State of Florida

Public Service Commission

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

DATE: February 1, 2002
TO: Division of Economic Regulation (Brinkley)
FROM: Division of Auditing and Safety (Vandiver) DV
RE: Docket No. 001148-EI; Florida Power and Light Company; Audit of MFR's forcasted for Y/E December 2002; Audit Control No.: 01-249-4-1

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 Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services
Division of Competitive Markets and Enforcement (Harvey)
General Counsel

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY

Miami District Office

FLORIDA POWER AND LIGHT COMPANY

AUDIT OF MINIMUM FILING REQUIREMENT'S

FORECAST YEAR ENDED DECEMBER 2002

DOCKET NO. 001148-EI
AUDIT CONTROL NO. 01-249-4-1

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TABLE OF CONTENTS

		PAGE
I.	**AUDITOR'S REPORT**	1
	AUDIT PURPOSE1	1
	DISCLAIM PUBLIC USE	1
II.	**SUMMARY OF SIGNIFICANT PROCEDURES**	2
III.	**DISCLOSURES**	5
	NO. 1 APPLICATION OF AFUDC TO CWIP	5
	NO. 2 CONTRACT ADMINISTRATION	8
	NO. 3 FT. MYERS REPOWERING INTERNAL AUDIT	9
	NO. 4 COMPANY BIDDING PROCEDURES	12
	NO. 5 PURCHASE OF FALCON JET	16
	NO. 6 FORECASTED CWIP ST. LUCIE FUEL STORAGE	17
	NO. 7 FORECASTED PLANT 2001 AND 2002 AND CWIP 2002	18
	NO. 8 FORECASTED CWIP FOR MARTIN PLANT AT 12/31/02	23
	NO. 9 EFFECT OF ORDER PSC-02-0055-PAA-EI	24
	NO. 10 LIASON EXPENSE	26
	NO. 11 FORECAST REVENUES	27
	NO. 12 COMPARISON OF ACTUAL TO OCTOBER 2001 FORECAST	29
	NO. 13 ANALYTICAL REVIEW OPERATING AND MAINTENANCE	33
	NO. 14 INCREASES IN NUCLEAR DIVISION BUDGET	36
	NO. 15 STORM DAMAGE RESERVE	38
	NO. 16 INCREASE IN FINANCE DEPARTMENT BUDGET	39
	NO. 17 UNCOLLECTIBLE ACCOUNTS	40
	NO. 18 FORECAST OF 926 ACCOUNT	44
	NO. 19 POWER GENERATION FORECAST	45
	NO. 20 RTO COSTS	46
	NO. 21 POSSIBLE NON-RECURRING COSTS	47

NO. 22 MERGER COSTS NOT CHARGED TO THE MERGER ACCTS. 48
NO. 23 USE OF AIRCRAFT 49

IV. **EXHIBITS** 52

DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT
JANUARY 14, 2002

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described in this report to audit the Rate Base, Net Operating Income and Capital Structure schedules for the forecasted 12-month period ended December 31, 2001 and 2002 for Florida Power and Light Company. These schedules were prepared by the utility as part of the Minimum Filing Requirements.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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 error or inconsistency.

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

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

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

Rate Base: - Compiled year to date account balances for Utility Plant in Service(UPIS), Construction Work in Progress (CWIP), Accumulated Depreciation and Working Capital.

The forecasted plant schedules were traced to current documentation and estimated documentation and explanations for the forecast were obtained.

A sample of CWIP projects for the years 1997 to 2000 were verified. The CWIP projects were reviewed to determined if the company included in rate base any CWIP projects which are eligible for AFUDC for the years 2000 - 2002.

To audit accumulated depreciation, we agreed the accumulated depreciation for the year 2000 to books and verified the retirements, acquisition adjustment and adjustment for FASB 115. A schedule for 2001 and 2002 was compiled and we verified that adjustments made in the surveillance report for the historical year were also made in the forecast.

For working capital, we compiled a schedule and audited various components in 2001. We also verified various adjustments to proper documentation.

Property held for Future Use was reviewed for proper classification.

Net Operating Income -

Adjustments to net operating income were traced to the surveillance report adjustments. Supporting documentation was obtained for the new adjustments.

A schedule of 2001 operating revenues was compiled and compared to the 2001 forecasted revenues. We determined if Account 449 - Provision for Rate Refund was included in the forecast. Selected adjustments were traced to source documentation.

The scope is limited in that the forecast for revenues was not audited by the field staff but is being reviewed in Tallahassee. The adjustment for 2002 revenues for $99,700,000 to reduce Base Retail Revenues that was filed with the November 9, 2001 revision is included in this scope limitation.

An analytical review of operating and maintenance expenses from 1996 to 2002 was prepared. Unusual variances for years before 2000 were given to the company to explain. Major variances for the year 2000 were used to select the accounts that would be sampled. For the accounts selected, all items over $100,000 were traced to source documentation. The same was done for January to May of 2001 for these same accounts.

For the forecast, the budget was sorted by budget unit and account and reconciled to the filing. If the budget unit showed a material increase or a separate line item was added that was not in the year 2000, information was requested about the reason for the increase. Where contracts were available, they were requested.

For the year 2000, depreciation expense was recalculated and the rates traced to the proper Commission order. A depreciation expense composite rate for the year 2002 was calculated for forecasted plant and compared to the 2002 depreciation expense forecast.

Tax rates for the forecasted taxes other than income were recalculated and traced to source documentation.

Interest synchronization amounts for 2000 - 2002 were recalculated.

Cost of Capital -The 2002 forecasted cost of capital schedule was traced to the forecasted trial balance. Obtained supporting documentation that cash flow required certain levels of debt. Recalculated the interest rates. Compared 13-month average ending October 2001 balances to the 2001 forecast. Determined that specific adjustments were the same as the surveillance report adjustments. Obtained supporting documentation for adjustments. The scope was limited in that supporting documentation for the forecasted 2002 amounts for deferred taxes and investment tax credit were not obtained.

Other - The Regional Transmission Organization costs to date were traced to source documentation and the allocation methodology used was determined.

Read Korel Dubin's testimony on Grid Florida dated August 15, 2001. Obtained information and documentation for the Transmission Costs in Base Rate Adjustment.

Obtained all disclosures noted in the last FERC audits.

Verified various inter-company charges selected from the FERC Form No. 1.

AUDIT DISCLOSURE NO. 1

SUBJECT: **APPLICATION OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC) TO CONSTRUCTION WORK IN PROCESS (CWIP)**

STATEMENT OF FACTS: One of the objectives on the audit service request is to determine if the Company included in rate base any CWIP projects which are eligible for AFUDC. FPL stated in the filing that it did not accrue AFUDC in 2000, 2001 or 2002. Therefore, all projects under construction are included in CWIP. An analysis was performed for the year end 2000 and 2002.

Year Ended December 31, 2000

Following Rule 25-6.0140 F.A.C., it was determined that there were two projects eligible for AFUDC for the year ended December 31, 2000. However, according to Docket No. 990067-EI, Order No. PSC-99-0519-AS-EI, CWIP "...associated with the Ft. Myers and Sanford plant repowering projects will be treated as CWIP in rate base and AFUDC will be not accrued on these projects." The stipulation in this docket indicated that the time period was for three years starting April 16, 1999 through April 15, 2002.

Project No. 1

Ft. Myers Repowering CWIP at 12/31/00 $229,784,948

The Ft. Myers Repowering is estimated to be completed by December 31, 2001. This would indicate that it would still be under the above order at that time.

Project No. 2

Sanford Repowering CWIP at 12/31/00 315,426,284

The Sanford Repowering is estimated as follows:

Date Estimated to be Completed	Amount
December 1999	$ 2,315,000
June 2002	257,552,484
December 2002	256,100,354

Part of the CWIP falls under the above order and part does not.

Year Ending December 31, 2002

AFUDC Rule 25-6.0101 F.A.C. needs to be applied to forecasted CWIP at 12/31/02 to determine if any projects are eligible for AFUDC.

The attached schedule includes those projects in CWIP at year end 2002 for which estimated total costs are in excess of 0.5 percent of the sum of the account balances for accounts 101 and 106 at the time the project starts, that exceed the level of CWIP determined in the company's last rate case, and are to be completed in excess of one year. The sums of accounts 101 and 106 used for this test are forecasted amounts according to the filing at 12/31/01 or 12/31/02 as appropriate.

Although the Ft. Myers Peaking Combustion Turbine Project is presented as one project in MFR B-13b, the company states that "...the Fort Myers Peaking Combustion Turbine Project is one unit with two separate CTs, which will go into service at different dates. The construction costs are being recorded in two separate work orders 9079 and 9080. FPL believes that the two separate CTs at Fort Myers should be treated as individual projects for determination of eligibility of AFUDC.

OPINION: The attached schedule details the projects that could be eligible for AFUDC.

COMPANY: FPL
TITLE: ANALYSIS OF CWIP PROJECTS AVAILABLE FOR AFUDC
PERIOD: YEAR END 12/31/02
DATE: OCTOBER 17, 2001

Determination of CWIP projects eligible for AFUDC in the year end 2002.

	MFR B-13b Forecasted 2002		Rule 25-6.0140	MFR B-13b	MFR B-13b				
Project Number	START Date	Sum of 101 and 106	0.5%	CWIP AT 12/31/02	Estimate to Complete CWIP	Est to complete exceeds 0.5% Y/N	Level of CWIP from Prior Rate	CWIP exceeds CWIP from Prior Rate Y/N	If exceeds 0.5% and exceeds CWIP from Prior- eligible
181	Unit # 5 Martin Combined Cycle - Other Production								
	June 03 *	20,092,607,000	100,463,035	3,831,000	259,379,000	YES	0	YES	YES
710	Ft. Myers Peaking Combustion Turbine & Trans Interconnect - Other Prod								
	April 02**	18,647,850,000	93,239,250	118,097,000	132,481,000	YES	0	YES	YES
715	Martin - Converstion of Combined cycle & Trans Interconnect - Other Prod								
	Jan 04*	20,092,607,000	100,463,035	4,131,000	141,424,000	YES	0	YES	YES
716	Ft. Myers -Conversion of Combined cycle & Trans Interconnect - Other Prod								
	Jan 04*	20,092,607,000	100,463,035	4,131,000	141,424,000	YES	0	YES	YES

Total CWIP at 12/31/02 possibly eligible for AFUDC 134,021,000
===========

* Total of 101 and 106 according to MFR B-8a and B-2a at 12/31/02
** Total of 101 and 106 according to MFR B-8a and B-2a at 12/31/01

CONFIDENTIAL

AUDIT DISCLOSURE NO. 5

SUBJECT: PURCHASE OF FALCON JET

STATEMENT OF FACTS: Included in Account 106.100, Completed Construction not Classified, in September 1999 was the purchase of a Falcon Jet in the amount of $21,844,128. This was transferred to Account 101, Utility Plant in Service, in March 2000.

Part of the purchase price included a credit of $6,238,675 for the trade in of a Cessna 650 owned by the company. The aircraft traded in was retired from plant in service for $8,435,879. The entry for the purchase and retirement follows:

Dr. Accumulated Depreciation (108)	$ 8,435,878.90	
Cr. Utility Plant in Service (101)		$ 8,435,878.90
Dr. Utility Plant in Service (101)	$21,844,127.50	
Cr. Accounts Payable (232)		$15,605,452.50
Cr. Accumulated Depreciation (108)		6,238,675.00

In effect, the difference between the trade in value and the purchase price of the aircraft that was traded remained on the company books in Account 108, Accumulated Depreciation ($2,197,204).

Included in Account 101 at 12/31/00 are three airplanes and two helicopters:

	Plant	Reserve
Aircraft	$33,392,143	$6,143,601
Helicopters	$ 6,817,091	$ 499,849
	$40,209,234	$6,643,450

Use of Aircraft

In answer to our request, the company stated that "the aircraft are utilized for the purpose of maximizing productivity through transportation of employees and equipment to various destinations in support of business activities in areas such as, power plants, storm restoration, nuclear energy, governmental and financial business units, patrol of right of ways and engineering support just to name a few." The company also stated that any affiliate use of the aircraft is charged directly to that affiliate.

OPINION: Since there are no adjustments to the forecasted utility plant in service for aircraft, it appears that the aircraft are included in the forecasted utility plant in service at 12/31/02.

AUDIT DISCLOSURE NO. 6

SUBJECT: FORECASTED CWIP AT DECEMBER 31, 2002 FOR ST. LUCIE INDEPENDENT SPENT FUEL STORAGE

STATEMENT OF FACTS: Included in MFR B-13b is Construction Work in Process at December 31, 2002 of $9,643,000 for the addition of capacity for spent fuel storage at St. Lucie Units #1 and #2. The expenditure requisition states that this project is to provide for "...handling and storage of spent fuel beyond years 2005 (for St. Lucie #1) to support plant operation." Also, for "...handling and storage of spent fuel beyond years 2007 (for St. Lucie #2)...". "The project assumes that the current attempts at legislation and/or legal challenges fail to require the United States Department of Energy (DOE) to begin acceptance of spent fuel in time to avoid reaching full capacity in the spent fuel pool at St. Lucie Units #1 and #2.

The documentation provided by the company was two expenditure requisitions totaling $12,105,497. The total estimated completion amount in November 2005 on MFR B 13b is estimated at $37,716,000. No expenditure requisition has been generated at this time beyond the two for $12,105,497. Cash flow analysis provided by the company extends beyond 2006 for a number of the scope items in the project.

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AUDIT DISCLOSURE NO. 8

SUBJECT: FORECASTED CWIP FOR MARTIN PLANT AT 12/31/02

STATEMENT OF FACTS: Included in MFR B 13b is forecasted construction work in process (CWIP) at 12/31/02 for the Martin Plant site.

Project No. 181	Unit 5 Combined Cycle	$3,831,000
Project No. 715	Conversion of Simple Cycle 8a and 8b to Combined Cycle and Interconnection	$4,131,000

During the tour of the plant, the plant manager stated that a request for proposal would be generated for the above two projects in March 2002. At that time it would be determined whether one or both of the above projects would be built based on the economy.

AUDIT DISCLOSURE NO. 9

SUBJECT: EFFECT OF ORDER NO. PSC-02-0055-PAA-EI REGARDING NUCLEAR DECOMMISSIONING

STATEMENT OF FACTS: Order No. PSC-02-0055-PAA-EI dated January 7, 2002, authorizes changes in nuclear decommissioning accruals, total estimated cost of nuclear decommissioning, unrecovered value of materials and supplies inventories (existing at time of shut down,) the cost of the last core of nuclear fuel, and the disposition of the accumulated balance of nuclear amortization. The effective date is May 1, 2002.

According to FPL Schedule F-17 revised on 11/9/01, the assumptions indicate that the accruals were not revised in the filing because they were not known. Staff Interrogatory No. 270 asks for the effect of this order. Company personnel stated that its answer would include the exact amounts and detailed accounts when completed. The approximate effect of Order No. PSC -02-0055-PAA-EI would have on the filing effective May 1, 2002 is noted below.

Jurisdictional Annual Accrual

The order decreases the annual jurisdictional depreciation accrual from $84,645,684 to $78,516,937.

Turkey Point 3	$21,815,173
Turkey Point 4	25,220,424
St. Lucie 1	18,683,743
St. Lucie 2	12,797,597
	$78,516,937

Dr.	Accumulated Amortization	$6,128,747	
	Cr. Depreciation Expense		$6,128,747

Value of Materials and Supplies Inventories (existing at time of shut down)

The order requires the value of the materials and supplies existing at the time of shut down be amortized over the remaining life span of each nuclear site. The annual expense allowed in the order is as follows:

	Jurisdictional Annual Expense
Turkey Point 3 and 4	$ 1,700,000
St. Lucie 1 and 2	700,000
	$ 2,400,000

The annual jurisdictional accounting treatment authorized by the Commission is:

Dr. Expense (Nuclear Maintenance)	$2,400,000	
Cr. Account 228 (Unfunded Reserve)		$2,400,000

Cost of Last Core of Nuclear Fuel

The commission recommended that the costs associated with the last core of nuclear fuel be considered a base rate future obligation with recovery afforded through an established unfunded reserve. The jurisdictional annual amount and accounting treatment ordered by the Commission is:

	Jurisdictional Annual Amount	
Dr. Base Rate Fuel Expense Account 518.xxx (Approximate)	$5,500,000	
Cr. Account 228 (Unfunded Reserve)		$5,500,000

Accumulated Balance of Nuclear Amortization

The nuclear amortization accumulated from January 1, 1996 through April 13, 1999 of $98,666,667 should be transferred to a regulatory liability account and amortized over the remaining life of the nuclear units. The unamortized amount of the regulatory liability should be included in working capital as a reduction to rate base. The amortization expense will be recorded as a credit to Account 407.4, Regulatory Credits.

	Jurisdictional Transfer Amount	
Dr. Nuclear Amortization Accumulated from January 1, 1996 thru April 13, 1999 Account 108.xxx	$98,666,667	
Cr. Regulatory Liability Account Account 254.xxx		$98,666,667

	Annual Amount	
Dr. Regulatory Liability Account (Approximate) 254.xxx	$6,900,000	
Cr. Regulatory Credits (407.4) (Amortization Expense)		$6,900,000

OPINION: The effect of Order No. PSC-02-005-PAA-EI should be included in setting new rates.

AUDIT DISCLOSURE NO. 10

SUBJECT: LIASON EXPENSE

STATEMENT OF FACT: The company adjusted the liaison expense from Net Operating Income in the Surveillance Report for the year ended 12/00. The same procedure was not applied to the Net Operating Income of the Modified Minimum Filing Requirement for years ended 12/01 and 12/02 because it was not recommended in the last rate case.

RECOMMENDATION: The company should deduct liaison expense from Net Operating Income for years ended 12/01 and 12/02 since this is a lobbying-related expense, which is not considered allowable for ratemaking.

AUDIT DISCLOSURE NO. 11

SUBJECT: FORECAST REVENUES

STATEMENT OF FACTS:

PART A

The forecasted revenues for 2001 and 2002 per Schedule C-9 are :

Total company operating revenues 2001 ($7,804,596,000)

Total company operating revenues 2002 ($7,579,053,000)

The auditors annualized the January - October 2001 operating revenues. The annualized amount for 2001 is ($7,740,774,317). The annualized amount is $63,821,683 less than the forecasted amount above.

PART B

These forecasted revenues include a debit balance for account 449- Provision for rate refunds as follows:

Account 449 - 2001 $162,437,000

Account 449 - 2002 $ 44,060,000

The company explained Account 449 was not removed as an adjustment because no company adjustments are made in this filing.

2001 REVENUES

ACCT	ACCOUNT NAME	1/01	2/01	3/01	4/01	5/01	6/01	7/01	8/01	9/01	10/01	TOTAL	Divided by 10	Annualized
440	RESIDENTIAL SALES	(363,563,753 31)	(299,923,544 54)	(273,474,737.34)	(300,423,834 45)	(308,453,428 84)	(340,820,301 06)	(430,848,307 07)	(430,350,202 22)	(464,168,691 53)	(357,935,053.13)	(3,569,961,853 49)	(356,996,185 35)	(4,283,954,224 19)
442	COMM/IND REV	(225,178,520 79)	(221,193,505 07)	(227,750,290 05)	(260,927,674 09)	(259,094,811 75)	(232,545,381 86)	(291,878,335 62)	(287,463,915 91)	(300,543,099 54)	(260,970,320.15)	(2,557,545,854 83)	(255,754,585 48)	(3,069,055,025 80)
444	PUBLIC STR & HWY	(5,019,946.80)	(4,585,587 41)	(4,597,230 64)	(4,575,610 19)	(5,364,477 92)	(4,160,277 45)	(5,086,053 65)	(5,653,763.33)	(4,918,419 91)	(4,900,326 40)	(48,861,693 70)	(4,886,169 37)	(58,634,032 44)
445	OTH SALES TO PUBLIC AUTH	(622,598 23)	(336,565 13)	(366,552.00)	(387,927 50)	(383,138 53)	(20,188 74)	(402,602 32)	(394,859.19)	(429,576 92)	(368,513 29)	(3,712,521 85)	(371,252 19)	(4,455,026 22)
446	PUBLIC AUTH RAILWAY	(494,146 28)	(458,379.71)	(490,578 89)	(524,232 01)	(520,350 96)	(468,562 76)	(599,210 71)	(582,513 65)	(613,689 25)	(552,845 11)	(5,304,509 33)	(530,450.93)	(6,365,411 20)
447	SALES FOR RESALE	(24,507,897.99)	(9,545,942 86)	(14,042,789 07)	(11,492,182 44)	(18,461,717.18)	(11,837,806 90)	(12,183,543 91)	(11,314,276 64)	(8,021,740 67)	(8,348,166 00)	(129,756,063 66)	(12,975,606 37)	(155,707,276 39)
449	PROVISION FOR RATE REF	26,063,000 00	4,439,000 00	9,271,000.00	19,173,328 00	664,600 00	(86,961,443 22)	1,136,515 22	15,737,000 00	11,135,000 00	3,303,000 00	3,961,000 00	396,100 00	4,753,200 00
450	FORFEITED DISC LATE PAY	(1,074,280 96)	(1,279,486 60)	(1,133,387 49)	(1,101,608 19)	(1,172,212 20)	(915,771 22)	(1,296,167 33)	(1,655,621 65)	(1,463,009 50)	(1,925,427 49)	(13,016,972 63)	(1,301,697.26)	(15,620,367.16)
451	MISCE SERVICE REV	(2,005,538 18)	(2,335,431 33)	(2,156,949 87)	(2,169,408 07)	(2,669,857 17)	(3,449,723 20)	(2,319,231 09)	(2,002,272 53)	(2,172,820 28)	(1,981,327 90)	(23,262,559 62)	(2,326,255 96)	(27,915,071 54)
454	RENTS FROM PROP/CATV	(2,337,827 47)	(2,202,900 07)	(1,703,201 07)	(2,368,296 06)	(2,360,061 19)	(2,757,719 53)	(2,210,833 49)	(2,381,806 55)	(3,190,096 50)	(2,341,051 42)	(23,853,793 35)	(2,385,379 34)	(28,624,552 02)
456	OTHER ELECTRIC REV	6,101,746 43	19,195,407 15	(20,070,899 90)	(38,927,023 47)	(25,500,029 26)	(33,542,048 10)	199,453 88	(39,867,775 47)	13,321,509 36	39,759,217 37	(79,330,442 01)	(7,933,044 20)	(95,196,530 41)
		(592,639,763.58)	(518,226,935.57)	(536,515,616 32)	(593,724,468 47)	(623,315,485 00)	(717,479,224 04)	(745,488,316 09)	(765,930,007 14)	(761,064,634 74)	(596,260,813 52)	(6,450,645,264 47)		(7,740,774,317 36)

AUDIT DISCLOSURE NO. 12

SUBJECT: COMPARISON OF ACTUAL TO OCTOBER 2001 TO FORECAST

STATEMENT OF FACT: Actual balances as of October 2001 were annualized and compared to the 2001 forecast for expenses. Overall, the forecast was higher than the annualized amounts by 3.57% or $175,261,000. However, because accounts recovered in the clauses fluctuate and because they were removed in the Net Operating Income adjustments, they were removed from the analysis. After removal, it appears that the company forecast was overstated by 4.17% or $43,160,000. The analysis is attached.

OPINION: Year end 2001 actuals were not available at the end of the audit. The company will provide them as an audit response.

FLORIDA POWER AND LIGHT
ANALYSIS OF EXPENSES
TEST YEAR ENDED DECEMBER 31, 2002
PREPARED BY KATHY WELCH
ON OCTOBER 4, 2001

ACCOUNT	2001	ACTUAL AS OF 10/01	ANNUALIZED 2001	DIFFERENCE	% DIFFERENCE OVER FORECAST	CLAUSE PER FORECAST	CLAUSE ACTUAL 10/01	FORECAST W/O CLAUSE	ACTUAL W/O CLAUSE	ANNUALIZED W/O CLAUSE	DIFFERENCE	% DIFF. OVER FORECAST
500	9,990	7,626	9,151	839	8.40%			9,990	7,626	9,151	839	8.40%
501	1,603,866	1,340,543	1,608,652	(4,786)	-0.30%	1,603,866	1,340,543	0	0	0	0	0.00%
502	6,986	5,538	6,646	340	4.87%			6,986	5,538	6,646	340	4.87%
503	0		0					0	0	0		
504	0		0					0	0	0		
505	3,599	3,066	3,679	(80)	-2.23%			3,599	3,066	3,679	(80)	-2.23%
506	29,623	20,105	24,126	5,497	18.56%	448	169	29,175	19,936	23,923	5,252	18.00%
507	8	36	43	(35)	-440.00%			8	36	43	(35)	-440.00%
	1,654,072	1,376,914	1,652,297	1,775	0.11%	1,604,314	1,340,712	49,758	36,202	43,442	6,316	12.69%
510	9,706	7,718	9,262	444	4.58%			9,706	7,718	9,262	444	4.58%
511	6,889	7,241	8,689	(1,800)	-26.13%	37	(7)	6,852	7,248	8,698	(1,846)	-26.94%
512	29,967	25,987	31,184	(1,217)	-4.06%	66	(38)	29,901	26,025	31,230	(1,329)	-4.44%
513	16,869	13,628	16,354	515	3.06%			16,869	13,628	16,354	515	3.06%
514	5,148	3,760	4,512	636	12.35%	75	96	5,073	3,664	4,397	676	13.33%
	68,579	58,334	70,001	(1,422)	-2.07%	178	51	68,401	58,283	69,940	(1,539)	-2.25%
517	62,540	49,697	59,636	2,904	4.64%			62,540	49,697	59,636	2,904	4.64%
518	103,056	78,586	94,303	8,753	8.49%	103,056	78,586	0	0	0	0	0.00%
519	5,609	4,293	5,152	457	8.15%			5,609	4,293	5,152	457	8.15%
520	20,115	16,103	19,324	791	3.93%			20,115	16,103	19,324	791	3.93%
521			0					0	0	0		
522			0					0	0	0		
523	236	140	168	68	28.81%			236	140	168	68	28.81%
524	33,685	23,485	28,182	5,503	16.34%			33,685	23,485	28,182	5,503	16.34%
525			0					0	0	0		
	225,241	172,304	206,765	18,476	8.20%	103,056	78,586	122,185	93,718	112,462	9,723	7.96%
528	47,595	52,924	63,509	(15,914)	-33.44%			47,595	52,924	63,509	(15,914)	-33.44%
529	4,529	1,780	2,136	2,393	52.84%			4,529	1,780	2,136	2,393	52.84%
530	25,495	19,140	22,968	2,527	9.91%			25,495	19,140	22,968	2,527	9.91%
531	17,358	10,908	13,090	4,268	24.59%			17,358	10,908	13,090	4,268	24.59%
532	6,872	4,910	5,892	980	14.26%			6,872	4,910	5,892	980	14.26%
	101,849	89,662	107,594	(5,745)	-5.64%	0	0	101,849	89,662	107,594	(5,745)	-5.64%
546	2,959	3,070	3,684	(725)	-24.50%			2,959	3,070	3,684	(725)	-24.50%
547	681,785	585,290	702,348	(20,563)	-3.02%	681,786	585,290	(1)	0	0	(1)	100.00%
548	2,486	2,451	2,941	(455)	-18.31%			2,486	2,451	2,941	(455)	-18.31%
549	8,059	4,975	5,970	2,089	25.92%	150	(33)	7,909	5,008	6,010	1,899	24.02%
550			0					0	0	0		
	695,289	595,786	714,943	(19,654)	-2.83%	681,936	585,257	13,353	10,529	12,635	718	5.38%
551	1,851	2,060	2,472	(621)	-33.55%			1,851	2,060	2,472	(621)	-33.55%

FLORIDA POWER AND LIGHT
ANALYSIS OF EXPENSES
TEST YEAR ENDED DECEMBER 31, 2002
PREPARED BY KATHY WELCH
ON OCTOBER 4, 2001

ACCOUNT	2001	ACTUAL AS OF 10/01	ANNUALIZED 2001	DIFFERENCE	% DIFFERENCE OVER FORECAST	CLAUSE PER FORECAST	CLAUSE ACTUAL 10/01	FORECAST W/O CLAUSE	ACTUAL W/O CLAUSE	ANNUALIZED W/O CLAUSE	DIFFERENCE	% DIFF. OVER FORECAST
552	797	587	704	93	11.62%	10	3	787	584	701	86	10.95%
553	15,062	13,683	16,420	(1,358)	-9.01%	1,565	633	13,497	13,050	15,660	(2,163)	-16.03%
554	567	369	443	124	21.90%	6	0	561	369	443	118	21.07%
	18,277	16,699	20,039	(1,762)	-9.64%	1,581	636	16,696	16,063	19,276	(2,580)	-15.45%
555	940,709	772,492	926,990	13,719	1.46%	940,709	772,492	0	0	0	0	0.00%
556	2,751	2,526	3,031	(280)	-10.19%			2,751	2,526	3,031	(280)	-10.19%
557	481,633	295,217	354,260	127,373	26.45%	479,849	292,643	1,784	2,574	3,089	(1,305)	-73.14%
	1,425,093	1,070,235	1,284,282	140,811	9.88%	1,420,558	1,065,135	4,535	5,100	6,120	(1,585)	-34.95%
560	5,204	4,238	5,086	118	2.28%			5,204	4,238	5,086	118	2.28%
561	2,204	1,963	2,356	(152)	-6.88%			2,204	1,963	2,356	(152)	-6.88%
562	1,956	1,232	1,478	478	24.42%			1,956	1,232	1,478	478	24.42%
563	302	175	210	92	30.46%			302	175	210	92	30.46%
564			0					0	0	0		
565	14,008	11,827	14,192	(184)	-1.32%	4,486	4,696	9,522	7,131	8,557	965	10.13%
566	3,864	2,178	2,614	1,250	32.36%			3,864	2,178	2,614	1,250	32.36%
567			0					0	0	0		
	27,538	21,613	25,936	1,602	5.82%	4,486	4,696	23,052	16,917	20,300	2,752	11.94%
568	1,361	1,005	1,206	155	11.39%			1,361	1,005	1,206	155	11.39%
569			0					0	0	0		
570	6,414	5,265	6,318	96	1.50%	162	292	6,252	4,973	5,968	284	4.55%
571	9,123	6,800	8,160	963	10.56%			9,123	6,800	8,160	963	10.56%
572	52	(48)	(58)	110	210.77%			52	(48)	(58)	110	210.77%
573	423	312	374	49	11.49%			423	312	374	49	11.49%
	17,373	13,334	16,001	1,372	7.90%	162	292	17,211	13,042	15,650	1,561	9.07%
580	21,569	17,539	21,047	522	2.42%			21,569	17,539	21,047	522	2.42%
581	472	591	709	(237)	-50.25%			472	591	709	(237)	-50.25%
582	1,242	1,690	2,028	(786)	-63.29%			1,242	1,690	2,028	(786)	-63.29%
583	7,194	5,340	6,408	786	10.93%			7,194	5,340	6,408	786	10.93%
584	9,805	8,834	10,601	(796)	-8.12%			9,805	8,834	10,601	(796)	-8.12%
585	4,453	3,325	3,990	463	10.40%			4,453	3,325	3,990	463	10.40%
586	8,166	6,296	7,555	611	7.48%			8,166	6,296	7,555	611	7.48%
587	3,124	1,605	1,926	1,198	38.35%	(75)	(801)	3,199	2,406	2,887	312	9.75%
588	25,840	20,021	24,025	1,815	7.02%			25,840	20,021	24,025	1,815	7.02%
589	5,760	5,969	7,163	(1,403)	-24.35%			5,760	5,969	7,163	(1,403)	-24.35%
	87,625	71,210	85,452	2,173	2.48%	(75)	(801)	87,700	72,011	86,413	1,287	1.47%
590	23,943	14,170	17,004	6,939	28.98%			23,943	14,170	17,004	6,939	28.98%
591	399	180	216	183	45.86%			399	180	216	183	45.86%
592	11,664	8,435	10,122	1,542	13.22%	557	614	11,107	7,821	9,385	1,722	15.50%

FLORIDA POWER AND LIGHT
ANALYSIS OF EXPENSES
TEST YEAR ENDED DECEMBER 31, 2002
PREPARED BY KATHY WELCH
ON OCTOBER 4, 2001

ACCOUNT	2001	ACTUAL AS OF 10/01	ANNUALIZED 2001	DIFFERENCE	% DIFFERENCE OVER FORECAST	CLAUSE PER FORECAST	CLAUSE ACTUAL 10/01	FORECAST W/O CLAUSE	ACTUAL W/O CLAUSE	ANNUALIZED W/O CLAUSE	DIFFERENCE	% DIFF. OVER FORECAST
593	81,947	60,395	72,474	9,473	11.56%			81,947	60,395	72,474	9,473	11.56%
594	27,789	21,891	26,269	1,520	5.47%			27,789	21,891	26,269	1,520	5.47%
595	1,124	1,021	1,225	(101)	-9.00%			1,124	1,021	1,225	(101)	-9.00%
596	7,125	5,369	6,443	682	9.57%			7,125	5,369	6,443	682	9.57%
597	1,520	1,200	1,440	80	5.26%			1,520	1,200	1,440	80	5.26%
598	7,475	6,032	7,238	237	3.17%	960	784	6,515	5,248	6,298	217	3.34%
	162,986	118,693	142,432	20,554	12.61%	1,517	1,398	161,469	117,295	140,754	20,715	12.83%
901	6,600	5,218	6,262	338	5.13%			6,600	5,218	6,262	338	5.13%
902	16,872	13,820	16,584	288	1.71%			16,872	13,820	16,584	288	1.71%
903	67,409	54,478	65,374	2,035	3.02%			67,409	54,478	65,374	2,035	3.02%
904	8,459	7,072	8,486	(27)	-0.32%			8,459	7,072	8,486	(27)	-0.32%
905	79		0	79	100.00%			79	0	0	79	100.00%
	99,419	80,588	96,706	2,713	2.73%	0	0	99,419	80,588	96,706	2,713	2.73%
907	8,778	8,114	9,737	(959)	-10.92%	4,050	3,545	4,728	4,569	5,483	(755)	-15.96%
908	51,039	39,473	47,368	3,671	7.19%	46,950	37,139	4,089	2,334	2,801	1,288	31.50%
909	9,416	9,230	11,076	(1,660)	-17.63%	7,006	2,171	2,410	7,059	8,471	(6,061)	-251.49%
910	6,820	4,924	5,909	911	13.36%	1,658	1,886	5,162	3,038	3,646	1,516	29.38%
	76,053	61,741	74,089	1,964	2.58%	59,664	44,741	16,389	17,000	20,400	(4,011)	-24.47%
911	994	53	64	930	93.60%			994	53	64	930	93.60%
912	8		0	8	100.00%			8	0	0	8	100.00%
	1,002	53	64	938	93.65%	0	0	1,002	53	64	938	93.65%
920	112,847	87,007	104,408	8,439	7.48%			112,847	87,007	104,408	8,439	7.48%
921	73,536	50,929	61,115	12,421	16.89%			73,536	50,929	61,115	12,421	16.89%
922	(16,215)	(11,619)	(13,943)	(2,272)	14.01%			(16,215)	(11,619)	(13,943)	(2,272)	14.01%
923	18,491	15,276	18,331	160	0.86%			18,491	15,276	18,331	160	0.86%
924	(6,526)	(743)	(892)	(5,634)	86.34%			(6,526)	(743)	(892)	(5,634)	86.34%
925	17,984	21,365	25,638	(7,654)	-42.56%			17,984	21,365	25,638	(7,654)	-42.56%
926	(5,041)	(11,667)	(14,000)	8,959	-177.73%	(194)	199	(4,847)	(11,866)	(14,239)	9,392	-193.77%
927	0		0					0	0	0		
928	7,411	4,837	5,804	1,607	21.68%			7,411	4,837	5,804	1,607	21.68%
929			0					0	0	0		
930	39,877	37,333	44,800	(4,923)	-12.34%			39,877	37,333	44,800	(4,923)	-12.34%
931	1,086	3,469	4,163	(3,077)	-283.31%			1,086	3,469	4,163	(3,077)	-283.31%
	243,450	196,187	235,424	8,026	3.30%	(194)	199	243,644	195,988	235,186	8,458	3.47%
935	7,601	3,469	4,163	3,438	45.23%			7,601	3,469	4,163	3,438	45.23%
	4,911,447	3,946,822	4,736,186	175,261	3.57%	3,877,183	3,120,902	1,034,264	825,920	991,104	43,160	4.17%

AUDIT DISCLOSURE NO. 13

SUBJECT: ANALYTICAL REVIEW OPERATING AND MAINTENANCE EXPENSE

STATEMENT OF FACT: Operating and maintenance expenses for the years 1996 to 2002 were determined excluding clause and non-recoverable accounts.

Lawsuit settlements, merger costs, and Grid Florida costs were removed since they are not recurring. The costs for the year 2001 were adjusted to the annualized ten months that were available during the audit. The additional proformas of $22,640,000 requested for the year 2002 because of September 11 tragedies were included.

The schedule is attached. It shows that after removal of non-recurring items, the expenses trend as follows:

1997/1996	1.24%	increase
1998/1997	1.67%	increase
1999/1998	(5.58%)	decrease
2000/1999	(2.67%)	decrease
2001/2000	(1.96%)	decrease
2002/2001	20.99%	increase

OPINION: The forecast provided by Florida Power and Light for 2002 increases expenses over estimated 2001 without the merger and Grid Florida organization costs by $201,245,148 or 20.99%. Only $22,640,000 of this increase is attributed to the September 11 tragedies. The increase is inconsistent with the prior years increases.

$115.1 million of the increases that could be identified are:

30.0 million	Nuclear budget increase for new projects-see separate disclosure
30.0 million	Increase in storm reserve -see separate disclosure
3.5 million	Increase in Finance budget salaries -see separate disclosure
4.6 million	Increase in uncollectible expense before September 11 -separate disclosure
3.8 million	Increase in uncollectible after September 11 - see separate disclosure
18.8 million	Other revised filing proformas
5.4 million	Rate Case expenses
8.2 million	Increases to account 926 that the company provided documents for the last day of field work -see separate disclosure
10.6 million	Increase in power generation because of Martin and Sanford Repowering

FLORIDA POWER AND LIGHT
CLAUSE AND NON-REGULATED ACCOUNTS
1996-2000

	1996	1997	1998	1999	2000	2001	2002
TOTAL O & M	3,258,143,000	3,328,491,000	3,338,566,000	3,389,723,000			
CLAUSE EXPENSES	2,223,975,728	2,279,482,154	2,260,076,767	2,315,677,916			
NET	1,034,167,272	1,049,008,846	1,078,489,233	1,074,045,084	1,046,284,281	1,034,276,062	1,137,584,112
REMOVE NON-RECURRING:							
FMPA SETTLEMENT				(69,000,000)			
ORIMULSION PROJECT CANCELLATION			(13,998,011)				
MERGER COSTS (NOTE A)					(61,657,542)	(31,307,130)	
YEAR 2 K COSTS		(2,000,000)			(2,118,000)		
ONE TIME INSURANCE REFUND					12,000,000		
WRITE OFF OBSOLETE ACCOUNTS					(11,400,000)		
REMOVE GRID FLORIDA ORGANIZATION COSTS					(3,011,996)	(817,907)	
MERGER AND NON-REG COSTS NOT INCLUDED BY CO.					(1,913,033)		
ADJUST TO ANNUALIZED OCTOBER						(43,172,062)	
INCREASE FOR NEW FILING ADJUSTMENT							22,640,000
NET	1,034,167,272	1,047,008,846	1,064,491,222	1,005,045,084	978,183,711	958,978,963	1,160,224,112
INCREASE/(DECREASE)		1.24%	1.67%	-5.58%	-2.67%	-1.96%	20.99%

NOTE A: COSTS OF $26,089,274 WERE ANNUALIZED BY DIVIDING BY 10 AND MULTIPLYING BY 12 SINCE THAT IS HOW THEY WERE INCLUDED IN THE ANNUALIZED ADJUSTMENTS OF $31,307,129.82.

FLORIDA POWER AND LIGHT
CLAUSE AND NON-REGULATED ACCOUNTS
1996-2000

ACCOUNT NUMBER		YEAR 1996	YEAR 1997	YEAR 1998	YEAR 1999
501 ALL		810,514,881.40	850,788,104 14	865,201,433 73	894,477,114 00
	506.019	1,689,891 07	1,740,325 57	1,810,763.16	1,933,370 22
	506 020	147,959 78	19,162 75	692 21	1,058 35
	506 089	51,617 96	104,367 97	272,739.43	163,238 92
	506 149	85,765.32	91,300 00	95,900 00	89,900 00
	511.059	743,849 91	1,196,318 01	1,409,421 46	1,341,156 77
	511.880		915,644 94	656,807 52	109,937.88
	512 039	410,805 99	630,270 91	553,163.86	1,049,093 23
	514.089	67,631 09	80,629 64	109,783 05	76,245 91
	514.139	2,598,422 71	921,232 40	284,230 31	195,634.25
	514.179		352,662 08	283,093.36	300,964 45
	514.209				2,298,344 92
518 ALL		119,618,708.77	114,987,383 88	115,394,281.99	111,949,366.59
	524.139	1,034,413.18	(68,393 56)	156.41	
547 ALL		401,727,671 21	396,731,420 58	382,423,080 80	384,334,723.15
	549.019	180,188.35	128,627.69	115,285 67	118,172.95
	549.149	28,750 00	23,000.00	23,000.00	23,000 00
	552.059	149,450 50	13,074 43	8,270 00	171,389.30
	553 039	82,042 47	92,883 25	68,174 71	90,937.22
	553 090				
	554 139	(2,634 52)	2,635 00	3,922 57	55,426.22
	554 209				
555 ALL		829,322,454.69	838,600,482.80	777,978,241.17	813,225,879.09
	557.900	(30,457,221 62)	(5,097,099.31)	34,106,586 76	28,169,112 59
	565 120		349,320.00	1,209,355.74	981,856 07
	565 130		-		8,521,354.78
	570.199		256,497.70	2,410,334.76	398,982.13
	587.200	(580,216.82)	(675,715 93)	259,919 41	455,338.65
	587 250	186,286.54	(50,658 86)	162,788.43	66,771 49
	592.199		1,198,662.00	6,640,528.85	3,283,124.23
	592.800	173,553 21	127,854 79	76,381 97	49,010.09
	598.140	4,681.27	8,194 04	5,839.51	5,240 90
	598 870	519,939.15	828,023 50	682,375 33	840,877.20
	907 100	3,371,755.47	2,996,949 55	4,620,179.17	4,118,566 60
	908 130	358,174 54	402,172.28	396,673.23	343,299.34
	908 150	2,864,392 79	610,840.12	599,007 35	500,147 26
	908.160	483,666.11	19,670 85	4,315 96	4,257.51
	908.170	17,737,953 83	3,285,787.44	3,111,561.26	982,431 96
	908.180	93,512.31	37,991.38	28,841 86	25,007 68
	908.190	124,629.48	61,566 41	20,787 46	242,390.12
	908.200		68,927.38	141,093.38	44,993.08
	908 260		19,679.18	69,864.18	53,615.64
	908.290				
	908 300	982,393.26	3,176,187 07	2,974,158.96	3,273,906.76
	908 350	411,743.18	1,357,307.25	2,859,339 28	4,332,901.01
	908 400	1,389,458.84	1,241,265.65	1,332,561 34	2,032,481.38
	908.410	20,710,042.18	25,596,641 16	19,673,986.86	14,471,257.72
	908.420	1,458,806.14	1,508,924 22	1,487,077.82	1,435,288.48
	908.430	80,490 29	20,587.92	5,530 06	4,650.55
	908.440	2,364,431.36	2,353,042.72	1,683,471.28	2,697,576.71
	908.450	1,658,311.56	1,702,107 48	1,595,666.45	1,850,383.58
	908.460	49,393.69	25,479.06	275,351 04	98,275.83
	908.490				
	908.500	1,432,632.12	1,488,956 47	2,493,514 18	1,618,690.50
	908.540	824,791.04	1,015,512 89	1,085,051 14	1,209,552 14
	908 550	591,557.08	402,737.80	297,266.58	548,674.74
	908 580	201,569.57	185,460.18	239,629 05	195,520 62
	908.590	134,218 35	49,354.68	130,864 09	9,271.34
	908.600	3,831,741.58	6,131,187.93	3,940,492.95	2,244,933 54
	908.620	4,001,109.12	3,478,812 63	4,876,230.79	5,396,491.70
	908 710	10,473,939.56	11,324,603 59	5,638,962.14	3,210,030.41
	908.720		19,522.06	234,422 84	382,378.08
	908 730	88,951.45	133,187.11	47,599.35	44,883 65
	908 740	43,922 09	8,653.84	12,081.01	
	908.750	10,477.47	1,709 15		
	908 760	241,277.13	136,445 83	62,414.68	152,598 72
	908 770	7.53	161,124 30	763,310 32	1,342,800.11
	908.790				
	909 101	2,391,601.38	2,436,024.53	3,684,236 83	3,655,336 90
	909.106	629.95			80,053.50
	909.170	255,760.82	14,860.72		
	909.410	281,687 34		210,700 00	131,702.36
	909.450	1,276,766.29	1,251,860.88	1,269,146.59	1,978,195 41
	909.590	10,750.41	128,449.15	(2,365 00)	33,830.13
	909 600	36,844.98			
	909.710	329,385.74	200,878.96	185,820.02	131,939.86
	909.770				43,237.23
	910.100	2,039,266 81	1,569,539.40	1,264,918.24	1,632,475.60
	910.120	725,508.47	82,372 74		
	910.499	278,066 83	4,326 47	39,875 96	37,626 33
	926.211	3,399,256.19	1,781,809 33	1,706,490 66	1,453,540 85
	926 230	(1,364,038 00)	(1,306,573 76)	(1,229,914.89)	(1,143,900 36)
CLAUSE EXPENSES		2,223,975,727 94	2,279,482,154.39	2,260,076,766 64	2,315,677,916.12

AUDIT DISCLOSURE NO. 14

SUBJECT: INCREASES IN NUCLEAR DIVISION BUDGET

STATEMENT OF FACT: The Nuclear Division Budget increased by 13% from 2001 to 2002 or approximately $30,851,000 and by another $4,000,000 in the revised filing. Reasons provided by the company include:

Additional funding to more aggressively support the overhaul of safety related breakers of $2,125,000.

Additional funding for emergent matters affecting plant availability, performance or generating capability of $2,250,000.

Additional funding for addressing equipment aging issues through replacement and overhaul including St. Lucie Incore Detectors, large motors, radiation monitors, transformer bushings and radiator replacements, and piping upgrades of $4,324,000.

Initiation of a plan to better maintain plant coatings and AC units, miscellaneous repairs, discharge well seal repair, and U1 turbine gantry crane of $3,030,000.

Address legacy radwaste issues while burial space is still available at Barnwell of $1,136,000.

Initiation of a plan to replace and upgrade outdated work management system of $4,256,000.

Outage reserve accrual of $5,600,000 based on order PSC-96-1421.

Estimated additional cost for Reactor Vessel Head Inspections required by NRC of $4,750,000. This amount was changed to $8,750,000 in the revised filing for the additional $4,000,000 shown above.

Other facility maintenance increases of $1,904,000 because of escalating contractor rates.

Decrease in salaries because there is no 27th pay period as there is in 2001 of ($1,800,000).

Enhancements funding to enhance the long-term viability of the nuclear units of $935,000.

Obsolescence issues funding for Digital Data Process systems and St. Lucie Local area network of $806,000.

Increase in Workers' Compensation insurance of $550,000

OPINION: The majority of the increases are for new projects or stepping up maintenance activity. These projects should be reviewed by an engineer to determine if the costs are necessary and would be recurring. The review of the overall operating and maintenance costs do not show any major increases from 1996 to 2000. We could not determine if Florida Power and Light would cut other costs to offset the costs of these projects.

AUDIT DISCLOSURE NO. 15

SUBJECT: STORM DAMAGE RESERVE

STATEMENT OF FACT: The increase for the storm damage reserve in the finance budget unit account 924.120 was $20,300,000 in 2000 and forecast 2001. In 2002, the company increased this amount to $50,300,000.

OPINION: This increase has not yet been approved by the Commission.

CONFIDENTIAL

AUDIT DISCLOSURE NO. 17

SUBJECT: UNCOLLECTIBLE ACCOUNTS

STATEMENT OF FACTS:

Revised Bad Debt Expense and Allowance Accounts

Forecasted for year end 2002 and included in Account 904 in MFR C-2 is $10,283,426 for bad debt expense. This is also included in the Balance Sheet as part of the allowance for doubtful accounts in Account 144 in MFR B-3. In the revised MFRs submitted on 11/9/01, the amount for bad debt expense was increased to $14,108,381; a difference of $3,824,955. It was determined that the company did not revise the allowance for doubtful accounts on the balance sheet in the revision. In its answer to Interrogatory 224, the company stated "Rate base was not adjusted for the $3,830,000 adjustment to Uncollectible Accounts Receivable. If this adjustment had been made, the effect would be a reduction in the 2002 13-month average rate base of approximately $1,915,000." Time limits precluded recalculating this average amount.

Calculation of $10,283,426 vs. Calculation of $14,108,381

The methodology used to determine the initially calculated bad debt expense was as follows:

1. The company forecasted the bad debt expense for the year end 2001 using both actual and estimated where available.

2. The 2001 forecast was compared to the 2000 actual to determine the cumulative percent change in revenues, final bills, gross write-offs and recoveries. The 2002 revenues were forecast and the rest of the items were calculated based on the percent changes that occurred from 2000 to 2001.

3. The results show:

Year	Bad Debts	Yearly Increase %	2000 to 2002 Increase %
2000	$ 6,741,264		
2001	$ 8,458,865	25.48%	
2002	$ 10,283,426	21.57%	52.54%

Regression analysis was used to calculate the revised amount of $14,108.381. The added components include unemployment forecasts due to the events of 9/11 and revised revenue forecasts.

The results show:

Year	Bad Debts	Yearly Increase %	2000 to 2002 Increase %
2000 Actual	$ 6,741,264		
2001 Estimate*	$ 10,287,286	52.60%	
2002 Estimate	$ 14,108,381	37.14%	109.28%

* Revised 2001 forecast based on later actual data and used for regression analysis.

Change in Revenues vs change in bad debt expenses.

An analysis of the change in revenues compared with the change in bad debt expense detailed on the page following this disclosure shows that while bad debt expense forecasted for 2002 increased over 2001 by 37.14%, revenue increased 4.70% in the same time period. Also, bad debt expense forecasted for 2002 increased over 2000 by 109.28%, while revenue increased by 24.47% in the same time frame.

Year	(4 Month Lag) Revenues	Yearly Increase %	2000 to 2002 Increase %
2000 Actual	$ 5,886,360,896		
2001 Estimate	$ 6,997,907,760	18.88%	
2002 Estimate	$ 7,326,460,073	4.70%	24.47%

Write-Offs as a percent of Revenue

The analysis on the following page shows the change in actual write-offs from 1997 through 2000 and forecast for 2001 and 2002. It also provides the percent of write-offs to lagged revenue for the same time period.

Year	Percent of Write-Offs To Revenue
1997	.2339%
1998	.1616%
1999	.1363%
2000	.1239%
2001 Forecast	.1209%
2002 Forecast	.1926%

Company Reasons

The company explained that there were a number of reasons for the large increase in bad debts and the lesser increase in revenues forecasted for 2002. First, the company said that in its experience the write-offs as a percent of revenue does not increase equally. As the revenue increases the write-offs as a percent of revenue also increases. Second, the forecasted increase in the unemployment rate due to the events of 9/11 also increases write-offs. These items are taken into account in the regression analysis.

OPINION:

1. Any adjustment to the bad debt expense should be made to the balance sheet account.

2. The regression analysis performed by the company should be reviewed by the Division of Economic Regulation to determine if the revenue amounts and unemployment rates forecasted for 2002 are reasonable.

FPL

TITLE: ANALYSIS OF UNCOLLECTIBLES

PERIOD: FORECASTED YEAR END 2002

DATE: JANUARY 10, 2001

REVENUE AND BAD DEBTS INCREASES (DECREASES)

Year	Source	Revenue	Yearly % Inc (Dec) Revenue	Source	Bad Debts	Yearly % Inc (Dec) Bad Debts	Bad Debts as a % of Revs
1997	Co Provided	5,916,121,531					
1998	Co Provided	5,934,270,874	0.3068%				
1999	Co Provided	6,019,906,080	1.4431%				
2000	Interrogatory 222	5,886,360,896	-2.2184%	Interr 222	6,741,264		0.1145%
2001 R	Interrogatory 222	6,997,907,760	18.8834%	Interr 222	8,458,865	25.4789%	0.1209%
2001R(2)	Co Provided	6,997,907,760			10,287,206	52.6006%	
2002****	Interrogatory 222	7,473,929,647	6.8023%	Interr 222	10,283,476	21.5704%	0.1376%
2002 RV	Interrogatory 222	7,326,460,073	4.6950%	Interr 222	14,108,381	37.1449%	0.1926%
	Increase Revenue 2002 RV over 2000		24.4650%				
	Increase BD Exp 2002 RV over 2000					109.2839%	

WRITE OFFS AS A PERCENT OF REVENUE

Year	Source	Revenue	Yearly % Inc (Dec) Revenue	Source	Write Offs	Yearly % Inc (Dec) Write Offs	Percent of Write Offs to Revenue
1997	Co Provided	5,916,121,531		Interrogatory 219	13,839,000		0.2339%
1998	Co Provided	5,934,270,874	0.3068%	Interrogatory 219	9,584,000	-30.7464%	0.1615%
1999	Co Provided	6,019,906,080	1.4431%	Interrogatory 219	8,205,000	-14.3886%	0.1363%
2000	Interrogatory 222	5,886,360,896	-2.2184%	Interrogatory 219	7,292,000	-11.1274%	0.1239%
2001 R	Interrogatory 222	6,997,907,760	18.8834%	Interrogatory 222	8,458,865	16.0020%	0.1209%
2001R(2)	Co Provided	6,997,907,760			10,287,206	41.0752%	
2002****	Interrogatory 222	7,473,929,647	6.8023%	Interrogatory 222	10,283,476 A	21.5704%	0.1376%
2002 RV	Interrogatory 222	7,326,460,073	4.6950%	Interrogatory 222	14,108,381 A	37.1449%	0.1926%
	Increase Revenue 2002 RV over 2000		24.4650%				
	Increase Write Offs 2002 over 2000					93.4775%	

**** Revenue before 2002 forcast revised below 12 mos ended 9/30/01 - Interr 222

R = 12 months ended 9/30/10 - 9 months actual/3 mos forecast - Interr 222

R(2) - Revised 2001 forecast for later actual and used in regression analysis in Interr 222

RV- Forecast revised for 9/11 used in regression analysis - Inter 222

A= Forecasted

43

AUDIT DISCLOSURE NO. 18

SUBJECT: FORECAST OF INSURANCE ACCOUNT 926

STATEMENT OF FACT: Several items forecast for account 926 were forecast using specific amounts. Overall, the insurance increased approximately 8.2 million dollars. Medical insurance increased 20.8% in 2002 over 2001 and several of the other employee benefits increased by large percentages in 2001. The company was asked to provide support for the numbers it used as specific amounts. For some items FPL was able to provide reports from the actuary. Additional supporting documentation was received the last day of field work. The answer could not be reviewed because of the time restrictions.

AUDIT DISCLOSURE NO. 19

SUBJECT: POWER GENERATION FORECAST

STATEMENT OF FACT: According to the company, the power generation budget costs increased approximately $19 million since 2000 ($10.8 million between the 2001 and 2002 budget) because of the addition of the 300MW Simple Cycle generation units at Martin that went into service in May 2001 and the repowering of the Ft. Myers and Sanford units. Both Ft. Myers and Sanford Unit 5 go commercial in June 2002 and Sanford Unit 4 in December 2002.

Costs also increased because of an increase in Workers Compensation premiums which are paid to an affiliate company, Palms Insurance. The company claims costs have increased because of several severe claims in 1998 and a settlement in 2000.

In the revised forecast, the company increased the power generation budget by another $300,000 for Scherer Phase 2 Western Coal Fire Protection and $800,000 for Scherer miscalculation of the performance fee. The $300,000 is FPL's share of the modification of the coal yard fire protection system. The $800,000 is for an error in the calculation of the base performance fee paid to Georgia Power.

OPINION: The $300,000 appears to be a capital project and should not be a recurring expense.

AUDIT DISCLOSURE NO. 20

SUBJECT: RTO COSTS

STATEMENT OF FACT: Account 928 contained costs paid to Goldman Sachs and Skadden, Arps, and Slate for the costs related to the Regional Transmission Organization (RTO) of $3,011,996 in 2000 and $817,907 from January to May 2001. Account 928.110 for 2002 contains forecasted costs related to the RTO of $3,900,000 for these same companies. A response provided by the company claims that these costs will be incurred yearly to respond to changing market and regulatory requirements.

Florida Power and Light's share of organization costs for Grid Florida are being reviewed as part of order PSC-01-2489-FOF-EI. Total costs incurred by all companies involved are being allocated based on transmission of all the companies. Actual costs incurred by Florida Power and Light are approximately 3.9 million. Florida Power and Light will be allocated approximately 5 million when costs from all companies are combined. In reviewing the costs that Florida Power and Light incurred for the organization costs, it was determined that the costs are the same as those recorded in account 928 discussed above.

OPINION: If these costs relate to formation of the company, they should have been recorded as an asset instead of account 928. Including these costs as organization costs contradicts the response that they will be incurred yearly. Therefore, the costs should be removed from the year 2000 and the 2002 forecast.

Including the costs in the forecast and in the request for recovery of organization costs is duplicating expenses.

AUDIT DISCLOSURE NO. 21

SUBJECT: POSSIBLE NON-RECURRING COSTS

STATEMENT OF FACT: A sample of costs in the year 2000, determined that there were some costs that may not be recurring. They are as follows:

1. Two storms occurred that did not meet the storm fund requirements. Costs were charged to account 593.100. Tropical Storm Debbie cost $1,009,082 and a flood cost $2,801,621.61.

2. An asset management project was cancelled and $1,373,388.54 was charged to account 921.100.

The forecast for the budget units that these costs were charged to did not decrease.

AUDIT DISCLOSURE NO. 22

SUBJECT: MERGER COSTS NOT CHARGED TO THE MERGER ACCOUNTS

STATEMENT OF FACT: In the year 2000, account 923 contained invoices related to Project Bell and Project Citrus. According to an audit response, Project Bell was merger related and Project Citrus was non-regulated. The company did not provide descriptions of the projects as requested.

OPINION: A total of $1,913,032.71 should be removed from account 923.

CONFIDENTIAL

EXHIBITS

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

DOCKET NO. 001148-EI

EXPLANATION. PROVIDE A SCHEDULE OF 13-MONTH AVERAGE RATE BASE AS ADJUSTED FOR THE TEST YEAR, AND THE PRIOR YEAR IF THE TEST YEAR IS PROJECTED. PROVIDE DETAIL OF ALL ADJUSTMENTS ON SCHEDULE B-4.

[FPL NOTES THAT PROPOSED ADJUSTMENTS INCLUDE ALL ADJUSTMENTS ORDERED BY THE COMMISSION IN THE LAST RATE CASE AND DO NOT NECESSARILY REPRESENT ADJUSTMENTS FPL BELIEVES ARE APPROPRIATE.]

TYPE OF DATA SHOWN

__ HISTORIC YEAR:
X PROJECTED TEST YEAR: 12/31/02
__ PRIOR YEAR.
WITNESS. NA

LINE NO	DESCRIPTION	(1) TOTAL COMPANY PER BOOKS ($000)	(2) NON-ELECTRIC UTILITY ($000)	(3) TOTAL ELECTRIC (1) - (2) ($000)	(4) COMMISSION ADJUSTMENTS (SCHED B-4) ($000)	(5) ADJUSTED PER COMMISSION (3) + (4) ($000)	(6) COMPANY ADJUSTMENTS (SCHED B-4) ($000)	(7) ADJUSTED PER COMPANY & COMMISSION (5) + (6) ($000)	(8) JURISDICTIONAL SEPARATION FACTOR	(9) JURISDICTIONAL UTILITY ADJ PER COMPANY & COMMISSION (7) X (8) ($000)	(10) JURISDICTIONAL CHANGE IN SALES FORECAST AS FILED ON 10/01/01 ($000)	(11) ADJUSTED FOR CHANGE IN SALES FORECAST AS FILED ON 10/01/01 ($000)	(12) 11/09/01 REVISION ($000)	(13) 11/09/01 REVISED TOTAL ($000)
2	PLANT IN SERVICE	19,222,386	0	19,222,386	(190,428)	19,031,958	0	19,031,958	0 994591	18,929,013	0	18,929,013	(27,321)	18,901,692
4	ACCUMULATED PROVISION FOR													
5	DEPRECIATION AND AMORTIZATION	(11,939,334)	0	(11,939,334)	1,849,722	(10,089,611)	0	(10,089,611)	0.993991	(10,028,982)	0	(10,028,982)	369	(10,028,613)
7	NET PLANT IN SERVICE (LINE 2 + LINE 5)	7,283,053	0	7,283,053	1,659,294	8,942,347	0	8,942,347	0 995268	8,900,031	0	8,900,031	(26,952)	8,873,079
9	CONSTRUCTION WORK IN PROGRESS	912,691	0	912,691	0	912,691	0	912,691	0.990284	903,823	0	903,823	0	903,823
11	PLANT HELD FOR FUTURE USE	68,611	0	68,611	0	68,611	0	68,611	0 994966	68,266	0	68,266	0	68,266
13	NUCLEAR FUEL	131,918	0	131,918	(131,918)	0	0	0	0 000000	0	0	0	0	0
15	ACCUMULATED AMORTIZATION OF													
16	NUCLEAR FUEL ASSEMBLIES	0	0	0	0	0	0	0	0.000000	0	0	0	0	0
18	NET UTILITY PLANT (LINE 7 + LINE 9 + LINE 11													
19	+ LINE 13 + LINE 16)	8,396,272	0	8,396,272	1,527,376	9,923,649	0	9,923,649	0.994807	9,872,120	0	9,872,120	(26,952)	9,845,168
21	WORKING CAPITAL ALLOWANCE	(118,356)	0	(118,356)	123,615	5,259	0	5,259	0.332761	1,750	0	1,750	61,937	63,687
23	OTHER RATE BASE	0	0	0	0	0	0	0	0 000000	0	0	0	0	0
25	TOTAL RATE BASE (LINE 19 + LINE 21 + LINE 23)	8,277,916	0	8,277,916	1,650,991	9,928,908	0	9,928,908	0 994457	9,873,870	0	9,873,870	34,985	9,908,855
28	NET OPERATING INCOME	958,983	0	958,983	(6,761)	952,223	0	952,223	0 993542	946,073	(60,200)	885,873	(12,856)	873,016
31	RATE OF RETURN (LINE 28 / LINE 25) * 100	11 58		11.58				9.59		9 58		8 97		8.81

NOTE FPL IS NOT PROPOSING TO CHANGE RATES AT THIS TIME AND, THEREFORE, IS NOT PROPOSING ANY COMPANY ADJUSTMENTS HOWEVER, IF CHANGES TO RATES ARE PROPOSED SUBSEQUENT TO THIS FILING, AMONG THE ADJUSTMENTS FPL MIGHT PROPOSE INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING.

- THE ACCOUNTING STANDARDS EXECUTIVE COMMITTEE OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS HAS ISSUED A PROPOSED STATEMENT OF POSITION (SOP) WHICH WILL RESTRICT A COMPANY'S ABILITY TO CAPITALIZE CERTAIN COSTS. FPL ESTIMATES THAT THIS SOP, IF IT WERE EFFECTIVE, WOULD RESULT IN A $129 MILLION INCREASE IN EXPENSES FOR THE YEAR 2002.
- INCLUDE AN ADDITIONAL $2 MILLION IN O&M AND $16 MILLION IN DEPRECIATION EXPENSES, ASSOCIATED WITH THE ANNUALIZATION OF NEW PRODUCTION PLANT PLACED IN SERVICE DURING 2002
- INCLUDE $6 MILLION OF COSTS ASSOCIATED WITH THE UNBURNED NUCLEAR FUEL THAT WILL REMAIN IN THE NUCLEAR REACTOR WHEN THE NUCLEAR UNITS ARE REMOVED FROM SERVICE AT THE END OF THEIR USEFUL LIFE.
- INCLUDE $5 MILLION ASSOCIATED WITH EMPLOYEE'S DENTAL INSURANCE.
- INCLUDE ADDITIONAL EXPENDITURES FOR SECURITY MEASURES RESULTING FROM RECENT WORLD EVENTS.

NOTE COLUMN 10 REFLECTS THE IMPACT OF A REEVALUATION OF FPL'S SALES FORECAST, WHICH WAS MADE SUBSEQUENT TO THE 9/17/01 FILING THIS WAS DONE AS A RESULT OF THE DETERIORATION IN THE ECONOMY WHICH HAS TAKEN PLACE SINCE THE ORIGINAL FORECAST WAS MADE. IT WAS NOT FEASIBLE TO REVISE ALL AFFECTED MFRS PRIOR TO THE 10/01/01 FILING. THEREFORE, FPL HAS ADJUSTED ONLY SUMMARY-LEVEL MFRS (B-3, C-2 AND D-1) COLUMN 12 REFLECTS THE IMPACT OF THE SEPTEMBER 11, 2001 TRAGEDIES AND OTHER CHANGES AS NOTED ON MFR A-2.

NOTE TOTALS MAY NOT ADD DUE TO ROUNDING.

SUPPORTING SCHEDULES. B-4, B-7, D-12a RECAP SCHEDULES: A-9

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

DOCKET NO. 001148-EI

EXPLANATION: PROVIDE THE COMPANY'S 13-MONTH AVERAGE COST OF CAPITAL FOR (1) THE TEST YEAR, (2) THE PRIOR YEAR IF THE TEST YEAR IS PROJECTED, AND (3) THE TEST YEAR OF THE LAST RATE CASE.

[FPL IS NOT REQUESTING A CHANGE IN RATES AT THIS TIME AND THEREFORE, IS NOT REQUESTING A ROE. THE ROE SHOWN IN THIS MFR REFLECTS THE COMPANY'S PROJECTED ACHIEVED RETURN FOR 2002.]

TYPE OF DATA SHOWN:

___ HISTORIC YEAR:
X PROJECTED TEST YEAR: 12/31/02
X PRIOR YEAR: 12/31/01
WITNESS: NA

	TEST YEAR ENDED 12/31/02							PRIOR YEAR ENDED 12/31/01			
	(1)	(2)	(2a)	(3)	(3a)	(4)	(4a)	(5)	(6)	(7)	(8)
CLASS OF CAPITAL	DOLLARS AS FILED ON 10/01/01 ($000)	11/09/01 REVISED DOLLARS ($000)	11/09/01 REVISED RATIO	COST RATE AS FILED ON 10/01/01	11/09/01 REVISED COST RATE	WEIGHTED COST RATE AS FILED ON 10/01/01	11/09/01 REVISED WEIGHTED COST RATE	DOLLARS ($000)	RATIO	COST RATE	WEIGHTED COST RATE
LONG TERM DEBT (A)	$2,798,617	$2,808,533	28.34%	6.25%	6.25%	1.77%	1.77%	$2,585,555	25.91%	6.18%	1.60%
PREFERRED STOCK	226,368	227,170	2.29	6.59	6.59	0.15	0.15	228,682	2.29	6.59	0.15
COMMON EQUITY	5,485,877	5,505,315	55.56	12.12	11.83	6.73	6.57	5,403,718	54.14	12.28	6.65
SHORT TERM DEBT	52,278	52,463	0.53	4.20	4.20	0.02	0.02	199,696	2.00	5.25	0.10
CUSTOMER DEPOSITS	267,516	268,464	2.71	6.02	6.02	0.16	0.16	264,436	2.65	6.03	0.16
DEFERRED TAX CREDITS-ZERO COST	0	0	0.00	0.00	0.00	0.00	0.00	0	0.00	0.00	0.00
DEFERRED TAX CREDITS-WEIGHTED COST	130,070	130,531	1.32	10.04	9.86	0.13	0.13	152,556	1.53	10.20	0.16
DEFERRED INCOME TAXES-ZERO COST	913,144	916,379	9.25	0.00	0.00	0.00	0.00	1,145,697	11.48	0.00	0.00
TOTAL	$9,873,870	$9,908,855	100.00%			8.97%	8.81%	$9,980,338	100.00%		8.82%

NOTE: FPL BELIEVES THAT THE RETURN ON EQUITY PROJECTED TO BE EARNED FOR 2002, AS REFLECTED ABOVE, IS BELOW THE BOTTOM OF A RANGE THAT WOULD BE REASONABLE IF A ROE RANGE WERE BEING ESTABLISHED AT THIS TIME. THE ABOVE 2002 COMMON EQUITY COST REFLECTS AN ESTIMATED EARNED RETURN GIVEN THE REEVALUATION OF THE SALES FORECAST AND THE IMPACT OF THE SEPTEMBER 11, 2001 TRAGEDIES AND OTHER CHANGES AS NOTED ON MFR A-2.

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.

SUPPORTING SCHEDULES: D-3a, D-4a, D-7, D-8, D-12a

RECAP SCHEDULES: A-1a, A-12a, A-12b, C-44, C-64

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY FLORIDA POWER & LIGHT COMPANY AND SUBSIDIARIES

DOCKET NO. 001148-EI

EXPLANATION. PROVIDE THE CALCULATION OF JURISDICTIONAL NET OPERATING INCOME FOR THE TEST YEAR AND THE PRIOR YEAR

[FPL NOTES THAT PROPOSED ADJUSTMENTS INCLUDE ALL ADJUSTMENTS ORDERED BY THE COMMISSION IN THE LAST RATE CASE AND DO NOT NECESSARILY REPRESENT ADJUSTMENTS FPL BELIEVES ARE APPROPRIATE.]

TYPE OF DATA SHOWN:

__HISTORIC YEAR
X PROJECTED TEST YEAR· 12/31/02
__PRIOR YEAR:
WITNESS NA

DESCRIPTION	(1) TOTAL COMPANY PER BOOKS ($000)	(2) NON-ELECTRIC UTILITY ($000)	(3) TOTAL ELECTRIC (1) - (2) ($000)	(4) JURIS-DICTIONAL SEPARATION FACTOR	(5) JURIS-DICTIONAL AMOUNT ($000)	(6) JURISDICTIONAL COMMISSION ADJUSTMENTS ($000)	(7) JURISDICTIONAL CHANGE IN SALES FORECAST AS FILED ON 10/01/01 ($000)	(8) ADJUSTED JURISDICTIONAL AMOUNT AS FILED ON 10/01/01 ($000)	(9) 11/09/01 REVISIONS ($000)	(10) 11/09/01 REVISED JURISDICTIONAL AMOUNT ($000)
OPERATING REVENUES										
SALES OF ELECTRICITY	7,436,827	0	7,436,827	0.992844	7,383,612	(3,751,722)	(99,700)	3,532,190	0	3,532,190
OTHER OPERATING REVENUES	142,226	0	142,226	0.983022	139,812	(22,660)	0	117,152	0	117,152
TOTAL OPERATING REVENUES	7,579,053	0	7,579,053	0.992660	7,523,424	(3,774,382)	(99,700)	3,649,342	0	3,649,342
OPERATING EXPENSES.										
OPERATION AND MAINTENANCE										
FUEL	2,275,421	0	2,275,421	0.988099	2,248,341	(2,238,075)	0	10,266	0	10,266
PURCHASED POWER	1,023,145	0	1,023,145	0 987459	1,010,314	(947,426)	0	62,888	0	62,888
OTHER	1,210,795	0	1,210,795	0.992854	1,202,143	(78,787)	(126)	1,123,230	22,560	1,145,790
DEPRECIATION, AMORTIZATION	826,450	0	826,450	0 994758	822,117	(19,245)	0	802,872	(1,194)	801,678
DECOMMISSIONING	100,225	0	100,225	0.995703	99,794	0	0	99,794	0	99,794
AMORTIZATION OF PROPERTY LOSSES	44,500	0	44,500	0.987459	43,942	(43,942)	0	0	0	0
TAXES OTHER THAN INCOME TAXES	703,035	0	703,035	0.998427	701,929	(427,194)	(1,567)	273,168	0	273,168
CURRENT INCOME TAXES										
FEDERAL	473,253	0	473,253	1.000270	473,380	(36,518)	(32,416)	404,446	(7,297)	397,149
STATE	76,790	0	76,790	1 000270	76,811	(6,073)	(5,390)	65,348	(1,213)	64,135
DEFERRED INCOME TAXES - NET										
FEDERAL	(92,926)	0	(92,926)	0.999957	(92,922)	30,607	0	(62,315)	0	(62,315)
STATE	0	0	0	0.000000	0	5,090	0	5,090	0	5,090
CHARGE EQUIVALENT TO INVESTMENT TAX CREDIT	0	0	0	0 000000	0	0	0	0	0	0
AMORTIZATION OF INVESTMENT TAX CREDIT	(19,952)	0	(19,952)	0.994591	(19,844)	0	0	(19,844)	0	(19,844)
GAIN (LOSS) ON DISPOSITION OF UTILITY PLANT	(666)	0	(666)	0.989376	(659)	(815)	0	(1,474)	0	(1,474)
TOTAL OPERATING EXPENSES	6,620,070	0	6,620,070	0.991734	6,565,346	(3,762,377)	(39,500)	2,763,469	12,856	2,776,325
NET OPERATING INCOME	958,983	0	958,983	0.999056	958,077	(12,005)	(60,200)	885,873	(12,856)	873,016

NOTE. FPL IS NOT PROPOSING TO CHANGE RATES AT THIS TIME AND, THEREFORE, IS NOT PROPOSING ANY COMPANY ADJUSTMENTS. HOWEVER, IF CHANGES TO RATES ARE PROPOSED SUBSEQUENT TO THIS FILING, AMONG THE ADJUSTMENTS FPL MIGHT PROPOSE INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING:

- THE ACCOUNTING STANDARDS EXECUTIVE COMMITTEE OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS HAS ISSUED A PROPOSED STATEMENT OF POSITION (SOP) WHICH WILL RESTRICT A COMPANY'S ABILITY TO CAPITALIZE CERTAIN COSTS. FPL ESTIMATES THAT THIS SOP, IF IT WERE EFFECTIVE, WOULD RESULT IN A $129 MILLION INCREASE IN EXPENSES FOR THE YEAR 2002.
- INCLUDE AN ADDITIONAL $2 MILLION IN O&M AND $16 MILLION IN DEPRECIATION EXPENSES, ASSOCIATED WITH THE ANNUALIZATION OF NEW PRODUCTION PLANT PLACED IN SERVICE DURING 2002
- INCLUDE $6 MILLION OF COSTS ASSOCIATED WITH THE UNBURNED NUCLEAR FUEL THAT WILL REMAIN IN THE NUCLEAR REACTOR WHEN THE NUCLEAR UNITS ARE REMOVED FROM SERVICE AT THE END OF THEIR USEFUL LIFE.
- INCLUDE $5 MILLION ASSOCIATED WITH EMPLOYEE'S DENTAL INSURANCE.
- INCLUDE ADDITIONAL EXPENDITURES FOR SECURITY MEASURES RESULTING FROM RECENT WORLD EVENTS.

NOTE: COLUMN 7 REFLECTS THE IMPACT OF A REEVALUATION OF FPL'S SALES FORECAST WHICH WAS MADE SUBSEQUENT TO THE 9/17/01 MFR FILING. THIS WAS DONE AS A RESULT OF THE DETERIORATION IN THE ECONOMY WHICH HAS TAKEN PLACE SINCE THE ORIGINAL FORECAST WAS MADE IT WAS NOT FEASIBLE TO REVISE ALL AFFECTED MFRS PRIOR TO THE 10/01/01 FILING. THEREFORE, FPL HAS ADJUSTED ONLY 3 SUMMARY-LEVEL MFRS (B-3, C-2 AND D-1). COLUMN 9 REFLECTS THE IMPACT OF THE SEPTEMBER 11, 2001 TRAGEDIES AND OTHER CHANGES AS NOTED ON MFR A-2.

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING.

SUPPORTING SCHEDULES C-3, C-9 RECAP SCHEDULES. A-10, C-1