

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: July 26, 2005
TO: Jim Breman, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DNV*
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.:** 050007-EI; **Company Name:** Florida Power and Light Co.; **Audit Purpose:** Environmental Cost Recovery Clause ; **Audit Control No.:** 05-033-4-1

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 the response to the Division of the Commission Clerk and Administrative Services. There are confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA POWER AND LIGHT

ENVIRONMENTAL COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2004

DOCKET NO. 050007-EI

AUDIT CONTROL NO. 05-033-4-1

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Iliana Piedra
Audit Manager

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Yen Ngo
Audit Staff

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Gabriela Leon
Audit Staff

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Jeffrey Small
Audit Staff

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Kathy Welch
Public Utilities Supervisor

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DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT
July 14, 2005

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described in this report to audit the Environmental Cost Recovery Clause True-up schedules for the historical 12-month period ended December 31, 2004 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Environmental Cost Recovery Clause in Docket No.050007-EI.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned - The documents or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for errors or inconsistency.

Reviewed - The exhibit amounts were reconciled with the general ledger. The general account balances were traced to the subsidiary ledgers, and selective analytical review procedures were applied.

Examined - The exhibit amounts were reconciled with the general ledger. The general account balances were traced to the subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

Confirmed - Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

Verified - The item was tested for accuracy, and substantiating documentation was examined.

PLANT INVESTMENT: Compiled the plant investment amounts. Verified the additions for 2004 on a judgmental basis.

DEPRECIATION EXPENSE: Agreed accumulated depreciation to the books. Recalculated depreciation expense on a random basis.

REVENUES: Compiled the revenues from the revenue and rate report and reconciled to the filing; verified the billing factors for various rate classes to the appropriate order.

TRUE-UP: Recalculated the true-up and verified the beginning true-up to the orders and the interest rates to the Wall Street Journal.

EXPENSES: Compiled expenses from the general ledger and reconciled to the filing. Verified a sample selected from all operating and maintenance expense accounts.

OTHER: Read Commission Orders, internal audits and environmental program standards.

II. EXHIBITS

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2004

Line No.	January	February	March	April	May	June
1 ECRC Revenues (net of Revenue Taxes)	\$992,295	\$881,955	\$863,367	\$833,571	\$939,513	\$1,147,558
2 True-up Provision (Order No. PSC-03-1348-FOF-EI)	88,024	88,024	88,024	88,024	88,024	88,024
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	1,080,318	969,978	951,391	921,595	1,027,537	1,235,582
4 Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-5A, Line 9)	416,386	384,793	813,843	832,003	679,422	40,677
b - Capital Investment Projects (Form 42-7A, Line 9)	481,591	507,896	514,184	530,862	558,304	582,741
c - Total Jurisdictional ECRC Costs	897,977	892,689	1,328,027	1,362,865	1,237,726	623,418
5 Over/(Under) Recovery (Line 3 - Line 4c)	182,341	77,289	(376,636)	(441,270)	(210,189)	612,164
6 Interest Provision (Form 42-3A, Line 10)	999	997	779	383	38	155
7 Est/Act True-Up for 2003	1,056,282	1,151,599	1,141,862	677,981	149,070	(149,105)
a - Deferred True-Up from 2003 (Form 42-1A, Line 7)	43,877	43,877	43,877	43,877	43,877	43,877
8 True-Up Collected /(Refunded) (See Line 2)	(88,024)	(88,024)	(88,024)	(88,024)	(88,024)	(88,024)
9 End of Period True-Up (Lines 5+6+7+7a+8)	1,195,476	1,185,739	721,858	192,947	(105,228)	419,067
10 Adjustments to Period Total True-Up Including Interest						
11 End of Period Total Net True-Up (Lines 9+10)	\$1,195,476	\$1,185,739	\$721,858	\$192,947	(\$105,228)	\$419,067

5

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2004

Line No.	July	August	September	October	November	December	End of Period Amount
1 ECRC Revenues (net of Revenue Taxes)	\$1,249,101	\$1,138,259	\$1,129,786	\$1,087,461	\$1,008,151	\$977,694	\$12,248,712
2 True-up Provision (Order No. PSC-03-1348-FOF-EI)	88,024	88,024	88,024	88,024	88,024	88,024	1,056,282
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	1,337,125	1,226,282	1,217,809	1,175,485	1,096,175	1,065,718	13,304,994
4 Jurisdictional ECRC Costs							
a - O&M Activities (Form 42-5A, Line 9)	390,403	404,888	381,038	209,779	220,206	1,023,101	5,796,539
b - Capital Investment Projects (Form 42-7A, Line 9)	606,592	620,872	633,394	655,295	689,137	737,597	7,118,466
c - Total Jurisdictional ECRC Costs	996,995	1,025,760	1,014,432	865,074	909,343	1,760,698	12,915,005
5 Over/(Under) Recovery (Line 3 - Line 4c)	340,130	200,522	203,377	310,411	186,832	(694,980)	389,989
6 Interest Provision (Form 42-3A, Line 10)	636	931	1,184	1,566	2,037	1,587	11,292
7 Est/Act True-Up for 2003	375,190	627,932	741,362	857,900	1,081,853	1,182,698	1,056,282
a - Deferred True-Up from 2003 (Form 42-1A, Line 7)	43,877	43,877	43,877	43,877	43,877	43,877	43,877
8 True-Up Collected /(Refunded) (See Line 2)	(88,024)	(88,024)	(88,024)	(88,024)	(88,024)	(88,024)	(1,056,282)
9 End of Period True-Up (Lines 5+6+7+7a+8)	671,809	785,239	901,777	1,125,730	1,226,575	445,158	445,158
10 Adjustments to Period Total True-Up Including Interest							
11 End of Period Total Net True-Up (Lines 9+10)	\$671,809	\$785,239	\$901,777	\$1,125,730	\$1,226,575	\$445,158	\$445,158

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2004

Interest Provision (in Dollars)

Line No.	January	February	March	April	May	June
1 Beginning True-Up Amount (Form 42-2A, Lines 7 + 7a + 10)	\$1,100,159	\$1,195,476	\$1,185,739	\$721,858	\$192,947	(\$105,228)
2 Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	1,194,477	1,184,742	721,079	192,564	(105,266)	418,912
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	\$2,294,636	\$2,380,218	\$1,906,818	\$914,422	\$87,681	\$313,684
4 Average True-Up Amount (Line 3 x 1/2)	\$1,147,318	\$1,190,109	\$953,409	\$457,211	\$43,841	\$156,842
5 Interest Rate (First Day of Reporting Month)	1.06000%	1.03000%	0.98000%	0.98000%	1.03000%	1.04000%
6 Interest Rate (First Day of Subsequent Month)	1.03000%	0.98000%	0.98000%	1.03000%	1.04000%	1.33000%
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	2.09000%	2.01000%	1.96000%	2.01000%	2.07000%	2.37000%
8 Average Interest Rate (Line 7 x 1/2)	1.04500%	1.00500%	0.98000%	1.00500%	1.03500%	1.18500%
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.08708%	0.08375%	0.08167%	0.08375%	0.08625%	0.09875%
10 Interest Provision for the Month (Line 4 x Line 9)	\$999	\$997	\$779	\$383	\$38	\$155

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2004

Interest Provision (in Dollars)

Line No.	July	August	September	October	November	December	End of Period Amount
1 Beginning True-Up Amount (Form 42-2A, Lines 7 + 7a + 10)	\$419,067	\$671,809	\$785,239	\$901,777	\$1,125,730	\$1,226,575	\$9,421,148
2 Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	671,173	784,308	900,593	1,124,164	1,224,538	443,571	8,754,855
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	\$1,090,240	\$1,456,117	\$1,685,832	\$2,025,941	\$2,350,268	\$1,670,146	\$18,176,003
4 Average True-Up Amount (Line 3 x 1/2)	\$545,120	\$728,059	\$842,916	\$1,012,971	\$1,175,134	\$835,073	\$9,088,002
5 Interest Rate (First Day of Reporting Month)	1.33000%	1.47000%	1.60000%	1.77000%	1.94000%	2.22000%	N/A
6 Interest Rate (First Day of Subsequent Month)	1.47000%	1.60000%	1.77000%	1.94000%	2.22000%	2.34000%	N/A
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	2.80000%	3.07000%	3.37000%	3.71000%	4.16000%	4.56000%	N/A
8 Average Interest Rate (Line 7 x 1/2)	1.40000%	1.53500%	1.68500%	1.85500%	2.08000%	2.28000%	N/A
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.11667%	0.12792%	0.14042%	0.15458%	0.17333%	0.19000%	N/A
10 Interest Provision for the Month (Line 4 x Line 9)	\$636	\$931	\$1,184	\$1,566	\$2,037	\$1,587	\$11,292