

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
Energy Conservation Cost Recovery

Twelve Months Ended December 31, 2012

Docket No. 130002-EG
Audit Control No. 13-004-4-3
July 19, 2013

A handwritten signature in blue ink, appearing to read "Iliana H. Piedra".

Iliana H. Piedra
Audit Manager

A handwritten signature in blue ink, appearing to read "Kathy L. Welch".

Kathy L. Welch
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economics in its audit service request dated January 3, 2013. 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 2012 filing for the Energy Conservation Cost Recovery Clause in Docket No. 130002-EG.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Florida Power & Light Company
ECCR refers to the Energy Conservation Cost Recovery Clause.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to determine the accuracy of the balances for ECCR project-related plant additions, retirements and adjustments for the period January 1, 2012, through December 31, 2012.

Procedure: We reconciled Plant in Service and Accumulated Depreciation for each capital project on Schedules CT-4 of the Utility's filing to the Plant and Reserve Balances by Production Site reports. We selected specific months and obtained detail from an Activity Cost Report. We traced selected items to source documentation. No exceptions were noted.

Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2012, through December 31, 2012, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECCR.

Procedures: We reconciled the 2012 filing to the Utility's monthly Revenue and Rate Report and to the General Ledger. We compared KWH usage times the correct tariff rate to the revenue recorded in the ledger. We selected a random sample of residential and commercial customers' bills for the month of December 2012 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether operation and maintenance (O&M) expense listed on the Utility's Schedule CT-3 filing was supported by adequate documentation and that the expenses were appropriately recoverable through the ECCR clause. In addition, we were to determine the accuracy of the "Amounts included in Base Rates" shown on Schedule CT-3.

Procedures: We reconciled expenses in the filing to the general ledger. We judgmentally selected a sample of expenses for testing. The source documentation for selected items was reviewed to ensure the expense was charged to the correct accounts and appropriately recoverable through the ECCR clause. Incentives were reconciled to the program standards. Advertisements were tested for compliance with Rule 25-17.015(5), F.A.C. We traced the amounts to the utility's "Employee Benefits Base Rates Adjustment Schedule". We recalculated the amounts using the applicable payroll taxes. No exceptions were noted.

Depreciation and Amortization

Objectives: The objectives were to determine whether the most recent Commission approved rates were used in calculating depreciation expense.

Procedures: We recalculated the 2012 depreciation expense on a test basis. We traced total year depreciation expense to the Utility's books. No exceptions were noted.

Other

Review of Internal Audits

Objective: The objective was to determine if any adjustments were made based on the Internal Audits.

Procedure: We reviewed all internal audits related to ECCR clause programs to determine if any adjustments made were included in the filing. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule CT-3, was properly calculated.

Procedures: We traced the December 31, 2011, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2012, using the Commission approved beginning balance as of December 31, 2011, the Financial Commercial Paper rates, and the 2012 ECCR revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECCR clause expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2012 to 2011 expenses. We requested explanations from the Utility for significant variances and included the programs with the variances in our testing of the O&M expenses. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

FLORIDA POWER & LIGHT COMPANY
ENERGY CONSERVATION COST RECOVERY
CONSERVATION PROGRAM COSTS

SCHEDULE CT-3

JANUARY THROUGH DECEMBER 2012

PROGRAM TITLE	Monthly Data												Twelve Month Amount
	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	
1. Residential Home Energy Survey	\$852,236	\$436,303	\$475,658	\$523,690	\$608,030	\$1,480,600	\$1,504,268	\$2,051,778	\$1,806,900	\$1,018,434	\$467,800	\$531,515	\$12,113,733
2. Residential Building Envelope	\$300,719	\$302,811	\$314,630	\$239,869	\$306,336	\$407,637	\$238,243	\$625,800	\$337,773	\$378,650	\$463,010	\$138,879	\$4,005,370
3. Residential Dual System Testing & Repair	\$44,073	\$49,893	\$62,184	\$66,294	\$74,851	\$85,293	\$98,370	\$69,123	\$58,484	\$60,058	\$69,813	\$72,373	\$776,639
4. Residential Air Conditioning	\$4,824,044	\$5,033,882	\$4,818,418	\$4,973,382	\$5,302,833	\$5,813,487	\$5,303,477	\$6,363,217	\$5,708,346	\$6,198,248	\$5,203,115	\$4,811,481	\$64,024,130
5. Residential New Construction (Build/Board)	\$94,833	\$87,343	\$82,333	\$71,013	\$82,333	\$88,883	\$82,133	\$80,433	\$48,851	\$68,433	\$60,021	\$114,833	\$373,683
6. Residential Low-Income Weatherization	\$22,094	\$22,638	\$22,737	\$17,868	\$18,083	\$18,815	\$18,023	\$22,383	\$14,638	\$26,747	\$42,330	\$7,436	\$284,487
7. Residential Load Management ("On Call")	\$3,468,535	\$3,468,834	\$3,446,735	\$3,231,825	\$3,418,338	\$3,980,875	\$3,806,805	\$3,453,884	\$3,491,935	\$4,713,187	\$3,007,282	\$3,848,471	\$48,133,173
8. Business Energy Evaluation	\$232,000	\$235,303	\$103,665	\$392,982	\$621,134	\$1,138,777	\$783,818	\$700,354	\$804,214	\$200,148	\$338,705	\$743,437	\$7,128,232
9. Business Efficient Lighting	\$9,325	\$84,433	\$28,107	\$47,300	\$22,025	\$48,851	\$20,181	\$20,830	\$21,380	\$123,883	\$36,182	\$70,818	\$830,303
10. Business Heating, Ventilating & A/C	\$291,080	\$356,308	\$410,127	\$1,302,300	\$877,089	\$250,832	\$190,134	\$363,273	\$1,422,436	\$140,137	\$608,541	\$184,307	\$4,344,348
11. Business Custom Incentive	\$4,721	\$4,004	\$86,379	\$1,844	\$1,703	\$1,688	\$1,829	\$1,829	\$1,549	\$1,783	\$327,833	\$83,781	\$504,794
12. Business Building Envelope	\$656,421	\$314,878	\$600,800	\$378,063	\$331,930	\$784,738	\$831,807	\$618,888	\$301,185	\$329,700	\$800,848	\$442,884	\$8,769,333
13. Business Water Heating	(\$34,857)	\$4,353	\$5,038	\$475	\$818	\$8,114	\$885	\$3,600	\$2,737	\$3,071	\$658	\$2,038	(\$3,750)
14. Business Refrigeration	\$2,628	\$1,229	\$3,327	\$18,794	\$1,830	\$3,283	\$2,232	\$1,884	\$7,078	(\$4,849)	\$1,012	\$3,003	\$38,329
15. Business On Call	\$48,432	\$37,657	\$52,740	\$434,057	\$494,887	\$812,815	\$302,829	\$368,812	\$368,729	\$82,630	(\$31,244)	\$1,863,678	
16. Commercial/Industrial Load Control	\$1,677,895	\$1,880,835	\$1,600,473	\$2,133,361	\$1,730,210	\$1,807,432	\$2,288,036	\$3,818,851	\$1,871,331	\$2,414,801	\$1,788,184	\$3,085,872	\$22,778,032
17. Commercial/Industrial Demand Reduction	\$682,819	\$700,255	\$717,078	\$787,133	\$870,765	\$828,190	\$943,332	\$304,339	\$808,432	\$868,388	\$780,261	\$794,815	\$10,003,875
18. Res. Solar Water Heating Pilot	\$48,284	\$128,838	\$143,882	\$117,743	\$83,183	\$38,477	\$37,700	\$34,437	\$121,884	\$189,847	\$191,330	\$257,882	\$1,360,132
19. Res. Solar Water Heating (LINC) Pilot	\$3,668	\$3,786	\$7,003	\$85,683	\$18,014	\$43,082	\$80,781	\$38,802	\$7,810	\$11,504	\$27,400	\$48,581	\$423,873
20. Residential Photovoltaic Pilot	\$383,807	\$326,181	\$281,443	\$30,818	\$42,537	\$158,225	\$310,736	\$340,232	\$83,448	\$143,337	\$120,302	\$320,243	\$5,418,000
21. Business Solar Water Heating Pilot	\$4,498	\$23,808	\$77,373	\$35,254	\$44,782	\$27,378	\$23,517	\$2,800	\$2,488	\$28,048	(\$18,886)	\$60,768	\$382,078
22. Business Photovoltaic Pilot	\$180,288	\$300,828	\$481,785	\$433,524	\$74,878	\$78,742	\$20,349	\$91,083	\$222,836	\$308,918	\$112,830	\$197,420	\$2,679,389
23. Business Photovoltaic for Schools Pilot	\$71	\$1,381	\$477	\$6,004	\$3,804	\$4,200	\$8,733	\$8,175	\$8,442	\$24,211	\$47,078	\$31,408	\$183,233
24. Renewable Research & Demo. Project	\$0	\$0	\$0	\$0	\$157,838	\$7,221	\$21,883	\$15,879	\$2,608	\$4,232	\$13,382	\$312,877	\$537,874
25. Solar Pilot Projects Customer Expenses	\$4,063	\$13,863	\$11,263	\$208,130	\$38,829	\$44,414	\$60,743	\$39,844	\$43,058	\$49,428	\$40,481	\$31,023	\$878,210
26. Cogeneration & Small Power Production	\$58,019	\$48,812	\$50,489	\$47,430	\$31,441	\$43,273	\$31,832	\$32,780	\$41,440	\$48,430	\$61,031	\$28,852	\$618,843
27. Conservation Research & Development	\$0	\$0	\$0	\$62,827	\$81,088	\$4,424	\$84,314	\$2,185	\$3,281	\$84,842	\$27,748	\$44,834	\$341,744
28. Common Expenses	\$1,582,008	\$1,248,828	\$1,383,470	\$1,027,858	\$1,228,819	\$1,043,381	\$1,208,484	\$1,222,846	\$1,087,789	\$1,228,682	\$1,058,858	\$1,058,858	
29. Subtotal All Programs	\$13,849,286	\$12,647,787	\$15,287,882	\$19,034,668	\$19,187,831	\$30,162,430	\$30,381,709	\$33,583,879	\$30,871,427	\$31,008,830	\$17,127,087	\$17,783,884	\$228,886,288
30. Less Included in Base Rates	(\$121,812)	(\$119,582)	(\$121,124)	(\$132,782)	(\$118,732)	(\$133,402)	(\$129,722)	(\$138,842)	(\$135,127)	(\$119,033)	(\$133,632)	(\$133,812)	(\$1,501,527)
31. Reversible Conservation Expenses	\$15,627,784	\$15,528,185	\$15,176,779	\$18,901,737	\$19,047,733	\$30,000,020	\$30,251,980	\$33,445,029	\$30,736,299	\$30,889,797	\$16,993,455	\$17,650,072	\$227,384,761

Totals may not add due to rounding.

FLORIDA POWER & LIGHT COMPANY
ENERGY CONSERVATION COST RECOVERY
CONSERVATION TRUE-UP INTEREST CALCULATION

SCHEDULE CT-3

JANUARY THROUGH DECEMBER 2012

	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	Total
B. CONSERVATION PROGRAM REVENUES													
1. Residential Load Control Credit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Conservation Clause Revenues (Net of Revenue Taxes)	\$20,520,650	\$18,740,442	\$19,658,148	\$21,177,360	\$21,620,570	\$24,081,404	\$25,791,803	\$20,618,560	\$25,636,743	\$24,290,147	\$20,153,019	\$19,674,084	\$258,149,900
3. Total Revenues	\$20,520,650	\$18,740,442	\$19,658,148	\$21,177,360	\$21,620,570	\$24,081,404	\$25,791,803	\$20,618,560	\$25,636,743	\$24,290,147	\$20,153,019	\$19,674,084	\$258,149,900
4. Adjustment Not Applicable To Period - Prior True-up	(\$4,158,327)	(\$4,158,327)	(\$4,158,327)	(\$4,158,327)	(\$4,158,327)	(\$4,158,327)	(\$4,158,327)	(\$4,158,327)	(\$4,158,327)	(\$4,158,327)	(\$4,158,327)	(\$4,158,327)	(\$40,850,627)
5. Conservation Revenues Applicable To Period (Line B3 + B4)	\$16,371,323	\$14,582,115	\$15,500,821	\$17,019,033	\$17,462,243	\$20,563,077	\$21,633,476	\$16,460,233	\$21,478,416	\$20,131,820	\$15,994,692	\$14,915,757	\$218,299,273
6. Conservation Expenses (From CT-3, Page 1, Line 31)	\$15,527,764	\$15,052,189	\$15,175,779	\$18,901,737	\$19,047,790	\$20,030,020	\$20,251,896	\$23,448,028	\$20,536,299	\$20,890,834	\$18,691,905	\$17,661,782	\$224,033,739
7. True-up This Period (Line B5 - Line B6)	\$843,560	(\$469,074)	\$325,042	(\$1,882,705)	(\$1,585,550)	\$473,057	\$1,381,580	(\$387,795)	\$942,118	(\$758,718)	(\$367,214)	(\$2,748,045)	(\$4,733,756)
8. Interest Provision For The Month (From CT-3, Page 3, Line C17)	(\$2,435)	(\$3,327)	(\$2,908)	(\$2,391)	(\$2,595)	(\$2,041)	(\$1,891)	(\$1,434)	(\$677)	(\$305)	(\$25)	\$182	(\$19,290)
9. True-up & Interest Provision Beginning of Month	(\$49,898,827)	(\$44,900,476)	(\$41,731,643)	(\$37,254,748)	(\$34,761,515)	(\$32,211,335)	(\$27,581,895)	(\$22,643,870)	(\$14,875,682)	(\$13,775,915)	(\$10,378,808)	(\$7,215,521)	(\$43,898,827)
a. Deferred True-up Beginning of Period	\$8,588,294	\$8,588,294	\$8,588,294	\$8,588,294	\$8,588,294	\$8,588,294	\$8,588,294	\$8,588,294	\$8,588,294	\$8,588,294	\$8,588,294	\$8,588,294	\$8,588,294
10. Prior True-up Collected (Reimbursed)	\$4,158,327	\$4,158,327	\$4,158,327	\$4,158,327	\$4,158,327	\$4,158,327	\$4,158,327	\$4,158,327	\$4,158,327	\$4,158,327	\$4,158,327	\$4,158,327	\$40,850,627
11. End of Period True-up - Over/(Under) Recovery (Line B7+B8+B9+B10)	(\$36,314,143)	(\$33,148,255)	(\$28,458,452)	(\$28,185,221)	(\$23,825,645)	(\$18,693,702)	(\$13,457,876)	(\$10,289,348)	(\$6,189,821)	(\$1,790,314)	\$1,370,773	\$2,783,237	\$2,783,236

Totals may not add due to rounding.

Q Reflects Under-recovery

N/A = Not applicable

FLORIDA POWER & LIGHT COMPANY
 ENERGY CONSERVATION COST RECOVERY
 CONSERVATION TRUS-UP INTEREST CALCULATION

SCHEDULE CT-3

JANUARY THROUGH DECEMBER 2012

	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	Total
C. INTEREST PROVISION													
1. Beginning Trus-up Amount (CT-3, Page 2 Line 8 + 9)	(\$41,313,832)	(\$30,314,185)	(\$33,144,266)	(\$29,469,452)	(\$26,195,221)	(\$23,824,845)	(\$16,962,702)	(\$12,437,570)	(\$10,289,335)	(\$3,189,821)	(\$1,760,314)	\$1,370,773	(\$237,413,610)
2. Ending Trus-up Amount Before Interest (CT-3, Page2, Line 7 + 8 + 9 + 9a + 12)	(\$36,311,755)	(\$33,141,825)	(\$28,465,826)	(\$26,192,830)	(\$23,622,446)	(\$19,993,851)	(\$13,453,885)	(\$10,287,664)	(\$3,158,944)	(\$1,780,803)	\$1,370,800	\$2,763,655	(\$193,287,481)
3. Total of Beginning & Ending Trus-up (Line C1 + C2)	(\$77,625,587)	(\$63,456,010)	(\$61,610,092)	(\$55,662,282)	(\$49,817,667)	(\$43,818,700)	(\$30,416,587)	(\$22,725,234)	(\$13,448,279)	(\$4,970,624)	(\$3,389,514)	\$4,134,628	(\$430,701,091)
4. Average Trus-up Amount (50% of Line C3)	(\$38,812,794)	(\$31,728,005)	(\$30,805,046)	(\$27,831,141)	(\$24,908,833)	(\$21,909,350)	(\$15,208,294)	(\$11,362,617)	(\$6,724,139)	(\$2,485,312)	(\$1,694,757)	\$2,067,314	(\$215,350,546)
5. Interest Rate - First Day of Reporting Business Month	0.00000%	0.12500%	0.11000%	0.05000%	0.12000%	0.13000%	0.10000%	0.15000%	0.14000%	0.07000%	0.14000%	0.16000%	N/A
6. Interest Rate - First day of Subsequent Business Month	0.12500%	0.11500%	0.05000%	0.12000%	0.13000%	0.10000%	0.16000%	0.14000%	0.07000%	0.14000%	0.15000%	0.05000%	N/A
7. Total (Line C5 + C6)	0.15000%	0.23000%	0.20000%	0.21000%	0.25000%	0.23000%	0.25000%	0.29000%	0.21000%	0.21000%	0.29000%	0.21000%	N/A
8. Average Interest Rate (50% of Line C7)	0.07500%	0.11500%	0.10000%	0.10500%	0.12500%	0.11500%	0.12500%	0.14500%	0.10500%	0.10500%	0.15000%	0.10500%	N/A
9. Monthly Average Interest Rate (Line C4 x C8)	0.00025%	0.00659%	0.00633%	0.00875%	0.01042%	0.00958%	0.01042%	0.02120%	0.00779%	0.00779%	0.01250%	0.00375%	N/A
10. Interest Provision for the Month (Line C4 x C9)	(\$2,426)	(\$3,327)	(\$2,569)	(\$3,391)	(\$2,595)	(\$2,041)	(\$1,691)	(\$1,434)	(\$277)	(\$335)	(\$26)	\$182	(\$18,295)

Totals may not add due to rounding.

() Refunds Under-recovery

N/A = Not applicable