

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: April 27, 2017
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 170001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 17-023-4-2

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, 2016

Docket No. 170001-EI
Audit Control No. 17-023-4-2
April 28, 2017

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 "Gabriela Leon".

Gabriela Leon
Audit Staff

A handwritten signature in blue ink, appearing to read "Marisa Glover".

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 20, 2017. 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 2016 filing for the Capacity Cost Recovery Clause in Docket No. 170001-EI.

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

Objectives and Procedures

General

Definitions

FPL/Utility refers to the Florida Power & Light Company.
CCRC refers to the Capacity Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2016, through December 31, 2016, 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 Order No. PSC 15-0586-FOF-EI, issued December 23, 2015 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. The revenues reported are net of the West County Energy Center Unit 3 (WCEC-3) recovery. Order No. PSC-11-0579-FOF-EI, issued December 16, 2011, approved a cost recovery rate change for the WCEC-3 non-fuel revenue requirements based on projected fuel savings. We verified that the Utility's WCEC-3 recovery factors agreed to Order No. PSC-15-0586-FOF-EI, issued December 23, 2015. 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-99-2512-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

Purchase Power Contracts

Objective: 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.

Incremental Security Cost

Objective: 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 03-1461-FOF-EI, issued December 22, 2003. No exceptions were noted.

Nuclear Regulatory Commission (NRC) Fee

Objective: 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 obtained the NRC invoices paid in 2016 and computed the percentage allocated to the CCRC. We concluded that the fees allocated to the CCRC are below the percentage approved for recovery in Order No. PSC-03-1461-FOF-EI, issued December 22, 2003. No exceptions were noted.

Other

Capital Investments

Objectives: The objectives were to determine the accuracy of the balances for the Incremental Security Return on Investment Schedules and the Cedar Bay Regulatory Asset and Liability for the period January 1, 2016 through December 31, 2016.

Procedures: We reconciled the Plant in Service and Construction Work in Progress balances to the general ledger. 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 traced the Cedar Bay Regulatory Asset and Liability to the recovery amounts in Order No. PSC-15-0401-AS-EI, issued September 23, 2015. We determined that the related amortization and the return of the unamortized balance is calculated according to the Order. No exceptions were noted.

True-Up

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

Procedures: We traced the December 31, 2015, True-Up Provision to the Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016 using the Commission approved beginning balance as of December 31, 2015, the Financial Commercial Paper rates, and the 2016 CCRC revenues and costs. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: True-Up

Florida Power & Light Company													
Capacity Cost Recovery Clause													
For the Period January through December 2016													
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Line No.	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
1	\$5,797,708	\$5,882,677	\$6,940,701	\$6,065,010	\$6,320,975	\$6,751,736	\$6,247,636	\$6,561,602	\$6,989,485	\$6,358,312	\$5,858,053	\$6,005,294	\$75,779,189
2	\$7,865,875	\$7,859,530	\$7,862,703	\$7,153,752	\$8,494,181	\$7,838,135	\$7,840,415	\$7,845,877	\$7,841,883	\$7,841,000	\$7,852,741	\$7,845,545	\$94,141,638
3	\$9,582,935	\$9,552,678	\$9,522,421	\$9,492,164	\$9,461,907	\$9,431,637	\$9,416,290	\$9,385,886	\$9,365,482	\$9,325,078	\$9,294,675	\$9,254,271	\$113,085,422
4	(\$116,035)	(\$115,543)	(\$115,052)	(\$114,560)	(\$114,068)	(\$113,577)	(\$113,327)	(\$112,833)	(\$112,339)	(\$78,548)	(\$107,272)	(\$106,796)	(\$1,319,951)
5	(\$756,990)	(\$756,990)	(\$756,990)	(\$756,990)	(\$756,990)	(\$756,990)	(\$756,990)	(\$756,990)	(\$756,963)	(\$756,963)	(\$756,963)	(\$756,963)	(\$9,083,772)
6	(\$215,495)	(\$209,605)	(\$203,714)	(\$197,824)	(\$191,933)	(\$186,043)	(\$180,266)	(\$175,107)	(\$169,188)	(\$163,270)	(\$157,351)	(\$151,432)	(\$2,201,989)
7	\$3,384,335	\$2,770,804	\$3,062,222	\$2,869,562	\$2,644,814	\$2,469,998	\$2,508,789	\$2,474,916	\$2,907,799	\$3,001,473	\$2,649,078	\$3,205,988	\$33,954,777
8	\$152,222	\$154,484	\$157,074	\$160,110	\$162,740	\$165,515	\$168,895	\$170,412	\$171,155	\$171,564	\$174,207	\$184,362	\$1,992,742
9	\$39,528	\$284,430	\$215,058	\$242,810	\$287,540	\$183,519	\$245,834	\$121,965	\$131,407	\$631,162	\$262,917	\$516,449	\$3,880,487
10	\$599,108	\$614,544	\$627,540	\$674,337	\$714,494	\$717,277	\$721,708	\$721,515	\$725,030	\$728,766	\$728,650	\$727,982	\$8,300,952
11	\$1,846,023	\$1,886,685	\$1,827,304	\$2,218,116	\$2,159,231	\$6,113	(\$1,905,037)	\$1,375	\$241	\$14,213	\$9,581	\$16,404	\$8,208,250
12	(\$1,085,665)	(\$637,884)	(\$591,779)	(\$894,359)	(\$517,100)	(\$384,728)	(\$308,957)	(\$325,111)	(\$583,920)	(\$662,364)	(\$702,263)	(\$679,926)	(\$7,774,056)
13	\$27,093,550	\$27,285,809	\$28,152,487	\$26,912,126	\$28,665,791	\$26,122,593	\$23,884,230	\$25,913,506	\$27,692,740	\$26,538,423	\$25,106,054	\$25,596,379	\$318,963,689
14		94.67506%	94.67506%	94.67506%	94.67506%	94.67506%	94.67506%	94.67506%	94.67506%	94.67506%	94.67506%	94.67506%	N/A
15	\$25,650,835	\$25,832,856	\$26,653,384	\$25,479,072	\$27,139,355	\$24,731,580	\$22,612,409	\$24,533,628	\$26,218,119	\$25,125,268	\$23,769,172	\$24,233,387	\$301,979,064
16	\$2,086,094	\$3,104,524	\$5,127,776	\$2,295,622	\$2,606,357	\$3,156,370	\$2,027,703	\$2,065,414	\$2,962,031	\$1,959,644	\$1,974,012	\$4,884,073	\$34,249,619
17	\$27,736,929	\$28,937,381	\$31,781,160	\$27,774,694	\$29,745,711	\$27,887,950	\$24,640,111	\$26,599,042	\$29,180,149	\$27,084,912	\$25,743,184	\$29,117,460	\$336,228,683
18	\$26,963,403	\$23,724,517	\$25,032,700	\$26,889,453	\$28,090,196	\$31,774,952	\$35,451,122	\$35,047,999	\$33,977,764	\$30,504,945	\$25,716,438	\$25,482,230	\$348,655,719
19	\$395,679	\$395,679	\$395,679	\$395,679	\$395,679	\$395,679	\$395,679	\$395,679	\$395,679	\$395,679	\$395,679	\$395,679	\$4,748,145
20	\$27,359,082	\$24,120,196	\$25,428,379	\$27,285,132	\$28,485,875	\$32,170,631	\$35,846,801	\$35,443,677	\$34,373,443	\$30,900,624	\$26,112,116	\$25,877,908	\$353,403,864
21	(\$377,847)	(\$4,117,185)	(\$6,352,781)	(\$489,562)	(\$1,259,837)	\$4,282,681	\$11,206,690	\$8,844,636	\$5,193,294	\$3,815,712	\$368,933	(\$3,239,551)	\$17,175,181
22	\$3,433	\$2,498	\$477	(\$807)	(\$1,095)	(\$814)	\$1,589	\$5,019	\$7,775	\$10,034	\$10,716	\$12,485	\$51,309
23	\$4,748,145	\$3,978,052	(\$1,323,314)	(\$7,980,296)	(\$8,866,344)	(\$10,522,955)	(\$6,636,767)	\$4,175,833	\$12,629,808	\$17,435,198	\$20,865,265	\$20,849,235	\$4,748,145
24	\$5,938,824	\$5,938,824	\$5,938,824	\$5,938,824	\$5,938,824	\$5,938,824	\$5,938,824	\$5,938,824	\$5,938,824	\$5,938,824	\$5,938,824	\$5,938,824	\$5,938,824
25	(\$395,679)	(\$395,679)	(\$395,679)	(\$395,679)	(\$395,679)	(\$395,679)	(\$395,679)	(\$395,679)	(\$395,679)	(\$395,679)	(\$395,679)	(\$395,679)	(\$4,748,145)
26	\$9,916,876	\$4,706,510	(\$2,014,172)	(\$2,927,520)	(\$4,584,131)	(\$6,979,433)	\$10,114,657	\$18,568,632	\$23,374,022	\$26,804,089	\$26,788,059	\$23,165,314	\$23,165,314
27													
28	**As approved on Order No. PSC-15-0586-FOF-EL												
29													
30	Total may not add due to rounding												
31													