

State of Florida



Public Service Commission

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COMMISSION
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DATE: May 18, 2012
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: A3a Capacity Cost Recovery Clause
Audit Control No: 12-013-4-1

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 Commission Clerk. There were confidential work papers associated with this audit.

CJP/klh

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER DATE
03169 MAY 18 2012
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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, 2011

Docket No. 120001-EI
Audit Control No. 12-013-4-1
May 17, 2012

Handwritten signature of Bety Maitre in cursive script.

Bety Maitre
Audit Manager

Handwritten signature of Kathy Welch in cursive script.

Kathy Welch
Reviewer

DOCUMENT NUMBER-DATE

03169 MAY 18 2012

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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 Economic Regulation in its audit service request dated January 19, 2012. 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 2011 filing for the Capacity Cost Recovery Clause in Docket No. 120001-EI.

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.

CCRC refers to the Capacity Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold and actual demand charges in terms of Kilowatts (KW) sold for the period January 1, 2011 through December 31, 2011 and whether the Utility applied the Commission approved cost recovery factors to each rate class for the CCRC.

Procedures: We reconciled the 2011 filing to the Utility's monthly Revenue and Rate Reports. We selected the months of April and September for testing. For rate classes charged at kilowatt hours of demand, we computed the factors by rate code and compared them to Order PSC-11-0094-FOF-EI. For rate classes charged per kilowatt of sales, we sampled bills from each class, computed the capacity charge using the ordered rate, and compared them to the bills. No exceptions were noted.

The revenues reported are net of the West County Energy Center Unit 3 (WCEC-3) recovery. In order PSC-11-009-FOF-EI, the Commission 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 cost recovery factors were revised and agreed to the Order.

Transmission Revenues

Objectives: Our objective was to verify that Transmission Revenues were credited to the clause.

Procedures: We reconciled the Transmission Revenues to FPL billings. We selected seven transactions to verify megawatts transmitted and total revenues.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's filing was supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing. The source documentation for selected items was

reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

Purchase Power Contracts

Objectives: Our objective was to verify that the invoices for capacity purchase amounts are in accordance with the terms and conditions of the contract.

Procedures: We reconciled invoices for capacity purchases to the contract to determine if they were recorded according to the terms and conditions of the contract. No exceptions were noted.

Nuclear Regulatory Commission (NRC) Fee

Objectives: The objective was to determine if 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 2011 and computed the percentage allocated to the capacity clause. We concluded that the fees allocated to the capacity clause are below the percentage approved for recovery in the Order No. PSC-03-1461-FOF-EI.

Incremental Security Cost

Objective: The objective was to verify that the security costs recovered are incremental to the security costs included in base rates.

Procedures: We computed total security costs and made a comparison to base costs established in Order No. PSC-03-1461-FOF-EI. The source documentation for selected items was reviewed to determine if the expense was appropriate for the incremental security allowance.

True-up

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

Procedures: We traced the December 31, 2010 True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011 using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates and the 2011 CCRC revenues and costs. No exceptions were noted.

Analytical Review

Objective: 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 2011 to 2010 revenues and expenses and used this information in our sample determination.

Audit Findings

None

Exhibit

Exhibit 1: True Up

FLORIDA POWER & LIGHT COMPANY CAPACITY COST RECOVERY CLAUSE CALCULATION OF FINAL TRUE-UP AMOUNT FOR THE PERIOD JANUARY THROUGH DECEMBER 2011							
LINE NO	(1) JAN 2011	(2) FEB 2011	(3) MAR 2011	(4) APR 2011	(5) MAY 2011	(6) JUN 2011	
1	Payments to Non-generators	16,326,873.24	17,508,019.45	19,905,102.56	17,664,796.52	17,638,423	17,949,307
2	Payments to Co-generators	22,961,031	22,514,178	23,092,464	22,920,176	23,017,590	22,988,664
3a	SJRPP Suspension Actual	136,425	136,425	136,425	136,425	136,425	136,425
3b	Return on SJRPP Suspension Liability	(431,314)	(432,066)	(433,498)	(434,580)	(435,681)	(436,773)
4	Incremental Plant Security Costs-Order No. PSC-02-1761	4,566,292	2,995,996	4,309,218	4,629,457	5,823,672	4,225,226
5	Transmission of Electricity by Others	1,705,140	1,728,559	1,379,357	991,696	1,054,895	654,494
6	Transmission Revenues from Capacity Sales	(423,821)	(165,338)	(153,195)	(26,336)	(63,994)	(55,122)
7	Total (Lines 1 through 6)	\$ 44,840,615	\$ 44,287,233	\$ 48,826,153	\$ 46,081,495	\$ 45,151,331	\$ 45,462,512
8	Jurisdictional Separation Factor (a)	98.83105%	98.83105%	98.83105%	98.83105%	98.83105%	98.83105%
9a	Jurisdictional Capacity Charges	43,957,726	43,415,235	47,864,790	45,174,174	44,262,323	44,567,182
9b	Nuclear Cost Recovery Costs	1,568,396	1,278,780	3,440,663	2,038,702	1,926,138	2,838,664
10	Jurisdictional Capacity Charges Authorized	\$ 45,526,122	\$ 44,694,015	\$ 51,305,453	\$ 47,212,876	\$ 46,188,462	\$ 47,405,846
11	Capacity Cost Recovery Revenue (Net of Revenue Taxes)	\$ 48,174,195	\$ 47,772,056	\$ 42,777,427	\$ 49,371,569	\$ 52,630,382	\$ 57,608,616
12	Prior Period True-up Provision	(5,420,192)	(5,420,192)	(5,420,192)	(5,420,192)	(5,420,192)	(5,420,192)
13	Capacity Cost Recovery Revenue Applicable to Current Period (Net of Revenue Taxes)	\$ 42,754,003	\$ 42,351,864	\$ 37,357,235	\$ 43,951,377	\$ 47,210,190	\$ 52,188,424
14	True-up Provision for Month - Over(Under) Recovery (Line 13 - Line 10)	(2,772,119)	(8,742,352)	(14,048,218)	(3,461,499)	1,021,338	4,762,528
15	Interest Provisions for Month	(12,472)	(12,694)	(12,542)	(11,446)	(9,659)	(7,724)
16	True-up & Interest Provision Beginning of Month - Over(Under) Recovery	(65,942,302)	(62,406,801)	(65,741,605)	(74,782,173)	(72,834,927)	(66,403,066)
17	Deferred True-up - Over(Under) Recovery	3,364,670	3,304,670	3,364,670	3,364,670	3,364,670	3,364,670
18	Prior Period True-up Provision - Collected(Refunded) this Month	5,420,192	5,420,192	5,420,192	5,420,192	5,420,192	5,420,192
19	End of Period True-up - Over(Under) Recovery (Sum of Lines 14 through 18)	\$ (59,042,131)	\$ (62,276,935)	\$ (71,417,503)	\$ (69,470,257)	\$ (63,038,396)	\$ (52,863,351)
Notes: (a) As approved in Order No PSC-11-0094-POP-EX							

FLORIDA POWER & LIGHT COMPANY CAPACITY COST RECOVERY CLAUSE CALCULATION OF FINAL TRUE-UP AMOUNT FOR THE PERIOD JANUARY THROUGH DECEMBER 2011								
LINE NO.	(7) JUL 2011	(8) AUG 2011	(9) SEP 2011	(10) OCT 2011	(11) NOV 2011	(12) DEC 2011	(13) TOTAL	(14)
1	Payments to Non-generators	17,937,111	18,252,887	19,389,919	16,787,342	17,166,158	16,895,585.92	\$213,811,634
2	Payments to Co-generators	23,056,106	21,400,906	23,443,344	23,648,917	23,541,997	23,454,441	278,061,833
3a	SRFP Suspension Account	136,425	136,425	136,425	136,425	136,425	136,425	1,637,160
3b	Return on SRFP Suspension Liability	(437,864)	(438,956)	(440,848)	(441,159)	(442,231)	(443,323)	(5,347,822)
4	Incremental Plant Security Costs-Order No. PSC-02-176	4,255,746	4,196,009	3,471,863	3,082,023	3,162,632	3,855,939	47,073,276
5	Transmission of Electricity by Others	319,541	690,813	713,499	3,384,026	2,098,157	2,091,583	14,783,839
6	Transmission Revenues from Capacity Sales	(87,134)	(136,386)	(45,325)	(180,626)	(148,218)	(176,393)	(1,548,433)
7	Total (Lines 1 through 6)	\$ 45,179,354	\$ 46,106,876	\$ 46,649,137	\$ 44,516,968	\$ 45,514,954	\$ 45,914,088	\$ 548,551,407
8	Jurisdictional Separation Factor (a)	98.03105%	98.03105%	98.03105%	98.03105%	98.03105%	98.03105%	N/A
9a	Jurisdictional Capacity Charges	44,290,387	45,199,133	45,750,245	43,640,851	44,618,827	45,010,035	537,758,784
9b	Nuclear Cost Recovery Costs	2,537,656	2,115,791	1,958,788	2,683,706	3,130,509	5,256,249	71,288,443
10	Jurisdictional Capacity Charges Authorized	\$ 45,828,019	\$ 48,312,944	\$ 47,709,033	\$ 46,324,157	\$ 47,749,336	\$ 50,266,284	\$ 569,059,147
11	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 58,243,361	\$ 60,769,267	\$ 61,201,687	\$ 53,295,915	\$ 44,933,558	\$ 44,521,434	\$ 614,869,386
12	Prior Period True-up Provision	(5,420,192)	(5,420,192)	(5,470,162)	(5,420,192)	(5,420,192)	(5,420,192)	(65,812,302)
13	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 52,823,169	\$ 55,349,076	\$ 55,731,525	\$ 47,875,724	\$ 39,513,366	\$ 39,101,242	\$ 549,057,084
14	True-up Provision for Months - Over(Under) Recovery (Line 13 - Line 10)	6,995,149	7,036,137	8,078,282	1,591,597	(8,235,970)	(11,165,041)	(19,382,003)
15	Interest Provision for Months	(5,465)	(3,779)	(1,505)	(780)	(788)	(606)	(78,910)
16	True-up & Interest Provision Beginning of Months - Over(Under) Recovery	(56,228,021)	(43,818,124)	(31,363,870)	(17,878,069)	(10,800,851)	(13,715,513)	(65,642,362)
17	Deferred True-up - Over(Under) Recovery	2,264,670	2,264,670	2,264,670	2,264,670	2,264,670	2,264,670	2,264,670
18	Prior Period True-up Provision - Collected (Re-funding) this Month	5,420,192	5,420,192	5,420,192	5,420,192	5,420,192	5,420,192	65,042,302
19	End of Period True-up - Over(Under) Recovery (Sum of Lines 14 through 18)	\$ (40,453,454)	\$ (28,080,489)	\$ (14,585,339)	\$ (7,524,361)	\$ (10,250,848)	\$ (16,096,205)	\$ (116,096,305)
Notes: (a) As approved on Order No PSC-10-0094-PDF-83								