

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** July 8, 2005  
**TO:** Lee Colson, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing  
Division of Regulatory Compliance and Consumer Assistance  
**RE:** **Docket No.** 050002-EG; **Company Name:** Florida Power and Light Company; **Audit Purpose:** Energy Conservation Cost Recovery Clause audit for the period January 1, 2004 through December 31, 2004 ;**Audit Control No.:** 05-042-4-1

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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 Regulatory Compliance and Consumer Assistance (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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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



# FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE &  
CONSUMER ASSISTANCE  
BUREAU OF AUDITING*


*Miami District Office*


FLORIDA POWER AND LIGHT  
CONSERVATION COST RECOVERY

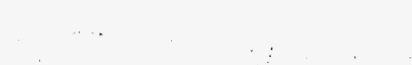
YEAR ENDED DECEMBER 31, 2004

DOCKET NO. 050002-EG

AUDIT CONTROL NO. 05-042-4-1

  
\_\_\_\_\_  
*Kathy L. Welch, Audit Manager*

  
\_\_\_\_\_  
*Yen Ngo, Audit Staff*

  
\_\_\_\_\_  
*Ruth Young, Professional Accountant Spec.*

## TABLE OF CONTENTS

I.	<b>AUDITOR'S REPORT</b> .....	<b>PAGE</b>
	AUDIT PURPOSE .....	1
	DISCLAIM PUBLIC USE .....	1
	SUMMARY OF SIGNIFICANT PROCEDURES .....	2
II.	<b>AUDIT DISCLOSURES</b> .....	3
	Audit Disclosure 1 .....	3
	Audit Disclosure 2 .....	4
III.	<b>EXHIBITS</b>	
	SCHEDULE CT-3 .....	4

**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
AUDITOR'S REPORT  
June 23, 2005**

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

We have applied the procedures described in this report to audit the Energy Conservation Cost Recovery schedules for the historical 12-month period ended December 31, 2004 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Energy Conservation Cost Recovery in Docket 050002-EG.

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

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

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**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. Recalculated load control credits on a random sample of bills.

**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. The interest rates used in the filing were traced to the Wall Street Journal 30-day Commercial Paper Rate. The prior true-up was traced to the prior audit.

**Investment** - Compiled capital additions. Due to time restrictions related to the rate case we were unable to complete the test of plant additions and depreciation.

**AUDIT DISCLOSURE NO. 1**

**SUBJECT: AMERICAN AIRLINES SPONSORSHIP**

**STATEMENT OF FACT:** FPL pays its advertising consultant, Berber and Silverstein, to be a sponsor of the American Airlines Arena. According to a company response, FPL receives media value equal to the amount of the sponsorship in the form of actual broadcast media as well as in-arena signage and promotion opportunities to deliver FPL's conservation messages. FPL receives two 30-second conservation commercials per game in each Heat telecast on the Sunshine Network, one pre and/or post-game conservation commercial on the Sunshine Network, ten 30-second conservation commercials in "Inside the Heat" and courtside rotational signage of conservation messages in the arena.

In 2004, FPL paid two payments for 2003 and three quarters of 2004. The following details the amounts paid for sponsorship.

ACCOUNT	DATE	AMOUNT	DESCRIPTION
908.620	May-04	66,470.59	4TH QUARTER 2003
909.101	Feb-04	66,470.59	3RD QUARTER 2003
909.101	Dec-04	72,941.18	3TH QUARTER 2004
908.620	Sep-04	72,941.18	2ND QUARTER 2004
908.620	Oct-04	72,941.18	1ST QUARTER 2004
		<u>351,764.72</u>	

FPL was asked if rates paid for advertising are comparable to the rates paid for advertising at the arena. FPL's response follows:

"While a direct comparison has never been documented, the TV advertising portion of the arena advertising package is priced based on gross rating points of the station and the program just as it is with all other stations we purchase media from. As to the other elements of the advertising package, FPL does not currently purchase advertising similar to that with anyone else; therefore, a comparison cannot be done. Note: the pricing for the TV advertising portion is based on rate card and is not negotiable."

**OPINION:** It should be determined if the advertising provided justifies the sponsorship of the arena.

**AUDIT DISCLOSURE NO. 2**

**SUBJECT: COMMERCIAL/INDUSTRIAL LOAD CONTROL PROGRAM CUSTOMER CHARGE**

**STATEMENT OF FACT:** To determine incentive amounts for the Commercial Industrial Load Control program, FPL determines the difference between the energy charges billed using the Load Control tariff (Eleventh Revised Sheet No. 8.651) and what the customer would have been billed at whatever customer class they previously were billed at. The Load control tariff includes a customer charge of \$557.82 for distribution and \$2,975.04 for transmission. The customer charge was not included in the calculation of the incentives. Examples of the customer charge using regular rates for these large use customers follow:

SERVICE TYPE	CUSTOMER CHARGE	TARIFF PAGE
CST-2	158.05	FIFTEENTH REVISED SHEET 8.440
GSLD-2	158.05	NINTH REVISED SHEET 8.412
GSLDT-2	158.05	FIFTEENTH REVISED SHEET 8.420
GSLD-3	371.88	ELEVENTH REVISED SHEET 8.551
GSLDT-1	38.12	FIFTEENTH REVISED SHEET 8.320

FPL was asked why the customer charge was not included in the calculation. The response stated:

“At present, the customer charge specified in the Commercial Industrial Load Control Program (CILC-1) tariff is not being recovered through the Energy Conservation Cost Recovery (ECCR) clause because the CILC-1 tariff was partially modeled upon factors from the Interruptible Service-Time of Use (IST) tariff. When the CILC-1 tariff was developed, the customer charge in the IST tariff was not recoverable through the ECCR Clause. Therefore, the CILC-1 tariff’s customer charge was also modeled as non-recoverable. Documentation for this is no longer available, as the CILC-1 tariff was approved in 1990, and the ECCR documentation retention schedule is ten years. The IST tariff has also been closed for several years. In order to clarify this issue, FPL will revise its CILC and CDR Program Standards to reflect that the customer charge is not recoverable through the ECCR clause.”

**OPINION:** Since the program description did not specify whether the customer charge should or should not be included in the calculation, the audit staff requested an opinion of the Tallahassee staff. They were not able to make a determination prior to the issuance of this report and requested disclosure. Because the customer charge for load control is higher than other tariffs, inclusion of the difference in the calculation of the incentive would reduce the incentive.



## EXHIBITS

**Florida Power & Light Company  
CONSERVATION PROGRAM COSTS  
January through December 2004**

Program Title	Actuals January	Actuals February	Actuals March	Actuals April	Actuals May	Actuals June	Actuals July	Actuals August	Actuals September	Actuals October	Actuals November	Actuals December	2004 TOTAL
1. Residential Conservation Service Program	\$ 889,532	\$ 1,165,117	\$ 116,932	\$ 1,403,920	\$ 850,503	\$ 825,234	\$ 908,854	\$ 751,097	\$ 486,527	\$ 507,892	\$ 363,945	\$ 510,337	\$ 8,779,889
2. Residential Building Envelope Program	89,058	129,520	160,865	177,907	121,789	122,670	181,529	186,545	109,359	85,272	87,292	83,478	1,535,262
3. Residential Load Management ("On Call")	4,033,108	4,043,338	3,878,760	5,913,573	6,202,508	6,593,905	6,206,288	5,963,989	5,873,915	5,818,091	3,785,182	3,968,531	62,277,188
4. Duct System Testing & Repair Program	189,970	202,511	238,612	256,202	213,383	199,182	181,193	152,577	92,088	82,843	105,504	147,200	2,018,243
5. Residential Air Conditioning Program	1,451,975	1,130,660	1,256,779	1,275,248	1,401,816	1,408,584	1,880,526	1,581,962	1,181,828	1,482,953	1,113,638	1,488,767	16,822,838
6. Business On Call Program	83,925	82,480	83,380	320,500	323,737	324,945	328,483	318,317	289,667	302,832	86,884	(79,138)	2,445,882
7. Cogeneration & Small Power Production	30,341	25,404	30,127	29,279	28,937	19,989	25,526	26,687	21,562	26,844	25,805	29,596	317,897
8. Commercial/Industrial Efficient Lighting	56,183	18,551	118,658	38,421	44,489	50,116	50,546	81,788	16,411	58,943	37,824	83,148	656,877
9. Commercial/Industrial Load Control	2,286,725	2,231,645	2,141,818	2,404,514	2,472,486	2,583,138	3,404,310	2,587,127	2,572,889	1,781,844	2,440,583	3,764,412	30,601,602
10. C&I Demand Reduction	49,614	47,069	64,291	67,322	71,544	91,298	111,092	87,380	77,501	66,157	86,379	125,709	945,358
11. Business Energy Evaluation	179,773	627,186	232,084	392,652	674,287	326,592	806,457	519,794	141,187	108,483	443,390	147,652	4,599,538
12. C&I Heating, Ventilating & A/C Program	142,741	178,089	122,381	112,455	320,522	371,707	439,849	80,267	73,225	139,238	156,263	255,929	2,390,665
13. Business Custom Incentive Program	1,069	1,084	1,853	1,200	1,129	1,162	797	1,353	1,143	1,008	1,201	23,074	
14. C&I Building Envelope Program	75,686	59,294	24,172	38,884	150,284	119,430	139,844	75,986	7,160	76,487	66,905	78,928	911,079
15. Conservation Research & Development	(68,511)	31,202	(9,162)	29,282	1,714	2,310	13,794	8,521	6,206	33,174	74,757	92,922	216,208
16. BulbSmart Program	63,030	40,971	63,030	73,055	57,271	47,416	68,509	41,820	22,031	47,049	80,822	92,869	697,074
17. Low Income Weatherization Retrofit	315	(51)	0	0	0	0	0	0	0	0	0	0	264
18. Photovoltaic R&D	1,088	(188)	0	0	0	0	0	0	0	0	0	0	828
19. Green Energy Project	163	(36)	(127)	0	0	0	0	0	0	0	0	0	(0)
20. Green Power Pricing Project	3,577	3,570	9,089	18,908	23,918	32,883	49,399	51,501	55,106	63,792	74,889	89,879	476,580
21. Low Income Weatherization Program	-	-	-	11,349	19,142	17,865	11,558	2,528	1,985	579	1,962	3,368	70,334
22. Common Expenses	1,001,028	994,874	1,517,204	1,197,363	1,008,929	882,520	943,500	846,398	639,645	785,890	1,044,735	1,085,972	11,908,144
23. Total All Programs	\$ 10,520,398	\$ 11,010,311	\$ 10,051,816	\$ 13,762,034	\$ 13,986,348	\$ 13,977,861	\$ 15,732,399	\$ 13,345,088	\$ 11,688,744	\$ 11,407,513	\$ 10,077,477	\$ 11,934,752	\$ 147,404,751
24. LESS: Included in Base Rates	(83,885)	(81,650)	(92,058)	(139,657)	(95,782)	(144,892)	(98,281)	(99,415)	(85,543)	(60,401)	(83,908)	(143,889)	(1,189,373)
25. Recoverable Conservation Expenses	\$ 10,436,513	\$ 10,918,660	\$ 9,959,758	\$ 13,622,377	\$ 13,890,566	\$ 13,832,969	\$ 15,634,108	\$ 13,245,673	\$ 11,603,201	\$ 11,347,112	\$ 10,013,569	\$ 11,790,862	\$ 146,215,378
Totals may not add due to rounding													

**CONSERVATION TRUE-UP AND INTEREST CALCULATION  
JANUARY THROUGH DECEMBER 2004**

	Actuals January	Actuals February	Actuals March	Actuals April	Actuals May	Actuals June	Actuals July	Actuals August	Actuals September	Actuals October	Actuals November	Actuals December	TOTAL
1. RECEIVABLE FROM PROGRAM REVENUES													
a. PRESIDENTIAL LOAD CONTROL CREDIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. GREEN POWER PURCHASING REVENUES	117	1,502	13,962	20,777	25,184	39,780	50,885	54,609	60,354	70,175	83,750	93,520	\$14,625
c. IIII SMART PROGRAM REVENUES	9,625	12,500	15,150	8,925	6,875	12,725	7,900	1,225	1,50	1,400	20,500	6,325	103,300
2. CONSERVATION CHARGE REVENUES (NET OF REVENUE TAXES)	10,635,418	9,689,646	9,484,452	9,190,730	10,365,919	12,673,773	13,792,547	12,566,830	12,475,690	12,011,546	11,080,114	10,733,426	134,698,002
3. TOTAL REVENUES	10,645,160	9,703,647	9,513,564	9,220,432	10,395,978	12,726,278	13,851,332	12,622,664	12,596,194	12,083,122	11,184,373	10,833,271	135,316,016
4. ADJUSTMENT NOT APPLICABLE TO PERIOD PRIOR TRUE-UP	1,726,647	1,726,647	1,726,647	1,726,647	1,726,647	1,726,647	1,726,647	1,726,647	1,726,647	1,726,647	1,726,647	1,726,647	20,719,760
5. CONSERVATION REVENUES APPLICABLE TO PERIOD (line 3 + 4)	12,371,807	11,430,294	11,240,211	10,947,079	12,122,625	14,452,925	15,577,979	14,349,311	14,322,841	13,809,769	12,911,020	12,559,918	156,035,785
6. CONSERVATION EXPENSES (from CT-3, Page 1, line 33)	10,436,513	10,918,660	9,950,758	13,622,377	13,890,566	13,832,969	15,634,108	13,245,683	11,603,201	11,347,112	10,013,560	11,790,862	146,295,978
7. TRUE-UP THIS PERIOD (line 5 - line 6)	1,935,295	\$11,634	1,289,453	(2,675,298)	(1,767,941)	619,957	(56,129)	1,103,629	2,659,640	2,462,658	2,897,451	769,057	9,740,407
8. INTEREST PROVISION FOR THE MONTH (from CT-3, Page 3, line 67.0)	22,226	20,972	19,789	18,281	15,437	15,417	16,547	16,625	18,401	21,675	25,994	28,745	240,100
9. TRUE-UP & INTEREST PROVISION RE-AMOUNTING OF MONTH OF PERIOD	20,719,760	20,950,642	19,756,601	19,340,196	14,946,532	11,467,381	10,376,107	8,609,878	8,003,484	8,054,968	9,712,653	10,999,451	20,719,760
10. PRIOR TRUE-UP COLLECTED (REFUND)	4,698,362	4,698,362	4,698,362	4,698,362	4,698,362	4,698,362	4,698,362	4,698,362	4,698,362	4,698,362	4,698,362	4,698,362	4,698,362
11. END OF PERIOD TRUE-UP COVER (UNDER) RECOVERY (line 7)+10a+11a-B10a-B10)	(1,726,647)	(1,726,647)	(1,726,647)	(1,726,647)	(1,726,647)	(1,726,647)	(1,726,647)	(1,726,647)	(1,726,647)	(1,726,647)	(1,726,647)	(1,726,647)	(20,719,760)
	\$25,649,004	\$24,454,953	\$24,028,558	\$19,644,894	\$16,165,743	\$15,074,469	\$13,308,240	\$12,701,846	\$13,653,330	\$14,411,015	\$15,607,813	\$14,678,967	\$14,678,967

NOTES: ( ) Refers to Underpayment

JANUARY THROUGH DECEMBER 2004

	ACTUALS												TOTAL
	January	February	March	April	May	June	July	August	September	October	November	December	
1. BEGINNING TRIE-LIP AMOUNT (line B0+B06)	\$25,418,131	\$25,649,604	\$24,454,963	\$24,028,558	\$19,644,894	\$16,165,743	\$15,074,469	\$13,308,240	\$12,701,846	\$13,653,330	\$14,411,015	\$15,607,813	\$20,118,006
2. ENDING TRIE-LIP AMOUNT BEFORE INTERE (line B7+R0+R06+B10)	24,433,991	24,008,769	19,626,613	16,150,306	15,059,052	13,291,693	12,685,221	13,634,839	14,389,340	15,581,819	14,650,222	20,138,643	
3. TOTAL OF BEGINNING & ENDING TRIE-LIP (line C1+C2)	\$51,044,909	\$50,082,995	\$48,463,732	\$43,655,171	\$35,795,200	\$31,224,795	\$28,366,162	\$25,993,461	\$26,336,685	\$28,002,670	\$29,992,834	\$30,258,035	\$420,256,640
4. AVERAGE TRIE-LIP AMOUNT (50% of line C3)	\$25,522,455	\$25,041,498	\$24,231,866	\$21,827,586	\$17,897,600	\$15,612,398	\$14,183,081	\$12,996,731	\$13,168,343	\$14,021,335	\$14,996,417	\$15,129,018	\$214,628,325
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	1.060000%	1.030000%	0.980000%	0.980000%	1.030000%	1.040000%	1.330000%	1.470000%	1.600000%	1.770000%	1.940000%	2.220000%	2.220000%
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	1.030000%	0.980000%	0.980000%	1.030000%	1.040000%	1.330000%	1.470000%	1.600000%	1.770000%	1.770000%	1.940000%	2.220000%	2.220000%
7. TOTAL (line C5+C6)	2.090000%	2.010000%	1.960000%	2.010000%	2.070000%	2.370000%	2.800000%	3.070000%	3.370000%	3.710000%	4.160000%	4.560000%	N/A
8. AVERAGE INTEREST RATE (50% of line C7)	1.045000%	1.005000%	0.980000%	1.005000%	1.035000%	1.185000%	1.400000%	1.535000%	1.685000%	1.855000%	2.080000%	2.280000%	N/A
9. MONTHLY AVERAGE INTEREST RATE (line C8+C9)	0.087089%	0.083759%	0.081679%	0.083759%	0.086259%	0.098759%	0.116679%	0.127929%	0.140429%	0.154589%	0.172339%	0.190000%	N/A
10. INTEREST PROVISION FOR THE MONTH (line C4+C9)	\$22,226	\$20,972	\$19,789	\$18,281	\$15,437	\$15,417	\$16,547	\$16,625	\$18,491	\$21,675	\$25,994	\$28,745	\$240,190

REVISIONS ( ) Reflects Understatement  
N/A = Not Applicable