

State of Florida



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

DATE: May 18, 2009
TO: Kaley Giles, Regulatory Analyst II, Division of Economic Regulation
FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DNM*
RE: Docket No: 090001-EI; Company Name: Florida Power & Light Company;
Audit Purpose: Capacity Cost Recovery Clause; Company Code: EI802;
Audit Control No: 09-041-4-3;

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.

DNM/tbm

Attachment: Audit Report

CC: Division of Regulatory Compliance (Salak, Mailhot, Harvey,
District Offices, File Folder)
Office of Commission Clerk (2)
General Counsel

Natalie Smith
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1859

DOCUMENT NUMBER - DATE

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE

Miami District Office

FLORIDA POWER AND LIGHT COMPANY

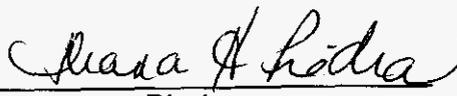
CAPACITY COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2008

DOCKET NO. 090001-EI
AUDIT CONTROL NO. 09-041-4-3



Yen Ngo
Audit Manager



Iliana Piedra
Professional Accountant



Kathy Welch
Public Utilities Supervisor

DOCUMENT NUMBER-DATE

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DOCUMENT NUMBER-DATE
04944 MAY 198
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**DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT
May 8, 2009**

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 the procedures to the attached schedules prepared by Florida Power and Light Company in support of its filing for capacity cost recovery in Docket No. 090001-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 and the report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Objective: The objective was to determine if capacity revenue and kilowatt hours sold were accurately reported.

Procedures: We prepared a schedule of revenues from FPL's Revenue and Rate Reports which summarize FPL's billing. We computed the factors by rate code and compared them to the last Commission order for capacity. We selected some customer bills from various rate classes to verify that the proper capacity rate factors were used. No errors were found.

Objective: The objective was to verify that the true-up was calculated correctly.

Procedures: We recalculated the true-up and traced the interest rates to the approved interest rates established by the Commission. We traced the prior period true up to the last audit workpapers. No errors were found.

Objective: The objective was to verify that the costs agree to the general ledger and can be substantiated with source documentation and that the jurisdiction factor was properly applied.

Procedures: We reconciled the filing to the general ledger. We tested one month of Unit Power Sales (UPS) charges by tracing the schedule to invoices.

We verified that transmission revenues from non-separated sales are credited to the capacity clause by reviewing the itemized account detail and tracing it to invoices and the financial accounting system. The treatment was compared to Commission Order PSC-00-1744-PAA-EI.

For qualifying facilities, we traced the general ledger amount to the Estimated Purchase Power Sales Billing Summary and reviewed the true-up of the prior month's estimate.

For St. Johns River Power Plant (SJRPP) capacity charges, we traced one month to FPL's accrual. For the same month we traced the components such as debt service and transmission to schedules provided by Jacksonville Electric Authority (JEA). We reconciled the decommissioning costs to a Commission order. The deferred interest for SJRPP was traced to the general ledger. We obtained a letter estimating property tax from JEA and used it to calculate the monthly accrual.

SJRPP Energy Suspension payments were traced to an accrual worksheet. The debt and equity component from that worksheet was traced to prior audits.

For Transmission of Electricity by others, we traced one month's charges to invoices and transmission reports prepared by FPL's Energy Marketing and Trading.

No errors were found in any of the costs reviewed.

Objective: The objective was to verify that security charges included in the capacity filing are incremental to security charges in base rates.

Procedures: We determined total security costs, removed base costs established in prior audits and verified that the costs included were incremental.

Objective: The objective was to determine if the Nuclear Regulatory Commission fee and the recoverable portion of the incremental fee increase amount are consistent with the percentage approved for recovery through the clause according to Commission Order PSC-03-1461-FOF-EI.

Procedures: We obtained and traced the invoices, reviewed the order and FPL's calculation of non-recoverable expense. No errors were found.

III. EXHIBITS

CAPACITY COST RECOVERY CLAUSE									
CALCULATION OF FINAL TRUE-UP AMOUNT FOR THE PERIOD JANUARY THROUGH DECEMBER 2008									
LINE NO.	(7) JUL 2008	(8) AUG 2008	(9) SEP 2008	(10) OCT 2008	(11) NOV 2008	(12) DEC 2008	(13) TOTAL	LINE NO.	
1.	Payments to Non-cogenerators (UPS & SJRPP)	\$15,841,542	\$16,800,656	\$15,792,462	\$17,619,558	\$17,298,103	\$18,074,514	\$202,455,406	1.
2.	Short-Term Capacity Purchases CCR	4,464,250	4,522,000	4,530,250	3,435,600	3,435,600	3,872,450	47,517,295	2.
3.	QP Capacity Charges	27,462,232	27,651,148	26,950,042	27,288,399	27,620,025	27,731,127	327,138,878	3.
4.	SJRPP Suspension Accrual	200,486	200,486	200,486	200,486	200,486	200,486	2,405,832	4.
5.	Return on SJRPP Suspension Liability	(452,790)	(454,644)	(456,498)	(458,352)	(460,206)	(462,060)	(5,423,221)	5.
6.	Incremental Plant Security Costs-Order No. PSC-02-1761	1,637,559	2,155,940	1,936,064	1,606,089	1,717,967	2,667,350	23,379,026	6.
7.	Transmission of Electricity by Others	582,872	569,625	538,085	609,610	627,763	635,429	7,184,747	7.
8.	Transmission Revenues from Capacity Sales	(80,521)	(71,597)	(10,886)	(47,597)	(179,469)	(283,090)	(2,612,960)	8.
9.	Total (Lines 1 through 8)	\$ 49,655,630	\$ 51,373,614	\$ 49,480,005	\$ 50,253,794	\$ 50,260,269	\$ 52,436,206	\$ 602,045,003	9.
10.	Jurisdictional Separation Factor (a)	98.76048%	98.76048%	98.76048%	98.76048%	98.76048%	98.76048%	N/A	10.
11.	Jurisdictional Capacity Charges	49,040,139	50,736,828	48,866,691	49,630,888	49,637,282	51,786,249	594,582,534	11.
12.	Nuclear Cost Recovery Costs	0	0	0	0	0	0	0	12.
13.	Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(56,945,592)	13.
14.	Jurisdictional Capacity Charges Authorized	\$ 44,294,673	\$ 45,991,362	\$ 44,121,225	\$ 44,885,422	\$ 44,891,816	\$ 47,040,783	\$ 537,636,942	14.
15.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 48,367,588	\$ 48,525,980	\$ 50,780,192	\$ 45,512,409	\$ 38,687,679	\$ 38,244,838	\$ 516,470,613	15.
16.	Prior Period True-up Provision	(1,632,608)	(1,632,608)	(1,632,608)	(1,632,608)	(1,632,608)	(1,632,608)	(19,591,292)	16.
17.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 46,734,980	\$ 46,893,373	\$ 49,147,585	\$ 43,879,801	\$ 37,055,071	\$ 36,612,230	\$ 496,879,321	17.
18.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	2,440,307	902,011	5,026,360	(1,005,620)	(7,836,745)	(10,428,553)	(40,757,621)	18.
19.	Interest Provision for Month	(85,271)	(78,713)	(105,184)	(100,648)	(61,911)	(34,701)	(995,184)	19.
20.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	(40,179,782)	(36,192,138)	(33,736,233)	(27,182,449)	(26,656,110)	(32,922,159)	(19,591,292)	20.
21.	Deferred True-up - Over/(Under) Recovery	(3,707,455)	(3,707,455)	(3,707,455)	(3,707,455)	(3,707,455)	(3,707,455)	(3,707,455)	21.
22.	Prior Period True-up Provision - Collected/(Refunded) this Month	1,632,608	1,632,608	1,632,608	1,632,608	1,632,608	1,632,608	19,591,292	22.
23.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 18 through 22)	\$ (39,899,593)	\$ (37,443,688)	\$ (30,889,904)	\$ (30,363,565)	\$ (36,629,614)	\$ (45,460,260)	\$ (45,460,260)	23.
		3,987,643.72	2,455,905.22	6,553,783.46	526,338.83	(6,266,048.77)	(8,830,646.23)		
	Notes:	(a) Per K. M. Dubin's Testimony Appendix III Page 3, filed September 1, 2006							
		(b) Per FPSC Order No. PSC-94-1092-FOF-EI, Docket No. 940001-EI, as adjusted in August 1993, per E.L. Hoffman's Testimony Appendix IV, Docket No. 930001-EI, filed July 8, 1993.							