

State of Florida



Public Service Commission

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

DATE: May 10, 2019
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20190001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2019-017-4-1

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

LMD/cmm

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

Miami District Office

Auditor's Report

Florida Power & Light Company

Fuel Cost Recovery Clause

Twelve Months Ended December 31, 2018

Docket No. 20190001-EI

Audit Control No. 19-017-4-1

April 26, 2019

Handwritten signature of Iliana H. Piedra in cursive script.

Iliana H. Piedra
Audit Manager

Handwritten signature of Gabriela M. Leon in cursive script.

Gabriela M. Leon
Audit Staff

Handwritten signature of Marisa N. Glover in cursive script.

Marisa N. Glover
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 January 14, 2019. 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 2018 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20190001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

FPL/Utility refers to the Florida Power & Light Company.

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

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2018, through December 31, 2018, and whether the FPL applied the Commission approved cost recovery factor to actual KWH sales for the FAC.

Procedures: We computed revenues using the factors in Order No. PSC-2018-0100-FOF-EI, issued February 22, 2018 and actual KWH sales from the Fuel Revenue Reports and reconciled them to the FAC. We selected a sample of residential and commercial customers' bills for the period and recalculated each to verify the use of the correct tariff rate. This work was performed jointly with the revenue portions of the other clause audits of Florida Power & Light Company. The work product is contained in Docket No. 20190001-EI, ACN 2019-017-4-1. No exceptions were noted.

Expense

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

Procedures: We reconciled fuel expenses in the FAC to the general ledger. We reviewed and sampled fuel expenses reported on Schedules A-1 and A-2 and other supporting documentation to determine that fuel expense included in the FAC 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 FAC as required in Order No. PSC-2000-1744-PAA-EI, issued September 26, 2000.

Procedures: We selected one month 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 FAC. No exceptions were noted.

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

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

Objectives: 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 a sample of vendor invoices and agreed the quantities and costs to the terms and conditions of the gas storage agreement. No exceptions were noted.

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

Objectives: 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. We recalculated and traced the sample 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 PSC-1997-0359-FOF-EI, issued March 31, 1997.

Procedures: We obtained FPL's coal inventory analysis, inventory adjustment and survey reports. The adjustments were recalculated and reconciled 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 FAC and the general ledger. No exceptions were noted.

Other

Objectives: The objective was to determine whether any vendor credits or rebates were credited to fuel cost in the FAC.

Procedures: We obtained a schedule of FPL's fuel payable account for the period. We selected a sample of invoices and verified that no credits or refunds were present. Additionally, we obtained a statement from the Utility confirming that, during 2018, no vendor rebates or refunds were received during that period. No exceptions were noted.

Objectives: The objective was to determine whether service hours, reserve shutdown hours and unavailable hours for FPL's Generating Performance Incentive Factor (GPIF) filings agree with source documents.

Procedures: We recalculated and reconciled the service hours, reserve shutdown hours, and unavailable hours from the GPIF filing to source documentation for the month of September. No exceptions were noted.

Objectives: The objectives were to determine whether the coal and oil purchases on Form 423 reconcile with the FAC and are supported by source documentation and backed by contractual obligations.

Procedures: We reconciled coal and oil purchases on Form 423 with the FAC and the Fossil Fuel Inventory Report for the period. We 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.

Objectives: The objective was to determine whether the incremental gains included in the FAC are consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-2013-0023-S-EI, issued January 14, 2013 and Order No. PSC-2016-0560-AS-EI, issued December 15, 2016.

Procedures: We obtained a schedule of all incremental gains by asset optimization measure as defined in Order No. PSC-2013-0023-S-EI that were included in the FAC. 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.

Objectives: The objective was to determine whether the incremental optimization costs included in the FAC are consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-2013-0023-S-EI.

Procedures: We obtained a schedule of all incremental optimization costs as defined in Order No. PSC-2013-0023-S-EI that were included in the FAC. 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 are included in the FAC and that they are consistent with FPL's Incentive Mechanism that was approved in Order No. PSC-2013-0023-S-EI.

Procedures: We obtained a schedule of short-term power sales and purchases included in the FAC. 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-2013-0023-S-EI. No exceptions were noted.

Objectives: 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 2018. No further work was performed.

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, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the approved beginning balance as of December 31, 2017, the Financial Commercial Paper rates, and the 2018 revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2018 to 2017 revenues and expenses. The Utility had no significant variances. Further follow-up was not required.

Audit Findings

None

