

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:** May 6, 2021  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 20210001-EI  
Company Name: Florida Power & Light Company  
Company Code: EI802  
Audit Purpose: A3a: Capacity Cost Recovery Clause  
Audit Control No: 2021-007-4-2

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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 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  
Capacity Cost Recovery Clause

**Twelve Months Ended December 31, 2020**

Docket No. 20210001-EI  
Audit Control No. 2021-007-4-2  
**April 26, 2021**

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Gabriela Leon  
Audit Manager

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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 2, 2020. 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 2020 filing for the Capacity Cost Recovery Clause in Docket No. 20210001-EI.**

**The report is intended only for internal Commission use.**

## Objectives and Procedures

### **General**

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

CCRC refers to the Capacity Cost Recovery Clause.

### **Revenue**

#### Operating Revenue

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2020, through December 31, 2020, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

**Procedures:** We computed revenues using the factors in the Order and actual KWH sales from the Revenue Reports and reconciled them to the general ledger and the CCRC. 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. The work product is contained in Docket No.20210001-EI, ACN 2021-007-4-1. No exceptions were noted.

#### Transmission Revenues

**Objectives:** The objective was to determine whether transmission revenues derived from non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC per Order PSC-1999-2512-FOF-EI, issued December 22, 1999.

**Procedures:** We traced the wholesale transmission revenues that are derived from the non-separated, non-energy broker network, from the CCRC to the general ledger. We selected a sample of revenue transactions and traced them to source documentation. No exceptions were noted.

### **Expense**

#### Incremental Security Cost

**Objectives:** The objective was to determine whether the security costs recovered are incremental to the security costs included in base rates.

**Procedures:** We traced the expenses in the filing to the general ledger. We tested a sample of security costs included in the filing. We computed total security costs and compared them to corresponding amounts included in base rates consistent with the method approved in Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003. We also verified that the total incremental security cost was within range of the amount allocated to CCRC in the 2016 rate increase schedule. No exceptions were noted.

### Purchase Power Contract

**Objectives:** The objective was to determine whether capacity purchases were recorded according to the terms and conditions of the contracts.

**Procedures:** We reconciled the monthly capacity charges to the general ledger. We selected a month to sample the different vendors and traced the invoices to the terms and conditions in the contracts. No exceptions were noted.

### Nuclear Regulatory Commission (NRC) Fee

**Objectives:** The objective was to determine whether the amounts included for the NRC fee and the recoverable portion of the fee increase are consistent with the percentage approved for recovery through the clause.

**Procedures:** We traced the expenses in the filing to the general ledger. We tested a sample of security costs included in the filing. We computed total security costs and compared them to corresponding amounts included in base rates consistent with the method approved in Order No. PSC-2003-1461-FOF-EI, issued December 22, 2003. No exceptions were noted.

### **True-up**

**Objectives:** The objective was to determine whether the True-Up and Interest Provision as filed was properly calculated.

**Procedures:** We traced the December 31, 2019, True-Up Provision to the Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2020 using the Commission approved beginning balance as of December 31, 2019, the Financial Commercial Paper rates, and the 2020 revenues and costs. No exceptions were noted.

### **Other**

#### Capital Investment

**Objectives:** The objectives were to determine the accuracy of the balances, depreciation expenses, and amortization for the Nuclear Incremental Security Return on Investment Schedules.

**Procedures:** We reconciled the Plant in Service and Construction Work in Progress balances to the general ledger and traced the beginning balance to the prior audit Docket No. 20200001-EI, Audit Control No. 2020-017-4-2. We tested a sample of capital security costs for one month. We recalculated the return on investment amounts using the Utility's debt and equity rates. We also randomly recalculated one month of the Nuclear Incremental Security and Fukushima depreciation expenses and traced the depreciation rates to Order PSC-2016-0560-AS-EI. No exceptions were noted.

### Analytical Review

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

**Procedures:** We compared 2020 to 2019 revenues and expenses. The Utility had no significant variances. Further follow-up was not required.

Audit Findings

**None**

## Exhibit 1: True-Up

FOR THE PERIOD: JANUARY 2020 THROUGH DECEMBER 2020

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Line No.	Capacity Costs	a-Jan - 2020	a-Feb - 2020	a-Mar - 2020	a-Apr - 2020	a-May - 2020	a-Jun - 2020	a-Jul - 2020	a-Aug - 2020	a-Sep - 2020	a-Oct - 2020	a-Nov - 2020	a-Dec - 2020	Total
1	Base													
2	Payments to Non-cogenerators	\$2,083,820	\$2,083,820	\$2,083,820	\$2,083,820	\$2,412,200	\$2,145,800	\$2,456,600	\$2,412,200	\$2,412,200	\$2,182,619	\$2,183,280	\$2,183,280	\$28,753,458
3	Payments to Co-generators	\$187,174	\$119,175	\$119,175	\$119,175	\$119,175	\$119,175	\$119,175	\$119,175	\$119,175	\$119,175	\$119,175	\$119,175	\$1,478,099
4	Cedar Bay Transaction - Regulatory Asset - Amortization and Return	\$9,409,836	\$9,378,844	\$9,347,853	\$9,316,861	\$9,285,870	\$9,254,879	\$9,212,873	\$9,182,087	\$9,151,301	\$9,120,516	\$9,089,730	\$9,058,945	\$110,809,585
5	Cedar Bay Transaction - Regulatory Liability - Amortization and Return	(\$85,020)	(\$84,614)	(\$84,208)	(\$83,802)	(\$83,396)	(\$82,990)	(\$82,440)	(\$82,037)	(\$81,634)	(\$81,230)	(\$80,827)	(\$80,424)	(\$982,622)
6	Indiantown Transaction - Regulatory Asset - Amortization and Return	\$8,173,883	\$8,146,004	\$8,118,125	\$8,090,246	\$8,062,368	\$8,034,489	\$8,004,489	\$7,966,786	\$7,939,003	\$7,911,399	\$7,883,706	\$7,856,012	\$72,176,590
7	SJRPP Revenue Requirements	\$863,715	\$852,045	\$840,376	\$828,706	\$817,037	\$805,367	\$792,496	\$780,804	\$769,312	\$757,720	\$746,128	\$734,536	\$9,588,342
8	Incremental Plant Security Costs O&M	\$2,520,078	\$1,940,794	\$2,385,822	\$2,117,404	\$2,050,331	\$2,178,905	\$2,374,234	\$2,025,124	\$2,466,052	\$2,125,457	\$2,021,472	\$2,858,224	\$27,091,896
9	Incremental Plant Security Costs Capital	\$325,279	\$327,832	\$329,753	\$332,628	\$336,952	\$340,309	\$353,184	\$365,728	\$385,543	\$388,181	\$371,731	\$374,187	\$4,191,267
10	Incremental Nuclear NRC Compliance Costs O&M	\$70,188	\$87,009	\$82,443	\$93,471	\$88,310	\$34,558	\$35,888	\$54,932	\$49,368	\$88,812	\$188,484	\$58,457	\$901,517
11	Incremental Nuclear NRC Compliance Costs Capital	\$1,072,250	\$1,071,956	\$1,078,562	\$1,081,599	\$1,080,512	\$1,080,755	\$1,078,293	\$1,083,197	\$1,084,810	\$1,091,480	\$1,077,235	\$1,054,194	\$12,934,844
12	Transmission of Electricity by Others	\$88,540	\$77,707	-	-	\$681	(\$648)	\$301	-	-	-	-	(\$398,710)	(\$232,049)
13	Transmission Revenues from Capacity Sales	(\$1,111,540)	(\$1,242,433)	(\$843,816)	(\$668,331)	(\$574,685)	(\$278,044)	(\$127,904)	(\$89,372)	(\$82,433)	(\$126,151)	(\$334,220)	(\$1,286,448)	(\$8,542,478)
14	<b>Total Base</b>	<b>\$21,578,200</b>	<b>\$20,738,139</b>	<b>\$21,687,906</b>	<b>\$21,313,779</b>	<b>\$21,575,334</b>	<b>\$21,830,655</b>	<b>\$22,207,878</b>	<b>\$21,818,724</b>	<b>\$22,222,787</b>	<b>\$21,567,758</b>	<b>\$21,285,893</b>	<b>\$20,561,407</b>	<b>\$258,158,458</b>
15														
16	Intermediate													
17	Incremental Plant Security Costs O&M	\$260,708	\$417,181	\$297,760	\$374,231	\$614,490	\$562,818	\$271,784	\$151,013	\$80,827	\$88,616	\$144,740	\$173,979	\$3,448,127
18	Incremental Plant Security Costs Capital	\$45,631	\$45,530	\$45,429	\$45,328	\$45,227	\$45,126	\$44,827	\$46,734	\$48,645	\$48,694	\$49,681	\$51,640	\$562,782
19	<b>Total Intermediate</b>	<b>\$306,340</b>	<b>\$462,691</b>	<b>\$343,189</b>	<b>\$419,559</b>	<b>\$859,717</b>	<b>\$807,944</b>	<b>\$316,611</b>	<b>\$207,748</b>	<b>\$129,471</b>	<b>\$137,610</b>	<b>\$194,421</b>	<b>\$225,619</b>	<b>\$4,010,920</b>
20														
21	Peaking													
22	Incremental Plant Security Costs O&M	\$41,348	\$21,654	\$27,891	\$28,212	\$28,712	\$39,282	\$28,055	\$31,275	\$28,224	\$39,708	\$28,795	\$21,688	\$363,041
23	Incremental Plant Security Costs Capital	\$8,432	\$8,413	\$8,393	\$8,373	\$8,354	\$8,334	\$8,292	\$8,396	\$8,600	\$8,481	\$8,461	\$8,442	\$78,671
24	<b>Total Peaking</b>	<b>\$49,778</b>	<b>\$28,068</b>	<b>\$34,284</b>	<b>\$32,588</b>	<b>\$35,066</b>	<b>\$45,616</b>	<b>\$34,347</b>	<b>\$37,671</b>	<b>\$34,724</b>	<b>\$46,188</b>	<b>\$35,256</b>	<b>\$28,328</b>	<b>\$439,912</b>
25														
26	Solar													
27	Incremental Plant Security Costs O&M	-	\$1,258	\$340	-	\$130	\$10,888	\$668	\$8,828	\$139	\$140	\$35,984	\$1,071	\$57,223
28	Incremental Plant Security Costs Capital	\$403	\$785	\$1,131	\$1,397	\$1,614	\$1,685	\$1,783	\$1,563	\$2,944	\$4,043	\$4,055	\$5,032	\$26,714
29	<b>Total Solar</b>	<b>\$403</b>	<b>\$2,041</b>	<b>\$1,471</b>	<b>\$1,397</b>	<b>\$1,744</b>	<b>\$12,551</b>	<b>\$2,451</b>	<b>\$8,491</b>	<b>\$3,083</b>	<b>\$4,183</b>	<b>\$40,018</b>	<b>\$6,103</b>	<b>\$83,938</b>
30														
31	General													
32	Incremental Plant Security Costs Capital	\$2,598	\$2,582	\$2,565	\$2,549	\$2,533	\$2,517	\$2,500	\$2,484	\$2,468	\$2,452	\$2,436	\$2,312	\$29,988
33	<b>Total General</b>	<b>\$2,598</b>	<b>\$2,582</b>	<b>\$2,565</b>	<b>\$2,549</b>	<b>\$2,533</b>	<b>\$2,517</b>	<b>\$2,500</b>	<b>\$2,484</b>	<b>\$2,468</b>	<b>\$2,452</b>	<b>\$2,436</b>	<b>\$2,312</b>	<b>\$29,988</b>
34														
35	<b>Total</b>	<b>\$21,935,319</b>	<b>\$21,233,519</b>	<b>\$22,039,415</b>	<b>\$21,769,870</b>	<b>\$22,274,395</b>	<b>\$22,209,283</b>	<b>\$22,563,787</b>	<b>\$22,075,119</b>	<b>\$22,392,534</b>	<b>\$21,758,191</b>	<b>\$21,550,025</b>	<b>\$20,823,770</b>	<b>\$262,723,228</b>
36														
37														
38	Totals may not add due to rounding													

FOR THE PERIOD: JANUARY 2020 THROUGH DECEMBER 2020

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Line No.	Line	a-Jan - 2020	a-Feb - 2020	a-Mar - 2020	a-Apr - 2020	a-May - 2020	a-Jun - 2020	a-Jul - 2020	a-Aug - 2020	a-Sep - 2020	a-Oct - 2020	a-Nov - 2020	a-Dec - 2020	Total
1	Total Capacity Costs (Page 2, Line 35)	\$21,935,319	\$21,233,519	\$22,039,415	\$21,769,870	\$22,274,395	\$22,299,283	\$22,563,787	\$22,075,119	\$22,392,534	\$21,758,191	\$21,558,025	\$20,823,770	\$262,723,228
2														
3	Total Base Capacity Costs	\$21,578,200	\$20,738,139	\$21,657,908	\$21,313,779	\$21,575,334	\$21,630,655	\$22,207,878	\$21,818,724	\$22,222,767	\$21,567,758	\$21,285,893	\$20,561,407	\$258,158,459
4	Base Jurisdictional Factor <sup>(1)</sup>	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%
5	Total Base Jurisdictional Capacity Costs	\$20,670,233	\$19,885,519	\$20,748,684	\$20,416,938	\$20,667,487	\$20,720,480	\$21,273,414	\$20,900,636	\$21,287,698	\$20,660,229	\$20,390,225	\$19,696,225	\$247,295,687
6														
7	Total Intermediate Capacity Costs	\$306,340	\$482,691	\$343,189	\$419,559	\$659,717	\$607,944	\$316,811	\$207,748	\$129,471	\$137,610	\$194,421	\$225,619	\$4,010,920
8	Intermediate Jurisdictional Factor <sup>(1)</sup>	94.1569%	94.1569%	94.1569%	94.1569%	94.1569%	94.1569%	94.1569%	94.1569%	94.1569%	94.1569%	94.1569%	94.1569%	94.1569%
9	Total Intermediate Jurisdictional Capacity Costs	\$288,440	\$435,656	\$323,136	\$395,044	\$621,169	\$572,421	\$298,111	\$195,809	\$121,906	\$129,569	\$183,061	\$212,436	\$3,776,558
10														
11	Total Peaking Capacity Costs	\$47,778	\$28,066	\$34,284	\$32,586	\$35,068	\$45,616	\$34,347	\$37,671	\$34,724	\$48,188	\$35,256	\$28,328	\$439,912
12	Peaking Jurisdictional Factor <sup>(1)</sup>	95.0455%	95.0455%	95.0455%	95.0455%	95.0455%	95.0455%	95.0455%	95.0455%	95.0455%	95.0455%	95.0455%	95.0455%	95.0455%
13	Total Peaking Jurisdictional Capacity Costs	\$45,411	\$26,878	\$32,586	\$30,971	\$33,329	\$43,356	\$32,645	\$35,805	\$33,004	\$43,900	\$33,510	\$28,925	\$418,117
14														
15	Total Solar Capacity Costs	\$403	\$2,041	\$1,471	\$1,397	\$1,744	\$12,551	\$2,451	\$8,491	\$3,083	\$4,183	\$40,018	\$6,103	\$63,938
16	Solar Jurisdictional Factor <sup>(1)</sup>	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%	95.7922%
17	Total Solar Jurisdictional Capacity Costs	\$388	\$1,955	\$1,409	\$1,338	\$1,671	\$12,023	\$2,348	\$8,134	\$2,953	\$4,007	\$38,335	\$5,848	\$60,408
18														
19	Total Transmission Capacity Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Transmission Jurisdictional Factor <sup>(1)</sup>	89.9387%	89.9387%	89.9387%	89.9387%	89.9387%	89.9387%	89.9387%	89.9387%	89.9387%	89.9387%	89.9387%	89.9387%	89.9387%
21	Total Transmission Jurisdictional Capacity Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
22														
23	Total General Capacity Costs	\$2,588	\$2,582	\$2,565	\$2,549	\$2,533	\$2,517	\$2,500	\$2,484	\$2,468	\$2,452	\$2,436	\$2,312	\$29,988
24	General Jurisdictional Factor <sup>(1)</sup>	96.9124%	96.9124%	96.9124%	96.9124%	96.9124%	96.9124%	96.9124%	96.9124%	96.9124%	96.9124%	96.9124%	96.9124%	96.9124%
25	Total General Jurisdictional Capacity Costs	\$2,518	\$2,502	\$2,486	\$2,471	\$2,455	\$2,439	\$2,423	\$2,408	\$2,392	\$2,376	\$2,361	\$2,241	\$29,072
26														
27	Jurisdictional Capacity Costs	\$21,006,887	\$20,332,308	\$21,106,201	\$20,848,761	\$21,326,111	\$21,350,720	\$21,808,842	\$21,142,591	\$21,447,852	\$20,840,082	\$20,647,491	\$19,943,672	\$251,599,819
28														
29														
30														
31	<sup>(1)</sup> Approved in FPSC Final Order PSC-2020-0439-FOF-EI													
32														
33														
34	Totals may not add due to rounding													