

State of Florida



Public Service Commission

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

DATE: July 23, 2002
TO: Division of Economic Regulation (Bohrmann)
FROM: Division of Auditing and Safety (Vandiver) *OV*
RE: **Docket No.** 020001-EI; **Company Name:** Florida Power & Light Company;
Audit Purpose: Fuel and Purchased Power Cost Recovery Clause; **Audit Control No.** 02-056-4-2

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

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING & SAFETY
BUREAU OF AUDITING

Miami District Office

FLORIDA POWER AND LIGHT COMPANY

FUEL AND PURCHASED POWER COST RECOVERY CLAUSE

HISTORICAL YEAR ENDED DECEMBER 31, 2001

DOCKET NO. 020001-EI
AUDIT CONTROL NO. 02-056-4-2

Handwritten signature of Gabriela Leon in cursive script.

Gabriela Leon, Audit Manager

Handwritten signature of Raymond Grant in cursive script.

Raymond Grant, Staff Auditor

Handwritten signature of Kathy Welch in cursive script.

Kathy Welch, Regulatory Analyst Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	AUDIT PURPOSE	1
	SCOPE LIMITATION	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT PROCEDURES	2
II.	EXHIBIT	
	SCHEDULE A2	4

**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT
JULY 15, 2002**

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described in this report to audit the Fuel and Purchased Power Cost Recovery Clause schedules for the historical 12-month period ended December 31, 2001 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Fuel and Purchased Power Cost Recovery Clause in Docket 020001-EI.

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.

Revenues - Compiled the revenues from the revenue and rate report and reconciled to the filing; verified the billing factors to the appropriate order.

Verified that the transmission revenues from economy Schedule C, broker sales between directly interconnected utilities have been properly credited to the fuel purchased power cost recovery clause.

Expenses- Compiled a trial balance for all fuel related expense accounts. Reconciled the summary of fuel expenses from the general ledger to the monthly A2 schedules. Examined a sample of the fuel inventory account. Examined a sample of total steam generation and fuel generation expenses.

Cypress Settlement-Verified the Cypress Settlement costs and traced to the appropriate Commission Order.

Purchased Power-Verified Purchased Power for the month of May 2001. Traced the month of May to the Southern Company Invoices.

Verified Natural Gas Consumption on Schedule A3, and traced to the supporting documentation.

Verified payment to Qualifying Facilities for the month of April for two companies. The amounts were recalculated and hourly costs were reconciled to tariffed rates.

Verified costs related to the Last Core Fuel expenses to determine the Company was following the appropriate Commission Order.

Verified that the coal inventory adjustments were recorded semi-annually.

True-up Calculation - Recalculated the true-up provision. Verified the beginning true-up to the Commission Orders and deferred true-up to the prior filings. Traced the interest rates to the Wall Street Journal-30 day Commercial Paper Rate. Traced the prior true-up to the prior audit.

Investment - Recalculated the return on investment. Verified the equity and debt ratios and traced to proper source and to Commission Order.

II. EXHIBITS

		Company:		Month of:		December 2001					
LINE NO.		CURRENT MONTH				YEAR TO DATE					
		ACTUAL	UPDATED ESTIMATES (a)	DIFFERENCE AMOUNT	DIFFERENCE %	ACTUAL	UPDATED ESTIMATES (a)	DIFFERENCE AMOUNT	DIFFERENCE %		
A Fuel Costs & Net Power Transactions											
1	a	Fuel Cost of System Net Generation	\$ 111,117,948	\$ 147,939,170	\$ (36,821,222)	(24.9) %	\$ 2,201,131,567	\$ 2,322,240,248	\$ (121,108,681)	(5.2) %	
	b	Nuclear Fuel Disposal Costs	1,566,475	1,746,523	(180,048)	(10.3) %	22,389,953	22,368,756	21,197	0.1 %	
	c	Coal Cars Depreciation & Return	303,351	303,351	0	0.0 %	3,613,013	3,613,013	(0)	0.0 %	
	d	Gas Pipelines Depreciation & Return	198,583	198,583	0	0.0 %	2,479,059	2,479,059	(0)	0.0 %	
	e	DOE D&D Fund Payment	0	0	0	N/A	5,933,597	6,104,000	(170,403)	(2.8) %	
2	a	Fuel Cost of Power Sold & Transmission Reactive Fuel (Per A6)	(1,309,066)	(5,234,420)	3,925,354	(75.0) %	(63,832,493)	(78,643,204)	14,810,711	(18.8) %	
	b	Revenues from Off-System Sales	(174,077)	(83,887)	(90,190)	107.5 %	(17,846,596)	(17,026,999)	(819,597)	4.8 %	
3	a	Fuel Cost of Purchased Power (Per A7)	14,337,364	14,567,720	(230,356)	(1.6) %	171,313,943	171,886,145	(572,202)	(0.3) %	
	b	Energy Payments to Qualifying Facilities (Per A8)	10,694,938	12,608,400	(1,913,462)	(15.2) %	126,613,930	143,095,627	(16,481,697)	(11.5) %	
4		Energy Cost of Economy Purchases (Per A9)	5,549,111	6,243,907	(694,796)	N/A	75,845,618	80,666,364	(4,820,746)	(6.0) %	
5		Total Fuel Costs & Net Power Transactions	\$ 142,284,627	\$ 178,289,347	\$ (36,004,720)	(20.2) %	\$ 2,527,641,592	\$ 2,656,783,009	\$ (129,141,418)	(4.9) %	
6 Adjustments to Fuel Cost											
	a	Sales to Fl. Keys Elect Coop (FKEC) & City of Key West (CKW)	\$ (1,769,906)	\$ (2,450,625)	\$ 680,719	(27.8) %	\$ (33,542,341)	\$ (35,228,705)	\$ 1,686,364	(4.8) %	
	b	Variable cost of power sold	(29,532)	0	(29,532)	N/A	(424,162)	(384,986)	(39,176)	10.2 %	
	c	Inventory Adjustments	(87,023)	0	(87,023)	N/A	(1,209,438)	(1,213,656)	4,218	(0.3) %	
	d	Non Recoverable Oil/Tank Bottoms	0	0	0	N/A	(639,475)	66,608	(706,083)	(1060.1) %	
	e	Incremental Plant Security Costs per Order No. PSC -01-2516	675,696	0	675,696	N/A	675,696	-	675,696	N/A	
7		Adjusted Total Fuel Costs & Net Power Transactions	\$ 141,073,862	\$ 175,838,722	\$ (34,764,860)	(19.8) %	\$ 2,492,501,872	\$ 2,620,022,270	\$ (127,520,399)	(4.9) %	
B kWh Sales											
1		Jurisdictional kWh Sales (RTP @ CBL)	7,096,863,722	7,135,726,000	(38,862,278)	(0.5) %	90,214,916,058	91,147,854,707	(932,938,649)	(1.0) %	
2		Sale for Resale (excluding FKEC & CKW)	500,687	576,000	(75,313)	(13.1) %	6,233,063	6,431,990	(198,927)	(3.1) %	
3		Sub-Total Sales (excluding FKEC & CKW)	7,097,364,409	7,136,302,000	(38,937,591)	(0.5) %	90,221,149,121	91,154,286,697	(933,137,576)	(1.0) %	
4		Sales to Fl. Keys Elect Coop (FKEC) & City of Key West (CKW)	66,020,423	77,440,000	(11,419,577)	(14.7) %	959,228,787	979,146,000	(19,917,213)	(2.0) %	
5		Total Sales (Excluding RTP Incremental)	7,163,384,832	7,213,742,000	(50,357,168)	(0.7) %	91,180,377,908	92,133,432,697	(953,054,789)	(1.0) %	
6		Jurisdictional % of Total kWh Sales (lines B1/B3)	99.99295 %	99.99193 %	0.00102 %	0.0 %	99.99309 %	99.99294 %	0.00015 %	0.0 %	
SEE FOOTNOTES ON PAGE 2											

		Month of:		December 2001							
		CURRENT MONTH				YEAR TO DATE					
LINE NO.		ACTUAL	UPDATED		DIFFERENCE		ACTUAL	UPDATED		DIFFERENCE	
			ESTIMATES (a)	AMOUNT	%	ESTIMATES (a)		AMOUNT	%		
C True-up Calculation											
1	Jurisdictional Fuel Revenues (Incl. RTP @ CBL) Net of Revenue Taxes	\$ 211,834,556	\$ 213,164,815	\$ (1,330,259)	(0.6) %	\$ 2,957,962,854	\$ 2,983,253,608	\$ (25,290,754)	(0.8) %		
2	Fuel Adjustment Revenues Not Applicable to Period										
a1	Prior Period True-up Provision (b)	(21,583,558)	(21,583,558)	0	0.0 %	(259,002,688)	(259,002,688)	0	0.0 %		
a2	Prior Period True-up Provision	(8,534,119)	(8,534,119)	0	0.0 %	(76,807,071)	(76,807,071)	0	0.0 %		
b	GPIF, Net of Revenue Taxes (c)	(581,146)	(581,146)	0	0.0 %	(6,973,752)	(6,973,752)	0	0.0 %		
c	Oil Backout Revenues, Net of revenue taxes	0	0	0	N/A	(304)	(271)	(33)	12.2 %		
3	Jurisdictional Fuel Revenues Applicable to Period	\$ 181,135,733	\$ 182,465,992	\$ (1,330,259)	(0.7) %	\$ 2,615,179,039	\$ 2,640,469,826	\$ (25,290,787)	(1.0) %		
4	a Adjusted Total Fuel Costs & Net Power Transactions (Line A-7)	\$ 141,073,862	\$ 175,838,722	\$ (34,764,860)	(19.8) %	\$ 2,492,501,872	\$ 2,620,022,270	\$ (127,520,399)	(4.9) %		
b	Nuclear Fuel Expense - 100% Retail	0	0	0	N/A	0	0	0	N/A		
c	RTP Incremental Fuel -100% Retail	(13,466)	0	(13,466)	N/A	(113,836)	(82,535)	(31,301)	37.9 %		
d	D&D Fund Payments -100% Retail	0	0	0	N/A	5,933,597	0	5,933,597	N/A		
e	Adj. Total Fuel Costs & Net Power Transactions - Excluding 100% Retail Items (C4a-C4b-C4c-C4d)	141,087,328	175,838,722	(34,751,394)	(19.8) %	2,486,682,112	2,620,104,805	(127,489,098)	(4.9) %		
5	Jurisdictional Sales % of Total kWh Sales (Line B-6)	99.99295 %	99.99193 %	0.00102 %	0.0 %	N/A	N/A	N/A	N/A		
6	Jurisdictional Total Fuel Costs & Net Power Transactions (Line C4e x C5 x 1.00046(d)) +(Lines C4b,c,d)	\$ 141,128,808	\$ 175,905,411	\$ (34,776,603)	(19.8) %	\$ 2,493,471,988	\$ 2,628,612,023	\$ (135,140,035)	(5.1) %		
7	True-up Provision for the Month - Over/(Under) Recovery (Line C3 - Line C6)	\$ 40,006,925	\$ 6,560,581	\$ 33,446,344	509.8 %	\$ 121,707,051	\$ 11,857,803	\$ 109,849,248	926.4 %		
8	Interest Provision for the Month (Line D10)	147,046	(3,036)	150,082	(4944.1) %	(4,906,426)	(5,284,865)	378,439	(7.2) %		
9	True-up & Interest Provision Beg of Period-Over/(Under) Recovery	76,646,654	15,393	76,631,261	N/A	0	-	0	N/A		
a	Deferred True-up Beginning of Period - Over/(Under) Recovery	(8,534,119)	(8,534,119)	0	0.0 %	(76,807,071)	(76,807,071)	0	0.0 %		
10	a Prior Period True-up Collected/(Refunded) This Period	0	0	0	N/A						
b	Prior Period True-up Collected/(Refunded) This Period	8,534,119	8,534,119	0	0.0 %	76,807,071	76,807,071	0	0.0 %		
11	End of Period Net True-up Amount Over/(Under) Recovery (Lines C7 through C10)	\$ 116,800,625	\$ 6,572,938	\$ 110,227,687	1677.0 %	\$ 116,800,625	\$ 6,572,938	\$ 110,227,687	1677.0 %		
D Interest Provision											
1	Beginning True-up Amount (Lines C9 + C9a)	\$ 68,112,535	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
2	Ending True-up Amount Before Interest (C7+C9+C9a+C10)	\$ 116,653,579	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
3	Total of Beginning & Ending True-up Amount	\$ 184,766,114	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
4	Average True-up Amount (50% of Line D3)	\$ 92,383,057	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
5	Interest Rate - First Day Reporting Business Month	2.04000 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
6	Interest Rate - First Day Subsequent Business Month	1.78000 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
7	Total (Line D5 + Line D6)	3.82000 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
8	Average Interest Rate (50% of Line D7)	1.91000 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
9	Monthly Average Interest Rate (Line D8 / 12)	0.15917 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
10	Interest Provision (Line D4 x Line D9)	\$ 147,046	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
NOTES											
(a)	Per Estimated/Actual, Appendix I, page 3, filed August 20, 2001										
(b)	Amortization of \$518,005,376 fuel underrecovery over 24 months per FPSC Order No. PSC-00-2385-FOF-EI.										
(c)	Generation Performance Incentive Factor is ((\$6,973,751/12) x 98.4280 %) - See Order No. PSC-00-2385-FOF-EI.										
(d)	Jurisdictional Loss Multiplier per Schedule E2 filed September 21, 2000.										