

State of Florida



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

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**DATE:** June 27, 2003  
**TO:** Division of Economic Regulation (Lee)  
**FROM:** Division of Auditing and Safety (Vandiver) *al*  
**RE: Docket No. 030001-EI; Company Name:** Florida Power & Light Company; **Audit Purpose:** Capacity Cost Recovery Clause; **Audit Control No. 03-036-4-1**

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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 AND SAFETY*

*Miami District Office*

FLORIDA POWER AND LIGHT

CAPACITY COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2002

DOCKET NO. 030001-EI  
AUDIT CONTROL NO. 03-036-4-1



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Yen Ngo  
Audit Manager



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Kathy Welch  
Audit Supervisor

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**DIVISION OF AUDITING AND SAFETY  
AUDITOR'S REPORT  
June 13, 2003**

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

We have applied the procedures described in this report to audit the Capacity Cost Recovery Clause True-up 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 Capacity Cost Recovery Clause in Docket 030001-EI.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this document must 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.

The incremental plant security costs associated with the Capacity Cost Recovery Clause are audited in the Security and Hedging Cost Audit AUS 02-340-4-1 Docket No.030001-EI.

## **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 errors or inconsistency.

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

**Examined** - The exhibit amounts were reconciled with the general ledger. The general account balances were traced to the 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.

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**REVENUES:** Compiled the revenues from the revenue and rate report and reconciled to the filing; verified the billing factors to the appropriate order.

### **CAPACITY CHARGES:**

**SHORT TERM CAPACITY PURCHASES** - Verified the amounts in the filing for June and August 2002 to invoices and to contracts.

**UNIT POWER SALES** - Reconciled payments to invoices and check requests. Traced payment of June 2002 to contract and source documentation.

**ST. JOHNS RIVER POWER PLANT CAPACITY**- Reconciled St. Johns River Power Park charges on the company's filing to the monthly 30% Fixed & Variable Cost of Operations, Jacksonville Electric Authority (JEA)\*Carrying Cost of Investment, Bond Resolution Expense, and Purchased Power Accruals.

**ST. JOHNS RIVER POWER PARK - SUSPENSION ACCRUALS/SUSPENSION LIABILITY-** Recalculated St. Johns River Power Park (SJRPP) Suspension Liability and traced amounts to the general ledger. Traced the amounts to source documentation.

**TRANSMISSION OF ELECTRICITY -** Agreed the transmission charges to the EMT transmission reports.

**REVENUES FROM CAPACITY SALES -** Compiled revenues for May and July 2002 and traced to the Transmission Billing Reports.

**CAPACITY AMOUNT IN RATE BASE-** Traced the capacity related amounts included in rate base to the commission order.

**TRUE-UP:** Recalculated the true-up and verified the beginning true-up to the orders and the interest rates to the Wall Street Journal.

## II. EXHIBITS

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CAPACITY COST RECOVERY CLAUSE CALCULATION OF FINAL TRUE-UP AMOUNT FOR THE PERIOD JANUARY THROUGH DECEMBER 2002							
LINE NO.		(1) JAN 2002	(2) FEB 2002	(3) MAR 2002	(4) APR 2002	(5) MAY 2002	(6) JUN 2002
1.	UFS Capacity Charges	\$ 4,509,711.00	\$ 8,552,011.00	\$ 8,397,229.00	\$ 8,629,685.00	\$ 7,969,793.00	\$ 9,326,700.00
2.	Short Term Capacity Purchases CCR	961,500.00	961,500.00	961,500.00	2,161,724.00	3,714,286.00	15,755,560.00
3.	QF Capacity Charges	27,906,044.98	25,121,883.56	25,956,929.80	25,904,994.89	27,345,987.50	26,128,811.06
4.	SJRPP Capacity Charges	7,714,674.11	7,639,381.65	7,971,748.97	8,016,979.03	8,161,139.82	7,015,610.11
4a.	SJRPP Suspension Accrual	301,945.00	301,945.00	301,945.00	301,945.00	301,945.00	301,945.00
4b.	Return on SJRPP Suspension Liability	(192,579.53)	(195,552.16)	(198,524.79)	(201,497.43)	(204,470.05)	(207,442.69)
5.	SJRPP Deferred Interest Payment	(310,545.87)	(310,545.87)	(310,545.87)	(310,545.87)	(310,545.87)	(310,545.87)
6a.	Cypress Settlement (Capacity)	0.00	0.00	0.00	1,530,589.14	0.00	0.00
6b.	Okeelanta Settlement (Capacity)	257,833.85	3,180,941.58	3,178,048.62	3,173,727.48	3,168,051.42	3,163,754.69
6c.	Incremental Plant Security Costs-Order No. PSC-02-1761	0.00	0.00	0.00	0.00	0.00	0.00
7.	Trans. of Electricity by Others - FPL Sales	10,446.59	14,911.82	44,084.03	588,710.00	497,594.61	557,356.98
8.	Revenues from Capacity Sales	(636,942.08)	(617,158.26)	(473,479.79)	(362,814.45)	(313,964.36)	(488,297.10)
9.	Total (Lines 1 through 8)	\$ 40,522,088.05	\$ 44,649,318.32	\$ 45,828,934.97	\$ 49,433,496.79	\$ 50,329,817.07	\$ 61,243,452.18
10.	Jurisdictional Separation Factor (a)	99.03598%	99.03598%	99.03598%	99.03598%	99.03598%	99.03598%
11.	Jurisdictional Capacity Charges	40,131,447.02	44,218,889.96	45,387,134.87	48,956,948.00	49,844,627.56	60,653,053.06
12.	Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)
13.	Jurisdictional Capacity Charges Authorized	\$ 35,385,981.02	\$ 39,473,423.96	\$ 40,641,668.87	\$ 44,211,482.00	\$ 45,099,161.56	\$ 55,907,587.06
14.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 45,394,373.26	\$ 42,156,895.36	\$ 40,852,951.49	\$ 44,915,305.42	\$ 49,895,576.00	\$ 52,232,678.36
15.	Prior Period True-up Provision	1,846,071.00	1,846,071.00	1,846,071.00	1,846,071.00	1,846,071.00	1,846,071.00
16.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 47,240,444.26	\$ 44,002,966.36	\$ 42,699,022.49	\$ 46,761,376.42	\$ 51,741,647.00	\$ 54,078,749.36
17.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	11,854,463.24	4,529,542.40	2,057,353.62	2,549,894.42	6,642,485.43	(1,828,837.70)
18.	Interest Provision for Month	36,430.39	45,483.32	47,943.72	48,689.33	52,519.17	53,418.63
19.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	22,152,857.00	32,197,679.63	34,926,634.35	35,185,860.69	35,938,373.44	40,787,307.04
20.	Deferred True-up - Over/(Under) Recovery	(2,528,058.19)	(2,528,058.19)	(2,528,058.19)	(2,528,058.19)	(2,528,058.19)	(2,528,058.19)
21.	Prior Period True-up Provision - Collected/(Refunded) this Month	(1,846,071.00)	(1,846,071.00)	(1,846,071.00)	(1,846,071.00)	(1,846,071.00)	(1,846,071.00)
22.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	\$ 29,669,621.44	\$ 32,398,576.16	\$ 32,657,802.50	\$ 33,410,315.25	\$ 38,259,248.85	\$ 34,637,758.78
Notes: (a) Per K. M. Dubin's Testimony Appendix III Page 3, Docket No. 000001-EL, filed September 21, 2000.							
(b) Per FPSC Order No. PSC-94-1092-POF-EL, Docket No. 940001-EL, as adjusted in August 1993, per E.L. Hoffman's Testimony Appendix IV, Docket No. 930001-EL, filed July 8, 1993.							



CAPACITY COST RECOVERY CLAUSE									
CALCULATION OF FINAL TRUE-UP AMOUNT									
FOR THE PERIOD JANUARY THROUGH DECEMBER 2002									
LINE NO.		(7) JUL 2002	(8) AUG 2002	(9) SEP 2002	(10) OCT 2002	(11) NOV 2002	(12) DEC 2002	(13) TOTAL	LINE NO.
1.	UFS Capacity Charges	\$ 7,349,526.00	\$ 8,174,682.00	\$ 8,549,968.00	\$ 8,541,886.00	\$ 8,593,291.00	\$ 8,821,679.00	\$ 97,416,161.00	1.
2.	Short Term Capacity Purchases CCR	9,039,990.00	21,884,322.00	9,432,163.00	3,269,085.00	3,367,082.94	3,497,470.00	75,006,182.94	2.
3.	QF Capacity Charges	26,015,757.41	26,176,563.57	26,641,829.34	26,915,700.41	26,778,493.57	26,988,814.96	317,881,811.05	3.
4.	SJRPP Capacity Charges	7,417,353.08	6,857,706.64	7,162,367.81	5,513,043.14	5,591,274.25	5,319,668.05	84,380,946.66	4.
4a.	SJRPP Suspension Accrual	301,945.00	301,945.00	301,945.00	301,945.00	301,945.00	301,945.00	3,623,340.00	4a.
4b.	Return on SJRPP Suspension Liability	(210,415.33)	(213,387.95)	(216,360.58)	(219,333.23)	(222,305.84)	(225,278.48)	(2,507,148.06)	4b.
5.	SJRPP Deferred Interest Payment	(310,545.87)	(310,545.87)	(310,545.87)	(310,545.87)	(310,545.87)	(310,545.87)	(3,726,550.44)	5.
6a.	Cypress Settlement (Capacity)	0.00	0.00	0.00	1,530,589.14	0.00	0.00	3,061,178.28	6a.
6b.	Okeelanta Settlement (Capacity)	3,156,845.76	3,150,034.48	3,147,721.33	3,139,787.04	3,107,830.17	3,082,916.50	34,907,492.93	6b.
6c.	Incremental Plant Security Costs-Order No. PSC-02-1761	0.00	0.00	0.00	0.00	0.00	8,754,766.31	8,754,766.31	6c.
7.	Trans. of Electricity by Others - FPL Sales	532,912.00	482,761.00	388,451.00	508,496.00	493,476.78	503,680.00	4,622,880.81	7.
8.	Revenues from Capacity Sales	(543,947.83)	(300,352.10)	(394,560.94)	(268,611.54)	(334,185.32)	(494,061.93)	(5,228,375.70)	8.
9.	Total (Lines 1 through 8)	\$ 52,749,420.22	\$ 66,203,728.77	\$ 54,702,978.09	\$ 48,922,041.09	\$ 47,366,356.68	\$ 56,241,053.54	\$ 618,192,685.78	9.
10.	Jurisdictional Separation Factor (a)	99.03598%	99.03598%	99.03598%	99.03598%	99.03598%	99.03598%	N/A	10.
11.	Jurisdictional Capacity Charges	52,240,905.26	65,565,511.58	54,175,630.44	48,450,422.83	46,909,735.53	55,698,878.54	612,233,184.65	11.
12.	Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(56,945,592.00)	12.
13.	Jurisdictional Capacity Charges Authorized	\$ 47,495,439.26	\$ 60,820,045.58	\$ 49,430,164.44	\$ 43,704,956.83	\$ 42,164,269.53	\$ 50,953,412.54	\$ 555,287,592.65	13.
14.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 51,348,287.19	\$ 56,086,784.38	\$ 56,481,506.65	\$ 55,305,322.35	\$ 49,972,588.27	\$ 44,271,609.19	\$ 588,913,877.91	14.
15.	Prior Period True-up Provision	1,846,071.00	1,846,071.00	1,846,071.00	1,846,071.00	1,846,071.00	1,846,071.00	22,152,857.00	15.
16.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 53,194,358.19	\$ 57,932,855.38	\$ 58,327,577.65	\$ 57,151,303.35	\$ 51,818,659.27	\$ 46,117,680.19	\$ 611,066,734.91	16.
17.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	5,698,918.93	(2,887,190.20)	8,897,413.21	13,446,436.52	9,654,389.74	(4,835,732.35)	55,779,142.26	17.
18.	Interest Provision for Month	53,018.06	51,853.69	54,056.66	66,449.25	69,495.35	61,697.41	641,054.98	18.
19.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	37,165,816.97	41,071,682.97	36,390,275.46	43,495,674.33	55,162,489.10	63,040,303.19	22,152,857.00	19.
20.	Deferred True-up - Over/(Under) Recovery	(2,528,058.19)	(2,528,058.19)	(2,528,058.19)	(2,528,058.19)	(2,528,058.19)	(2,528,058.19)	(2,528,058.19)	20.
21.	Prior Period True-up Provision - Collected/(Refunded) this Month	(1,846,071.00)	(1,846,071.00)	(1,846,071.00)	(1,846,071.00)	(1,846,071.00)	(1,846,071.00)	(22,152,857.00)	21.
22.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	\$ 38,543,624.78	\$ 33,862,217.27	\$ 40,967,616.14	\$ 52,634,430.91	\$ 60,512,245.00	\$ 53,892,139.05	\$ 53,892,139.05	22.
Notes: (a) Per K. M. Dublin's Testimony Appendix III Page 3, Doc (b) Per FPSC Order No. PSC-94-1092-FOF-EI, Docket No.									
Appendix IV, Docket No. 930001-EI, filed July 8, 1993.									

**FLORIDA POWER & LIGHT COMPANY**  
**CAPACITY COST RECOVERY CLAUSE**  
**CALCULATION OF FINAL TRUE-UP VARIANCES**  
**FOR THE PERIOD JANUARY THROUGH DECEMBER 2002**

Line No.		(1)	(2)	(3)	(4)
		ACTUAL...	ESTIMATED / ACTUAL (a)	AMOUNT	VARIANCE %
1.	Payments to Non-cogenerators	\$ 253,076,740	\$ 259,322,616	\$ (6,245,876)	(2.4) %
2	Payments to Cogenerators	317,881,811	321,751,679	(3,869,868)	(1.2) %
3.	SJRPP Suspension Accrual	3,623,340	3,623,340	0	0.0 %
4.	Return Requirements on SJRPP Suspension Liability	(2,507,148)	(2,507,148)	0	0.0 %
4b.	Cypress Settlement (Capacity)	3,061,178	3,231,528	(170,349)	(5.3) %
4c.	Okeelanta Settlement (Capacity)	34,907,493	35,000,147	(92,654)	(0.3) %
4d.	Incremental Plant Security Costs-Order No. PSC-02-1761	8,754,766	7,999,567	755,199	9.4 %
5.	Transmission of Electricity by Others - FPL Sales	4,622,881	4,715,976	(93,095)	(2.0) %
6.	Revenues from Capacity Sales	(5,228,376)	(5,237,440)	9,064	(0.2) %
7.	Total (Lines 1 through 6)	\$ 618,192,686	\$ 627,900,265	\$ (9,707,579)	(1.5) %
8.	Jurisdictional Separation Factor	N/A	N/A	N/A	N/A
9.	Jurisdictional Capacity Charges	\$ 612,233,185	\$ 621,847,180	\$ (9,613,996)	(1.5) %
10.	Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	\$ (56,945,592)	(56,945,592)	0	N/A
11.	Jurisdictional Capacity Charges Authorized for Recovery through CCR Clause	\$ 555,287,593	\$ 564,901,588	\$ (9,613,996)	(1.7) %
12.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 588,913,878	\$ 585,843,814	\$ 3,070,064	0.5 %
13.	Prior Period True-up Provision	22,152,857	22,152,857	0	N/A
14.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 611,066,735	\$ 607,996,671	\$ 3,070,064	0.5 %
15.	True-up Provision for Period - Over/(Under) Recovery (Line 14 - Line 11)	\$ 55,779,142	\$ 43,095,083	\$ 12,684,060	N/A
16.	Interest Provision for Period	641,055	648,392	(7,337)	N/A
17.	True-up & Interest Provision Beginning of Period - Over/(Under) Recovery	22,152,857	22,152,857	0	N/A
18.	Deferred True-up - Over/(Under) Recovery	(2,528,058)	(2,528,058)	0	N/A
19.	Prior Period True-up Provision - Collected/(Refunded) this Period	(22,152,857)	(22,152,857)	0	N/A
20.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 15 through 19)	\$ 53,892,139	\$ 41,215,416	\$ 12,676,723	30.8 %

**Notes:** (a) Per K. M. Dubin's Testimony Appendix III, Page 7, Docket No. 020001-EI, dated November 25, 2002.  
(b) Per FPSC Order No. PSC-94-1092-FOF-EI, Docket No. 940001-EI, as adjusted in August 1993, per E.L. Hoffman's Testimony Appendix IV, Docket No. 930001-EI, filed July 8, 1993.