



ORIGINAL

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: May 16, 2006

TO: Peter H. Lester, Economic Analyst, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance

RE: **Docket No:** 060001-EI; **Company Name:** Florida Power & Light company
Audit Request: Fuel Clause Audit
Audit Control No: 06-046-4-1

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 Commission Clerk and Administrative Services. There are confidential work papers associated with this audit.

DNV:sbj
 Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
 Division of Commission Clerk & Administrative Services (2)
 Division of Competitive Markets and Enforcement (Harvey)
 General Counsel
 Office of Public Counsel

- CMP _____ Mr. Bill Walker
- COM _____ Florida Power & Light Company
- CTR _____ 215 S. Monroe St., Suite 810
- ECR _____ Tallahassee, FL 32301-1859
- GCL _____ John T. Butler
- OPC _____ Squire, Sanders Law Firm
- RCA _____ 200 S. Biscayne Blvd. Suite 4000
- SCR _____ Miami, FL 33131-2398
- SGA _____
- SEC 1
- OTH _____

DOCUMENT NUMBER-DATE

04344 MAY 17 06

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA POWER AND LIGHT

FUEL COST RECOVERY CLAUSE

HISTORICAL YEAR ENDED DECEMBER 31, 2005

DOCKET NO. 060001-EI
AUDIT CONTROL NO. 06-046-4-1

A handwritten signature in cursive script, reading "Iliana H. Piedra".

Iliana H. Piedra
Audit Manager

A handwritten signature in cursive script, reading "Yen Ngo".

Yen Ngo
Audit Staff

A handwritten signature in cursive script, reading "Kathy L. Welch".

Kathy L. Welch
Public Utilities Supervisor

**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

May 4, 2006

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

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Florida Power and Light in support of its filing for fuel docket 060001-EI.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Objective: The objective of the audit was to reconcile the schedules to each other, to the general ledger and to source documents. In addition, the objective was to determine if the costs in the clause comply with the criteria in Commission Order 14546, issued July 8, 1985.

Procedures: We prepared a trial balance using the general ledger and reconciled all fuel accounts to the filing.

For revenue, we obtained the monthly Revenue and Rate Reports which are an output of the billing system and prepared schedules of revenue. We reconciled these schedules to the filing and traced the factors charged to the last order. We recalculated some bills to verify ordered rates were used.

We obtained a file of detailed transactions for the general ledger accounts and summarized them and reconciled them to the ledger and the filing. Using this file, we selected a sample of transactions that went to inventory and were transferred to the fuel accounts and transactions that were directly charged to the fuel expenses. We traced the sample to source documents. We recalculated the Okeelanta settlement. We traced the Decommissioning and Decontamination payment to the invoices. Nuclear fuel expenses were not audited in detail due to time constraints but the amount for the Overcharge settlement from the Department of Energy was agreed to company's documentation. We tested a sample of invoices for purchased power on the A7 filing and for economy energy purchases on the A9 filing. We obtained the schedule of capital investment and verified the depreciation and return on investment to prior audit work performed. We reviewed internal audits that relate to internal control over divisions that handle fuel and energy purchases.

Objective: The objective was to verify that the true-up was calculated correctly.

Procedures: We agreed the beginning true-up provision to the last order and workpapers. We prepared a recalculation using the filing and Commission approved interest rates.

Objective: The objective was to verify that vendor rebates and refunds are credited to fuel costs.

Procedures: We selected two fuel vendors from our sample of expenses and reviewed the payment history to verify that all receivables were billed. We also obtained a confirmation from FPL that no refunds were received. In addition, we reviewed the sample of all fuel expenses for any credits received.

Objective: The objective was to verify that coal inventory has been completed and adjustments to inventory made based on Commission Order PSC-97-0359-FOF-EI.

Procedures: We obtained the inventory analysis, inventory adjustments and survey reports. We reconciled the adjustments to the filings and to the general ledger. We traced these reports to supporting documentation. We reviewed the methodology used to calculate the adjustments and compared them to Commission Order PSC-97-0359-FOF-EI.

Objective: The objective was to reconcile purchases on the company filing A-5 to Form 423.

Procedures: We selected two months and determined which transactions were on one form and not the other. We verified that the reason the transactions were not recorded on the same forms were because of timing differences due to when the forms were prepared.

Objective: The objective is to verify that FPL has credited generation-related gains derived from non-separated wholesale energy sales to the fuel clause as set forth in Commission Order PSC-00-1744-PAA-EI.

Procedures: We reconciled the A-6 schedule to the monthly schedules and selected a sample of sales to test. The sales were traced to the Power Deal Lambda reports, deal tickets, logs and confirmations. The gains were recalculated. The scope was limited because the Power Deal Lambda reports generate a number for the cost of fuel on a real time basis. The company is not able to go back retroactively to determine what costs go into a transaction. We continue to recommend that a separate audit be established to audit the cost component of the Lambda report. The audit would have to review a current transaction and review the inputs into the system and the programming used to take the inputs and generate the cost number. Because of this limitation, we were unable to determine if FPL is complying with the order by reducing the gain for incremental operation and maintenance and emission costs. In addition, the A-6 schedule was designed before transmission was separated. The A-6 schedules would benefit from being updated to reflect current operations.

Objective: The objective was to verify that energy payments to qualifying facilities are based on the negotiated contract rate.

Procedures: We selected two months of payments to the qualifying facilities. The charges for a current month are based on estimates and true-ups for the prior month. The estimates were traced to the source documents and the true-up's traced to the prior month estimate and the actual bill for the period.

Objective: The objective was to reconcile service hours, reserve shutdown hours, and unavailable hours for GPIF units as shown on annual GPIF filings to source documents. In addition, the objective was to reconcile the heat rate for GPIF shown on FPL's A4 filing to source documents.

Procedures: We reconciled the A-4 to the GPIF filing. We obtained explanations for the differences and traced to source documents.

Objective: The objective was to verify that the accounting treatment for futures, options, and swap contracts are consistent with Commission Order PSC-02-1484-FOF-EI. In addition, the objective was to verify if the gains or losses associated with each hedging instrument were recorded consistent with the same order.

Procedures: We selected one month's gains or losses to audit. We traced them to the FPL Derivatives Settlements-All Instruments Report. We traced some of the instruments to invoices and contracts. We traced the deal price from the swap deal entry to the confirmation letter. We traced volume to be traded to the FPL Option Accrual Power and Gas Closing Report. We traced the gains to the deal ticket and contract option agreement. We verified the treatment to Commission Order PSC-02-1484-FOF-EI.

Objective: The objective was to determine that the regulatory treatment for any expenses associated with the sleeving generator tubes at St. Lucie Unit 2 is consistent with Commission Order PSC-05-1252-FOF-EI.

Procedures: We reviewed the deferred account where the charges were initially recorded and traced the entries transferring them to expense accounts. We reviewed our sample of expenses to verify that none of these charges were included in the fuel accounts.

EXHIBITS

**FLORIDA POWER & LIGHT COMPANY
FUEL COST RECOVERY CLAUSE
SUMMARY OF NET TRUE-UP FOR THE
PERIOD JANUARY THROUGH DECEMBER 2005**

1	End of Period True-up for the period January through December 2005 (from page 4, lines D7 & D8)	\$ (1,042,870,588)
2	Less - Estimated/Actual True-up for the same period	* \$ (735,432,988)
3	Net Final True-up for the period January through December 2005	<u>\$ (307,437,600)</u>

() Reflects Underrecovery

* Approved in FPSC Order No. PSC-05-1252-FOF-EI dated December 23, 2005

Net True-up for the period January through December 2005 to be collected in January through December 2007 period	\$ (307,437,600)
True-up amounts to be collected during January through December 2006	(743,140,130)
G/L Balance @ December 31, 2005	<u>\$ (1,050,577,730)</u>
Final true-up for the period January through December 2004	* \$ (7,707,142)
Est/Act true-up for the period January through December 2005	* (735,432,988)
Total	* <u>\$ (743,140,130)</u>
* Approved in FPSC Order No. PSC-05-1252-FOF-EI dated December 23, 2005	

CALCULATION OF ACTUAL TRUB-UP AMOUNT														
FLORIDA POWER & LIGHT COMPANY														
FOR THIS PERIOD JANUARY THROUGH DECEMBER 2003														
LINE	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
NO	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL PERIOD	
A Fuel Costs & Net Power Transactions														
1	a Fuel Cost of System Net Generation (See note (c) below)	\$ 264,985,156	\$ 211,441,472	\$ 260,165,564	\$ 272,526,059	\$ 321,340,834	\$ 362,694,236	\$ 321,475,514	\$ 515,981,092	\$ 388,196,333	\$ 481,915,725	\$ 370,443,894	\$ 321,421,785	\$ 4,492,787,703
	b Incremental Hedging Costs	367,386	(261,788)	29,792	54,393	41,859	21,451	43,687	42,455	43,700	(37,158)	27,714	35,536	411,228
	c Nuclear Fuel Deposition Costs	1,437,461	1,344,370	2,013,141	1,699,172	1,524,590	1,730,689	1,707,971	1,999,582	2,041,545	1,427,858	1,198,878	1,582,450	19,921,706
	d Scherer Coal Cost Depreciation & Return	356,166	353,769	351,569	349,368	347,168	344,968	342,768	340,567	338,367	336,167	333,966	331,766	4,126,609
	e Oil Pipeline Depreciation & Return	47,569	47,130	46,692	46,253	45,815	45,376	44,938	44,499	44,060	43,621	43,182	42,743	526,609
	f DOB D&D Fund Payment	0	0	0	0	0	0	0	0	0	0	0	0	323,773
	g DOR Settlement	0	0	0	0	0	0	0	0	0	0	0	0	6,526,002
	h Fuel Cost of Power Sold (Per A6)	(9,434,165)	(4,745,879)	(7,796,126)	(4,757,297)	(2,567,759)	(6,507,633)	(5,131,477)	(9,431,612)	(2,000,938)	(4,417,835)	(7,590,015)	(29,346,010)	(93,726,742)
	i Charge from Off-System Sales	(2,688,330)	(208,473)	(1,882,490)	(681,643)	(409,050)	(926,758)	(906,303)	(1,125,139)	(2,000,938)	(4,417,835)	(7,590,015)	(29,346,010)	(93,726,742)
3	a Fuel Cost of Purchased Power (Per A7)	17,147,338	14,901,246	17,393,966	18,957,350	19,739,412	19,635,129	33,805,530	31,862,050	24,610,730	28,603,937	17,723,666	20,176,332	264,606,916
	b Energy Payments to Qualifying Facilities (Per A8)	12,811,303	11,866,241	12,741,788	7,035,037	16,117,452	13,275,111	16,387,208	16,890,489	14,433,718	10,326,481	11,224,967	13,033,216	138,343,111
	c Okefenokee Settlement Amortization including interest	815,656	816,349	816,651	816,967	816,748	816,795	816,002	816,119	815,543	814,845	814,845	813,266	9,792,187
	d Energy Cost of Economy Purchases (Per A9)	6,975,899	10,341,762	8,298,382	11,983,242	12,383,723	6,720,289	10,160,208	9,276,004	13,804,178	33,607,038	17,314,114	7,793,380	148,810,419
5	Total Fuel Costs & Net Power Transactions	\$ 292,811,632	\$ 243,396,197	\$ 292,179,109	\$ 308,221,999	\$ 369,583,011	\$ 397,889,606	\$ 378,748,779	\$ 560,227,054	\$ 641,994,586	\$ 552,130,915	\$ 416,487,312	\$ 330,436,084	\$ 4,985,907,346
6 Adjustments to Fuel Cost														
	a Sales to Fla Keys Black Coop (FKBC) & City of Key West (CKW)	(3,270,626)	(3,269,071)	(2,896,967)	(3,843,379)	(3,760,312)	(4,312,842)	(4,339,874)	(6,092,063)	(5,995,137)	(6,283,940)	(6,074,577)	(4,973,298)	(55,565,086)
	b Reactive and Voltage Control / Energy Imbalance Fuel Revenue	(57,644)	(81,824)	(49,083)	(98,643)	29,370	(15,476)	(606,637)	(82,962)	(606,637)	(70,803)	(32,083)	(32,083)	(1,119,834)
	c Inventory Adjustments	(34,318)	(16,838)	(37,219)	561,847	(23,300)	561,847	(23,300)	(23,300)	(184,080)	(82,612)	61,479	66,974	(632,332)
	d Non Recoverable O&M unit Bottoms	0	0	0	482,368	0	0	0	0	0	0	0	0	482,368
7	Adjusted Total Fuel Costs & Net Power Transactions	\$ 289,489,052	\$ 242,037,364	\$ 289,195,838	\$ 305,124,192	\$ 365,799,770	\$ 393,553,728	\$ 373,470,549	\$ 554,080,572	\$ 635,732,408	\$ 544,685,725	\$ 410,403,612	\$ 325,499,631	\$ 4,929,072,442
B kWh Sales														
1	Jurisdictional kWh Sales	7,987,484,286	7,234,333,278	7,116,992,947	7,318,195,285	7,690,879,323	9,177,534,931	10,068,713,531	10,431,104,880	10,421,080,406	9,586,084,260	7,420,068,938	7,843,945,575	102,296,437,940
2	Sale for Resale (excluding FKBC & CKW)	48,617,536	45,822,934	46,203,422	45,123,858	42,871,896	41,423,720	39,679,104	48,931,968	47,638,070	46,689,980	45,353,070	43,980,309	542,355,857
3	Sub-Total Sales (excluding FKBC & CKW)	8,036,101,822	7,280,156,212	7,163,196,369	7,363,319,243	7,733,751,419	9,218,958,651	10,108,392,635	10,480,036,848	10,468,718,476	9,632,774,240	7,465,422,008	7,887,925,884	102,838,793,807
6	Jurisdictional % of Total Sales (B1/B3)	99.39501%	99.37058%	99.35499%	99.38718%	99.44163%	99.35067%	99.60746%	99.53250%	99.54495%	99.51300%	99.39249%	99.44244%	99.47262%
C True-up Calculation														
1	Jura Fuel Revenue (Net of Revenue Taxes)	\$ 312,216,887	\$ 284,800,665	\$ 280,142,013	\$ 288,144,028	\$ 302,920,333	\$ 361,514,371	\$ 396,695,788	\$ 410,910,421	\$ 410,608,505	\$ 377,565,708	\$ 292,085,462	\$ 308,746,900	\$ 4,026,351,083
2	Fuel Adjustment Revenues Not Applicable to Period													
	a Prior Period True-up (Collected/Refunded) This Period	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(140,387,623)
	b OPIF, Net of Revenue Taxes (a)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(6,511,290)
	c Oil Barout Revenue, Net of revenue taxes	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
3	Jurisdictional Fuel Revenue Applicable to Period	\$ 299,975,306	\$ 272,559,088	\$ 267,900,439	\$ 275,902,452	\$ 290,678,737	\$ 349,272,795	\$ 384,454,212	\$ 398,668,845	\$ 398,366,929	\$ 365,324,132	\$ 279,843,816	\$ 296,305,324	\$ 3,879,452,165
4	a Adjusted Total Fuel Costs & Net Power Transactions (Line A-7)	\$ 289,489,052	\$ 242,037,364	\$ 289,195,838	\$ 305,124,192	\$ 365,799,770	\$ 393,553,728	\$ 373,470,549	\$ 554,080,572	\$ 635,732,408	\$ 544,685,725	\$ 410,403,612	\$ 325,499,631	\$ 4,929,072,442
	b Nuclear Fuel Expense - 100% Retail (Acct 518.111)	0	0	0	0	0	0	0	0	0	0	0	0	0
	c RTP Incremental Fuel - 100% Retail	0	0	0	0	0	0	0	0	0	0	0	0	0
	d D&D Fund Payments - 100% Retail	0	0	0	0	0	0	0	0	0	0	0	0	0
	e Adj Total Fuel Costs & Net Power Transactions - Excluding 100% Retail Items (C4b-C4c-C4d)	289,489,052	242,037,364	289,195,838	305,124,192	365,799,770	393,553,728	373,470,549	554,080,572	635,732,408	544,685,725	403,877,611	321,499,631	4,922,546,440
5	Jurisdictional Sales % of Total kWh Sales (Line B-6)	99.39501%	99.37058%	99.35499%	99.38718%	99.44163%	99.35067%	99.60746%	99.53250%	99.54495%	99.51300%	99.39249%	99.44244%	99.47262%
6	Jurisdictional Total Fuel Costs & Net Power Transactions (Line C4a-C5 x 1.0005(3)) (Line C4b-C4d)	\$ 287,924,702	\$ 240,670,266	\$ 287,517,261	\$ 303,451,446	\$ 364,008,411	\$ 391,040,634	\$ 371,590,740	\$ 551,805,931	\$ 633,230,853	\$ 542,397,963	\$ 408,210,941	\$ 323,895,171	\$ 4,906,808,719
7	True-up Provision for the Month - Over/(Under) Recovery (Line C3 - Line C6)	\$ 12,050,804	\$ 31,888,822	\$ (19,616,822)	\$ (27,548,994)	\$ (73,329,654)	\$ (42,767,239)	\$ (187,136,528)	\$ (153,182,086)	\$ (234,883,924)	\$ (177,073,821)	\$ (128,567,055)	\$ (27,389,847)	\$ (1,027,336,554)
8	Interest Provision for the Month (Line D10)	(274,715)	(220,644)	(192,791)	(233,492)	(242,931)	(482,543)	(800,333)	(1,313,642)	(2,690,794)	(3,328,721)	(3,684,257)	(3,684,257)	(13,514,034)
9	a True-up & Interest Provision Bag of Period - Over/(Under) Recovery	(140,387,623)	(116,912,765)	(23,345,618)	(81,656,263)	(97,339,781)	(159,713,596)	(191,264,211)	(367,502,123)	(310,298,922)	(235,432,988)	(903,498,645)	(1,023,493,433)	(140,387,623)
	b Deferred True-up Beginning of Period - Over/(Under) Recovery	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)
10	Prior Period True-up Collected/Refunded This Period	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	140,387,623
11	End of Period Net True-up Amount Over/(Under) Recovery (Line C7 through C10)	\$ (124,619,907)	\$ (81,252,760)	\$ (89,363,403)	\$ (103,446,925)	\$ (167,420,340)	\$ (198,971,353)	\$ (375,209,265)	\$ (318,006,064)	\$ (743,140,130)	\$ (911,205,787)	\$ (1,031,202,589)	\$ (1,050,377,320)	\$ (1,050,377,320)

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-

DATE: May 16, 2006
TO: Peter H. Lester, Economic Analyst, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: **Docket No:** 060001-EI; **Company Name:** Florida Power & Light company
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Audit Control No: 06-046-4-1

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

Mr. Bill Walker
Florida Power & Light Company
215 S. Monroe St., Suite 810
Tallahassee, FL 32301-1859

John T. Butler
Squire, Sanders Law Firm
200 S. Biscayne Blvd. Suite 4000
Miami, FL 33131-2398

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA POWER AND LIGHT

FUEL COST RECOVERY CLAUSE

HISTORICAL YEAR ENDED DECEMBER 31, 2005

DOCKET NO. 060001-EI
AUDIT CONTROL NO. 06-046-4-1

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Iliana H. Piedra
Audit Manager

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Yen Ngo
Audit Staff

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Kathy L. Welch
Public Utilities Supervisor

**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

May 4, 2006

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

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Procedures: We obtained the inventory analysis, inventory adjustments and survey reports. We reconciled the adjustments to the filings and to the general ledger. We traced these reports to supporting documentation. We reviewed the methodology used to calculate the adjustments and compared them to Commission Order PSC-97-0359-FOF-EI.

Objective: The objective was to reconcile purchases on the company filing A-5 to Form 423.

Procedures: We selected two months and determined which transactions were on one form and not the other. We verified that the reason the transactions were not recorded on the same forms were because of timing differences due to when the forms were prepared.

Objective: The objective is to verify that FPL has credited generation-related gains derived from non-separated wholesale energy sales to the fuel clause as set forth in Commission Order PSC-00-1744-PAA-EI.

Procedures: We reconciled the A-6 schedule to the monthly schedules and selected a sample of sales to test. The sales were traced to the Power Deal Lambda reports, deal tickets, logs and confirmations. The gains were recalculated. The scope was limited because the Power Deal Lambda reports generate a number for the cost of fuel on a real time basis. The company is not able to go back retroactively to determine what costs go into a transaction. We continue to recommend that a separate audit be established to audit the cost component of the Lambda report. The audit would have to review a current transaction and review the inputs into the system and the programming used to take the inputs and generate the cost number. Because of this limitation, we were unable to determine if FPL is complying with the order by reducing the gain for incremental operation and maintenance and emission costs. In addition, the A-6 schedule was designed before transmission was separated. The A-6 schedules would benefit from being updated to reflect current operations.

Objective: The objective was to verify that energy payments to qualifying facilities are based on the negotiated contract rate.

Procedures: We selected two months of payments to the qualifying facilities. The charges for a current month are based on estimates and true-ups for the prior month. The estimates were traced to the source documents and the true-up's traced to the prior month estimate and the actual bill for the period.

Objective: The objective was to reconcile service hours, reserve shutdown hours, and unavailable hours for GPIF units as shown on annual GPIF filings to source documents. In addition, the objective was to reconcile the heat rate for GPIF shown on FPL's A4 filing to source documents.

Procedures: We reconciled the A-4 to the GPIF filing. We obtained explanations for the differences and traced to source documents.

Objective: The objective was to verify that the accounting treatment for futures, options, and swap contracts are consistent with Commission Order PSC-02-1484-FOF-EI. In addition, the objective was to verify if the gains or losses associated with each hedging instrument were recorded consistent with the same order.

Procedures: We selected one month's gains or losses to audit. We traced them to the FPL Derivatives Settlements-All Instruments Report. We traced some of the instruments to invoices and contracts. We traced the deal price from the swap deal entry to the confirmation letter. We traced volume to be traded to the FPL Option Accrual Power and Gas Closing Report. We traced the gains to the deal ticket and contract option agreement. We verified the treatment to Commission Order PSC-02-1484-FOF-EI.

Objective: The objective was to determine that the regulatory treatment for any expenses associated with the sleeving generator tubes at St. Lucie Unit 2 is consistent with Commission Order PSC-05-1252-FOF-EI.

Procedures: We reviewed the deferred account where the charges were initially recorded and traced the entries transferring them to expense accounts. We reviewed our sample of expenses to verify that none of these charges were included in the fuel accounts.

EXHIBITS

**FLORIDA POWER & LIGHT COMPANY
FUEL COST RECOVERY CLAUSE
SUMMARY OF NET TRUE-UP FOR THE
PERIOD JANUARY THROUGH DECEMBER 2005**

1	End of Period True-up for the period January through December 2005 (from page 4, lines D7 & D8)		\$ (1,042,870,588)
2	Less - Estimated/Actual True-up for the same period	*	\$ (735,432,988)
3	Net Final True-up for the period January through December 2005		<u>\$ (307,437,600)</u>

() Reflects Underrecovery

* Approved in FPSC Order No. PSC-05-1252-FOF-EI dated December 23, 2005

Net True-up for the period January through December 2005 to be collected in January through December 2007 period		\$ (307,437,600)
True-up amounts to be collected during January through December 2006		(743,140,130)
G/L Balance @ December 31, 2005		<u>\$ (1,050,577,730)</u>
Final true-up for the period January through December 2004	*	\$ (7,707,142)
Est/Act true-up for the period January through December 2005	*	(735,432,988)
Total	*	<u>\$ (743,140,130)</u>

* Approved in FPSC Order No. PSC-05-1252-FOF-EI dated December 23, 2005

CALCULATION OF ACTUAL TRUE-UP AMOUNT														
FLORIDA POWER & LIGHT COMPANY														
FOR THE PERIOD JANUARY THROUGH DECEMBER 2005														
LINE NO.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL PERIOD	
Fuel Costs & Net Power Transactions														
1	a Fuel Cost of System Net Generation (See note (c) below)	\$ 264,983,156	\$ 211,441,472	\$ 260,165,564	\$ 272,526,059	\$ 321,540,834	\$ 361,694,236	\$ 321,475,334	\$ 515,981,092	\$ 588,196,333	\$ 481,915,723	\$ 370,443,894	\$ 321,421,783	\$ 4,492,787,703
	b Incremental Hedging Costs	367,586	(261,788)	29,792	54,399	41,839	21,431	45,687	42,435	43,700	(37,138)	37,000	35,236	411,228
	c Nuclear Fuel Disposal Costs	1,427,461	1,544,370	2,013,141	1,699,173	1,524,360	1,730,689	1,707,971	1,999,382	2,041,543	1,427,838	1,198,478	1,582,430	19,921,706
	d Scherer Coal Core Depreciation & Return	356,166	333,769	331,369	349,368	347,168	344,908	342,768	340,567	338,167	336,167	333,966	331,766	4,126,609
	e One Pipeline Depreciation & Return	47,369	47,130	46,692	46,253	45,815	45,376	44,938	0	0	0	0	0	223,773
	f DOB DAD Fund Payment	0	0	0	0	0	0	0	0	0	0	0	0	6,526,002
	g DOB Settlement	0	0	0	0	0	0	0	0	0	0	0	0	(6,124,177)
2	a Fuel Cost of Power Sold (Per A6)	(9,434,165)	(4,745,879)	(7,796,126)	(4,757,297)	(2,167,759)	(6,307,630)	(5,131,477)	(9,431,612)	(2,000,938)	(4,417,833)	(7,590,011)	(29,346,010)	(93,726,742)
	b Ours from Off-System Sales	(2,688,320)	(908,475)	(1,882,400)	(688,643)	(409,050)	(295,718)	(906,303)	(1,323,129)	(646,838)	(1,380,324)	(7,403,883)	(7,403,883)	(19,891,788)
3	a Fuel Cost of Purchased Power (Per A7)	17,147,338	14,901,246	17,393,966	18,937,330	19,739,412	19,633,129	33,805,330	31,862,090	24,610,720	28,693,937	17,773,666	20,176,332	264,406,916
	b Energy Payments to Qualifying Facilities (Per A8)	12,811,303	11,866,241	12,741,788	7,033,037	16,117,452	13,273,111	16,387,308	16,890,489	14,433,718	10,526,481	11,224,967	15,033,216	158,343,111
	c Okaloosa Settlement Amortization including Interest	815,656	816,349	816,631	817,065	816,967	816,748	816,795	816,602	816,119	815,543	814,845	813,266	9,792,587
4	a Energy Cost of Economy Purchases (Per A9)	6,973,899	10,341,762	8,298,382	11,983,242	12,385,723	6,770,289	10,160,260	9,376,004	13,804,178	33,607,038	17,314,114	7,793,380	148,810,419
5	Total Fuel Costs & Net Power Transactions	\$ 292,811,639	\$ 243,356,197	\$ 292,179,109	\$ 308,021,999	\$ 369,383,011	\$ 397,889,606	\$ 378,748,179	\$ 560,227,914	\$ 634,080,372	\$ 544,685,725	\$ 410,403,612	\$ 325,499,631	\$ 4,929,072,442
Adjustments to Fuel Cost														
	a Sales to Fla Keys Elec Coop (FKEC) & City of Key West (CKW)	(3,230,626)	(3,260,071)	(2,896,967)	(3,843,379)	(3,760,312)	(4,312,842)	(4,339,874)	(6,092,063)	(5,995,137)	(6,745,940)	(6,074,577)	(4,973,298)	(35,565,086)
	b Reactors and Voltage Control / Energy Imbalance Fuel Revenue	(57,644)	(81,924)	(49,085)	(98,643)	29,370	(15,476)	(11,158)	(42,991)	(82,969)	(606,637)	(70,403)	(32,083)	(1,119,834)
	c Inventory Adjustments	(34,318)	(16,838)	(37,219)	561,847	(32,300)	(7,360)	(927,198)	(12,329)	(184,080)	(32,612)	61,479	68,974	(632,352)
	d Non Recoverable O&M tank Bottoms	0	0	0	482,368	0	0	0	0	0	0	0	0	482,368
7	Adjusted Total Fuel Costs & Net Power Transactions	\$ 289,489,032	\$ 242,037,364	\$ 289,195,838	\$ 305,124,192	\$ 365,799,770	\$ 393,333,728	\$ 373,470,349	\$ 554,080,372	\$ 635,732,408	\$ 544,685,725	\$ 410,403,612	\$ 325,499,631	\$ 4,929,072,442
kWh Sales														
1	Jurisdictional kWh Sales	7,987,484,286	7,234,313,278	7,116,992,947	7,318,195,345	7,690,879,523	9,177,334,931	10,068,713,331	10,471,104,880	10,421,080,406	9,386,084,260	7,420,056,938	7,843,945,373	102,296,437,040
2	Sale for Resale (including FKBC & CKW)	46,617,336	45,822,934	46,203,422	45,123,818	42,871,896	41,423,720	39,679,104	48,951,908	47,638,070	46,689,980	43,333,070	43,980,309	542,355,867
3	Sub-Total Sales (including FKBC & CKW)	8,036,101,822	7,280,176,212	7,163,196,369	7,363,319,243	7,733,751,419	9,218,958,651	10,108,392,633	10,480,056,848	10,468,718,476	9,632,774,240	7,463,422,008	7,887,925,884	102,838,793,807
6	Jurisdictional % of Total Sales (B1/B3)	99.39501%	99.37058%	99.35499%	99.38718%	99.44565%	99.33067%	99.60746%	99.33290%	99.34495%	99.31130%	99.39249%	99.44244%	99.47262%
True-up Calculation														
1	Juris Fuel Revenue (Net of Revenue Taxes)	\$ 312,216,887	\$ 284,800,665	\$ 280,142,011	\$ 288,144,028	\$ 302,920,333	\$ 361,514,371	\$ 396,693,788	\$ 410,910,421	\$ 410,608,505	\$ 377,565,708	\$ 292,085,462	\$ 308,746,900	\$ 4,026,351,083
Fuel Adjustment Revenues Not Applicable to Period														
	a Prior Period True-up (Collected/Refunded This Period)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(11,698,969)	(140,387,623)
	b OPIF, Net of Revenue Taxes (a)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(342,607)	(6,511,290)
	c Oil Backout Revenues, Net of revenue taxes	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
3	Jurisdictional Fuel Revenues Applicable to Period	\$ 299,975,306	\$ 272,519,088	\$ 267,900,439	\$ 275,902,432	\$ 290,678,757	\$ 349,272,795	\$ 384,454,212	\$ 398,668,545	\$ 398,266,929	\$ 365,324,132	\$ 279,843,886	\$ 296,305,324	\$ 3,879,452,163
4	Adjusted Total Fuel Costs & Net Power Transactions (Line A-7)	\$ 289,489,032	\$ 242,037,364	\$ 289,195,838	\$ 305,124,192	\$ 365,799,770	\$ 393,333,728	\$ 373,470,349	\$ 554,080,372	\$ 635,732,408	\$ 544,685,725	\$ 410,403,612	\$ 325,499,631	\$ 4,929,072,442
	b Nuclear Fuel Expense - 100% Retail (Acct 518.111)	0	0	0	0	0	0	0	0	0	0	0	0	0
	c RTP Incremental Fuel - 100% Retail	0	0	0	0	0	0	0	0	0	0	0	0	0
	d DAD Fund Payments - 100% Retail	0	0	0	0	0	0	0	0	0	0	0	0	6,526,002
	e Adj Total Fuel Costs & Net Power Transactions - Excluding 100% Retail Items (C4a-C4d-C4e-C4d)	289,489,032	242,037,364	289,195,838	305,124,192	365,799,770	393,333,728	373,470,349	554,080,372	635,732,408	544,685,725	410,403,612	325,499,631	4,922,546,440
5	Jurisdictional Sales % of Total kWh Sales (Line B-6)	99.39501%	99.37058%	99.35499%	99.38718%	99.44565%	99.33067%	99.60746%	99.33290%	99.34495%	99.31130%	99.39249%	99.44244%	99.47262%
6	Jurisdictional Total Fuel Costs & Net Power Transactions (Line C4e x C3 x 1.00065(b)) (Line C4b,c,d)	\$ 287,974,702	\$ 240,670,266	\$ 287,517,261	\$ 303,551,446	\$ 364,008,411	\$ 392,040,034	\$ 371,590,740	\$ 551,830,931	\$ 633,250,835	\$ 542,397,963	\$ 408,210,941	\$ 323,893,171	\$ 4,906,808,719
7	True-up Provision for the Month - Over/(Under) Recovery (Line C3 - Line C6)	\$ 12,096,604	\$ 31,888,822	\$ (19,616,823)	\$ (27,548,994)	\$ (73,329,634)	\$ (42,767,239)	\$ (187,136,528)	\$ (153,182,086)	\$ (234,883,924)	\$ (177,073,831)	\$ (128,267,055)	\$ (27,389,847)	\$ (1,027,336,534)
8	Interest Provision for the Month (Line D10)	(274,715)	(220,644)	(192,791)	(233,492)	(482,931)	(482,543)	(800,233)	(1,313,682)	(1,949,111)	(2,690,794)	(3,328,723)	(3,084,237)	(15,314,034)
9	a True-up & Interest Provision Beg. of Period - Over/(Under) Recovery	(140,387,623)	(116,912,765)	(73,543,618)	(81,656,263)	(97,739,781)	(139,713,398)	(191,264,211)	(307,302,123)	(310,298,922)	(733,432,988)	(903,498,643)	(1,023,493,433)	(140,387,623)
	b Deferred True-up Beginning of Period - Over/(Under) Recovery	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)	(7,707,142)
10	Prior Period True-up Collected/(Refunded) This Period	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	11,698,969	140,387,623
11	End of Period Net True-up Amount Over/(Under) Recovery (Lines C7 through C10)	\$ (124,619,207)	\$ (81,252,700)	\$ (89,363,405)	\$ (103,446,923)	\$ (167,420,340)	\$ (198,971,353)	\$ (373,209,265)	\$ (318,006,064)	\$ (743,140,130)	\$ (911,205,787)	\$ (1,021,202,599)	\$ (1,020,377,730)	\$ (1,030,377,730)