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-M-E-M-O-R-A-N-D-U-M-

DATE: May 30, 2008

TO: Timothy J. Devlin, Director, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *DNV*

RE: Docket No: 070626-EI; Company Name: Florida Power and Light Company;
 Audit Request: Audit accounting for funds expended in connection with FPL
 Sunshine Energy Program; Company Code: EI801;
 Audit Control No: 08-086-4-1;

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

DNV:sbj
Attachments

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

- OMP _____
- COM _____
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- BCR _____
- CCU _____
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- SCA _____
- SEC _____
- OTH *Musquente*

Mr. Wade Litchfield
 Florida Power & Light company
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FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF REGULATORY COMPLIANCE AND
CONSUMER ASSISTANCE
BUREAU OF AUDITING***

Miami District Office

**Florida Power and Light Company
Sunshine Energy Program Audit**

Twelve Months Ended December 31, 2007

**DOCKET #070626-EI
AUDIT CONTROL NO. 08-086-4-1**

A handwritten signature in cursive script, appearing to read "Kathy L. Welch".

***Kathy L. Welch
Audit Manager***

A handwritten signature in cursive script, appearing to read "Iliana Piedra".

***Iliana Piedra
Accounting Specialist***

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

May 29, 2007

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED
PARTIES**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the Florida Power and Light Company Sunshine Energy program, Docket Number 070626-EI.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Florida Power and Light's Sunshine Energy program uses two contractors, Green Mountain (residential) and Sterling Planet (commercial) to purchase TRECs (Tradable Renewable Energy Credits) and to market the program. Costs that exceed the program revenues are charged to the Conservation Program.

Objective: To verify that the filing amounts agree with the general ledger.

Procedure: We scheduled all increases in the general ledger accounts and reconciled them to the filing.

Objective: To determine the reasonableness of FPL's administrative charge of \$.65.

Procedure: We obtained a file of all charges made to the Conservation True-Up Schedules which are over the amount paid to Green Mountain. In 2007, FPL has exceeded the \$.65 charge by \$14,100 due to the introduction of the Commercial program. We obtained and reviewed a list of all employees charged to the Green Power Pricing program and selected some to trace to source documents. We obtained job descriptions for employees whose salary was charged to the program at more than 15% of the total salary to determine what they did for the program.

We obtained and reviewed invoices charged to outside services, advertising, and other charges. FPL pays directly for advertising which is done in combination with other FPL conservation programs. Audit Finding Five discusses the findings from the sample.

Objective: To determine for 2007 the amount spent on in-state and out-of state Tradable Renewable Energy Credits (TRECs) and whether there is a proper accounting for these purchases.

Procedure: We obtained the attestation statements from Green Mountain that show each TREC purchased, the period, source of power, and supplier. We also obtained a ledger excerpt from Green Mountain that showed the total cost by year since 2003 without supplier information. We obtained contracts with several of the suppliers. Green Mountain blacked out the actual cost per TREC based on confidentiality requests by their suppliers. Several contracts were not supplied because of these confidentiality requests. Audit Finding Four and Six discuss the TRECs.

Objective: For the solar projects, to determine the amount spent by project and whether there is proper accounting for each of these projects. Also, to determine if the developers contributed to the projects.

Procedure: Green Mountain provided the costs of the projects done by Green Mountain. We obtained, reviewed and compared the contracts to these project costs. We reviewed pictures of the projects. We also obtained supporting documentation for the project done by FPL at the Miami Science Museum. We reviewed the Green

Mountain contract with FPL and the Commission Order to determine the requirements of each. Audit Finding Three discusses the projects.

Objective: To determine by year, the amounts retained by Green Mountain for marketing, administration and other.

Procedure: We requested ledger detail from Green Mountain. [REDACTED]

[REDACTED] They did provide a schedule of marketing, project costs, and green tag costs in total by year from 2003 to early 2008. They then separately provided a list of project costs and a list of green tag costs which would indicate the rest is marketing. [REDACTED]

[REDACTED] Audit Finding Two discusses the costs paid by Green Mountain for TRECs and projects compared to total costs.

Objective: To determine if Green Mountain has an effective accounting system necessary to accurately track revenue and expenses associated with the Sunshine Energy program.

Procedure: Green Mountain did not provide the information needed to determine this objective and time precluded following up with legal remedies. We do not usually review contracts to determine the profit made by the contractor but whether the company that enters into the contract competitively bid the contract and obtained the most reasonably priced contract with the best terms. So, as an alternate, we attempted to determine if the contracts FPL had entered into with Green Mountain and Sterling Planet were competitively bid and that FPL made a reasonable choice in selecting a contractor that would provide these services at the most reasonable price. We attempted to obtain the requests for proposals (RFP) sent out by FPL for the residential program in 2002 and the business program in 2005. However, FPL was only able to provide the RFP for the business contract. We obtained and reviewed the bids and an analysis done by FPL. Audit Finding One describes the bidding process. We obtained and reviewed all correspondence with Green Mountain. We obtained and reviewed the attestation statements and the marketing plan which we believed were required to be provided according to the contract.

Objective: To determine whether Green Mountain has met all contractual obligations to FPL.

Procedure: We obtained and read the contract. We reconciled the contract with supporting documentation for the monthly payments. We reviewed the marketing plans and correspondence with Green Mountain. We obtained and reviewed the contracts for the projects and the TREC suppliers.

AUDIT FINDING NO. 1

SUBJECT: BIDDING

STATEMENT OF FACTS:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EFFECT ON THE GENERAL LEDGER: This finding is for informational purposes only.

EFFECT ON THE FILING: This finding is for informational purposes only.

AUDIT FINDING NO. 2

SUBJECT: GREEN MOUNTAIN COSTS

STATEMENT OF FACTS:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EFFECT ON THE GENERAL LEDGER: This finding is for informational purposes only.

EFFECT ON THE FILING: This finding is for informational purposes only.

AUDIT FINDING NO. 3

SUBJECT: PROJECT COSTS

STATEMENT OF FACTS: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EFFECT ON THE GENERAL LEDGER: This finding is for informational purposes only.

EFFECT ON THE FILING: This finding is for informational purposes only.

AUDIT FINDING NO. 4

SUBJECT: FLORIDA TREC'S

STATEMENT OF FACTS: [REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EFFECT ON THE GENERAL LEDGER: This finding is for informational purposes only.

EFFECT ON THE FILING: This finding is for informational purposes only.

AUDIT FINDING NO. 5

SUBJECT: CONTRIBUTIONS

STATEMENT OF FACTS:

[REDACTED]

[REDACTED]

[REDACTED]

EFFECT ON THE GENERAL LEDGER: This finding is for informational purposes only.

EFFECT ON THE FILING: This finding is for informational purposes only.

AUDIT FINDING NO. 6

SUBJECT: FPL ENERGY

STATEMENT OF FACTS:

[REDACTED]

EFFECT ON THE GENERAL LEDGER: This finding is for informational purposes only.

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