

State of Florida



Public Service Commission

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

DATE: July 13, 2001
TO: Division of Safety and Electric Reliability (Colson)
FROM: Division of Regulatory Oversight (Vandiver)
RE: Docket No. 010002-EG; Florida Power & Light Company; Conservation audit;
Audit Control No. 01-058-4-2

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 and Administrative Services. There are confidential work papers associated with this audit.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of Commission Clerk and Administrative Services (2)
Division of Legal Services

Mr. Bill Walker
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DOCUMENT NUMBER-DATE

08588 JUL 13 2001

FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Miami District Office

FLORIDA POWER & LIGHT COMPANY

CONSERVATION COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2000

DOCKET #010002-EG
AUDIT CONTROL NO. 01-058-4-2

A handwritten signature in cursive script, appearing to read "Raymond Grant", written over a horizontal line.

*Raymond Grant
Audit Manager*

A handwritten signature in cursive script, appearing to read "Kathy Welch", written over a horizontal line.

*Kathy Welch
Audit Supervisor*

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT
MAY 11, 2001**

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

We have applied the procedures described in this report to the attached Conservation Cost Recovery schedules for the period ended December 31, 2001 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Conservation Cost Recovery in Docket 010002-EG.

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.

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

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

Plant: Verified Capital Investment & Return schedules for Residential Load Management (On Call), Monitoring Equipment and Common Equipment. The factors used to calculate the equity and debt component were recalculated.

Tested plant additions for Residential Load Management and Common Equipment by looking at the invoices for the additions. Traced the Residential Load Management retirements on the Capital Investment & Return schedules to the Load Management System of Retirements report.

Revenues: Verified revenues. The revenues were recalculated by obtaining the kilowatts from the Revenue and Rate Report and multiplying it by the billing factors in the FPSC Orders.

Expenses: Using audit analyzer, staff selected ECCR expenses over \$200,000 and reviewed those invoices for compliance with the program's guidelines and Commission policy. Scanned to make sure costs were similar to prior periods.

Examined ECCR proforma adjustments. Traced the proforma adjustments made for Customer Industrial Load Control (CILC) credits for August 2000 to a printout of customers bills generated by Power Billing.

True-up Calculation- Recalculated the true up provision for the twelve months ended December 31, 2000 to determine the accuracy of the current true-up amount for the period under audit. Traced the interest rates to the Wall Street Journal-30 day Commercial Paper Rate. Traced the prior true-up to the prior audit.

AUDIT DISCLOSURE NO. 1

SUBJECT: LEGAL EXPENSES

STATEMENT OF FACT: The company recorded legal expenses of \$4,259,178 in the year ended December 31, 2000 related to the Okeelanta/Osceola Litigation in account 908.350- Cogeneration & Small Power Production.

In Commission Order PSC-99-2504-FOF-EG, issued December 21, 1999, litigation expenses totaling \$2,423,945 associated with the cogeneration contract administration in 1998 were approved to be recovered through the 1998 Conservation Cost Recovery Clause.

OPINION: The legal expenses of \$4,259,178 are in addition those allowed in 1998 and are being disclosed for the the analyst to review.

EXHIBITS

CT-3 SCHEDULES

CT-3 SCHEDULES

CONSERVATION PROGRAM COSTS
January 2000 through December 2000

Program Title	January	February	March	April	May	June	July	August	September	October	November	December	Total For Period
1 Residential Conservation Service Program	\$ 374,986	\$ 273,563	\$ 2,593,113	\$ 366,056	\$ 324,513	\$ 338,505	\$ 1,207,262	\$ 365,060	\$ 349,421	\$ 1,304,943	\$ 340,403	\$ 1,066,642	\$ 8,904,466
2 Residential Building Envelope Program	207,327	127,611	177,643	162,528	197,876	157,964	268,205	204,306	165,659	129,826	122,636	85,239	2,006,820
3 Residential Load Management ("On Call")	4,473,037	4,391,453	4,249,841	6,355,577	6,287,274	6,662,901	6,291,715	6,295,576	6,193,825	6,323,783	4,101,695	4,241,914	65,968,592
4 Duct System Testing & Repair Program	236,799	172,823	442,337	205,970	201,639	260,000	244,155	270,253	223,483	259,556	245,643	203,599	2,966,256
5 Residential Air Conditioning Program	978,367	802,398	1,003,263	1,019,848	1,153,635	1,925,996	1,912,426	1,410,253	1,499,657	1,477,727	1,201,846	1,267,358	15,652,775
6 Business On Call Program	6,025	130,126	134,477	216,343	219,311	216,976	222,217	214,643	235,182	236,600	114,998	133,055	2,079,952
7 Cogeneration & Small Power Production	21,301	165,856	747,834	196,543	770,921	1,350,821	458,722	777,502	178,671	720,507	1,535,008	184,375	7,108,062
8 Commercial/Industrial Efficient Lighting	53,748	31,655	58,870	45,602	40,765	59,139	41,606	113,983	27,267	57,458	38,086	43,805	611,995
9 Commercial/Industrial Load Control	2,320,547	2,439,601	2,226,392	2,297,492	2,401,160	2,457,916	2,756,409	2,626,297	2,657,832	2,356,486	2,397,550	2,638,913	29,576,595
10 CI Demand Reduction							30,400	1,258		8,096	35,128	1,775	76,656
11 Business Energy Evaluation	106,854	86,587	1,076,434	83,112	164,015	101,917	646,253	132,230	122,505	595,202	239,388	460,780	3,815,257
12 CI Heating, Ventilating & A/C Program	452,429	278,802	188,922	629,911	923,516	244,604	424,192	421,109	300,134	435,685	267,591	160,759	4,727,653
13. CI Oil Peak Battery Charging Program	382	342	939	4,114	340	175	1	13	18	(16)	(9)	(29)	6,271
14 Business Custom Incentive Program	925	241,025	2,916	1,342	1,029	1,172	1,132	1,120	1,168	1,061	1,596	620	255,107
15 CI Building Envelope Program	329,759	90,067	208,037	372,614	90,135	305,775	152,918	416,303	395,893	62,882	83,462	32,827	2,540,672
16 Cool Communities Research Project	13,457				96	22,497		22,199	817	7,984	14,129	904	82,083
17 Conservation Research & Development Pgm					2,264	2,264	2,410	31,043	24,999	2,626	87,060		150,402
18 CI New Construction Research Project					205,607	51,885	201,417	142,753	2,815	(64,950)	45,946		585,475
19 BuildSmart Program	138,346	125,691	132,104	120,753	62,036	111,379	93,066	117,961	136,754	96,894	83,421	82,184	1,300,588
20 Green Pricing Research & Development Proj	26												26
21 Low Income Weatherization R&D	1,196	1,291	2,391	1,598	1,331	1,517	1,455	6,446	1,517	2,893	1,455	1,691	24,780
22 Photovoltaic R&D										6	10,134	963	13,465
23 Green Energy Project						737	1,546	78					963
24 Common Expenses	767,130	688,026	1,591,173	905,659	815,932	946,111	738,628	838,056	952,251	756,164	852,944	1,347,791	11,199,865
25 Total All Programs	\$ 10,482,641	\$ 10,046,915	\$ 14,836,685	\$ 12,985,061	\$ 13,861,129	\$ 15,220,254	\$ 15,696,134	\$ 14,265,691	\$ 13,609,803	\$ 14,836,561	\$ 11,624,780	\$ 12,088,151	\$ 159,553,805
26 LESS Included in Base Rates	94,302	126,973	85,316	164,360	86,317	91,343	93,725	145,144	93,200	93,644	85,158	81,425	1,240,906
27 Recoverable Conservation Expenses	\$ 10,388,339	\$ 9,919,942	\$ 14,751,369	\$ 12,820,702	\$ 13,774,812	\$ 15,128,911	\$ 15,602,409	\$ 14,120,548	\$ 13,516,604	\$ 14,742,917	\$ 11,539,623	\$ 12,006,726	\$ 158,312,900

Totals may not add due to rounding

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION PROGRAM COSTS
 JANUARY 2000 THROUGH DECEMBER 2000

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B CONSERVATION PROGRAM REVENUES													
1 a RESIDENTIAL LOAD CONTROL CREDIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b C/I - PENALTIES	0	0	0	0	0	0	0	0	0	0	0	0	0
c BUILDSMART PROGRAM REVENUES	9,525	9,850	17,750	9,125	1,000	11,775	975	8,100	2,250	1,175	6,075	4,175	81,775
2 CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	11,645,417	11,168,127	10,878,040	11,181,758	11,896,825	14,582,759	15,103,787	15,515,982	15,745,570	14,107,884	11,718,191	11,969,607	155,513,947
3 TOTAL REVENUES	11,654,942	11,177,977	10,895,790	11,190,883	11,897,825	14,594,534	15,104,762	15,524,082	15,747,820	14,109,059	11,724,266	11,973,782	155,595,722
4 ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	1,184,468	1,184,468	1,184,468	1,184,468	1,184,468	1,184,468	1,184,468	1,184,468	1,184,468	1,184,468	1,184,468	1,184,468	14,213,610
5 CONSERVATION REVENUES APPLICABLE TO PERIOD (Line B3 + B4)	12,839,410	12,362,445	12,080,258	12,375,351	13,082,293	15,779,002	16,289,230	16,708,550	16,932,288	15,293,527	12,908,734	13,158,250	169,809,332
6 CONSERVATION EXPENSES (From CT-3, Page 1, Line 33)	10,388,339	9,919,942	14,751,369	12,820,702	13,774,812	15,128,911	15,602,409	14,120,548	13,516,604	14,742,917	11,539,623	12,006,726	158,312,900
7 TRUE-UP THIS PERIOD (Line B5 - Line B6)	2,451,071	2,442,502	(2,671,112)	(445,351)	(692,520)	650,090	686,821	2,588,002	3,415,684	550,610	1,369,111	1,151,524	11,496,432
8 INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	70,854	78,541	74,334	63,094	56,689	52,172	49,367	51,706	61,814	66,519	66,422	67,252	758,764
9 TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	14,213,610	15,551,067	16,887,643	13,106,398	11,539,673	9,719,375	9,237,170	8,788,890	10,244,130	12,537,160	11,969,821	12,220,886	14,213,610
a DEFERRED TRUE-UP BEGINNING OF PERIOD	69,731	69,731	69,731	69,731	69,731	69,731	69,731	69,731	69,731	69,731	69,731	69,731	69,731
10 PRIOR TRUE-UP COLLECTED (REFUNDED)	(1,184,468)	(1,184,468)	(1,184,468)	(1,184,468)	(1,184,468)	(1,184,468)	(1,184,468)	(1,184,468)	(1,184,468)	(1,184,468)	(1,184,468)	(1,184,468)	(14,213,610)
11 END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (Line B7+B8+B9+B9a+B10)	\$15,620,798	\$16,957,374	\$13,176,129	\$11,609,404	\$9,789,106	\$9,306,901	\$8,858,621	\$10,313,861	\$12,606,891	\$12,039,552	\$12,290,617	\$12,324,927	\$12,324,927

NOTES () Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION PROGRAM COSTS
 JANUARY 2000 THROUGH DECEMBER 2000

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	ACTUALS JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
C INTEREST PROVISION													
1 BEGINNING TRUE-UP AMOUNT (Line B9+B9a)	\$14,283,341	\$15,620,798	\$16,957,374	\$13,176,129	\$11,609,404	\$9,789,106	\$9,306,901	\$8,858,621	\$10,313,861	\$12,606,891	\$12,039,552	\$12,290,617	\$146,852,595
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST (Line B7+B9+B9a+B10)	15,549,944	16,878,833	13,101,795	11,546,310	9,732,417	9,254,729	8,809,254	10,262,155	12,545,077	11,973,033	12,224,195	12,257,673	144,135,415
3 TOTAL OF BEGINNING & ENDING TRUE-UP (Line C1+C2)	\$29,833,285	\$32,499,631	\$30,059,169	\$24,722,439	\$21,341,821	\$19,043,835	\$18,116,155	\$19,120,776	\$22,858,938	\$24,579,924	\$24,263,747	\$24,548,290	\$290,988,010
4 AVERAGE TRUE-UP AMOUNT (50% of Line C3)	\$14,916,643	\$16,249,816	\$15,029,585	\$12,361,220	\$10,670,911	\$9,521,918	\$9,058,078	\$9,560,388	\$11,429,469	\$12,289,962	\$12,131,874	\$12,274,145	\$145,494,005
5 INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.60000%	5.80000%	5.80000%	6.07000%	6.18000%	6.57000%	6.58000%	6.50000%	6.48000%	6.50000%	6.49000%	6.65000%	N/A
6 INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.80000%	5.80000%	6.07000%	6.18000%	6.57000%	6.58000%	6.50000%	6.48000%	6.50000%	6.49000%	6.65000%	6.50000%	N/A
7 TOTAL (Line C5+C6)	11.40000%	11.60000%	11.87000%	12.25000%	12.75000%	13.15000%	13.08000%	12.98000%	12.98000%	12.99000%	13.14000%	13.15000%	N/A
8 AVERAGE INTEREST RATE (50% of Line C7)	5.70000%	5.80000%	5.93500%	6.12500%	6.37500%	6.57500%	6.54000%	6.49000%	6.49000%	6.49500%	6.57000%	6.57500%	N/A
9 MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.47500%	0.48333%	0.49458%	0.51042%	0.53125%	0.54792%	0.54500%	0.54083%	0.54083%	0.54125%	0.54750%	0.54792%	N/A
10 INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	\$70,854	\$78,541	\$74,314	\$63,094	\$56,689	\$52,172	\$49,367	\$51,706	\$61,814	\$66,519	\$66,422	\$67,252	\$758,764

NOTES () Reflects Underrecovery
 N/A = Not Applicable