

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-**

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**DATE:** July 19, 2024

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

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

**RE:** Docket No.: 20240001-EI  
Company Name: Florida Power & Light Company  
Company Code: EI802  
Audit Purpose: A3a: Fuel Cost Recovery Clause  
Audit Control No.: 2024-008-2-3

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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.

Attachment: Audit Report

Cc: Office of Auditing & Performance Analysis

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, 2023**

Docket No. 20240001-EI  
Audit Control No. 2024-008-2-3

**July 18, 2024**

A handwritten signature in black ink, appearing to read "Tomer".

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Tomer Kopelovich  
Audit Manager

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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 13, 2024. 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 2023 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20240001-EI.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definition

Utility refers to Florida Power & Light Company (FPL).

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 2023 revenues and expenses to 2022 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, 2023, through December 31, 2023, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the Fuel Clause.

**Procedures:** We reconciled the 2023 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 PSC-2023-0343-FOF-EI. To ensure the accurate application of tariff rates, a statistical sample of residential and commercial customer bills from the year 2023 was selected and recalculated. This work was also performed in Docket No. 20240001-EL, Audit Control No. 2024-008-2-2, 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 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 statistically sampled fuel expenses reported on Schedules A-1 and A-2 for the twelve months of 2023 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:** A statistically representative sample of Energy Marketing sales transactions was drawn for the test 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:** A statistically representative sample of energy payment transactions was drawn for the test period. 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:** A statistically representative sample of gas storage expenses was acquired for the test period. We tested the vendor invoices for the year ended December 31, 2023, 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:** A statistically representative sample of FTS payments was acquired for the test period to ensure accurate billing practices. We recalculated and reconciled amounts to the corresponding vendor invoices, FPL purchase statements, and 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:** A statistically selected sample of purchased power payments was acquired for the test period. We recalculated and traced the amounts to the true-up schedules. The true-up schedules were verified and the prior months fuel costs for several months 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 May 2023 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 contracts with the Southern Companies and the Jacksonville Electric Authority.

**Procedures:** There was no audit report issued during 2023. 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 twelve months of 2023 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. To ensure the validity of asset optimization measures, a statistical sample of transactions for each measure was selected and reconciled against corresponding supporting documentation, including 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. A statistical sample of incremental costs was drawn and reconciled against corresponding invoices, confirming their direct association with 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 twelve months of 2023 as defined in Order No. PSC-2016-0560-AS-EI, that were included in the Fuel Clause. We reviewed a statistical 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 twelve month of 2023. We reviewed a statistical 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 and Interest Provision**

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

**Procedures:** We traced the December 31, 2022, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2023, using the Commission-approved beginning balance as of December 31, 2022, the Financial Commercial Paper rates, and the 2023 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

02/06/11

FOR THE PERIOD OF December 2010

Line No.	Description	Contract Energy				True-Up Data			
		Actual	Contract	\$/M	QSP	Actual	Contract	QSP	QSP %
		<b>I Fuel Costs &amp; Net Power Transactions</b>							
1	Fuel Cost of System Fuel Generation (2010-1)	730,722,830	29,221,008	41,478,628	14.2%	1,257,487,140	7,129,273,824	17,327,124	2.4%
2	Less: Costs	42,822	129,224	23,421	14.7%	1,425,628	6,411,228	19,520	0.2%
3	Fuel Cost of Dispatched Sales	4,320,621	1,570,240	82,529	19.3%	59,220,821	23,420,841	6,129,220	12.1%
4	Fuel Cost of Power Sold (2010-2)	7,428,841	12,213,211	95,740	5.2%	12,627,111	12,220,140	11,622,221	21.2%
5	Generation Off-Calendar Sales (2010-3)	3,142,221	1,421,221	2,221,221	14.2%	42,220,421	29,421,221	1,444,221	4.4%
6	Fuel Cost of Purchased Power (Excludes of Economy (2010-4))	6,421,221	4,121,221	221,221	4.1%	22,220,240	11,627,221	22,221	1.1%
7	Energy Payments to Qualifying Facilities (2010-5)	1,141,221	1,520,221	271,221	24.2%	19,220,221	22,427,121	127,220	2.2%
8	Energy Costs to Economy Purchases (2010-6)	0	0	1	0%	9,420,221	6,421,221	2,520,221	4.2%
9		2,822,221	270,221,221	221,221,221	14.2%	1,220,221,221	3,121,221,221	22,221,221	2.1%
<b>II Operations Activities</b>									
10	Incremental Personnel Salaries and Welfare Costs	42,121	42,121	0.042%	0.2%	2,121,221	512,121	4,021	1.0%
11	Variable O&M Costs Attributable to Off-Calendar Sales (2010-7)	121,221	146,221	2,121	1.7%	1,221,221	1,221,221	121,221	14.7%
12	Variable O&M Costs Attributable to Economy Purchases (2010-8)	0	0	0	0%	1,221,221	1,221,221	121,221	12.1%
13	Operations Credits	1,121,221	1,121,221	1,121,221	43.2%	1,121,221	1,121,221	1,121,221	21.2%
14		1,121,221	1,121,221	1,121,221	43.2%	1,121,221	1,121,221	1,121,221	21.2%
<b>III Adjustments to Fuel Cost</b>									
15	Energy Incentive Fuel Revenues	21,621	0	0.041%	0.1%	1,221,221	921,221	7,121,221	5.1%
16	Inventories Adjustments	221,221	0	221,221	8.1%	421,221	421,221	1,221,221	12.1%
17	Other O&M Expenses	221,221	42,121	1,121,221	22.2%	1,121,221	521,221	2,121,221	22.2%
18		221,221	42,121	221,221	44.2%	1,121,221	1,121,221	221,221	12.2%
19	Adjusted Total Fuel Costs & Net Power Transactions	2,822,221	25,420,221	140,221,221	12.2%	1,221,221,221	3,121,221,221	22,221,221	1.2%
<b>IV Other Sales</b>									
20	Retail FTR Sales	6,721,221	6,721,221	122,221,221	2.2%	12,121,221,221	12,121,221,221	2,121,221,221	1.2%
21	Sales for Resale	421,221,221	11,121,221,221	22,221,221	0.5%	6,221,221,221	6,221,221,221	2,221,221,221	4.2%
22		421,221,221	11,121,221,221	22,221,221	0.5%	6,221,221,221	6,221,221,221	2,221,221,221	4.2%
23	Total % of Total into Sales	99,221,221	12,121,221,221	12,121,221,221	0.1%	12,121,221,221	12,121,221,221	1,221,221,221	0.1%
<b>V Revenues Applicable to Fuel</b>									
24	Generation Fuel Revenues	121,221,221	22,121,221,221	1,121,221,221	4.2%	4,221,221,221	4,221,221,221	2,221,221,221	2.2%
25	Plus: Retail True-Up (Contract/Related True Period)	221,221	221,221	0	0%	1,221,221	1,221,221	0	0%
26	Less: Retail True-Up (Contract/Related True Period)	1,121,221,221	1,121,221,221	0	0%	1,121,221,221	1,121,221,221	0	0%
27	QSP	521,221	521,221	0	0%	521,221	521,221	0	0%
28	Asset Depreciation	1,121,221,221	1,121,221,221	0	0%	1,121,221,221	1,121,221,221	0	0%
29	Self-Insured Retention (SIR) Cost	1,121,221,221	1,121,221,221	0	0%	1,121,221,221	1,121,221,221	0	0%
30		1,121,221,221	1,121,221,221	1,121,221,221	0.1%	1,121,221,221	1,121,221,221	1,121,221,221	1.1%
31	True-Up Calculation	1,121,221,221	1,121,221,221	1,121,221,221	0.1%	1,121,221,221	1,121,221,221	1,121,221,221	1.1%

# Exhibit 2: Interest Provision

FLORIDA POWER & LIGHT COMPANY  
 REG. 6001 RESERVEY CHARGE (R/C)  
 CALCULATOR OF TRUMP AND INTEREST PROVISION

GENERAL

FOR THE PERIOD OF December 2020

1	2	3	4	5	6	7	8	9	10
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LINE No.		Current Year				Prior Year			
		Actual	Estimated	Diff	Diff%	Actual	Estimated	Diff	Diff%
33	Adjusted Total Fuel Costs & Net Power Transactions	27,524,000	27,840,000	-316,000	-1.1%	1,703,250	3,000,000	-1,296,750	-76%
41	Adjusted Sales & Net R/P Fees	15,200,000	15,000,000	200,000	1.3%	1,100,000	1,000,000	100,000	9%
42	Net Fuel Costs & Net Power Transactions <sup>(1)</sup>	2,163,000	2,840,000	(-677,000)	-31%	1,000,000	2,000,000	(-1,000,000)	-100%
43	Energy Provision for the Current Year/Under Recovery	19,400,000	30,000,000	-10,600,000	-54%	10,000,000	20,000,000	-10,000,000	-100%
44	Interest Provision for the Month	1,000,000	1,000,000	0	0%	1,000,000	1,000,000	0	0%
45	Trump & Interest Provision (Net of Prior - Current Year Recovery)	20,400,000	31,000,000	-10,600,000	-33%	11,000,000	21,000,000	-10,000,000	-91%
46	Trump & Interest Provision (Net of Prior - Current Year Recovery) - R/C	10,000,000	10,000,000	0	0%	10,000,000	10,000,000	0	0%
47	Deferred Fuel Cost Recovery of Prior - Current Year Recovery	10,400,000	21,000,000	-10,600,000	-100%	1,000,000	11,000,000	-10,000,000	-100%
48	Deferred Fuel Cost Recovery of Prior - Current Year Recovery	10,400,000	21,000,000	-10,600,000	-100%	1,000,000	11,000,000	-10,000,000	-100%
49	Prior Period Fuel Cost - Deferred/Recovery of Prior	10,400,000	21,000,000	-10,600,000	-100%	1,000,000	11,000,000	-10,000,000	-100%
50	End of Period Fuel Cost - Deferred/Recovery of Prior	10,400,000	21,000,000	-10,600,000	-100%	1,000,000	11,000,000	-10,000,000	-100%

51 Interest Provision

52 Beginning Trump & Interest

53 Ending Trump & Interest before R/C

54 Total of Beginning & Ending Trump & Interest

55 Average Trump & Interest

56 Interest Rate - Fuel Cost Recovery Business Month

57 Interest Rate - Fuel Cost Recovery Business Month

58 Total Interest Rate - Fuel Cost Recovery Business Month

59 Average Interest Rate

60 Month Average Interest Rate

61 Interest Provision

(1) Amounts calculated in this section are in accordance with the Regulatory Accounting Manual approved by the Commission in Order No. PSC-05-046-000, dated 12/11/04.

(2) For Order No. PSC-05-046-000 (1/04)

(3) Line 21 is the sum of lines 33 through 50.