

State of Florida



RECEIVED-FPSC
08 JUN 12 PM 3:42

Public Service Commission

CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

COMMISSION
CLERK

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

DATE: May 12, 2008

TO: Peter H. Lester, Economic Analyst, Division of Economic Regulation

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

RE: Docket No: 080001-EI; Company Name: Florida Power & Light Company;
Audit Purpose: Capacity Audit; Company Code: EI802;
Audit Control No: 08-003-4-3;

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 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)
Division of Commission Clerk (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

CMP _____
COM _____
CYR _____
GCP _____
JTB _____
DRC _____
DCA _____
JRS _____
MSM _____
SAB _____
MMP _____

Mr. Wade Litchfield
Florida Power & Light Company
215 S. Monroe St., Suite 810
Tallahassee, FL 32301-1859

John T. Butler
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420

Ms. Natalie smith
Florida Power & Light Company
215 S. Monroe St., Suite 810
Tallahassee, FL 32301-1859

Marguerite

DOCUMENT NUMBER: DATE
05034 JUN 12 08
FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA POWER AND LIGHT

CAPACITY COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2007

DOCKET NO. 080001-EI
AUDIT CONTROL NO. 08-003-4-3

A handwritten signature in cursive script, reading "Iliana Piedra", positioned above a horizontal line.

Iliana Piedra
Audit Manager

A handwritten signature in cursive script, reading "Kathy Welch", positioned above a horizontal line.

Kathy Welch
Public Utilities Supervisor

TABLE OF CONTENTS

	PAGE
I. AUDITOR'S REPORT	
AUDIT PURPOSE.....	1
DISCLAIM PUBLIC USE	1
SUMMARY OF SIGNIFICANT PROCEDURES.....	2
II. AUDIT FINDING	
1. SECURITY OFFICERS	4
2. SECURITY VIOLATIONS	6
3. DAMAGE TO THE TURKEY POINT UNIT 3 PRESSURIZER	8
POWER OPERATED RELIEF VALVE PIPING	
III. EXHIBITS	
CAPACITY COST RECOVERY TRUE-UP CALCULATION	11

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

AUDITOR'S REPORT

June 5, 2008

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 Docket 080001-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:

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: The true-up was recalculated and the interest rates were traced to the approved interest rates established by the Commission. We traced the prior period true up to the last audit work papers. 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. The objective was also to trace specific payments to a contract.

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.

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. We traced the charge for the capacity payment to two qualifying facilities contracts.

Objective: The objective was to verify that transmission revenues derived from non-separated wholesale energy sales are credited to the clause pursuant to Order PSC-99-2512-FOF-EI.

Procedures: We verified that transmission revenues from non-separated sales are credited to the capacity clause by reviewing the deal journal and the transmission service billing summaries.

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 and reviewed the Order. We determined the recoverable expense and compared it to the Order guidelines.

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. We also selected a sample of charges to the security cost accounts included in the filing and traced them to invoices. The accruals made through journal entries were also reviewed. We determined the total dollars paid to The Wackenhut Corporation for 2004 – 2007.

Objective: The objective was to determine the utility's costs related to the inattentive security officers incident and to determine the costs charged to the Capacity clause.

Procedures: We read the utility's information regarding the incident and determined if any fines were imposed for this incident. We obtained the payroll amounts for the alleged inattentive security officers from the date of incident to the date of separation and determined what account this payroll was charged to. We determined if the utility has requested or received any refunds related to this incident. Audit Finding No. 1 discusses this objective.

Objective: The objective was to determine the utility's costs related to the failure to properly equip armed responders, by removing or breaking firing pins and also for failure to make a one hour report to the Nuclear Regulatory Commission and providing it with incomplete and inaccurate information. The objective was also to determine the costs charged to the Capacity Clause.

Procedures: We read the utility's information regarding the incident and determined if any fines were imposed for this incident. We obtained the payroll amounts for the alleged individuals from the date of incident to the date of separation and determined what accounts this payroll was charged to. We obtained the utility's costs related to this incident. We determined if the utility has requested or received any refunds related to this incident. Audit Finding No. 2 discusses this objective.

Objective: The objective was to determine the utility's costs related to the damage to the Turkey Point Unit 3 Pressurizer Power Operated Relief Valve piping, to determine the utility's policy on requiring contractors to post performance or payment bonds and to determine the costs charged to the Capacity clause.

Procedures: We read the utility's information regarding the incident and obtained the costs related to the investigation. We determined if the utility has requested or received any recourse from the contractor. We also obtained the company's policy on requiring contractors to post performance or payment bonds. Audit Finding No. 3 discusses this objective.

AUDIT FINDING NO. 1

SUBJECT: SECURITY OFFICERS

AUDIT ANALYSIS:

[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: SECURITY VIOLATIONS

AUDIT ANALYSIS: [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. 3

SUBJECT: DAMAGE TO THE TURKEY POINT UNIT 3 PRESSURIZER POWER OPERATED RELIEF VALVE PIPING

AUDIT ANALYSIS:

[REDACTED]

[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.

EXHIBITS

CAPACITY COST RECOVERY CLAUSE							
CALCULATION OF FINAL TRUE-UP AMOUNT							
FOR THE PERIOD JANUARY THROUGH DECEMBER 2007							
LINE NO.	(1) JAN 2007	(2) FEB 2007	(3) MAR 2007	(4) APR 2007	(5) MAY 2007	(6) JUN 2007	
1.	Payments to Non-generators (UPS & SJRPP)	\$16,383,756	\$17,018,383	\$17,030,951	\$16,722,795	\$13,815,314	\$15,877,507
2.	Short Term Capacity Purchases CCR	\$7,021,345	\$7,021,345	\$4,249,275	\$4,152,555	\$4,350,955	\$4,475,730
3.	QF Capacity Charges	\$26,843,422	\$26,186,844	\$26,596,356	\$26,564,029	\$26,849,668	\$26,815,949
4.	SJRPP Suspension Accrual	\$294,744	\$294,744	\$294,744	\$294,744	\$294,744	\$294,744
5.	Return on SJRPP Suspension Liability	(\$409,392)	(\$412,118)	(\$414,843)	(\$417,569)	(\$420,295)	(\$423,021)
6.	Incremental Plant Security Costs-Order No. PSC-02-1761	\$2,433,624	\$1,534,637	\$1,346,516	\$1,876,545	\$1,594,392	\$1,783,662
7.	Transmission of Electricity by Others	\$421,249	\$990,593	\$291,996	\$268,353	\$502,666	\$477,100
8.	Transmission Revenues from Capacity Sales	(\$332,908)	(\$584,810)	(\$359,555)	(\$303,874)	(\$271,113)	(\$258,391)
9.	Total (Lines 1 through 8)	\$32,653,840	\$52,049,638	\$49,035,440	\$49,157,578	\$46,716,330	\$49,043,281
10.	Jurisdictional Separation Factor	98.68536%	98.68536%	98.68536%	98.68536%	98.68536%	98.68536%
11.	Jurisdictional Capacity Charges	\$1,963,605	\$1,365,373	48,390,800	48,511,333	46,102,179	48,398,539
12.	Capacity related amounts included in Base Rates (FPSC Portion Only)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)
13.	Jurisdictional Capacity Charges Authorized	47,218,139	46,619,907	43,645,334	43,765,867	41,356,713	43,653,073
14.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	41,977,411	37,923,420	37,558,510	37,852,639	41,380,033	45,114,346
15.	Prior Period True-up Provision	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,480)
16.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	40,734,931	36,680,940	36,316,030	36,610,159	40,137,553	43,871,866
17.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	(6,483,208)	(9,938,967)	(7,329,304)	(7,155,708)	(1,219,159)	218,794
18.	Interest Provision for Month	(94,596)	(125,467)	(158,417)	(185,411)	(199,133)	(197,126)
19.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	(14,909,738)	(20,245,082)	(29,067,036)	(35,312,278)	(41,410,917)	(41,586,729)
20.	Deferred True-up - Over/(Under) Recovery	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)
21.	Prior Period True-up Provision - Collected/(Refunded) this Month	1,242,480	1,242,480	1,242,480	1,242,480	1,242,480	1,242,480
22.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	(24,275,365)	(33,097,319)	(39,342,561)	(45,441,200)	(45,617,012)	(44,352,865)

CAPACITY COST RECOVERY CLAUSE									
CALCULATION OF FINAL TRUE-UP AMOUNT									
FOR THE PERIOD JANUARY THROUGH DECEMBER 2007									
LINE NO.		(7) JUL 2007	(8) AUG 2007	(9) SEP 2007	(10) OCT 2007	(11) NOV 2007	(12) DEC 2007	(13) TOTAL	LINE NO.
1.	Payments to Non-co-generators (UPS & SJRPP)	\$15,880,349	\$16,273,913	\$15,353,604	\$16,074,898	\$16,167,987	\$17,219,771	\$193,819,228	1.
2.	Short Term Capacity Purchases CCR	\$4,318,980	\$4,318,980	\$4,338,230	\$3,386,940	\$3,385,130	\$3,833,490	\$34,852,955	2.
3.	QF Capacity Charges	\$26,844,696	\$26,811,574	\$26,811,198	\$26,866,284	\$26,860,439	\$26,775,174	\$320,825,632	3.
4.	SJRPP Suspension Accrual	\$294,744	\$294,744	\$294,744	\$294,744	\$294,744	\$294,744	\$3,536,928	4a.
5.	Return on SJRPP Suspension Liability	(\$425,747)	(\$428,472)	(\$431,198)	(\$433,924)	(\$436,650)	(\$439,376)	(\$5,092,605)	4b.
6.	Incremental Plant Security Costs-Order No. PSC-02-1761	\$1,888,267	\$1,983,245	\$2,543,080	\$1,800,530	\$1,719,934	\$2,759,372	\$23,263,824	6c.
7.	Transmission of Electricity by Others	\$441,724	\$437,234	\$465,006	\$209,407	\$277,081	\$260,464	\$5,042,873	7.
8.	Transmission Revenues from Capacity Sales	(\$321,199)	(\$413,204)	(\$209,233)	(\$116,290)	(\$160,712)	(\$215,607)	(\$3,546,899)	8.
9.	Total (Lines 1 through 8)	\$48,921,815	\$49,278,013	\$49,165,428	\$48,082,588	\$48,107,953	\$50,488,032	\$592,701,936	9.
10.	Jurisdictional Separation Factor	98.68536%	98.68536%	98.68536%	98.68536%	98.68536%	98.68536%	N/A	10.
11.	Jurisdictional Capacity Charges	48,278,669	48,630,185	48,519,080	47,450,476	47,475,506	49,824,296	584,910,040	11.
12.	Capacity related amounts included in Base Rates (FPSC Forlon Only)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(56,945,592)	12.
13.	Jurisdictional Capacity Charges Authorized	43,533,203	43,884,719	43,773,614	42,705,010	42,730,040	45,078,830	527,964,448	13.
14.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	50,160,132	51,018,270	52,740,151	47,514,133	42,312,165	39,700,112	525,251,323	14.
15.	Prior Period True-up Provision	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,478)	(14,909,758)	15.
16.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	48,917,652	49,775,790	51,497,671	46,271,653	41,069,685	38,457,634	510,341,565	16.
17.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	5,384,449	5,891,071	7,724,057	3,566,644	(1,660,355)	(6,621,196)	(17,622,883)	17.
18.	Interest Provision for Month	(179,889)	(155,384)	(117,567)	(80,090)	(69,283)	(83,217)	(1,645,581)	18.
19.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	(40,322,582)	(33,875,542)	(26,897,375)	(18,048,405)	(13,319,371)	(13,806,530)	(14,909,758)	19.
20.	Deferred True-up - Over/(Under) Recovery	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	20.
21.	Prior Period True-up Provision - Collected/(Refunded) this Month	1,242,480	1,242,480	1,242,480	1,242,480	1,242,480	1,242,478	14,909,758	21.
22.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	(37,905,825)	(30,927,658)	(22,078,688)	(17,349,654)	(17,836,813)	(23,298,747)	(23,298,747)	22.