

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: Capacity Cost Recovery Clause
Audit Control No: 2023-010-4-2

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 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
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230001-EI
Audit Control No. 2023-010-4-2
April 24, 2023


Yen Ngo
Audit Manager



Donna Brown
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures	2
Audit Findings	
None.....	5
Exhibit	
1: True-Up.....	6

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 and 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 Capacity Cost Recovery Clause in Docket No. 20230001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Utility refers to Florida Power and Light Company.
CCRC refers to the Capacity Cost Recovery Clause.

Other

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's CCRC 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 needed.

Capital Investment

Objectives: The objectives were to determine the accuracy of the balances, depreciation expenses, and amortization for the Nuclear Incremental Security Return on Investment Schedules.

Procedures: We reconciled the Plant-in-Service and Construction-Work-in-Progress balances to the general ledger and traced the beginning balance to the prior audit in Docket No. 20220001-EI, Audit Control No. 2022-003-4-2. We sampled capital security costs for the twelve-month period. We recalculated the return on investment amounts using the Utility's debt and equity rates. We sampled and recalculated the month of May 2022 for the Nuclear Incremental Security and Fukushima depreciation expenses and traced the depreciation rates to Order No. PSC-2021-0446-S-EI, issued on December 2, 2021, in Docket No. 20210015-EI, and Order No. PSC-2010-0153-FOF-EI, issued on March 17, 2010, in Docket Nos. 20080677-EI, 20091130-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 capacity 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 Capacity Clause contained a component of bad debt expense. Per the Utility response, the revenue expansion factor used for clause calculations does not contain any component for bad debt expense. Further follow-up was not needed.

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 CCRC.

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 the proper usage of the correct tariff rate. This work was also performed in Docket No. 20230001-EI, Audit Control No. 2023-010-4-1, with the revenue portions of the other clause audits. No exceptions were noted.

Transmission Revenues

Objective: The objective was to determine whether transmission revenues derived from non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC per Order No. PSC-1999-2512-FOF-EI, issued December 22, 1999.

Procedures: We compiled transmission revenues for the twelve-month period ended December 31, 2022, from the Utility-provided documentation and reconciled the revenues with the general ledger and the filing. We selected the sample month of May 2022 for revenue transactions and traced them to source documentation. We determined that these revenues comply with Order No. PSC-1999-2512-FOF-EI. No exceptions were noted.

Expense

Incremental Security Cost

Objective: The objective was to determine whether the security costs recovered in the Capacity Clause were incremental to the security costs included in base rates, consistent with the method approved by Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003, in Docket No. 20030001-EI.

Procedures: We reviewed the general ledger account detail for vendors charging security costs to the Utility. We tested the month of May 2022 for security costs included in the Utility filing by computing the total security costs and compared them to corresponding amounts included in base rate. We verified the consistency with the method approved in Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003, in Docket No. 20030001-EI. We also verified that the total incremental security cost was within the range of the amount allocated to CCRC in the 2021 rate increase schedule. No exceptions were noted.

Purchased Power Contract

Objective: The objective was to determine whether invoices for capacity purchases were in accordance with the terms and conditions of the contracts.

Procedures: We reviewed the purchased power contracts. We traced the purchased power capacity costs from the filing to the general ledger. We tested the month of May 2022 and reconciled invoices for capacity purchases to the contract to determine whether they were recorded according to the terms and conditions of the contract. No exceptions were noted.

Nuclear Regulatory Commission (NRC) Fee

Objective: The objective was to determine whether the amount of NRC fees paid and the recoverable portion of the Incremental NRC fee increase amounts were consistent with the percentage approved for recovery in Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003, in Docket No. 20030001-EI.

Procedures: We sampled the month of May 2022 for the twelve-month period and computed the percentage allocated to CCRC. We concluded that the fees allocated to the CCRC are below the percentage approved for recovery in Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003, in Docket No. 20030001-EI. 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 traced the December 31, 2021, True-Up Provision to the Commission Order. We 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 revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

FLORIDA POWER & LIGHT COMPANY FUEL COST RECOVERY CLAUSE CALCULATION OF TRUE-UP AMOUNT

SCHEDULE E1-B

FOR THE PERIOD: JANUARY 2021 THROUGH DECEMBER 2021

(1) Line No.	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	
1 Fuel Costs & Net Power Transactions														
2 Fuel Cost of System Net Generation (E3) (1)	196,093,006	236,914,902	232,667,765	225,565,917	278,330,509	282,924,116	341,225,976	384,566,157	398,359,205	444,598,766	357,583,933	331,585,178	3,710,415,430	
3 - Rail Coal Cars Lease (Cedar Bay/Indiantown/Davie)	135,560	145,146	146,169	131,899	89,641	275,055	145,696	184,438	156,542	164,176	165,067	164,176	1,903,563	
4 Fuel Cost of Stratified Sales	(2,029,516)	(2,426,951)	(3,092,458)	(2,549,736)	(2,702,891)	(3,957,871)	(1,875,769)	(2,423,546)	(2,681,776)	(2,561,772)	(2,531,976)	(1,226,848)	(30,060,909)	
5 Fuel Cost of Power Sold (E6)	(3,038,111)	(4,808,540)	(3,570,186)	(5,100,462)	(4,246,828)	(6,427,033)	(9,699,740)	(6,124,668)	(9,667,259)	(7,111,255)	(12,479,270)	(14,199,705)	(86,471,057)	
6 Gains from Off-System Sales (E8)	(1,039,604)	(4,412,077)	(1,385,402)	(1,948,740)	(1,689,592)	(2,498,511)	(4,716,567)	(2,974,866)	(3,184,369)	(2,936,893)	(5,563,936)	(6,751,354)	(39,101,913)	
7 Fuel Cost of Purchased Power (E7)	2,653,162	3,079,694	3,486,300	2,186,670	2,839,335	2,849,346	2,938,627	3,031,823	2,878,552	3,194,518	1,840,382	3,942,435	34,910,844	
8 Energy Payments to Qualifying Facilities (E8)	148,230	860,916	247,650	433,716	377,695	460,548	389,823	460,887	480,728	574,000	713,431	556,130	5,703,554	
9 Energy Cost of Economy Purchases (E9)	-	335,359	229,632	608,471	9,533,861	5,355,987	152,030	1,151,432	776,454	1,221,989	-	84,000	19,450,216	
10	192,924,727	229,688,448	228,709,470	219,337,736	282,531,932	278,982,637	328,560,074	377,871,457	387,118,077	437,143,529	339,727,629	314,154,012	3,616,749,728	
12 Incremental Optimization Costs (2)														
13 Incremental Personnel, Software, and Hardware Costs	38,891	37,697	43,269	41,219	39,477	43,655	41,798	41,016	44,125	39,529	41,271	44,035	495,972	
14 Var. Power Plant O&M Costs over 514,000 MWh Threshold (Per A6)	111,151	162,731	114,110	156,034	110,209	167,747	246,933	140,563	188,949	144,802	254,602	306,165	2,103,997	
15 Variable Power Plant O&M Costs (Per A9)	-	(3,312)	(3,963)	(8,317)	(129,850)	(79,020)	(1,778)	(8,234)	(10,832)	(10,171)	-	(675)	(256,452)	
16	150,032	197,117	153,416	188,936	19,836	132,382	286,953	170,747	224,839	174,159	295,873	349,225	2,343,517	
18 Adjustments to Fuel Cost														
19 Energy Imbalance Fuel Revenues - Account 456.225	(134,118)	(107,079)	(84,053)	(5,237)	(46,309)	(76,006)	(161,721)	(285,906)	(164,460)	(338,410)	(118,630)	(308,393)	(1,830,321)	
20 Inventory Adjustments	(12,731)	35,434	(93,166)	57,883	35,889	16,109	(939)	43,917	58,084	15,095	(46,264)	80,207	189,518	
21 Fuel O&M Expense	171	-	-	(4,624)	31,173	468,074	3,838	-	-	-	-	-	488,632	
22	(146,678)	(71,846)	(177,219)	48,022	20,752	408,177	(158,822)	(241,989)	(106,375)	(323,315)	(164,893)	(228,186)	(1,142,171)	
24 Adjustments to Fuel Costs & Net Power Transactions	192,928,081	229,813,920	228,685,667	219,574,694	282,572,520	279,523,197	328,888,206	377,900,215	387,236,541	436,994,373	339,858,609	314,275,052	3,617,951,074	
kWh Sales														
27 Retail kWh Sales	7,920,264,452	7,672,369,137	8,050,207,476	8,597,508,595	9,741,408,902	10,281,014,783	10,730,178,438	11,439,623,576	11,137,527,526	9,950,263,714	8,682,291,445	7,973,870,877	112,176,528,921	
28 Sale for Resale	398,711,147	402,529,066	400,986,769	442,738,116	460,603,206	532,167,836	533,084,353	575,980,454	577,447,314	530,320,069	517,835,493	388,620,109	5,759,023,932	
29	8,316,975,599	8,074,898,203	8,451,194,245	9,040,246,711	10,202,012,108	10,813,182,619	11,263,262,791	12,015,604,030	11,714,974,840	10,480,583,783	9,200,126,938	8,362,490,986	117,935,552,853	
31 Retail % of Total kWh Sales	95.23010%	95.01506%	95.25527%	95.10259%	95.48517%	95.07853%	95.26705%	95.20640%	95.07086%	94.93998%	94.37143%	95.35282%		
Revenues applicable to Period														
34 Retail Fuel Revenues (Net of Revenue Taxes)	189,607,980	182,758,194	192,250,967	206,929,145	275,856,968	292,572,663	306,632,603	329,107,874	319,295,871	281,818,475	242,418,617	220,939,780	3,040,189,136	
35 Prior Period True-Up (Collected)/Refunded This Period (3)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(20,669,910)	
36 Midcourse Correction - 2021 Final True-Up (Coll./Ref. this Period)	-	-	-	-	(9,111,475)	(9,111,475)	(9,111,475)	(9,111,475)	(9,111,475)	(9,111,475)	(9,111,475)	(9,111,475)	(72,891,803)	
37 GP&F, Net of Revenue Taxes (4)	(676,653)	(676,653)	(676,653)	(676,653)	(676,653)	(676,653)	(676,653)	(676,653)	(676,653)	(676,653)	(676,653)	(676,653)	(8,119,831)	
38 Asset Optimization Net of Revenue Taxes (5)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(8,697,268)	
39 Solar Together - Subscription Credit, Net of Revenue Taxes (6)	(2,233,951)	(3,807,644)	(3,861,993)	(5,607,909)	(7,442,029)	(9,161,666)	(7,789,381)	(8,873,355)	(8,504,577)	(8,443,891)	(8,316,707)	(6,972,045)	(81,015,148)	
40	184,250,112	175,826,632	185,265,056	198,197,318	256,179,546	271,175,604	286,607,829	307,999,126	298,555,901	261,139,191	221,866,517	201,732,343	2,848,795,177	

FLORIDA POWER & LIGHT COMPANY
FUEL COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AMOUNT

SCHEDULE: E1-B

FOR THE PERIOD: JANUARY 2021 THROUGH DECEMBER 2021

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Line No.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
41	True-up Calculation													
42	Adjusted Total Fuel Costs and Net Power Transactions	192,928,081	229,813,920	228,685,667	219,574,694	282,572,520	279,523,197	328,688,206	377,800,215	387,236,541	436,994,373	339,858,609	314,275,052	3,617,951,074
43	Retail Sales % of Total kWh Sales	95.23010%	95.01506%	95.25527%	95.10259%	95.48517%	95.07853%	95.26705%	95.20640%	95.07086%	94.93998%	94.37143%	95.35282%	
44	Retail Total Fuel Costs & Net Power Transactions	183,975,472	218,715,067	218,191,528	209,162,852	270,256,268	266,201,340	313,643,841	360,278,436	368,751,402	415,561,118	321,254,142	300,160,385	3,446,151,851
45	True-up Provision for the Month - Over/(Under) Recovery	274,640	(42,888,435)	(32,926,472)	(10,965,534)	(14,076,722)	4,974,264	(27,036,011)	(52,279,310)	(70,195,501)	(154,421,927)	(99,387,625)	(98,428,042)	(597,356,674)
46	Interest Provision for the Month	(6,557)	(7,944)	(12,362)	(12,644)	(8,013)	(8,428)	(9,845)	(9,880)	(13,434)	(21,844)	(36,860)	(43,835)	(191,646)
47	True-Up & Interest Prov. Beg of Period-Over/(Under) Recovery	(20,669,910)	(18,679,334)	(59,853,221)	(91,069,563)	(100,325,247)	(112,687,490)	(105,999,162)	(131,322,526)	(181,889,223)	(250,375,666)	(403,096,944)	(500,798,936)	(20,669,910)
48	Deferred True-up Beginning of Period - Over/(Under) Recovery	(72,891,803)	(72,891,803)	(72,891,803)	(72,891,803)	(72,891,803)	(63,780,327)	(54,668,852)	(45,557,377)	(36,445,901)	(27,334,426)	(18,222,951)	(9,111,475)	(72,891,803)
49	Midcourse correction - 2021 final true-up (collected)/refunded this period	-	-	-	-	9,111,475	9,111,475	9,111,475	9,111,475	9,111,475	9,111,475	9,111,475	9,111,475	72,891,803
50	Prior Period True-up Collected/(Refunded) This Period	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	20,669,910
51	End of Period Net True-up Amount Over/(Under) Recovery	(91,571,137)	(132,745,023)	(163,961,365)	(173,217,050)	(176,467,817)	(160,668,014)	(176,879,902)	(218,335,125)	(277,710,092)	(421,319,894)	(509,910,412)	(597,548,321)	(597,548,321)
52														
53	(1) Actuals include various adjustments as; noted on the A-schedules													
54	(2) Amounts reflected in this section are in accordance with FPL's Stipulation and Settlement approved by the Commission in Order No. PSC-16-0560-AS-EI. Docket No. 160021-EI													
55	(3) Prior Period 2020 Actual/Estimated True-up													
56	(4) Generating Performance Incentive Factor Is ((\$8,125,681,112) x 99.9280%) - See Order No. PSC-2020-0439-FOF-EI													
57	(5) Jurisdictionalized Asset Optimization- FPL Portion is ((\$8,703,535/12) x 99.9280%) - See Order No. PSC-2020-0439-FOF-EI													
58	(5) Approved in Order No. PSC-2020-0084-S-EI Issued in Docket No. 20190061-EI on March 20, 2020													