



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 5, 2022
TO: Office of the Commission Clerk
FROM: Rhonda L. Hicks, Director, Office of Auditing and Performance Analysis *RH*
RE: Docket No.: 20220001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3a: Fuel Cost Recovery Clause
Audit Control No: 2022-003-4-1

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 the Commission Clerk. There are confidential work papers associated with this audit.

RLH/cm

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
Fuel Cost Recovery Clause

Twelve Months Ended December 31, 2021

Docket No. 20220001-EI
Audit Control No. 2022-003-4-1

April 25, 2022

Handwritten signature of Yen Ngo in black ink.

Yen Ngo
Audit Manager

Handwritten signature of Gabriela M. Leon in black ink.

Gabriela M. Leon
Audit Staff

Handwritten signature of Marisa N. Glover in black ink.

Marisa N. Glover
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures 2

Audit Findings

 None..... 6

Exhibit

 1: True-Up..... 7

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 December 21, 2021. 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 2021 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20220001-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Florida Power & Light Company.

Fuel Clause refers to the Fuel and Purchased Power Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2021, through December 31, 2021, and whether FPL applied the Commission-approved cost recovery factor to actual KWH sales for the Fuel Clause.

Procedures: We reconciled the 2021 filing to the Utility's monthly revenue reports and the general ledger. We computed the factors by rate code and compared them to Commission Order No. PSC-2020-0439-FOF-EI, issued November 16, 2020, in Docket 20200001-EI. We selected a random sample of residential and commercial customers' bills for the month of February 2021, 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 verify that Operation and Maintenance (O&M) Expense listed in the Utility's filing were supported by adequate documentation and that the expenses were appropriately recoverable through the Fuel Clause.

Procedures: We reconciled fuel expenses in the Fuel Clause to the general ledger. We recalculated fuel expenses reported on Schedules A-1 and A-2 for the sample month of July 2021. The fuel expenses included in the Fuel Clause Filing complied with the requirements established in Order No. 14546, issued July 8, 1985, in Docket No. 19850001-EI-B. No exceptions were noted.

Objective: The objective was to determine whether the utility has credited generation-related gains from non-separated wholesale energy sales to the Fuel Clause Filing as set forth in Order No. PSC-2000-1744-PAA-EI, issued September 26, 2000, in Docket No. 19991779-EI.

Procedures: We scheduled the generation-related gains from the Utility's Energy Marketing sales transactions, and reconciled the total to Schedule A-6 and Schedule A-2, Line 6. We traced the gains to the invoices and Energy Marketing report for our sample month of July 2021. We determined that the Utility was in compliance with the Order noted above. No exceptions were

noted. The gains were recalculated and the credit was traced to the Fuel Clause. No exceptions were noted.

Objective: The objective was to determine whether energy payments to the qualified facilities are based on the appropriate standard offer or the negotiated contract price.

Procedures: We scheduled KWHs purchased and energy costs for the sample month of July 2021. We traced amounts on Schedule A-8 to purchase statements, invoices and billing statements. No exceptions were noted.

Objective: The objective was to determine whether the amount of gas storage expense recovered through the Fuel Clause Filing for 2021 was calculated correctly and payments were made in accordance with the applicable contract.

Procedures: We reviewed the gas storage contracts in effect for 2021. We recalculated the July 2021 monthly reservation payment and reconciled the charges to the respective contract. No exceptions were noted.

Objective: The objective was to determine whether Firm Transportation Service (FTS) charges for natural gas transportation reconcile with the appropriate FTS rate schedules from utility pipeline tariffs.

Procedures: We reconciled natural gas purchases and FTS charges from the vendor invoices, FPL purchase statements and to the pipeline company's posted tariffs for the sample month of July 2021, and reconciled the total to the general ledger. We reconciled the FTS rates to the appropriate rate schedule and agreement. No exceptions were noted.

Inventory

Objective: The objective was to determine whether adjustments made to coal inventory due to the semi-annual coal inventory survey had been recorded as set forth in Order No. PSC-1997-0359-FOF-EI, issued March 31, 1997, in Docket No. 19970001-EI.

Procedures: We recalculated the inventory adjustments on the January, April, July, and October 2021 aerial survey reports, compared them to the Utility's coal inventory analysis, and traced them to supporting documentation. We also verified the Utility complied with the procedures contained in the applicable order. No exceptions were noted.

Other

Objective: The objective was to determine whether vendor credits or rebates are credited to fuel costs.

Procedures: We verified that there were no vendor credits or rebates received during 2021.

Objective: The objective was to determine whether the service hours, reserve shutdown hours, and unavailable hours filed in Schedule A-4 for the Generating Performance Incentive Factor (GPIF) Filing reconcile to source documentation.

Procedures: We traced the service hours, reserve shutdown hours, and unavailable hours filed in Schedule A-4 to Schedule 5 in the GPIF Filing and to source documentation for July 2021. No exceptions were noted.

Objective: The objective was to reconcile coal and oil purchases noted on FPSC Form 423 with the monthly Schedule A-5, contractual obligations, and source documentation.

Procedures: We reconciled coal and oil purchases reported on Form 423 with the Schedule A-5 Filing for July 2021. We cross-referenced the coal and oil purchases by vendor from the Fossil Fuel Inventory Report to the Electric GeneFuel rating Plants Reports which were tested in our sampling of Fuel Costs of System Net Generation. No exceptions were noted.

Objective: The objective was to determine whether the energy costs of other economic purchases (non-broker) included in the Fuel Clause Filing reconciled to the books and records of the Utility.

Procedures: We compiled economy energy purchases from the Utility's Schedule A-7 for the sample month of July 2021. We recalculated and reconciled the purchased power payments for the month of July 2021 to supporting documentation. No exceptions were noted.

Objective: The objective was to determine whether the incremental gains included in the Fuel Clause are consistent with the Utility's Revised Incentive Mechanism that was approved in Order No. PSC-2016-0560-AS-EI, issued December 15, 2016, in Docket No. 20160088-EI.

Procedures: We reconciled incremental gains by asset optimization measure as defined in PSC-2016-0560-AS-EI, that were included in the Fuel Clause for the sample month of July 2021. We traced a sample of the transactions for each asset optimization measure for July 2021, and referenced each transaction to supporting invoices, purchase statements, pipeline reports, and deal tickets. We traced the 2.34 percentage fuel loss of the gas volumes sold to the monthly Florida Gas Transmission report effective July 1, 2021. We verified the transactions were "arm's length" and not associated with the Utility's parent, NextEra Energy, Inc. or its subsidiaries. We recalculated the incremental gains and reviewed the market price and index inputs used by the Utility to calculate the gains, and the prices appeared to be reasonable per the Platts Gas Daily. We also selected a sample of incremental costs and traced them to the invoices to verify these costs were related to the Incremental Optimization program. No exceptions were noted.

Objective: The objective was to determine whether the incremental optimization costs included in the Fuel Clause are consistent with Utility's Incentive Mechanism approved in Order No. PSC-2016-0560-AS-EI.

Procedures: We reconciled incremental optimization costs as defined in the previous Order for the sample month of July 2021 that were included in the Fuel Clause. The Utility's incremental costs related to short-term purchases and sales programs were reviewed for the sample month of July 2021. No exceptions were noted.

Objectives: The objectives were to determine whether the gains on short-term power sales and the savings on short-term power purchases are included in the Fuel Clause, and that they are consistent with the Utility's Incentive Mechanism, approved in Order No. PSC-2016-0560-AS-EI.

Procedures: We obtained a schedule of short-term power sales and purchases included in the Fuel Clause for the sample month of July 2021. We reviewed a sample of power transactions to identify gains or savings on short-term purchases that should be included as part of the Incentive Mechanism. We traced these gains or savings on short-term purchases to Florida Gas Transmission reports, deal tickets, and Asset Management Agreements. We verified the Utility's

application of the phrase “short-term” for the transactions to be consistent with the intentions defined in Order No. PSC-2016-0560-AS-EI. No exceptions were noted.

Objective: The objective was to review the Utility audit, and due diligence review of its Unit Power Sales (UPS) contracts with Southern Company and Jacksonville Electric Authority (JEA).

Procedures: There was no audit report issued during 2021. No further work was performed.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule A-2 was properly calculated.

Procedures: We traced the December 31, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2021, using the Commission-approved beginning balance as of December 31, 2020, the Financial Commercial Paper rates, and the 2021 Fuel Clause revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility’s Fuel Clause Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared calendar years 2019 and 2020 to 2021 annual revenues and expenses. The Utility had no significant variances. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

**FLORIDA POWER & LIGHT COMPANY
FUEL COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AMOUNT**

FOR THE PERIOD: JANUARY 2021 THROUGH DECEMBER 2021

(1) Line No.	(2)	(3) JAN	(4) FEB	(5) MAR	(6) APR	(7) MAY	(8) JUN	(9) JUL	(10) AUG	(11) SEP	(12) O
1	Fuel Costs & Net Power Transactions										
2	Fuel Cost of System Net Generation (E3) (1)	186,093,006	236,914,902	232,667,785	225,565,917	278,330,509	282,924,116	341,225,976	384,566,157	398,359,205	444,
3	- Rail Coal Cars Lease (Cedar Bay/IndianTown/Davle)	135,560	145,148	148,169	131,699	89,641	275,055	145,698	184,438	156,542	
4	Fuel Cost of Stratified Sales	(2,029,516)	(2,426,951)	(3,092,458)	(2,549,736)	(2,702,691)	(3,957,871)	(1,875,769)	(2,423,546)	(2,681,776)	(2,
5	Fuel Cost of Power Sold (E6)	(3,039,111)	(4,808,540)	(3,370,166)	(5,100,482)	(4,248,828)	(6,427,033)	(9,699,740)	(8,124,668)	(9,667,259)	(7,
6	Gains from Off-System Sales (E8)	(1,039,604)	(4,412,077)	(1,385,402)	(1,948,740)	(1,689,592)	(2,498,511)	(4,716,567)	(2,974,866)	(3,184,389)	(2,
7	Fuel Cost of Purchased Power (E7)	2,653,182	3,079,894	3,488,300	2,196,870	2,839,335	2,849,348	2,938,627	3,031,823	2,878,552	3,
8	Energy Payments to Qualifying Facilities (E8)	148,230	850,916	247,650	433,716	377,695	460,548	369,623	460,887	460,728	
9	Energy Cost of Economy Purchases (E9)	-	335,359	229,632	608,471	9,533,661	5,356,987	152,030	1,151,432	776,454	1,
10		182,924,727	229,688,448	228,709,470	219,337,736	282,531,932	278,882,637	328,560,074	377,871,457	387,118,077	437,
11											
12	Incremental Optimization Costs (2)										
13	Incremental Personnel, Software, and Hardware Costs	38,881	37,897	43,289	41,219	39,477	43,855	41,788	41,018	44,125	
14	Var. Power Plant O&M Costs over 514,000 MWh Threshold (Per AS)	111,151	162,731	114,110	156,034	110,209	167,747	248,933	140,563	188,949	
15	Variable Power Plant O&M Costs (Per AS)	-	(3,312)	(3,963)	(8,317)	(129,850)	(79,020)	(1,778)	(10,832)	(9,234)	
16		150,032	197,117	153,418	188,938	19,338	132,382	288,953	170,747	224,839	
17											
18	Adjustments to Fuel Cost										
19	Energy Imbalance Fuel Revenues - Account 456.225	(134,116)	(107,079)	(84,053)	(5,237)	(48,308)	(76,006)	(181,721)	(285,806)	(184,480)	(
20	Inventory Adjustments	(12,731)	35,434	(93,166)	57,893	35,889	18,109	(939)	43,917	58,084	(
21	Fuel O&M Expense	171	-	-	(4,624)	31,173	468,074	3,838	-	-	(
22		(148,878)	(71,645)	(177,219)	48,022	20,752	408,177	(158,822)	(241,889)	(106,375)	(
23											
24	Adjustments to Fuel Costs & Net Power Transactions	182,928,081	229,813,920	228,685,667	219,574,694	282,572,520	279,523,197	328,688,206	377,800,215	387,236,541	436,
25											
26	MWh Sales										
27	Retail MWh Sales	7,920,284,452	7,672,369,137	8,050,207,476	8,597,508,595	9,741,408,902	10,281,014,783	10,730,178,438	11,439,823,578	11,137,527,526	9,950,
28	Sale for Resale	396,711,147	402,529,068	400,988,769	442,738,116	480,803,206	532,167,838	533,084,353	575,860,454	577,447,314	530,
29		8,316,975,599	8,074,898,203	8,451,194,245	9,040,246,711	10,202,012,108	10,813,182,619	11,263,262,791	12,015,684,030	11,714,974,840	10,480,
30											
31	Retail % of Total MWh Sales	95.23010%	95.01506%	95.25527%	95.10259%	95.48517%	95.07853%	95.28705%	95.20640%	95.07088%	94,
32											
33	Revenues applicable to Period										
34	Retail Fuel Revenues (Net of Revenue Taxes)	188,807,880	182,758,194	192,250,987	208,929,145	275,856,968	292,572,683	308,632,603	329,107,874	319,295,871	281,
35	Prior Period True-Up (Collected)/Reimaded This Period (3)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,722,493)	(1,
36	Midcourse Correction - 2021 Final True-Up (Coll./Ref. this Period	-	-	-	-	(9,111,475)	(9,111,475)	(9,111,475)	(9,111,475)	(9,111,475)	(9,
37	GPP, Net of Revenue Taxes (4)	(678,853)	(678,853)	(678,853)	(678,853)	(678,853)	(678,853)	(678,853)	(678,853)	(678,853)	(
38	Asset Optimization Net of Revenue Taxes (5)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(724,772)	(
39	Solar Together - Subscription Credit, Net of Revenue Taxes (5)	(2,233,951)	(3,607,844)	(3,681,993)	(5,607,906)	(7,442,029)	(9,181,665)	(7,789,381)	(8,873,355)	(6,504,577)	(6,
40		184,250,112	175,828,632	185,265,056	198,197,318	268,179,548	271,175,604	288,607,829	307,899,128	298,555,901	281,

FLORIDAPOWER & LIGHT COMPANY
FUEL COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AMOUNT

FOR THE PERIOD: JANUARY 2021 THROUGH DECEMBER 2021										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Line No.		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
41	True-up Calculation									
42	Adjusted Total Fuel Costs and Net Power Transactions	192,928,081	229,813,920	228,685,667	219,574,894	282,572,520	279,523,197	328,688,206	377,600,215	387,238,541
43	Retail Sales % of Total kWh Sales	95.23010%	95.01506%	95.25527%	95.10259%	95.48517%	95.07853%	95.26705%	95.20840%	95.07088%
44	Retail Total Fuel Costs & Net Power Transactions	183,975,472	218,715,067	218,191,528	209,162,852	270,256,268	266,201,340	313,643,841	360,278,436	368,751,402
45	True-up Provision for the Month - Over/(Under) Recovery	274,640	(42,888,435)	(32,926,472)	(10,965,534)	(14,078,722)	4,974,264	(27,036,011)	(52,279,310)	(70,195,501)
46	Interest Provision for the Month	(6,557)	(7,944)	(12,362)	(12,644)	(8,013)	(8,426)	(9,845)	(9,880)	(13,434)
47	True-Up & Interest Prov. Beg of Period-Over/(Under) Recovery	(20,669,910)	(18,679,334)	(59,853,221)	(91,069,563)	(100,325,247)	(112,687,480)	(105,999,162)	(131,322,526)	(181,889,223)
48	Deferred True-up Beginning of Period - Over/(Under) Recovery	(72,891,803)	(72,891,803)	(72,891,803)	(72,891,803)	(72,891,803)	(63,780,327)	(54,668,852)	(45,557,377)	(36,445,901)
49	Midcourse correction - 2021 final true-up (collected)/refunded this period					9,111,475	9,111,475	9,111,475	9,111,475	9,111,475
50	Prior Period True-up Collected/(Refunded) This Period	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493	1,722,493
51	End of Period Net True-up Amount Over/(Under) Recovery	(91,571,137)	(132,745,023)	(163,961,365)	(173,217,050)	(178,487,817)	(180,688,014)	(178,879,902)	(218,335,125)	(277,710,092)

- 52
- 53 (1) Actuals include various adjustments as noted on the A-schedules
- 54 (2) Amounts reflected in this section are in accordance with FPL's Stipulation and Settlement approved by the Commission in Order No. PSC-18-0560-AS-EI Docket No. 160021-EI
- 55 (3) Prior Period 2020 Actual/Estimated True-up
- 56 (4) Generating Performance Incentive Factor is $(\$8,125,681,112) \times 99.9280\%$ - See Order No. PSC-2020-0439-FOF-EI
- 57 (5) Jurisdictional Asset Optimization- FPL Portion is $(\$8,703,535,112) \times 99.9280\%$ - See Order No. PSC-2020-0439-FOF-EI
- 58 (5) Approved in Order No. PSC-2020-0084-S-EI issued in Docket No. 20190061-EI on March 20, 2020