

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: June 18, 2019
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20190007-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3d: Environmental Cost Recovery Clause
Audit Control No: 2019-018-4-1

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
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2018

Docket No. 20190007-EI
Audit Control No. 2019-018-4-1
May 31, 2019

A handwritten signature in black ink, appearing to read "Debra M. Dobiac", written over a horizontal line.

Debra M. Dobiac
Audit Manager

A handwritten signature in blue ink, appearing to read "Marisa N. Glover", written over a horizontal line.

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 Engineering in its audit service request dated January 16, 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 Environmental Cost Recovery Clause in Docket No. 20190007-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

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

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, 2018, through December 31, 2018, and to verify that any project which involved the replacement or retirement of an existing plant asset is retired at the installed costs by the Utility in accordance with Rule 25-6.0142(4)(b), Florida Administrative Code (F.A.C.).

Procedure: We reconciled Plant in Service (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2018 Form 42-8A. We selected a sample of the additions and retirements to the capital projects. We verified that additions had appropriate supporting documentation and were recorded to the correct project and account. We also verified that the replacement or retirement of an existing plant asset was recorded by the Utility in accordance with 25-6.0142(4)(b), F.A.C. No exceptions were noted.

Construction Work in Progress

Objective: The objective was to verify net investments associated with the following capital projects:

- 1) Clean Air Interstate Rule Compliance Project No. 31,
- 2) MATS Project No. 33,
- 3) DeSoto Next Generation Solar Energy Center Project No. 37, and
- 4) Coal Combustion Residuals Project No. 54.

Procedures: We reconciled Construction Work in Progress (CWIP) Non-Interest Bearing amounts (Line 4) to the general ledger for each capital project listed on the 2018 Form 42-8A. We selected a sample of the additions to the capital projects. We verified that additions had appropriate supporting documentation and were recorded to the correct project and account. No exceptions were noted.

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 Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2018 filing to the Utility's monthly Environmental Revenue Reports. We selected a random sample of residential and commercial customers' bills and recalculated each to verify the use of the correct tariff rate. The work product is contained in Docket No. 20190001-EI. Audit Control No. 2019-017-4-1. 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 was 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 judgmentally selected a sample of O&M Expenses for the Clean Air Interstate Rule Compliance Project No. 31, the MATS Project No. 33, and the DeSoto Next Generation Solar Energy Center Project No. 37. The source documentation for selected items was reviewed to ensure the expense was related to the ECRC, charged to the correct accounts, and recorded in the proper period. 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 on a test basis. We traced total year Depreciation Expense for each capital project listed on Form 42-8A to the general ledger detail. No exceptions were noted.

Other Issues

SO₂ Allowances

Objectives: The objectives were to verify investments, inventory, expensed amounts, allowance auction proceeds and to verify amounts included in Working Capital, Form 42-8A.

Procedures: We traced 2018 consumption for SO₂ Allowances, net of Gains on Sales of Emission Allowances, from the Utility's detailed Allowances Reports to the Total Emissions Schedule on Form 42-8A. We reconciled the inventory amounts in the general ledger to the Working Capital Calculation 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, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the Commission approved beginning balance as of December 31, 2017, the Financial Commercial Paper rates, and the 2018 ECRC revenues and costs. No exceptions were noted.

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 2018 to 2017 revenues and expenses. There were no significant variances. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True Up

JANUARY 2018 THROUGH DECEMBER 2018													
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Jan - 2018	Feb - 2018	Mar - 2018	Apr - 2018	May - 2018	Jun - 2018	Jul - 2018	Aug - 2018	Sep - 2018	Oct - 2018	Nov - 2018	Dec - 2018	Total
1. ECRC Revenues (net of Revenue Taxes)	\$12,072,440	\$11,179,087	\$11,069,185	\$11,616,141	\$12,931,992	\$14,029,118	\$12,104,994	\$12,518,931	\$11,827,003	\$11,957,068	\$10,342,163	\$8,998,429	\$140,646,550
2. True-up Provision	\$4,389,174	\$4,389,174	\$4,389,174	\$4,389,174	\$4,389,174	\$4,389,174	\$4,389,174	\$4,389,174	\$4,389,174	\$4,389,174	\$4,389,174	\$4,389,174	\$52,670,082
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	\$16,461,613	\$15,568,260	\$15,458,359	\$16,005,315	\$17,321,166	\$18,418,292	\$16,494,167	\$16,908,105	\$16,216,176	\$16,346,241	\$14,731,336	\$13,387,603	\$193,316,632
4. Jurisdictional ECRC Costs													
a. O&M Activities (Form 42-5A - 2, Line 9)	\$2,578,339	\$2,614,067	\$3,001,947	\$2,800,321	\$2,970,802	\$1,280,048	\$2,702,643	\$2,589,241	\$2,457,639	\$2,442,359	\$2,845,456	\$3,461,932	\$31,744,795
b. Capital Investment Projects (Form 42-7A, Line 8)	\$12,253,628	\$12,235,249	\$12,232,418	\$12,235,253	\$12,264,930	\$12,304,042	\$12,153,030	\$12,169,335	\$12,201,110	\$12,218,478	\$12,213,886	\$11,809,194	\$148,290,552
c. Total Jurisdictional ECRC Costs	\$14,831,967	\$14,849,316	\$15,234,365	\$15,035,574	\$15,235,732	\$13,584,090	\$14,855,673	\$14,758,576	\$14,658,749	\$14,660,837	\$15,059,342	\$15,271,126	\$178,035,347
5. Over/(Under) Recovery (Line 3 - Line 4c)	\$1,629,646	\$718,944	\$223,993	\$969,741	\$2,085,433	\$4,834,202	\$1,638,494	\$2,149,529	\$1,557,428	\$1,685,405	(\$328,006)	(\$1,883,523)	\$15,281,286
6. Interest Provision (Form 42-3A, Line 10)	\$104,944	\$102,334	\$110,091	\$111,675	\$107,425	\$109,874	\$111,586	\$107,653	\$109,667	\$112,296	\$107,700	\$100,640	\$1,295,885
7. Prior Periods True-Up to be (Collected)/Refunded	\$52,670,082	\$50,015,498	\$46,447,602	\$42,392,513	\$39,084,756	\$36,888,440	\$37,443,342	\$34,804,249	\$32,672,258	\$29,950,179	\$27,358,706	\$22,749,227	\$52,670,082
a. Deferred True-Up (Form 42-1A, Line 7) ⁽¹⁾	\$31,560,081	\$31,560,081	\$31,560,081	\$31,560,081	\$31,560,081	\$31,560,081	\$31,560,081	\$31,560,081	\$31,560,081	\$31,560,081	\$31,560,081	\$31,560,081	\$31,560,081
8. True-Up Collected / (Refunded) (See Line 2)	(\$4,389,174)	(\$4,389,174)	(\$4,389,174)	(\$4,389,174)	(\$4,389,174)	(\$4,389,174)	(\$4,389,174)	(\$4,389,174)	(\$4,389,174)	(\$4,389,174)	(\$4,389,174)	(\$4,389,174)	(\$52,670,082)
9. End of Period True-Up (Lines 5+6+7+7a+8)	\$81,575,579	\$78,007,683	\$73,952,594	\$70,644,837	\$68,448,521	\$69,003,423	\$66,364,330	\$64,232,339	\$61,510,260	\$58,918,787	\$54,309,308	\$48,137,252	\$16,577,171
10. Adjustments to Period Total True-Up Including Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11. End of Period Total Net True-Up (Lines 9+10)	\$81,575,579	\$78,007,683	\$73,952,594	\$70,644,837	\$68,448,521	\$69,003,423	\$66,364,330	\$64,232,339	\$61,510,260	\$58,918,787	\$54,309,308	\$48,137,252	\$16,577,171

⁽¹⁾ From FPL's 2017 Revised Final True-up filed on July 25, 2018 and approved by the PSC in decision PSC-2018-0594-FCF-B

JANUARY 2018 THROUGH DECEMBER 2018

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Jan - 2018	Feb - 2018	Mar - 2018	Apr - 2018	May - 2018	Jun - 2018	Jul - 2018	Aug - 2018	Sep - 2018	Oct - 2018	Nov - 2018	Dec - 2018	Total
1. Beginning True-Up Amount (Form 42-2A, Lines 7 + 7a + 10)	\$84,230,163	\$81,575,579	\$78,007,683	\$73,952,594	\$70,644,837	\$68,448,521	\$69,003,423	\$66,364,330	\$64,232,339	\$61,510,260	\$58,918,787	\$54,309,308	N/A
2. Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	\$81,470,635	\$77,905,350	\$73,842,503	\$70,533,161	\$68,341,097	\$68,893,550	\$66,252,744	\$64,124,686	\$61,400,593	\$58,806,492	\$54,201,608	\$48,036,612	N/A
3. Total of Beginning & Ending True-Up (Lines 1 + 2)	\$165,700,798	\$159,480,929	\$151,850,186	\$144,485,756	\$138,985,934	\$137,342,071	\$135,256,167	\$130,489,016	\$125,632,932	\$120,316,752	\$113,120,395	\$102,345,920	N/A
4. Average True-Up Amount (Line 3 x 1/2)	\$82,850,399	\$79,740,464	\$75,925,093	\$72,242,878	\$69,492,967	\$68,671,035	\$67,628,083	\$65,244,508	\$62,816,466	\$60,158,376	\$56,560,198	\$51,172,960	N/A
5. Interest Rate (First Day of Reporting Month)	1.58000%	1.46000%	1.62000%	1.86000%	1.85000%	1.86000%	1.98000%	1.98000%	1.98000%	2.21000%	2.27000%	2.30000%	N/A
6. Interest Rate (First Day of Subsequent Month)	1.46000%	1.62000%	1.86000%	1.85000%	1.86000%	1.98000%	1.98000%	1.98000%	2.21000%	2.27000%	2.30000%	2.42000%	N/A
7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)	3.04000%	3.08000%	3.48000%	3.71000%	3.71000%	3.84000%	3.96000%	3.96000%	4.19000%	4.48000%	4.57000%	4.72000%	N/A
8. Average Interest Rate (Line 7 x 1/2)	1.52000%	1.54000%	1.74000%	1.85500%	1.85500%	1.92000%	1.98000%	1.98000%	2.09500%	2.24000%	2.28500%	2.36000%	N/A
9. Monthly Average Interest Rate (Line 8 x 1/12)	0.12667%	0.12833%	0.14500%	0.15458%	0.15458%	0.16000%	0.16500%	0.16500%	0.17458%	0.18667%	0.19042%	0.19667%	N/A
10. Interest Provision for the Month (Line 4 x Line 9)	\$104,944	\$102,334	\$110,091	\$111,675	\$107,425	\$109,874	\$111,586	\$107,653	\$109,667	\$112,296	\$107,700	\$100,640	\$1,295,885