costs Attributable to Off-Systems Sales (A6)	188,923	98,654	90,269	91.5%	1,311,977	1,199,791	112,186	9.4%
14	Variable O&M Costs Avoided due to Economy Purchases (A9)	(231)	0	(231)	N/A	(123,908)	(123,759)	(148)	0.1%
15	Optimization Credits	(2,912,312)	(1,250,000)	(1,662,312)	133.0%	(46,694,849)	(37,830,771)	(8,864,078)	23.4%
16		(2,685,209)	(1,115,523)	(1,569,687)	140.7%	(44,979,291)	(36,274,436)	(8,704,856)	24.0%
17	Adjustments to Fuel Cost								
18	Energy Imbalance Fuel Revenues	(201,475)	0	(201,475)	N/A	(4,451,626)	(1,382,695)	(3,068,931)	222.0%
19	Fuel Replacement Cost Credit	0	0	0	N/A	(1,471,683)	(1,471,683)	0	N/A
20	Inventory Adjustments	(450,953)	0	(450,953)	N/A	(136,821)	10,892	(147,713)	(1,356.2%)
21	Other O&M Expense	5,686	45,361	(39,675)	(87.5%)	581,529	578,674	(2,855)	(0.5%)
22		(646,742)	45,361	(692,103)	(1,525.8%)	(5,498,601)	(2,264,813)	(3,233,789)	142.8%
23	Adjusted Total Fuel Costs & Net Power Transactions	428,990,210	432,073,145	(3,082,935)	(0.7%)	6,370,354,488	5,789,168,571	581,185,917	10.0%
24									
25	kWh Sales								
26	Retail kWh Sales	9,389,488,821	9,014,469,996	375,018,825	4.2%	126,447,018,531	124,729,758,057	1,717,260,474	1.4%
27	Sale for Resale	451,396,903	391,094,909	60,301,994	15.4%	5,972,246,144	5,771,735,886	200,510,258	3.5%
28		9,840,885,724	9,405,564,905	435,320,819	4.6%	132,419,264,675	130,501,493,943	1,917,770,732	1.5%
29	Retail % of Total kWh Sales	95.41305%	95.84188%	(0.00)	(0.4%)				
30									
31	Revenues Applicable to Period								
32	Jurisdictional Fuel Revenues	353,122,508	342,099,136	11,023,371	3.2%	4,785,631,783	4,704,014,117	81,617,666	1.7%
33	Prior Period True-up Collected/(Refunded) This Period	(56,958,324)	(56,958,324)	0	N/A	(683,499,887)	(683,499,887)	0	N/A
34	GPIF ⁽³⁾	(395,683)	(395,683)	0	N/A	(4,748,196)	(4,748,196)	0	N/A
35	Asset Optimization - Company Portion ⁽⁴⁾	(291,934)	(291,934)	0	(0.0%)	(3,503,210)	(3,503,210)	0	(0.0%)
36	SolarTogether (ST) Credit ⁽⁵⁾	(6,193,564)	(7,945,243)	1,751,679	(22.9%)	(108,236,595)	(112,882,511)	4,645,917	(4.1%)
37		289,283,002	276,507,952	12,775,050	4.6%	3,985,843,876	3,899,380,313	86,463,563	2.2%

FLORIDA POWER & LIGHT COMPANY
FUEL COST RECOVERY CLAUSE (FCR)
CALCULATION OF TRUE-UP AND INTEREST PROVISION

SCHEDULE A2

FOR THE PERIOD OF: December 2022

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Line No.		Current Month				Year to Date			
		Actual	Estimated	Difference	Difference %	Actual	Estimated	Difference	Difference %
38	True-Up Calculation								
39	Adjusted Total Fuel Costs & Net Power Transactions	428,990,210	432,073,145	(3,082,935)	(0.7%)	6,370,354,488	5,789,168,571	581,185,917	10.0%
40	Jurisdictional Sales % of Total kWh Sales	95.4%	95.8%	(0.00)	(0.4%)				
41	Retail Total Fuel Costs & Net Power Transactions ⁽¹⁾	409,996,196	414,799,548	(4,803,353)	(1.2%)	6,093,096,422	5,542,717,956	550,378,466	9.9%
42	True-Up Provision for the Month-Over/(Under) Recovery	(120,713,193)	(138,291,596)	17,578,403	(12.7%)	(2,107,452,546)	(1,643,337,643)	(464,114,903)	28.2%
43	Interest Provision for the Month	(7,293,894)	(2,354,069)	(4,939,825)	209.8%	(30,918,452)	(14,949,600)	(15,968,652)	106.8%
44	True-Up & Interest Prov. Beg of Period-Over/(Under) Recovery	(2,067,322,235)	(1,574,600,102)	(492,722,133)	31.3%	(683,499,887)	(683,499,887)	0	N/A
45	Deferred True-up Beginning of Period - Over/(Under) Recovery	10,256,384	10,256,384	0	N/A	10,256,384	10,256,384	0	N/A
46	Prior Period True-up (Collected)/Refunded This Period	56,958,324	56,958,324	0	N/A	683,499,887	683,499,887	0	N/A
47	End of Period Net True-up Amount Over/(Under) Recovery	(2,128,114,614)	(1,648,031,059)	(480,083,555)	29.1%	(2,128,114,614)	(1,648,031,059)	(480,083,555)	29.1%
48									
49	Interest Provision								
50	Beginning True-up Amount	(2,067,065,851)							
51	Ending True-up Amount Before Interest	(2,120,820,720)							
52	Total of Beginning & Ending True-up Amount	(4,177,886,571)							
53	Average True-up Amount	(2,088,943,285)							
54	Interest Rate - First Day Reporting Business Month	4.01000%							
55	Interest Rate - First Day Subsequent Business Month	4.37000%							
56	Total Interest Rate - First Day Current and Subsequent Month	8.38000%							
57	Average Interest Rate	4.19000%							
58	Monthly Average Interest Rate	0.34917%							
59	Interest Provision	(7,293,894)							
60									

⁽¹⁾ Fuel Cost of System Net Generation reflected on Schedules A1 and A2 include costs related to a write-off adjustment and non-fuel related charges. Non-fuel charges will be reclassified in January.

⁽²⁾ Amounts reflected in this section are in accordance with FPL's Stipulation and Settlement approved by the Commission in Order No. PSC-2021-0446-S-EI, Docket No. 20210015-EI

⁽³⁾ Generating Performance Incentive Factor is (\$4,748,196/12) - See Order No. PSC-2021-0442-FOF-EI

⁽⁴⁾ Jurisdictionalized Asset Optimization - Company Portion is (\$3,503,210/12) - See Order No. PSC-2021-0442-FOF-EI

⁽⁵⁾ See Order No. PSC-2021-0442-FOF-EI

⁽⁶⁾ Line 23 x Line 29 x 1.00167