

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: June 30, 2003
TO: Division of Economic Regulation (Colson)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: **Docket No.** 030002-EG; **Company Name:** Florida Power & Light Company;
Audit Purpose: Conservation Cost Recovery Clause;
Audit Control No. 03-042-4-1

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

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FPSC-COMMISSION CLERK



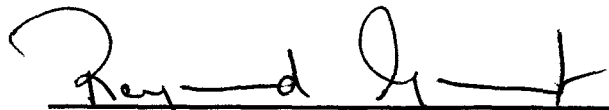
FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING & SAFETY
BUREAU OF AUDITING

Miami District Office

FLORIDA POWER AND LIGHT COMPANY
ENERGY CONSERVATION COST RECOVERY CLAUSE
HISTORICAL YEAR ENDED DECEMBER 31, 2002

DOCKET NO. 030002-EG
AUDIT CONTROL NO. 03-042-4-1



Raymond Grant, Audit Manager



Kathy Welch, Regulatory Analyst Supervisor

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT
June 16, 2003**

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described in this report to audit the Energy Cost Recovery schedules for the historical 12-month period ended December 31, 2002 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Energy Cost Recovery in Docket 030002-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.

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

Revenues - Verified revenues. The revenues on the revenue and rate report were reconciled to the filing. Using the base revenue and the kilowatt per hour, recalculated the billing factors and agreed the factors to the FPSC Orders.

Expenses - Examined expenses. Using audit analyzer, extracted a statistical sample of conservation expenses and agreed the expenses selected to source documentation.

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 - Verified Capital Investment & Return Schedules. Recalculated the factors used to calculate the equity and debt component on the capital investment schedules. Traced the factors to the FPSC Orders.

Tested capital additions for Load Management (Program No. 3 & 6) and ECCR Common (Program No. 20) by looking at invoices and supporting documentation. Verified that retirements from Load Management (Program No. 3 & 6) were recorded in accordance with FPSC rules.

AUDIT EXCEPTION NO. 1

SUBJECT: CAPITAL INVESTMENT & RETURN

STATEMENT OF FACT: On the schedule of Capital Investment & Return-Residential Conservation Service, the company moved \$117,925 from account 391.7-PC Equipment (ECCR) in April 2002 to account 391.9- PC Equipment (a non-clause account) in error. The company corrected the error in October 2002 and reversed the entry made in April 2002.

OPINION: When they corrected the plant investment in October, the company made the incorrect adjustment to accumulated depreciation in an attempt to bring back the associated accumulated depreciation. The accumulated depreciation reported on the Capital Inv.& Return Schedule(Residential Conservation Service) was \$76,497. The correct amount should have been \$58,962.

Accumulated Depreciation Balance at 12-31-01	\$19,654
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Monthly Depreciation Expense(\$117,925/36mths) \$3,276	
Annual Depreciation Expense (12 * \$3276)	<u>\$39,312</u>
Accumulated Depreciation Balance at 12-31-02	\$58,966

Accumulated Depreciation Per Co. Sch	<u>\$76,497</u>
Difference	<u>\$17,531</u>

Depreciation Exp reported on Sch.at 12-31-02	\$40,325
Depreciation Exp. Calculation Per Staff .(\$117,925/36)*12	<u>\$39,312</u>
Difference	<u>\$ 1,013</u>

RECOMMENDATION: Accumulated depreciation and depreciation expense should be reduced by \$17,531 and \$1,013 respectively.

III. EXHIBITS

Florida Power & Light Company
CONSERVATION PROGRAM COSTS
JANUARY 2002 THROUGH DECEMBER 2002

Program Title	January	February	March	April	May	June	July	August	September	October	November	December	Total For Period
1 Residential Conservation Service Program	\$ 314,014	\$ 1,472,539	\$ 637,700	\$ 445,080	\$ 1,538,569	\$ 563,461	\$ 1,212,883	\$ 974,751	\$ 989,045	\$ 1,210,129	\$ 360,228	\$ 789,523	\$ 10,507,720
2 Residential Building Envelope Program	520,104	581,312	616,573	524,142	433,659	373,500	321,455	558,561	178,859	181,506	56,790	42,167	4,388,627
3 Residential Load Management ("On Call")	4,452,983	4,059,317	4,186,276	6,390,134	6,962,082	6,694,872	6,482,845	6,596,160	6,381,102	6,681,977	4,470,189	4,232,087	67,590,024
4 Duct System Testing & Repair Program	281,181	306,132	422,230	404,357	378,149	485,407	289,012	243,955	172,882	130,954	130,595	120,027	3,364,880
5 Residential Air Conditioning Program	1,196,141	1,277,751	1,639,786	1,315,816	1,611,453	1,980,170	1,697,512	1,827,043	1,849,341	1,408,059	1,576,159	668,965	18,048,197
6 Business On Call Program	89,617	97,798	(13,168)	252,572	269,157	369,389	297,153	249,211	279,019	289,255	124,076	8,828	2,312,907
7 Cogeneration & Small Power Production	20,351	18,422	23,021	18,528	20,483	17,465	22,644	17,556	15,511	16,193	38,045	16,480	244,898
8 Commercial/Industrial Efficient Lighting	92,166	128,201	119,135	118,689	26,822	59,472	36,108	76,086	46,187	51,841	35,898	15,599	806,204
9 Commercial/Industrial Load Control	2,409,275	2,434,611	2,425,482	2,425,504	2,400,574	2,491,621	2,622,480	2,527,878	2,564,534	2,496,329	2,437,358	2,696,532	29,932,177
10 C/I Demand Reduction	17,509	19,799	22,816	25,349	25,939	28,400	28,061	29,199	29,266	31,097	26,899	47,346	331,681
11 Business Energy Evaluation	95,743	646,905	208,063	150,933	534,555	188,883	221,267	286,503	535,501	730,060	431,821	63,183	4,093,217
12 C/I Heating, Ventilating & A/C Program	112,901	239,333	404,471	1,439,302	279,189	465,682	115,048	217,176	246,161	140,515	569,469	1,205,916	5,435,164
13 Business Custom Incentive Program	756	2,743	510	51,161	225,398	13,915	527	430	398	382	415	2,462	299,097
14 C/I Building Envelope Program	38,561	34,213	42,038	48,478	50,228	171,059	40,732	107,492	61,826	57,588	46,655	31,971	730,840
15 Conservation Research & Development Program	27,414	27,259	30,852	30,874	(8,509)	17,492	14,987	87,366	46,685	48,995	88,062	3,481	414,758
16 BuildSmart Program	45,348	32,623	44,393	38,831	47,513	35,343	44,919	54,231	42,376	33,801	39,648	37,431	497,457
17 Low Income Weatherization R&D	14,279	4,602	8,205	3,616	3,960	42,300	2,234	3,140	2,036	4,686	14,202	51,575	154,834
18 Photovoltaic R&D	745	1,832	7,823	2,160	4,712	34,975	1,911	2,230	2,403	3,084	26,033	12,088	99,797
19 Green Energy Project	27,393	36,044	41,001	11,963	(1,310)	118	1,061	350	3,177	633	13,085	35,364	168,880
20 Common Expenses	871,137	744,134	1,796,117	1,189,823	970,058	1,055,798	1,029,574	966,311	1,273,600	909,065	1,053,163	2,092,214	13,950,991
21. Total All Programs	\$ 10,627,619	\$ 12,165,569	\$ 12,663,122	\$ 14,868,111	\$ 15,772,681	\$ 15,089,320	\$ 14,482,215	\$ 14,825,628	\$ 14,719,908	\$ 14,426,146	\$ 11,538,591	\$ 12,173,237	\$ 163,372,148
22. LESS: Included in Base Rates	131,474	94,098	90,875	159,937	100,127	99,260	151,472	99,161	96,783	95,765	95,768	94,773	1,309,494
23. Recoverable Conservation Expenses	\$ 10,496,145	\$ 12,071,471	\$ 12,572,248	\$ 14,728,174	\$ 15,672,554	\$ 14,990,060	\$ 14,330,743	\$ 14,726,467	\$ 14,623,125	\$ 14,330,383	\$ 11,442,822	\$ 12,078,463	\$ 162,062,654
Totals may not add due to rounding													

**Florida Power & Light Company
CONSERVATION PROGRAM COSTS
JANUARY 2002 THROUGH DECEMBER 2002**

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	ACTUALS 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	5,175	5,550	5,050	4,550	2,400	6,325	3,425	6,900	6,275	9,450	10,875	10,100	76,075
2 CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	12,811,099	11,492,900	10,951,192	12,264,077	13,813,616	14,587,507	14,298,079	15,652,437	15,858,816	15,434,799	13,743,403	12,107,311	163,015,236
3 TOTAL REVENUES	12,816,274	11,498,450	10,956,242	12,268,627	13,816,016	14,593,832	14,301,504	15,659,337	15,865,091	15,444,249	13,754,278	12,117,411	163,091,311
4 ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	539,064	539,064	539,064	539,064	539,064	539,064	539,064	539,064	539,064	539,064	539,064	539,064	6,468,765
5 CONSERVATION REVENUES APPLICABLE TO PERIOD (Line B3 + B4)	13,355,338	12,037,514	11,495,306	12,807,691	14,355,080	15,132,896	14,840,568	16,198,401	16,404,155	15,983,313	14,293,342	12,656,475	169,560,076
6 CONSERVATION EXPENSES * (From CT-3, Page 1, Line 33)	10,496,145	12,071,471	12,572,248	14,728,174	15,672,554	14,990,060	14,330,743	14,726,467	14,623,125	14,330,383	11,442,822	12,078,463	162,062,654
7 TRUE-UP THIS PERIOD (Line B5 - Line B6)	2,859,193	(33,957)	(1,076,942)	(1,920,483)	(1,317,475)	142,836	509,825	1,471,934	1,781,030	1,652,930	2,850,519	578,012	7,497,422
8 INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	11,679	12,878	11,356	8,367	5,167	3,522	3,179	3,795	5,405	6,993	8,164	8,444	88,949
9 TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	6,468,765	8,800,573	8,240,430	6,635,780	4,184,600	2,333,229	1,940,523	1,914,463	2,851,128	4,098,499	5,219,358	7,538,978	6,468,765
a DEFERRED TRUE-UP BEGINNING OF PERIOD	266,555	266,555	266,555	266,555	266,555	266,555	266,555	266,555	266,555	266,555	266,555	266,555	266,555
10 PRIOR TRUE-UP COLLECTED (REFUNDED)	(539,064)	(539,064)	(539,064)	(539,064)	(539,064)	(539,064)	(539,064)	(539,064)	(539,064)	(539,064)	(539,064)	(539,064)	(6,468,765)
11 END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (Line B7 + B8 + B9 + B9a + B10)	\$9,067,128	\$8,506,985	\$6,902,335	\$4,451,155	\$2,599,784	\$2,207,078	\$2,181,018	\$3,117,683	\$4,365,054	\$5,485,913	\$7,805,533	\$7,852,926	\$7,852,926

NOTES: () Reflects Underrecovery

**Florida Power & Light Company
CONSERVATION PROGRAM COSTS
JANUARY 2002 THROUGH DECEMBER 2002**

	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)	\$6,735,320	\$9,067,128	\$8,506,985	\$6,902,335	\$4,451,155	\$2,599,784	\$2,207,078	\$2,181,018	\$3,117,683	\$4,365,054	\$5,485,913	\$7,805,533	\$63,424,986
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST (Line B7+B9+B9a+B10)	9,055,449	8,494,107	6,890,979	4,442,788	2,594,617	2,203,556	2,177,839	3,113,888	4,359,649	5,478,920	7,797,369	7,844,481	64,453,642
3 TOTAL OF BEGINNING & ENDING TRUE-UP (Line C1+C2)	\$15,790,769	\$17,561,235	\$15,397,964	\$11,345,123	\$7,045,772	\$4,803,340	\$4,384,917	\$5,294,906	\$7,477,332	\$9,843,974	\$13,283,282	\$15,650,014	\$127,878,628
4 AVERAGE TRUE-UP AMOUNT (50% of Line C3)	\$7,895,385	\$8,780,618	\$7,698,982	\$5,672,562	\$3,522,886	\$2,401,670	\$2,192,459	\$2,647,453	\$3,738,666	\$4,921,987	\$6,641,641	\$7,825,007	\$63,939,314
5 INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	1.78000%	1.77000%	1.75000%	1.79000%	1.75000%	1.77000%	1.75000%	1.73000%	1.71000%	1.76000%	1.65000%	1.30000%	N/A
6 INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	1.77000%	1.75000%	1.79000%	1.75000%	1.77000%	1.75000%	1.73000%	1.71000%	1.76000%	1.65000%	1.30000%	1.29000%	N/A
7 TOTAL (Line C5+C6)	3.55000%	3.52000%	3.54000%	3.54000%	3.52000%	3.52000%	3.48000%	3.44000%	3.47000%	3.41000%	2.95000%	2.59000%	N/A
8 AVERAGE INTEREST RATE (50% of Line C7)	1.77500%	1.76000%	1.77000%	1.77000%	1.76000%	1.76000%	1.74000%	1.72000%	1.73500%	1.70500%	1.47500%	1.29500%	N/A
9 MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.14792%	0.14667%	0.14750%	0.14750%	0.14667%	0.14667%	0.14500%	0.14333%	0.14458%	0.14208%	0.12292%	0.10792%	N/A
10 INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	\$11,679	\$12,878	\$11,356	\$8,367	\$5,167	\$3,522	\$3,179	\$3,795	\$5,405	\$6,993	\$8,164	\$8,444	\$88,949

NOTES: () Reflects Underrrecovery
N/A - Not Applicable