

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: July 12, 2010
TO: Kenneth Franklin, Regulatory Analyst II, Division of Economic Regulation
FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis **CP**
RE: Docket No. 100001-EI
Company Name: Florida Power & Light
Company Code: EI802
Audit Purpose: Capacity Cost Recovery Clause
Audit Control No. 10-004-4-3

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 a response to the Office of Commission Clerk. There were confidential work papers associated with this audit.

CP:pld

Attachment: Audit Report

cc: (With Attachment)
Office of Auditing and Performance Analysis (Mailhot, File Folder)
✓ Office of Commission Clerk
Office of the General Counsel

(Without Attachment)
Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

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State of Florida



FLORIDA PUBLIC SERVICE COMMISSION

**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
BUREAU OF AUDITING**

Miami District Office

**Florida Power and Light Company
Capacity Cost Recovery Clause Audit**

Twelve Months Ended December 31, 2009

**DOCKET NO. 100001-EI
AUDIT CONTROL NO. 10-004-4-3**

Handwritten signature of Iliana H. Piedra in cursive script.

**Iliana H. Piedra
Audit Manager**

Handwritten signature of Yen Ngo in cursive script.

**Yen Ngo
Regulatory Analyst**

Handwritten signature of Kathy Welch in cursive script.

**Kathy Welch
Public Utilities Supervisor**

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
AUDITOR'S REPORT
July 7, 2010**

TO: FLORIDA PUBLIC SERVICE COMMISSION

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 the procedures to the attached schedules prepared by Florida Power and Light Company in support of its filing for Capacity Cost Recovery in Docket No. 100001-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 and the report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Final True-Up

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

Procedures: We recalculated the true-up and traced the interest rates to the interest rates approved by the Commission. We traced the prior period true-up to the last audit workpapers. No errors were found.

Revenue

Objective: The objective was to determine if the company applied the Commission approved cost recovery factor to actual KWH sales.

Procedures: We prepared a schedule of revenues from FPL's Revenue and Rate Reports which summarize FPL's billing. We computed the factors by rate code and compared them to the last Commission order. We selected some customer bills to verify that the proper capacity rate factors were used. No errors were found.

Costs

Objective: The objective was to verify that the costs agree to the general ledger and that they are supported by source documentation.

Procedures: We reconciled all of the costs in the filing to the general ledger.

We agreed the amounts for the Unit Power Sales Electric Capacity (UPS) charges to the invoices for two months. We agreed the true-up amounts, interest and administrative charges to documentation schedules. No errors were found.

We agreed the estimated amounts for the Qualifying Facilities charges to the Estimate Purchase Power Billing Summaries for two months. The actual amounts were agreed to the Actual Purchased Power Billing Summaries and to the Billing Statements. We calculated the prior month's true-up. We verified the actual monthly capacity payment from the billing statements by using the formula from the contracts. No errors were found.

We agreed the short term capacity payments to the invoices and to the purchase statements for two months. The price paid for each vendor was agreed to the contracts. No errors were found.

We traced two months of the St. Johns River Power Plant (SJRPP) charges to the accrual documentation. We traced the components such as debt service and transmission costs to schedules provided by Jacksonville Electric Authority (JEA). We

reconciled the decommissioning costs to the Commission Order. The deferred interest for SJRPP was traced to the general ledger. We obtained a letter estimating property tax from JEA and used it to calculate the monthly accrual. No errors were found.

SJRPP Energy Suspension payments were traced to an accrual worksheet. The debt and equity component from that worksheet was traced to prior audits. No errors were found.

We reviewed the legal fees recorded in Account 923.209 – Outside Service Legal Capacity Clause which relate to a dispute with SJRPP. This dispute relates to the calculation of when the suspension period would begin, which would suspend FPL's rights to receive the percentage of Jacksonville Electric Authority's ownership in the net electric generating capability of coal units 1 and 2. No errors were found.

We agreed the transmission revenues from capacity sales to the FPL invoice and to the related "Capacity Deals Maintenance Form" to verify the megawatts and price. Other capacity sales were agreed to the "Actual Transmission Service Billing Summaries". The treatment was compared to Commission Order PSC-00-1744-PAA-EI. No errors were found.

Objective: The objective was to verify that the security costs recovered are incremental to the security costs included in base rates.

Procedures: We analyzed total security costs and made a comparison to base costs established in prior audits. We tested the four incremental security accounts by agreeing charges to invoices and various related source documentation. No errors were found.

Objective: The objective was to determine if the Nuclear Regulatory Commission fee and the recoverable portion of the fee increase amount are consistent with the percentage approved for recovery through the clause according to Commission Order PSC-03-1461-FOF-EI.

Procedures: We obtained the invoices and determined that the amount of the fee that was allocated to capacity is below the percentage approved for recovery in the Order. No errors were found.

III. EXHIBITS

CAPACITY COST RECOVERY CLAUSE

CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY THROUGH DECEMBER 2009

LINE NO.	(1) JAN 2009	(2) FEB 2009	(3) MAR 2009	(4) APR 2009	(5) MAY 2009	(6) JUN 2009
1. Payments to Non-cooperators (UPS & SJRPP)	\$18,133,028	\$18,454,327	\$18,850,455	\$19,237,029	\$19,377,107	\$16,937,731
2. Short-Term Capacity Purchases CCR	3,921,680	4,105,930	3,205,340	3,494,090	3,053,750	4,283,660
3. QF Capacity Charges	28,613,948	27,949,410	28,315,480	28,321,910	28,743,105	28,737,535
4. SJRPP Suspension Accrual	200,486	159,000	179,743	179,743	179,743	179,743
5. Return on SJRPP Suspension Liability	(463,914)	(465,576)	(467,143)	(468,805)	(470,467)	(472,130)
6. Incremental Plant Security Costs-Order No. PSC-02-1761	1,446,418	1,847,056	1,620,605	2,168,979	2,083,320	2,446,479
7. Transmission of Electricity by Others	157,596	145,067	151,105	143,724	510,945	566,981
8. Transmission Revenues from Capacity Sales	(392,855)	(372,286)	(360,330)	(107,934)	(64,877)	(19,862)
9. Total (Lines 1 through 8)	\$ 51,616,288	\$ 51,822,929	\$ 51,495,256	\$ 52,968,737	\$ 53,412,625	\$ 52,660,138
10. Jurisdictional Separation Factor (a)	98.76729%	98.76729%	98.76729%	98.76729%	98.76729%	98.76729%
11a. Jurisdictional Capacity Charges	50,980,009	51,184,102	50,860,468	52,315,786	52,754,202	52,010,991
11b. Nuclear Cost Recovery Costs	11,423,656	12,383,326	12,625,717	10,775,204	41,305,615	14,193,671
12. Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)
13. Jurisdictional Capacity Charges Authorized	\$ 57,658,199	\$ 58,821,962	\$ 58,740,719	\$ 58,345,524	\$ 89,314,351	\$ 61,459,196
14. Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 56,445,254	\$ 57,405,749	\$ 53,049,979	\$ 57,141,566	\$ 62,237,506	\$ 67,998,555
15a. Prior Period True-up Provision	(2,545,014)	(2,545,014)	(2,545,014)	(2,545,014)	(2,545,014)	(2,545,014)
15b. Turkey Point Unit 5 OBRA Refund	775,594	775,594	775,594	775,594	775,594	775,594
16. Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 54,675,833	\$ 55,636,329	\$ 51,280,559	\$ 55,372,146	\$ 60,468,086	\$ 66,229,134
17. True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	(2,982,366)	(3,185,633)	(7,460,160)	(2,973,378)	(28,846,265)	4,769,939
18. Interest Provision for Month	(20,466)	(24,554)	(22,666)	(17,934)	(17,347)	(18,890)
19. True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	(21,233,045)	(22,466,456)	(23,907,223)	(29,620,629)	(30,842,520)	(57,936,712)
20a. Deferred True-up - Over/(Under) Recovery	(14,920,089)	(14,920,089)	(14,920,089)	(14,920,089)	(14,920,089)	(14,920,089)
20b. Deferred True-up -Turkey Point 5 OBRA Refund	(168,809)	(168,809)	(168,809)	(168,809)	(168,809)	(168,809)
21a. Prior Period True-up Provision - Collected/(Refunded) this Month	2,545,014	2,545,014	2,545,014	2,545,014	2,545,014	2,545,014
21b. Turkey Point Unit 5 OBRA Refunded This Month -Refunded This Month	(775,594)	(775,594)	(775,594)	(775,594)	(775,594)	(775,594)
22. End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	\$ (37,555,354)	\$ (38,996,121)	\$ (44,709,527)	\$ (45,931,418)	\$ (73,025,610)	\$ (66,305,141)

Notes: (a) Per T.J. Koth's Testimony Appendix III, Pages 4a&b, Docket No. 090001-EI, filed August 20, 2009.
(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.

CAPACITY COST RECOVERY CLAUSE

CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD JANUARY THROUGH DECEMBER 2009

LINE NO.	(7) JUL 2009	(8) AUG 2009	(9) SEP 2009	(10) OCT 2009	(11) NOV 2009	(12) DEC 2009	(13) TOTAL	LINE NO.
1. Payments to Non-co generators (UPS & SJRPP)	\$16,447,231	\$20,968,668	\$20,066,878	\$18,201,726	\$15,397,112	\$18,838,630	\$220,909,922	1.
2. Short-Term Capacity Purchases CCR	4,283,660	4,325,960	3,934,800	3,384,800	3,384,800	3,712,160	45,090,630	2.
3. QF Capacity Charges	28,740,382	26,457,234	25,604,503	27,034,681	26,367,935	26,557,175	331,443,198	3.
4. SJRPP Suspension Accrual	179,743	179,743	179,743	179,743	179,743	605,213	2,582,386	4.
5. Return on SJRPP Suspension Liability	(473,792)	(475,454)	(477,116)	(478,779)	(480,441)	(482,103)	(5,675,721)	5.
6. Incremental Plant Security Costs-Order No. PSC-02-1761	6,310,276	3,175,023	2,671,839	2,545,322	2,587,746	3,845,241	32,748,304	6.
7. Transmission of Electricity by Others	534,784	548,759	521,338	138,505	149,955	150,960	3,719,720	7.
8. Transmission Revenues from Capacity Sales	(15,460)	(17,157)	(9,134)	(44,413)	(61,905)	(212,706)	(1,678,919)	8.
9. Total (Lines 1 through 8)	\$ 56,006,823	\$ 55,162,775	\$ 52,492,849	\$ 50,961,586	\$ 47,524,945	\$ 53,014,570	\$ 629,139,520	9.
10. Jurisdictional Separation Factor (a)	98.76729%	98.76729%	98.76729%	98.76729%	98.76729%	98.76729%	N/A	10.
11a. Jurisdictional Capacity Charges	55,316,421	54,482,778	51,845,765	50,333,377	46,939,100	52,361,054	621,384,054	11a.
11b. Nuclear Cost Recovery Costs	15,433,682	16,952,140	22,952,116	19,237,771	19,796,007	23,450,341	220,529,246	11b.
12. Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(56,945,592)	12.
13. Jurisdictional Capacity Charges Authorized	\$ 66,004,637	\$ 66,689,452	\$ 70,052,415	\$ 64,825,682	\$ 61,989,641	\$ 71,065,930	\$ 784,967,708	13.
14. Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 74,494,624	\$ 73,951,987	\$ 74,047,489	\$ 71,105,833	\$ 64,004,603	\$ 59,404,007	\$ 771,287,152	14.
15a. Prior Period True-up Provision	(2,545,014)	(2,545,014)	(2,545,014)	(2,545,014)	(2,545,014)	(2,545,014)	(30,540,171)	15a.
15b. Turkey Point Unit 5 OBRA Refund	775,594	775,594	775,594	775,594	775,594	775,594	9,307,126	15b.
16. Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 72,725,203	\$ 72,182,566	\$ 72,278,069	\$ 69,336,413	\$ 62,235,182	\$ 57,634,586	\$ 750,054,107	16.
17. True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	6,720,566	5,493,114	2,225,654	4,510,731	245,541	(13,431,343)	(34,913,601)	17.
18. Interest Provision for Month	(16,860)	(12,469)	(9,552)	(8,002)	(6,915)	(7,393)	(183,047)	18.
19. True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	(31,416,243)	(42,943,117)	(35,693,051)	(31,707,528)	(25,435,379)	(23,427,333)	(21,233,045)	19.
20a. Deferred True-up - Over/(Under) Recovery	(14,920,089)	(14,920,089)	(14,920,089)	(14,920,089)	(14,920,089)	(14,920,089)	(14,920,089)	20a.
20b. Deferred True-up -Turkey Point 5 OBRA Refund	(168,809)	(168,809)	(168,809)	(168,809)	(168,809)	(168,809)	(168,809)	20b.
21a. Prior Period True-up Provision - Collected/(Refunded) this Month	2,545,014	2,545,014	2,545,014	2,545,014	2,545,014	2,545,014	30,540,171	21a.
21b. Turkey Point Unit 5 OBRA Refunded This Month -Refunded This Month	(775,594)	(775,594)	(775,594)	(775,594)	(775,594)	(775,594)	(9,307,126)	21b.
22. End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	\$ (58,032,015)	\$ (50,781,949)	\$ (46,796,426)	\$ (40,524,277)	\$ (38,516,231)	\$ (50,185,546)	\$ (50,185,546)	22.

Notes: (a) Per T.J. Keith's Testimony Appendix III, Pages 4a&b, Docket No. 090001-EI, filed August 20, 2009.
(b) Per FPSC Order No. PSC-94-1092-POF-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.