

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: May 6, 2020
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 20200001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 2020-007-4-2

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

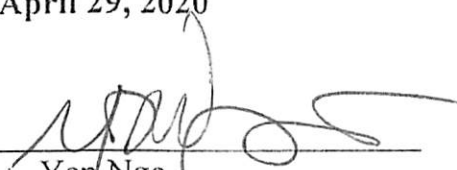
Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

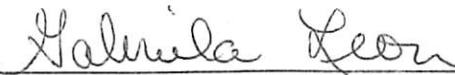
Auditor's Report

Florida Power & Light Company
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2019

Docket No. 20200001-EI
Audit Control No. 2020-007-4-2
April 29, 2020


Yen Ngo
Audit Manager


Gabriela Leon
Audit Staff

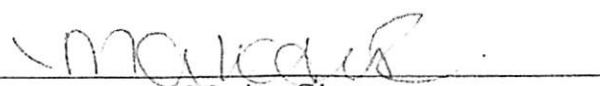

Marisa Glover
Reviewer

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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 2019 filing for the Capacity Cost Recovery Clause in Docket No. 20200001-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, 2019, through December 31, 2019, 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.20200001-EI, ACN 2020-007-4-1. 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 agreed the purchases 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, 2018, True-Up Provision to the Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2019 using the Commission approved beginning balance as of December 31, 2018, the Financial Commercial Paper rates, and the 2019 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. 20190001-EI, Audit Control No. 2019-017-4-2. 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 2019 to 2018 revenues and expenses. The Utility had no significant variances. Further follow-up was not required.

Audit Findings

None.

Exhibits

Exhibit 1: True-Up

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Line No.	Capacity Costs	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Total
1	Base													
2	Payments to Non-generators	\$1,910,150	\$1,907,696	\$1,910,150	\$1,910,150	\$2,180,918	\$2,242,910	\$2,243,700	\$2,241,689	\$2,243,700	\$2,070,770	\$2,049,600	\$2,048,635	\$24,060,566
3	Payments to Co-generators	\$113,295	\$113,295	\$113,295	\$113,295	\$113,295	\$113,835	\$124,979	\$124,231	\$118,185	\$116,165	\$118,165	\$68,166	\$1,345,881
4	Cedar Bay Transaction - Regulatory Asset - Amortization and Return	\$3,664,053	\$9,634,708	\$9,605,362	\$9,576,016	\$9,546,671	\$9,517,325	\$9,595,784	\$9,584,793	\$9,533,601	\$9,502,610	\$9,471,818	\$9,440,827	\$114,653,968
5	Cedar Bay Transaction - Regulatory Liability - Amortization and Return	(\$68,345)	(\$87,865)	(\$87,581)	(\$87,196)	(\$86,812)	(\$86,428)	(\$87,455)	(\$87,049)	(\$88,643)	(\$88,237)	(\$88,832)	(\$85,426)	(\$1,042,974)
6	Influentown Transaction - Regulatory Asset - Amortization and Return	\$8,384,800	\$8,358,402	\$8,332,004	\$8,305,606	\$8,279,208	\$8,252,810	\$8,341,155	\$8,313,276	\$8,285,397	\$8,257,519	\$8,229,640	\$8,201,761	\$75,541,576
7	SJFPP Transaction	\$982,667	\$971,838	\$960,888	\$949,838	\$938,788	\$927,739	\$933,731	\$922,682	\$910,393	\$898,723	\$887,054	\$875,384	\$11,159,524
8	Incremental Plant Security Costs O&M	\$2,043,320	\$1,921,966	\$2,502,657	\$2,137,230	\$2,438,305	\$2,198,128	\$2,346,203	\$2,261,704	\$2,081,016	\$2,171,437	\$2,067,111	\$3,019,780	\$27,186,656
9	Incremental Plant Security Costs Capital	291,696	298,282	298,346	298,027	298,533	299,535	312,265	314,814	318,678	318,061	319,227	322,010	3,687,464
10	Incremental Nuclear NRC Compliance Costs O&M	\$105,951	\$84,701	\$82,725	\$84,644	\$42,971	\$58,769	\$52,982	\$75,772	\$43,489	\$43,949	\$59,178	\$48,131	\$789,263
11	Incremental Nuclear NRC Compliance Costs Capital	\$971,088	\$967,733	\$986,058	\$1,014,289	\$1,017,273	\$1,015,335	\$1,053,251	\$1,065,810	\$1,074,269	\$1,074,708	\$1,074,142	\$1,074,439	\$12,388,392
12	Transmission of Electricity by Others	\$71,812	\$1,134	\$38,655	\$947	-	-	\$14,060	\$4,778	\$3,949	\$22,476	\$48,255	\$13,905	\$220,179
13	Transmission Revenues from Capacity Sales	(\$1,114,638)	(\$941,273)	(\$907,773)	(\$693,574)	(\$723,247)	(\$368,909)	(\$390,859)	(\$837,231)	(\$819,594)	(\$587,744)	(\$1,029,374)	(\$813,975)	(\$9,018,333)
14	Total Base	\$21,336,163	\$21,230,817	\$21,814,996	\$21,819,272	\$22,043,600	\$22,168,850	\$22,539,757	\$21,984,647	\$21,702,617	\$21,802,625	\$21,206,984	\$22,411,638	\$261,842,466
15														
16	Intermediata													
17	Incremental Plant Security Costs O&M	\$99,780	\$102,881	\$215,547	\$121,152	\$35,581	\$133,959	\$216,561	\$159,158	\$243,859	\$268,225	\$275,202	\$342,434	\$2,214,358
18	Incremental Plant Security Costs Capital	\$45,162	\$45,066	\$44,971	\$44,875	\$44,779	\$44,683	\$46,238	\$46,137	\$48,036	\$45,935	\$45,834	\$45,733	\$545,448
19	Total Intermediata	\$144,942	\$147,947	\$260,517	\$166,026	\$80,340	\$178,642	\$262,799	\$205,295	\$289,895	\$314,160	\$321,036	\$388,166	\$2,759,805
20														
21	Peaking													
22	Incremental Plant Security Costs O&M	\$25,297	\$31,978	\$27,019	\$21,996	\$33,783	\$24,786	\$37,504	\$37,265	\$37,574	\$52,293	\$29,100	\$37,719	\$478,315
23	Incremental Plant Security Costs Capital	\$5,468	\$5,450	\$5,431	\$5,413	\$5,394	\$5,376	\$5,349	\$5,530	\$5,510	\$5,491	\$5,471	\$5,452	\$77,533
24	Total Peaking	\$31,765	\$38,428	\$33,450	\$28,409	\$40,177	\$31,162	\$44,053	\$43,795	\$94,084	\$58,783	\$35,571	\$74,171	\$555,848
25														
26	Solar													
27	Incremental Plant Security Costs O&M	-	-	-	-	-	\$156	(\$156)	-	-	-	-	-	-
28	Incremental Plant Security Costs Capital	-	-	-	-	-	-	-	-	\$128	\$256	\$288	\$288	\$671
29	Total Solar	-	-	-	-	-	\$156	(\$156)	-	\$128	\$256	\$288	\$288	\$671
30														
31	General													
32	Incremental Plant Security Costs Capital	\$2,772	\$2,757	\$2,741	\$2,726	\$2,711	\$2,695	\$2,635	\$2,678	\$2,662	\$2,646	\$2,630	\$2,614	\$32,327
33	Total General	\$2,772	\$2,757	\$2,741	\$2,726	\$2,711	\$2,695	\$2,635	\$2,678	\$2,662	\$2,646	\$2,630	\$2,614	\$32,327
34														
35	Total	\$21,515,942	\$21,419,948	\$22,111,705	\$21,818,433	\$22,187,028	\$22,381,506	\$22,849,147	\$22,216,415	\$22,089,289	\$22,178,343	\$21,569,478	\$22,877,175	\$265,189,117
36														

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Line No.	Line	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Total
1	Total Capacity Costs (Page 2, Line 35)	21,515,842	21,418,948	22,111,705	21,816,433	22,167,028	22,381,508	22,849,147	22,216,415	22,089,299	22,178,343	21,566,478	22,877,175	265,189,117
2														
3	Total Base Capacity Costs	21,336,163	21,230,617	21,614,968	21,619,272	22,043,800	22,168,650	22,539,757	21,964,647	21,702,617	21,602,625	21,206,984	22,411,938	261,642,468
4	Base Jurisdictional Factor ⁽¹⁾	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%
5	Total Base Jurisdictional Capacity Costs	\$20,431,275	\$20,330,397	\$20,869,800	\$20,702,377	\$21,108,900	\$21,228,647	\$21,583,823	\$21,033,105	\$20,782,187	\$20,677,954	\$20,307,575	\$21,481,425	\$250,737,485
6														
7	Total Intermediate Capacity Costs	\$144,942	\$147,947	\$260,517	\$166,026	\$80,340	\$178,642	\$262,769	\$205,295	\$289,935	\$314,160	\$321,036	\$388,166	\$2,759,605
8	Intermediate Jurisdictional Factor ⁽¹⁾	94.2474%	94.2474%	94.2474%	94.2474%	94.2474%	94.2474%	94.2474%	94.2474%	94.2474%	94.2474%	94.2474%	94.2474%	94.2474%
9	Total Intermediate Jurisdictional Capacity Costs	\$138,604	\$139,438	\$245,531	\$156,476	\$75,718	\$168,365	\$247,681	\$193,485	\$273,256	\$298,088	\$302,568	\$365,837	\$2,601,045
10														
11	Total Peaking Capacity Costs	\$31,765	\$38,428	\$33,450	\$28,409	\$40,177	\$31,182	\$44,053	\$43,795	\$84,084	\$58,783	\$35,571	\$74,171	\$553,848
12	Peaking Jurisdictional Factor ⁽¹⁾	95.3443%	95.3443%	95.3443%	95.3443%	95.3443%	95.3443%	95.3443%	95.3443%	95.3443%	95.3443%	95.3443%	95.3443%	95.3443%
13	Total Peaking Jurisdictional Capacity Costs	\$30,268	\$36,639	\$31,693	\$27,066	\$38,308	\$29,711	\$42,002	\$41,766	\$80,704	\$56,047	\$33,915	\$70,718	\$528,083
14														
15	Total Solar Capacity Costs	-	-	-	-	-	\$156	(\$156)	-	-	\$128	\$256	\$288	\$671
16	Solar Jurisdictional Factor ⁽¹⁾	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%	95.7589%
17	Total Solar Jurisdictional Capacity Costs	-	-	-	-	-	\$156	(\$156)	-	-	\$123	\$248	\$274	\$642
18														
19	Total Transmission Capacity Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Transmission Jurisdictional Factor ⁽¹⁾	89.2071%	89.2071%	89.2071%	89.2071%	89.2071%	89.2071%	89.2071%	89.2071%	89.2071%	89.2071%	89.2071%	89.2071%	89.2071%
21	Total Transmission Jurisdictional Capacity Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
22														
23	Total General Capacity Costs	\$2,772	\$2,757	\$2,741	\$2,726	\$2,711	\$2,695	\$2,695	\$2,678	\$2,662	\$2,646	\$2,630	\$2,614	\$32,327
24	General Jurisdictional Factor ⁽¹⁾	96.9214%	96.9214%	96.9214%	96.9214%	96.9214%	96.9214%	96.9214%	96.9214%	96.9214%	96.9214%	96.9214%	96.9214%	96.9214%
25	Total General Jurisdictional Capacity Costs	\$2,687	\$2,672	\$2,657	\$2,642	\$2,627	\$2,612	\$2,612	\$2,596	\$2,580	\$2,565	\$2,549	\$2,533	\$31,332
26														
27	Jurisdictional Capacity Costs	\$20,600,852	\$20,509,143	\$21,169,881	\$20,888,581	\$21,225,552	\$21,429,466	\$21,675,668	\$21,270,641	\$21,147,728	\$21,232,775	\$20,646,852	\$21,500,767	\$253,898,547
28														
29	Nuclear Cost Recovery Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
30														
31	Net Jurisdictional Capacity Costs	\$20,600,852	\$20,509,143	\$21,169,881	\$20,888,581	\$21,225,552	\$21,429,466	\$21,675,668	\$21,270,641	\$21,147,728	\$21,232,775	\$20,646,852	\$21,500,767	\$253,898,547
32														

⁽¹⁾ Approved in FPSC Final Order PSC-2019-0484-FOF-EI

Jan-Jun amounts have been updated to reflect the reduction in the Florida Corporate Income Tax rate from 5.5% to 4.458%

Totals may not add due to rounding

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Line No.	Line	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Total
1														
2	Net Jurisdictional CCR Costs (Page 3, Line 31)	\$20,600,852	\$20,509,143	\$21,169,881	\$20,888,581	\$21,225,552	\$21,429,486	\$21,875,968	\$21,270,941	\$21,147,728	\$21,232,775	\$20,646,852	\$21,900,787	\$253,898,547
3														
4	CCR Revenues (Net of Revenue Taxes)	\$19,117,434	\$17,986,227	\$19,163,568	\$19,920,133	\$21,832,077	\$24,399,395	\$25,534,658	\$25,135,312	\$25,751,562	\$24,189,642	\$22,002,457	\$18,554,272	\$263,588,738
5	Prior Period True-up Provision	\$350,259	\$350,259	\$350,259	\$350,259	\$350,259	\$350,259	\$350,259	\$350,259	\$350,259	\$350,259	\$350,259	\$350,259	\$4,203,102
6	CCR Revenues Applicable to Current Period (Net of Revenue Taxes)	\$19,467,693	\$18,336,486	\$19,513,827	\$20,270,391	\$22,182,336	\$24,749,654	\$25,884,917	\$25,485,571	\$26,101,820	\$24,539,901	\$22,352,716	\$18,904,530	\$267,789,840
7														
8	True-up Provision - Over/(Under) Recovery (Line 6 - Line 2)	(\$1,133,159)	(\$2,172,658)	(\$1,656,054)	(\$618,190)	\$956,784	\$3,320,168	\$4,008,949	\$4,214,629	\$4,954,093	\$3,307,125	\$1,705,863	(\$2,956,257)	\$13,891,293
9	Interest Provision	\$21,424	\$17,391	\$13,028	\$10,065	\$9,537	\$12,848	\$18,185	\$23,610	\$30,001	\$32,854	\$33,176	\$31,171	\$253,289
10	True-up & Interest Provision Beginning of Year - Over/(Under) Recovery	\$4,203,102	\$2,741,108	\$235,583	(\$1,757,702)	(\$2,716,085)	(\$2,100,023)	\$882,734	\$4,559,609	\$8,447,590	\$13,081,425	\$16,071,146	\$17,459,926	\$4,203,102
11	Deferred True-up - Over/(Under) Recovery	\$7,161,719	\$7,161,719	\$7,161,719	\$7,161,719	\$7,161,719	\$7,161,719	\$7,161,719	\$7,161,719	\$7,161,719	\$7,161,719	\$7,161,719	\$7,161,719	\$7,161,719
12	Prior Period True-up Provision - Collected/(Refunded)	(\$350,259)	(\$350,259)	(\$350,259)	(\$350,259)	(\$350,259)	(\$350,259)	(\$350,259)	(\$350,259)	(\$350,259)	(\$350,259)	(\$350,259)	(\$350,259)	(\$4,203,102)
13	End of Period True-up - Over/(Under) Recovery (Lines 8 through 12)	\$9,902,827	\$7,397,302	\$5,404,017	\$4,445,634	\$5,061,696	\$8,044,454	\$11,721,328	\$15,609,309	\$20,243,144	\$23,232,865	\$24,621,646	\$21,306,301	\$21,306,301
14														
15	Jan-Jun amounts have been updated to reflect the reduction in the Corporate Income Tax rate from 5.5% to 4.458%													
16	Totals may not add due to rounding													