

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: March 8, 2024

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

FROM: Donna Brown, Bureau Chief, Office of Auditing and Performance Analysis *DB*

RE: Docket No.: 20230017-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A1d: Comprehensive Earnings Review – Limited Scope
Audit Control No.: 2023-341-1-1

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.

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
Storm Recovery Cost Audit – Hurricanes Ian and Nicole

As of June 1, 2023

Docket No. 20230017-EI
Audit Control No. 2023-341-1-1

March 4, 2024

A handwritten signature in blue ink, appearing to read "Yen Ngo", written over a horizontal line.

Yen Ngo
Audit Manager

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

Donna 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 and Finance in its audit service request dated December 1, 2023. We have applied these procedures to the attached schedules prepared by Florida Power & Light Company in support of its filing for storm recovery costs in Docket No. 20230017-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Florida Power & Light Company hereinafter referred to as FPL or Utility.

Incremental Costs are costs that are incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.

Non-incremental Costs are costs that are not incremental to costs normally charged to non-cost recovery clause operating expenses in the absence of a storm.

Background

On June 1, 2023, FPL filed a petition to facilitate an evaluation of Hurricanes Ian and Nicole storm costs. According to the petition, FPL incurred \$1,134,230,000 in storm restoration costs and follow-up work related to Hurricanes Ian and \$122,871,000 to Hurricane Nicole. After deducting Hurricanes Ian and Nicole related capital and third-party reimbursements, the remaining total amounted to \$1,023,393,000 for Hurricane Ian and \$118,423,000 for Hurricane Nicole, which was charged to operation and maintenance expense. As outlined in this petition, the Utility is not seeking to establish a surcharge for the recovery of these costs or to replenish the storm reserve. Instead, FPL recorded the costs to base operation and maintenance expense as permitted by Rule 25-6.0143(2)(h), Florida Administrative Code (F.A.C).

Expense

Payroll, Overtime, and Related Costs

Objectives: The objectives were to determine whether regular payroll, overtime, and related costs were properly stated, storm-related, and recoverable pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

Procedures: We reviewed regular payroll, overtime, and related costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a statistical sample of costs for detail testing and traced the amounts to payroll records. No exceptions were noted.

Contractor Costs

Objectives: The objectives were to determine whether contractor costs were properly stated, storm-related, and recoverable pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

Procedures: We reviewed contractor costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a statistical sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Line Clearing

Objectives: The objectives were to determine whether line clearing costs were properly stated, storm-related, and recoverable pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

Procedures: We reviewed line clearing costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a statistical sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Vehicle and Fuel

Objectives: The objectives were to determine whether vehicle and fuel costs were properly stated, storm-related, and recoverable pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

Procedures: We reviewed vehicle and fuel costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a statistical sample of costs for detail testing and traced the amounts to source documents. No exceptions were noted.

Materials and Supplies

Objectives: The objectives were to determine whether materials and supplies were properly stated, storm-related, and recoverable pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

Procedures: We reviewed materials and supplies from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a statistical sample of costs for detail testing and traced the amounts to purchase orders, invoices, or inventory records. We also verified that the materials and supplies listed were specifically utilized in the restoration process. No exceptions were noted.

Logistics

Objectives: The objectives were to determine whether logistics costs were properly stated, storm-related, and recoverable pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

Procedures: We reviewed logistics costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a statistical sample of costs for detail testing and traced the amounts to source documents. No exceptions were noted.

Other Costs

Objectives: The objectives were to determine whether other costs were properly stated, storm-related, and recoverable pursuant to Rule 25-6.0143, Florida Administrative Code (F.A.C.).

Procedures: We reviewed other costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a statistical sample of costs for detail testing and traced the amounts to purchase orders, invoices, or contracts. No exceptions were noted.

Other

Capitalizable Costs

Objectives: The objectives were to determine whether the capitalizable costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143(1)(d), F.A.C.

Procedures: We reviewed capitalizable costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We requested a detailed description of the capitalizable costs. We selected a statistical sample of costs for detail testing test to determine if the Utility included for recovery only those costs that are allowed by the applicable rule. No exceptions were noted.

Incremental Cost and Capitalization Approach Methodology (ICCA)

Objectives: The objective was to determine whether non-incremental costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143, Florida Administrative Code F.A.C.

Procedures: We reviewed ICCA costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a statistical sample of costs for detail testing and recalculated the allocation of the ICCA to charge types. We determined the Utility calculated the ICCA adjustments as allowed by Rule 25-6.0143, F.A.C. No exceptions were noted.

Jurisdictional Factors

Objectives: The objective was to determine whether the Utility used the appropriate jurisdictional factors for the filing.

Procedures: We obtained and reviewed Order No. PSC-2016-0560-AS-EI in Docket No. 20160088-EI, issued December 16, 2016, regarding the jurisdictional factors for the storm costs. We reconciled the jurisdictional factors from the support documentation provided by the Utility to the utility filing and verified the calculation of these factors. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: Hurricane Ian Company Exhibit KF-1

through June 1, 2023
(\$000s)

		Storm Costs By Function (A)						
		Storm & Other (1)	Nuclear (2)	Transmission (3)	Distribution (4)	General (B) (5)	Customer Service (6)	Total (7)
1	Storm Restoration Costs							
2	Regular Payroll and Related Costs (C)	\$172	\$47	\$1,148	\$12,070	\$1,197	\$931	\$15,263
3	Overtime Payroll and Related Costs (C)	382	27	2,458	23,614	1,744	1,044	29,277
4	Contractors	8,428	960	27,232	578,979	4,833	357	621,490
5	Line Clearing	-	-	322	165,382	-	-	165,704
6	Vehicle & Fuel	8	-	348	35,333	583	13	36,286
7	Materials & Supplies	685	-	1,349	45,413	210	127	47,780
8	Logistics	1,187	-	585	202,422	571	17	204,781
9	Other (D)	1,177	3	789	4,281	6,983	447	13,640
10	Total Storm Restoration Costs	\$12,058	\$737	\$34,224	\$1,068,474	\$16,101	\$2,835	\$1,134,230
11								
12	Less: Capitalizable Costs							
13	Payroll and Related Costs	\$0	-	-	\$3,584	\$178	\$28	\$3,789
14	Contractors	5,640	-	-	48,446	425	-	55,511
15	Materials & Supplies	395	-	-	31,138	109	124	31,766
16	Other	-	-	-	2,159	2,417	-	4,576
17	Total Capitalizable Costs	\$6,035	-	-	\$86,328	\$3,128	\$152	\$89,642
18								
19	Less: Insurance Receivables	-	-	-	-	-	-	-
20								
21	Net Storm Restoration Costs Incurred	\$8,024	\$737	\$34,224	\$982,147	\$12,973	\$2,483	\$1,038,588
22								
23	Less: ICCA Adjustments							
24	Regular Payroll and Related Costs (E)	\$178	\$0	\$204	\$3,514	\$1,043	\$534	\$5,472
25	Overtime Payroll and Related Costs (E)	-	27	3	381	38	116	362
26	Contractors	666	47	7	328	148	-	1,195
27	Line Clearing	-	-	-	-	-	-	-
28	Vegetation Management (F)	-	-	-	-	-	-	-
29	Vehicle & Fuel	-	-	347	3,105	-	-	3,452
30	Vehicle Utilization	-	-	-	-	-	-	-
31	Fuel	-	-	-	-	-	-	-
32	Other	-	-	-	-	-	-	-
33	Legal Claims	-	-	-	-	-	-	-
34	Employee Assistance and Childcare	-	-	-	-	614	-	614
35	Total ICCA Adjustments	\$844	\$74	\$560	\$7,328	\$1,841	\$850	\$11,296
36								
37	Incremental Storm Losses							
38	Regular Payroll and Related Costs	-\$6	\$47	\$942	\$4,672	-\$24	\$69	\$8,001
39	Overtime Payroll and Related Costs	392	0	2,455	23,233	1,708	928	28,715
40	Contractors	2,123	614	27,225	530,205	4,281	357	594,784
41	Line Clearing	-	-	322	165,382	-	-	165,704
42	Vehicle & Fuel	9	-	2	32,228	583	18	32,834
43	Materials & Supplies	300	-	1,348	14,275	101	3	15,024
44	Logistics	1,187	-	585	202,422	571	17	204,781
45	Other	1,177	3	789	2,102	3,932	447	8,449
46	Total Incremental Storm Losses (G)	\$5,180	\$863	\$33,965	\$974,819	\$11,132	\$1,834	\$1,027,293
47								
48	Jurisdictional Factor (H)	0.9558	0.9431	0.9065	0.9999	0.9630	1.0000	
49								
50	Retail Recoverable Costs	\$4,950	\$826	\$30,517	\$974,679	\$10,787	\$1,834	\$1,023,393

(A) Storm costs are as of June 1, 2023. Totals may not add due to rounding.

(B) General plant function reflects restoration costs associated with FPL's Human Resources, External Affairs, Information Technology, Corporate Real Estate, Regulatory Affairs, Development, Corporate Security and Marketing and Communications departments.

(C) Represents total payroll charged to the business unit (function) being supported. For example, an employee that works in FPL Development but is supporting Distribution during storm restoration would charge their time to Distribution.

(D) Includes other miscellaneous costs, including payroll and related overheads from affiliate personnel directly supporting storm restoration.

(E) Represents regular payroll normally recovered through base rate O&M and not charged to the Storm Reserve. The amounts are charged to the employee's normal business unit, which may not be the business unit that the employee supported during the storm. Therefore, in the example in Note C above, if the FPL Development employee had payroll cannot be charged to the Storm Reserve, that amount would be charged to FPL Development (General) whereas the recoverable portion of their time would remain in Distribution.

(F) Since FPL recovers all actual vegetation costs incurred through the storm charge or the Storm Protection Plan Cost Recovery Clause, there is no ICCA applicable.

(G) General function includes Audit Fees pursuant to Paragraph 18, of the Hurricane Irma Settlement.

Exhibit 2: Hurricane Nicole Company Exhibit KF-2

Florida Power & Light Company
Hurricane Nicole Incremental Cost and Capitalization Approach Adjustments
through June 1, 2023
(\$000s)

LINE NO.		Storm Costs By Function (A)						Total (7)
		Steam & Other (1)	Nuclear (2)	Transmission (3)	Distribution (4)	General (5)	Customer Service (6)	
1	Storm Restoration Costs							
2	Regular Payroll and Related Costs (C)	\$64	\$128	\$120	\$2,322	\$279	\$113	\$3,076
3	Overtime Payroll and Related Costs (C)	173	238	335	5,151	241	88	6,222
4	Contractors	594	3,588	1,631	59,004	318	25	65,138
5	Line Clearing	-	-	-	23,451	-	-	23,451
6	Vehicle & Fuel	0	-	84	3,794	24	-	3,902
7	Materials & Supplies	5	33	1	1,966	-	5	2,010
8	Logistics	0	207	12	16,603	19	1	16,841
9	Other (D)	21	33	61	1,710	383	27	2,233
10	Total Storm Restoration Costs	\$848	\$4,200	\$2,302	\$114,001	\$1,263	\$257	\$122,871
11								
12	Less: Capitalizable Costs							
13	Payroll and Related Costs	-	-	-	\$110	-	\$2	\$112
14	Contractors	-	-	-	681	-	-	681
15	Materials & Supplies	-	-	-	1,046	-	5	1,051
16	Other	-	-	-	121	-	-	121
17	Total Capitalizable Costs	-	-	-	\$1,938	-	\$7	\$1,945
18								
19	Less: Insurance Receivables	-	-	-	-	-	-	-
20								
21	Net Storm Restoration Costs Incurred	\$848	\$4,200	\$2,302	\$112,063	\$1,263	\$250	\$120,926
22								
23	Less: ICCA Adjustments							
24	Regular Payroll and Related Costs (E)	\$0.56	\$35	\$2.0	\$481.21	\$123	\$0.0	\$621
25	Overtime Payroll and Related Costs (E)	-	4	-	5	-	25	67
26	Contractors	-	368	-	781	-	-	383
27	Line Clearing:	-	-	84	-	-	-	-
28	Vegetation Management (F)	-	-	-	-	-	-	-
29	Vehicle & Fuel:	-	-	-	-	-	-	-
30	Vehicle Utilization	-	-	-	28	-	-	\$885
31	Fuel	-	-	-	-	-	-	-
32	Other	-	-	-	-	-	-	-
33	Legal Claims	-	-	-	-	-	-	-
34	Employee Assistance and Childcare	-	-	-	-	-	-	\$28
35	Total ICCA Adjustments	\$56	\$407	\$88	\$1,284	\$156	\$25	\$1,994
36								
37	Incremental Storm Losses							
38	Regular Payroll and Related Costs	\$54	\$91	\$179	\$1,750	\$156	\$111	\$2,342
39	Overtime Payroll and Related Costs	17	232	334	5,130	238	88	6,135
40	Contractors	594	3,198	1,631	58,343	318	0	64,083
41	Line Clearing	-	-	-	23,451	-	-	23,451
42	Vehicle & Fuel	0	-	0	3,013	24	-	3,037
43	Materials & Supplies	5	33	1	920	-	0	959
44	Logistics	0	207	12	16,603	19	1	16,841
45	Other	21	33	61	1,589	355	27	2,084
46	Total Incremental Storm Losses	\$791	\$3,793	\$2,215	\$110,769	\$1,107	\$225	\$118,931
47								
48	Jurisdictional Factor (G)	0.9556	0.9431	0.9065	0.8999	0.9690	1.0000	
49	Retail Recoverable Costs	\$766	\$3,577	\$2,009	\$110,763	\$1,072	\$225	\$118,423

Notes:

(A) Storm costs are as of June 1, 2023. Totals may not add due to rounding.

(B) General plant function reflects restoration costs associated with FPL's Human Resources, External Affairs, Information Technology, Corporate Real Estate, Regulatory Affairs, Development, Corporate Security, and Marketing and Communications departments.

(C) Represents total payroll charged to the business unit (function) being supported. For example, an employee that works in FPL Development but is supporting Distribution during storm restoration would charge their time to Distribution.

(D) Includes other miscellaneous costs, including payroll and related overheads from affiliate personnel directly supporting storm restoration.

Exhibit 3: Calculation of Total Storm Costs to be Recovered

Florida Power & Light Company
 Calculation of Total Storm Costs to be Recovered from Customers
 (\$000s)
 Modified Interim Storm Charge (A)
 Total Recoverable Storm Amount

Line No.	(1) Modified Interim Storm Charged (A)	(2) Total Recoverable Storm Amount	Notes
2	-	-	(B)
3	\$132,247	\$132,247	(C)
4	4,552	4,552	(D)
5	1,024,211	1,023,363	(E)
6	120,840	118,423	(F)
7	<u>\$1,281,849</u>	<u>\$1,278,614</u>	
8			
9	Less:		
10	(114,872)	(114,872)	(G)
11	(105,034)	(105,034)	(H)
12	1,010	781	(I)
13			
14	<u>\$1,062,953</u>	<u>\$1,069,490</u>	
15			
16	Plus:		
17	\$19,043	\$18,631	(J)
18	219,806	219,806	(K)
19			
20	<u>\$1,301,803</u>	<u>\$1,288,027</u>	

22 **Notes:**

- 23 (A) Amounts reflected in column (1) represents amounts presented on Appendix C of FPL's Supplemental Petition to Modify the Interim Storm Surcharge Related to Hurricanes Ian and Nicole filed on September 5, 2023 and approved for recovery by the Commission at the November 9, 2023 Agenda Conference.
- 24 (B) Incremental storm costs associated with the Hurricane Michael surcharge approved by the Commission in Order No. PSC-2020-0349-S-EI, Docket No. 20190038-EI were fully recovered as of March 31, 2023.
- 25 Amount represents the actual amount of the Hurricane Sally surcharge (approved by the Commission in Order No. PSC-2022-0406-FOF-EI, Docket No. 20200241-EI) remaining to be recovered as of March 31, 2023.
- 26 (D) Represents the actual amount of Hurricane Zeta incremental costs approved by the Commission for recovery in Order No. PSC-2022-0406-FOF-EI, Docket No. 20210179-EI less additional Storm Accruals reflected on Gulf Power's books and records as of December 31, 2021.
- 27 (E) Amount reflected in column (2) represents incremental storm costs for Hurricane Ian incurred as of June 1, 2023 as reflected on Exhibit KF-1.
- 28 (F) Amount reflected in column (2) represents incremental storm costs for Hurricane Nicole incurred as of June 1, 2023 as reflected on Exhibit KF-2.
- 29 (G) Represents funded storm reserve balance as of September 30, 2022 prior to Hurricanes Ian and Nicole.
- 30 (H) Represents unfunded storm reserve balance as of September 30, 2022 prior to Hurricanes Ian and Nicole.
- 31 (I) Represents the following: (1) \$2.3 million of losses upon liquidation of the storm fund in the fourth quarter of 2022, offset by (2) \$1.3 million of storm reserve accrual recorded during October through December 2022, which were authorized under paragraph 16 of FPL's 2021 Settlement Agreement approved by the Commission in Order No. PSC-2021-0448-S-EI, Docket No. 20210015-2023.
- 32 (J) Amount reflected in column (2) includes actual interest recorded on FPL's books and records for the period April 2023 through October 2023, and forecasted interest for the month of November 2023. Incremental storm costs are forecasted to be recovered during the month of November 2023 and then FPL will begin to apply surcharge revenues to the replenishment of the storm reserve.
- 33 (K) Represent storm reserve replenishment allowed under paragraph 10 of FPL's 2021 Settlement Agreement approved by the Commission in Order No. PSC-2021-0440S-EI, Docket No. 20210015-EI.