

State of Florida



Public Service Commission

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

DATE: July 10, 2003
TO: Division of Economic Regulation (Bohrmann)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: **Docket No. 030007-EI; Company Name:** Florida Power & Light Company; **Audit Purpose:** Environmental Cost Recovery Clause; **Audit Control No. 03-030-4-1**

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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FLORIDA PUBLIC SERVICE COMMISSION


**DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING**

Miami District Office

**FLORIDA POWER AND LIGHT
ENVIRONMENTAL COST RECOVERY CLAUSE
TWELVE MONTHS ENDED DECEMBER 31, 2003**

AUDIT CONTROL NO. 03-030-4-1

DOCKET NUMBER 030007-EI



Gabriela Leon, Audit Manager



*Kathy L. Welch
Public Utility Supervisor
Miami District Office*

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

JULY 7, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Environmental Cost Recovery Clause Schedules for the year ending December 31, 2002. These schedules were prepared by the utility as part of its Environmental Cost Recovery Clause True-up filings in Docket No. 030007-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. There is confidential information associated with this report.

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.

Verify - The item was tested for accuracy and compared to substantiating documentation.

PLANT INVESTMENT: Compiled Plant Investments. Additions for the twelve month period were sampled on a judgmental basis. The backup to the retirements were reviewed, further work is needed in this area and findings will be reported in the supplement to this audit.

DEPRECIATION EXPENSE: Accumulated depreciation and depreciation expense were traced to the general ledger and recalculated, further work is still in progress and any findings will be reported in the supplement to this audit.

OPERATION AND MAINTENANCE EXPENSE: Operating and Maintenance Expenses were statistically tested using Audit Analyzer. The sample was traced to supporting documentation. Expenses were compared to the descriptions of the programs to determine that they were recoverable. Read prior orders related to the programs.

Read Commission Orders. Reviewed prior audits for significant findings.

COMPANY FILED EXHIBIT

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
April 15, 2002 through December 2002

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| Line No. | April * | May | June |
|---|---------------------------|---------------------------|-----------------------------|
| 1 ECRC Revenues (net of Revenue Taxes) | \$0 | \$0 | \$0 |
| 2 True-up Provision (Order No. PSC-01-2463-FOF-EI) | 0 | 0 | 0 |
| 3 ECRC Revenues Applicable to Period (Lines 1 + 2) | <u>0</u> | <u>0</u> | <u>0</u> |
| 4 Jurisdictional ECRC Costs | | | |
| a - O&M Activities (Form 42-5A, Line 9) | 55,364 | 101,437 | 119,124 |
| b - Capital Investment Projects (Form 42-7A, Line 9) | 273,464 | 509,760 | 506,670 |
| c - Total Jurisdictional ECRC Costs | <u>328,828</u> | <u>611,197</u> | <u>625,794</u> |
| 5 Over/(Under) Recovery (Line 3 - Line 4c) | (328,828) | (611,197) | (625,794) |
| 6 Interest Provision (Form 42-3A, Line 10) | 0 | 0 | 0 |
| 7 Beginning Balance True-Up & Interest Provision | 0 | (328,828) | (940,025) |
| a - Deferred True-Up from Jan to Dec 2001 (Form 42-1A, Line 9) | 0 | 0 | 0 |
| 8 True-Up Collected /(Refunded) (See Line 2) | 0 | 0 | 0 |
| 9 End of Period True-Up (Lines 5+6+7+7a+8) | <u>(328,828)</u> | <u>(940,025)</u> | <u>(1,565,819)</u> |
| 10 Adjustments to Period Total True-Up Including Interest | | | |
| 11 End of Period Total True-Up (Lines 9+10) | <u><u>(\$328,828)</u></u> | <u><u>(\$940,025)</u></u> | <u><u>(\$1,565,819)</u></u> |

* NOTE: In accordance with Order No. PSC-01-2463-FOF-EI only 16/30 of April's costs are recoverable through the ECRC.

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
April 15, 2002 through December 2002

| Line No. | July | August | September | October | November | December | End of Period Amount |
|---|---------------|---------------|---------------|---------------|---------------|---------------|----------------------|
| 1 ECRC Revenues (net of Revenue Taxes) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 True-up Provision (Order No. PSC-01-2463-FOF-EI) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 ECRC Revenues Applicable to Period (Lines 1 + 2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 Jurisdictional ECRC Costs | | | | | | | |
| a - O&M Activities (Form 42-5A, Line 9) | 44,693 | 12,024 | 70,366 | 313,695 | 72,983 | 2,333,377 | 3,123,063 |
| b - Capital Investment Projects (Form 42-7A, Line 9) | 504,955 | 503,393 | 498,319 | 499,840 | 465,767 | 181,021 | 3,943,189 |
| c - Total Jurisdictional ECRC Costs | 549,648 | 515,417 | 568,685 | 813,535 | 538,750 | 2,514,398 | 7,066,252 |
| 5 Over/(Under) Recovery (Line 3 - Line 4c) | (549,648) | (515,417) | (568,685) | (813,535) | (538,750) | (2,514,398) | (7,066,252) |
| 6 Interest Provision (Form 42-3A, Line 10) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 Beginning Balance True-Up & Interest Provision | (1,565,819) | (2,115,467) | (2,630,884) | (3,199,569) | (4,013,104) | (4,551,854) | 0 |
| a - Deferred True-Up from Jan to Dec 2001 (Form 42-1A, Line 9) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 True-Up Collected /(Refunded) (See Line 2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 End of Period True-Up (Lines 5+6+7+7a+8) | (2,115,467) | (2,630,884) | (3,199,569) | (4,013,104) | (4,551,854) | (7,066,252) | (7,066,252) |
| 10 Adjustments to Period Total True-Up Including Interest | | | | | | | |
| 11 End of Period Total True-Up (Lines 9+10) | (\$2,115,467) | (\$2,630,884) | (\$3,199,569) | (\$4,013,104) | (\$4,551,854) | (\$7,066,252) | (\$7,066,252) |

* NOTE: In accordance with Order No. PSC-01-2463-FOF-EI only 16/30 of April's costs are recoverable through the ECRC.