

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: September 15, 2020

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20200172-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A19: Storm Restoration for Hurricane Dorian
Audit Control No.: 2020-198-1-3

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 no 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
Storm Recovery Cost Audit – Hurricane Dorian

As of May 31, 2020

Docket No. 20200172-EI
Audit Control No. 2020-198-1-3
September 02, 2020

A handwritten signature in cursive script, appearing to read "Iliana H. Piedra".

Iliana H. Piedra
Audit Manager

A handwritten signature in cursive script, appearing to read "Marisa N. Glover".

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 July 13, 2020. We have applied these procedures to the attached schedules prepared by Florida Power & Light in support of its filing for storm recovery costs in Docket No. 20200172-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

FPL or Utility refers to Florida Power & Light.

Background

On June 29, 2020, FPL filed a petition to facilitate an evaluation of Hurricane Dorian storm costs. According to the petition, FPL incurred \$240,563,588 in storm restoration costs and follow-up work related to Hurricane Dorian. After deducting Hurricane Dorian related capital and third-party reimbursements, the remaining total amounted to \$240,335,915, 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, recorded in the period incurred, and related to Hurricane Dorian.

Procedures: We determined 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 judgmental sample of costs for detail testing and traced the amounts to payroll records. No exceptions were noted.

Contractors

Objectives: The objectives were to determine whether contractor costs were properly stated, recorded in the period incurred, and related to Hurricane Dorian.

Procedures: We determined contractor costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental 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, recorded in the period incurred, and related to Hurricane Dorian.

Procedures: We determined line clearing costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected

a judgmental 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, recorded in the period incurred, and related to Hurricane Dorian.

Procedures: We determined 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 judgmental 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, recorded in the period incurred, and related to Hurricane Dorian.

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

Logistics

Objectives: The objectives were to determine whether logistics costs were properly stated, recorded in the period incurred, and related to Hurricane Dorian.

Procedures: We determined logistics costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental 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, recorded in the period incurred, and related to Hurricane Dorian.

Procedures: We determined other costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a judgmental 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 determined 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, and tested these costs to determine if the Utility included for recovery only those costs that are allowed by the applicable Rule. No exceptions were noted.

Third-Party Reimbursements

Objectives: The objective was to determine whether third-party reimbursement costs have been accounted for correctly and removed in their entirety from the recoverable costs as per Rule 25-6.0143 (1)(b), F.A.C.

Procedures: We determined third-party reimbursements 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 third-party reimbursements, and tested these costs to determine if the Utility included for recovery only those costs that are allowed by the applicable Rule. No exceptions were noted.

Non-Incremental Costs

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, F.A.C.

Procedures: We determined non-incremental costs from Account 186 – Miscellaneous Deferred Debits by function and reconciled the balances to the storm restoration costs filing. We selected a sample of costs to test and noted that FPL is not seeking any incremental recovery for the storm costs through either a surcharge or depletion of the storm reserve and stated that the ICCA methodology is not applicable to the Hurricane Dorian storm restoration costs. FPL provided the ICCA adjustments on Exhibit DH-1 for informational purposes only and to facilitate the review of the storm restoration costs. 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 the jurisdictional factors used by the Utility.

Procedures: We determined the jurisdictional factors used in this filing. We verified the calculation using support documentation provided by the Utility. No further work was performed.

Audit Findings

None

Exhibits

Exhibit 1: FPL's Hurricane Dorian Incremental Cost and Capitalization Approach Adjustments

Florida Power & Light Company Hurricane Dorian Incremental Cost and Capitalization Approach Adjustments as of May 31, 2020 (\$000s)								
LINE NO.		Storm Costs By Function(A)					Customer Service (6)	Total (7)
		Storm & Other (1)	Nuclear (2)	Transmission (3)	Distribution (4)	General (B) (5)		
1	Storm Restoration Costs							
2	Regular Payroll and Related Costs (C)	\$110	\$192	\$318	\$1,982	\$293	\$56	\$2,952
3	Overtime Payroll and Related Costs (C)	270	959	765	6,393	681	188	9,257
4	Contractors	135	1,116	170	150,422	1,110	110	153,063
5	Line Clearing	0	0	0	32,880	0	0	32,880
6	Vehicle & Fuel	0	4	86	8,633	4	0	8,747
7	Materials & Supplies	7	62	168	698	2	30	967
8	Logistics	102	456	40	28,755	144	4	29,501
9	Other (D)	16	111	36	2,245	737	52	3,187
10	Total Storm Related Restoration Costs	\$641	\$2,900	\$1,584	\$232,028	\$2,971	\$441	\$240,564
11								
12	Less: Capitalizable Costs							
13	Regular Payroll and Related Costs	\$0	\$0	\$0	\$4	\$0	\$0	\$4
14	Contractors	0	0	0	159	0	0	159
15	Materials & Supplies	0	0	0	64	0	0	64
16	Other	0	0	0	8	0	0	8
17	Third-Party Reimbursements (E)	0	0	0	-19	0	0	-19
18	Total Capitalizable Costs	\$0	\$0	\$0	\$209	\$0	\$0	\$209
19								
20	Less: Third-Party Reimbursements (E)	0	0	0	19	0	0	19
21								
22	Less: Below-the-Line/Thank You Ads	0	0	0	0	0	0	0
23								
24	Total Storm Restoration Costs Charged to Base O&M	\$641	\$2,900	\$1,584	\$231,809	\$2,971	\$441	\$240,336
25								
26	Less: ICCA Adjustments							
27	Regular Payroll and Related Costs (F)	\$79	\$181	\$61	\$431	\$230	\$83	\$1,063
28	Line Clearing	0	0	0	0	0	0	0
29	Vehicle Management	0	0	0	0	0	0	0
30	Vehicle & Fuel	0	0	0	0	0	0	0
31	Vehicle Utilization	0	15	85	706	1	0	808
32	Fuel	0	0	0	73	0	0	73
33	Other	0	0	0	0	0	0	0
34	Legal Claims	0	0	0	0	0	0	0
35	Employee Assistance and Childcare	0	0	0	0	28	0	28
36	Total ICCA Adjustments	\$79	\$196	\$146	\$1,212	\$259	\$83	\$1,926
37								
38								
39	Incremental Storm Losses							
40	Regular Payroll and Related Costs (C) (F)	\$31	\$12	\$257	\$1,347	\$63	\$27	\$1,883
41	Overtime Payroll and Related Costs	270	959	766	6,393	681	188	9,257
42	Contractors	135	1,116	170	150,269	1,110	110	152,911
43	Line Clearing	0	0	0	32,880	0	0	32,880
44	Vehicle & Fuel	0	-11	0	7,871	3	0	7,864
45	Materials & Supplies	7	62	168	695	2	30	903
46	Logistics	102	456	40	28,755	144	4	29,501
47	Other	16	111	36	2,237	709	52	3,162
48	Total Incremental Storm Losses	\$561	\$2,704	\$1,437	\$230,388	\$2,711	\$358	\$238,340
49								
50	Jurisdictional Factor (G)	0.9513	0.9335	0.9028	0.9999	0.9682	1.0000	
51								
52	Retail Recoverable Incremental Costs	\$524	\$2,525	\$1,298	\$220,557	\$2,625	\$328	\$227,896

Notes:

(A) Storm costs are as of May 31, 2020. Totals may not add due to rounding.

(B) General plant function reflects restoration costs associated with FPL's Human Resources, Corporate and External Affairs, Energy Marketing & Trading, Information Technology, Real Estate, Marketing and Communications, General Counsel, Regulatory Affairs, Internal Audit and Strategy, Policy & Business.

(C) Represents total payroll charged to the Business Unit (function) being supported. For example, an employee that works in Legal 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) Reimbursement due from AT&T for 6 poles replaced by FPL during restoration as a result of the storm.

(F) 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 Legal employee had payroll which cannot be charged to the Storm Reserve, that amount would be charged to Legal (General) whereas the recoverable portion of their time would remain in Distribution.

(G) Jurisdictional Factors are based on factors approved in Docket No. 160021-EL.