

State of Florida



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Public Service Commission

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

DATE: August 25, 2023

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

FROM: Rhonda L. Hicks, Director, Office of Auditing and Performance Analysis *RH*

RE: Docket No.: 20230007-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3d: Environmental Cost Recovery Clause
Audit Control No.: 2023-019-1-1

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 no confidential work papers associated with this audit.

Attachment: Audit Report

Cc: Office of Auditing and Performance Analysis

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing

Auditor's Report

Florida Power & Light Company
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2022

Docket No. 20230007-EI
Audit Control No. 2023-019-1-1
August 25, 2023

A handwritten signature in black ink, appearing to read "Donna D. Brown", written over a horizontal line.

Donna D. Brown
Audit Manager

A handwritten signature in blue ink, appearing to read "Rhonda L. Hicks", written over a horizontal line.

Rhonda L. Hicks
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 Engineering in its audit service request dated May 15, 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 Environmental Cost Recovery Clause in Docket No. 20230007-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Florida Power & Light Company.
ECRC refers to the Environmental Cost Recovery Clause.

Analytical Review

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

Procedures: We compared 2019 to 2022 revenues and expenses. We requested explanations from the Utility for significant variances. The explanations provided by the Utility were sufficient. Further follow-up was not required.

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, 2022, through December 31, 2022

Procedures: We reconciled Plant in Service and Accumulated Depreciation to the general ledger for each capital project listed on the 2022 Form 42-8A. No exceptions were noted.

Construction-Work-in-Progress

Objectives: The objectives were to verify net investments associated with the specified 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 in accordance with Rule 25-6.0142(4)(b), Florida Administrative Code (F.A.C.):

- Project 27 Lowes Quality Water Source
- Project 124 FPL Miami-Dade Clean Water Recovery Clean

Procedures: We reconciled Construction-Work-in-Progress (CWIP) Non-Interest Bearing amounts to the general ledger for each capital project listed on Form 42-8A. We statistically selected a sample of capital projects 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 retirements, which was recorded in accordance with Rule 25-6.0142(4)(b), Florida Administrative Code (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, 2022, through December 31, 2022, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the Environmental 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 verify that Operation and Maintenance (O&M) Expense listed on the Utility's Form 42-5A filing were 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 statistically selected a sample of O&M expenses for testing, and traced the sampled items to company provided invoices. The source documentation for selected items were reviewed for the current period, charged to the correct accounts and appropriately recoverable through ECRC. 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 for four projects and traced them to the Utility's Depreciation Schedule and reconciled them to the filing. We traced total year depreciation expense for each capital project listed on Form 42-8A to the general ledger detail and traced the depreciation rates from the Settlement Agreement per Commission Order No. PSC-2021-0446-S-EI, to the Utility's Depreciation and Amortization Schedule. 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 2022 consumption for NOx allowances, net of gains on sales of emission allowances, from the Utility's Allowance Reports to the Total Emissions Schedule on Form 42-8A. We reconciled the inventory amounts in the general ledger to the working capital amounts noted 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, 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 ECRC revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: True Up

Form 42-2A

FLORIDA POWER & LIGHT COMPANY
Environmental Cost Recovery Clause (ECRC)
Final True-Up
Calculation of the Arbitrated True-Up Amount for the Period

January 2027 Through December 2022													
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	a-Jan - 2022	a-Feb - 2022	a-Mar - 2022	a-Apr - 2022	a-May - 2022	a-Jun - 2022	a-Jul - 2022	a-Aug - 2022	a-Sep - 2022	a-Oct - 2022	a-Nov - 2022	a-Dec - 2022	a-2022
1. Clause Revenue (net of Revenue Taxes)	\$24,178,783	\$24,633,499	\$25,842,684	\$27,572,058	\$28,751,224	\$32,571,178	\$36,521,719	\$36,853,690	\$38,107,426	\$20,846,145	\$27,243,878	\$26,471,862	\$253,730,690
2. True-Up Provision - Prior Period (a)	\$1,689,292	\$1,689,292	\$1,689,292	\$1,689,292	\$1,689,292	\$1,689,292	\$1,689,292	\$1,689,292	\$1,689,292	\$1,689,292	\$1,689,292	\$1,689,292	\$19,071,626
3. Clause Revenue Applicable to Period (Lines 1 + 2)	\$25,868,075	\$26,322,791	\$27,531,976	\$29,261,350	\$30,440,516	\$34,260,470	\$38,211,011	\$38,542,982	\$39,796,718	\$22,535,437	\$28,933,170	\$28,161,154	\$273,802,316
4. Jurisdictional Revenue Requirements													
a. O&M Activities (b)	\$3,043,428	\$3,236,722	\$7,558,964	\$2,818,028	\$2,783,948	\$1,248,355	\$4,257,429	\$2,317,831	\$2,818,778	\$3,647,114	\$3,178,825	\$3,327,482	\$50,214,833
b. Capital Projects (c)	\$25,161,814	\$27,228,833	\$27,823,850	\$27,274,292	\$28,428,804	\$28,419,770	\$27,844,216	\$27,651,204	\$27,853,890	\$27,677,581	\$27,622,844	\$27,671,962	\$330,051,200
c. Total Jurisdictional Revenue Requirements (Lines 4a + 4b)	\$28,205,242	\$30,465,555	\$35,382,814	\$29,092,320	\$31,212,752	\$29,668,125	\$32,101,645	\$30,009,035	\$30,672,668	\$31,324,695	\$30,791,669	\$31,009,444	\$380,266,033
5. Over/(Under) Recovery (Lines 3 - 4c)	(\$4,337,167)	(\$4,142,764)	(\$7,850,838)	(\$720,970)	(\$972,236)	\$4,652,345	\$6,109,366	\$8,533,947	\$9,124,050	\$1,210,742	(\$2,858,494)	(\$2,848,290)	(\$4,451,717)
6. Interest Provision (d)	\$2,473	\$2,801	\$1,039	(\$1,190)	(\$3,686)	(\$1,183)	(\$340)	\$11,869	\$28,007	\$40,780	\$38,320	\$30,736	\$147,444
7. Beginning Balance True-Up & Interest Provision	\$12,071,305	\$13,117,308	(\$2,934,287)	(\$12,012,437)	(\$14,331,007)	(\$10,000,000)	(\$13,803,823)	(\$3,030,337)	(\$1,150,306)	\$4,300,810	\$3,878,020	\$183,188	\$19,071,305
a. Deferred True-Up - Beginning of Period (e)	\$10,838,812	\$10,838,812	\$10,838,812	\$10,838,812	\$10,838,812	\$10,838,812	\$10,838,812	\$10,838,812	\$10,838,812	\$10,838,812	\$10,838,812	\$10,838,812	\$10,838,812
8. True-Up Collected/(Refunded) (see Line 7)	(\$1,639,292)	(\$1,689,292)	(\$1,689,292)	(\$1,689,292)	(\$1,689,292)	(\$1,689,292)	(\$1,689,292)	(\$1,689,292)	(\$1,689,292)	(\$1,689,292)	(\$1,689,292)	(\$1,689,292)	(\$19,071,626)
9. End of Period Total True-Up (Lines 5+6+7+8)	\$24,004,810	\$24,382,516	(\$1,126,843)	(\$3,445,095)	(\$5,974,011)	(\$2,653,143)	\$2,230,532	\$3,727,603	\$10,253,821	\$14,588,851	\$11,887,010	\$8,570,155	(\$4,318,567)
10. Adjusted to Period True-Up (including interest)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11. End of Period Total True-Up (Lines 9 + 10)	\$24,004,810	\$24,382,516	(\$1,126,843)	(\$3,445,095)	(\$5,974,011)	(\$2,653,143)	\$2,230,532	\$3,727,603	\$10,253,821	\$14,588,851	\$11,887,010	\$8,570,155	(\$4,318,567)