

State of Florida



Public Service Commission

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

DATE: July 19, 2000  
 TO: Division of Safety & Electric Reliability (SER) - D. Lee  
 FROM: Division of Regulatory Oversight (Vandiver) W  
 RE: Docket No. 000007-EI; Florida Power & Light Company  
 Audit Report, Environmental - Historical Year Ended December 31, 1999  
 Audit Control No. 00-021-4-1

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, they should send it to the Division of Records and Reporting. There are no confidential work papers associated with this audit.

DNV/sp

Attachment

cc: Division of Regulatory Oversight (Hoppe/Harvey/File Folder)  
 Miami District Office (Welch)  
 Division of Records and Reporting  
 Division of Legal Services

Bill Walker  
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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT  
BUREAU OF AUDITING SERVICES*

*Miami District Office*

FLORIDA POWER AND LIGHT COMPANY

ENVIRONMENTAL CLAUSE AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 1999

DOCKET NO. 000007-EI

AUDIT CONTROL NO. 00-021-4-1

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

*Iliana H. Piedra, Audit Manager*

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

*Kathy Welch, Regulatory Analyst Supervisor*

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**DIVISION OF REGULATORY OVERSIGHT  
AUDITOR'S REPORT  
July 13, 2000**

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

We have applied the procedures described in this report to audit the Environmental Cost Recovery schedules for the historical 12-month period ended December 31, 1999 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Environmental Cost Recovery in Docket 000007-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.

The scope was limited in that the list of major vendors with services provided to the company was not prepared due to audit analyzer system problems, and in that some accruals made in December 1999 to account 514.209 for \$501,241 and \$38,599, and to account 512.039 for \$90,000 and \$276,423 were not fully tested due to time limits. These items will be tested in a separate follow up audit.

## **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.

**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.

**EXPENSES-** Prepared an analytical review of all the programs. Examined a sample of two accounts, which was selected judgementally using the fins reports. Prepared a trial balance and reconciled to the filing. Verified depreciation expense for a selected project. Traced the rates to the Commission Order.

**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. Traced the interest rates to the Wall Street Journal.

**INVESTMENT -** Recalculated the return on investment. Verified the equity and debt ratios and traced to proper source and to Commission Order.

Examined a judgemental sample of additions for a specific project.

## **II. EXHIBITS**

Florida Power & Light Company  
 Environmental Cost Recovery Clause  
 Calculation of the Final True-up Amount for the Period  
 January through December 1999

Line No.	January	February	March	April	May	June
1 ECRC Revenues (net of Revenue Taxes)	\$1,398,399	\$1,182,115	\$1,157,418	\$1,257,480	\$1,377,995	\$1,493,122
2 True-up Provision (Order No. PSC-98-1764-FOF-EI)	208,736	208,736	208,736	208,736	208,736	208,736
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	1,607,135	1,390,851	1,366,153	1,466,216	1,586,731	1,701,857
4 Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-5A, Line 9)	387,446	494,105	2,511,057	1,137,811	480,949	977,411
b - Capital Investment Projects (Form 42-7A, Line 9)	559,954	540,347	544,974	549,912	545,805	543,474
c - Total Jurisdictional ECRC Costs	947,400	1,034,452	3,056,031	1,687,523	1,026,754	1,520,885
5 Over/(Under) Recovery (Line 3 - Line 4c)	659,735	356,399	(1,689,878)	(221,308)	559,977	180,972
6 Interest Provision (Form 42-3A, Line 10)	13,790	14,979	11,599	6,890	6,738	7,608
7 Beginning Balance True-Up & Interest Provision	2,504,826	2,969,615	3,132,257	1,245,243	822,090	1,180,069
a - Deferred True-Up from Oct 1997 to Dec 1998 (Form 42-1A, Line 9)	678,159	678,159	678,159	678,159	678,159	678,159
8 True-Up Collected/(Refunded) (See Line 2)	(208,736)	(208,736)	(208,736)	(208,736)	(208,736)	(208,736)
9 End of Period True-Up (Lines 5+6+7+7a+8)	3,647,774	3,810,416	1,923,402	1,500,249	1,858,228	1,838,073
10 Adjustments to Period Total True-Up including Interest						
11 End of Period Total Net True-Up (Lines 9+10)	\$3,647,774	\$3,810,416	\$1,923,402	\$1,500,249	\$1,858,228	\$1,838,073
	464,789	162,642	(1,887,014)	(423,153)	357,979	(20,155)

Florida Power & Light Company  
 Environmental Cost Recovery Clause  
 Calculation of the Final True-up Amount for the Period  
 January through December 1999

Line No.	July	August	September	October	November	December	End of Period Amount
1 ECRC Revenues (net of Revenue Taxes)	\$1,604,202	\$1,770,381	\$1,732,616	\$1,532,900	\$1,321,418	\$1,282,825	\$17,110,871
2 True-up Provision (Order No. PSC-98-1764-FOF-EI)	208,736	208,736	208,736	208,736	208,736	208,736	2,504,826
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	1,812,938	1,979,117	1,941,352	1,741,636	1,530,153	1,491,561	19,615,697
4 Jurisdictional ECRC Costs							
a - O&M Activities (Form 42-5A, Line 9)	338,427	507,779	529,802	459,934	696,014	2,861,544	11,380,079
b - Capital Investment Projects (Form 42-7A, Line 9)	539,815	542,809	543,255	541,255	539,334	589,299	6,590,233
c - Total Jurisdictional ECRC Costs	876,242	1,050,588	1,073,057	1,001,189	1,235,348	3,460,843	17,970,312
5 Over/(Under) Recovery (Line 3 - Line 4c)	936,696	928,529	868,295	740,447	294,805	(1,969,283)	1,645,385
6 Interest Provision (Form 42-3A, Line 10)	9,313	12,744	16,097	18,768	20,692	16,501	155,719
7 Beginning Balance True-Up & Interest Provision	1,159,914	1,897,187	2,629,724	3,305,380	3,855,859	3,962,821	2,504,826
a - Deferred True-Up from Oct 1997 to Dec 1998 (Form 42-1A, Line 9)	678,159	678,159	678,159	678,159	678,159	678,159	678,159
8 True-Up Collected /(Refunded) (See Line 2)	(208,736)	(208,736)	(208,736)	(208,736)	(208,736)	(208,736)	(2,504,826)
9 End of Period True-Up (Lines 5+6+7+8)	2,575,346	3,307,883	3,983,539	4,534,018	4,640,780	2,479,263	2,479,263
10 Adjustments to Period Total True-Up Including Interest							
11 End of Period Total Net True-Up (Lines 9+10)	\$2,575,346	\$3,307,883	\$3,983,539	\$4,534,018	\$4,640,780	\$2,479,263	\$2,479,263
	737,273	732,537	675,656	550,479	106,762	(2,161,517)	



Florida Power & Light Company  
Environmental Cost Recovery Clause  
Calculation of the Final True-up Amount for the Period  
January through December 1999

Interest Provision (in Dollars)

Line No.	January	February	March	April	May	June
1 Beginning True-Up Amount (Form 42-2A, Lines 7 + 7a + 10)	\$3,182,985	\$3,647,774	\$3,810,416	\$1,923,402	\$1,500,249	\$1,858,228
2 Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	3,633,984	3,795,437	1,911,803	1,493,359	1,851,490	1,830,465
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	\$6,816,969	\$7,443,211	\$5,722,219	\$3,416,761	\$3,351,739	\$3,688,693
4 Average True-Up Amount (Line 3 x 1/2)	\$3,408,485	\$3,721,606	\$2,861,110	\$1,708,381	\$1,675,870	\$1,844,347
5 Interest Rate (First Day of Reporting Month)	4.90000%	4.81000%	4.85000%	4.88000%	4.80000%	4.85000%
6 Interest Rate (First Day of Subsequent Month)	4.81000%	4.85000%	4.88000%	4.80000%	4.85000%	5.05000%
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	9.71000%	9.66000%	9.73000%	9.68000%	9.65000%	9.90000%
8 Average Interest Rate (Line 7 x 1/2)	4.85500%	4.83000%	4.86500%	4.84000%	4.82500%	4.95000%
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.40458%	0.40250%	0.40542%	0.40333%	0.40208%	0.41250%
10 Interest Provision for the Month (Line 4 x Line 9)	\$13,790	\$14,979	\$11,599	\$6,890	\$6,738	\$7,608

Florida Power & Light Company  
 Environmental Cost Recovery Clause  
 Calculation of the Final True-up Amount for the Period  
 January through December 1999

## Interest Provision (in Dollars)

Line No.	July	August	September	October	November	December	End of Period Amount
1 Beginning True-Up Amount (Form 42-2A, Lines 7 + 7a + 10)	\$1,838,073	\$2,575,346	\$3,307,883	\$3,983,539	\$4,534,018	\$4,640,780	\$36,802,693
2 Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	2,566,033	3,295,139	3,967,442	4,515,250	4,620,088	2,462,762	35,943,252
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	\$4,404,106	\$5,870,485	\$7,275,325	\$8,498,789	\$9,154,106	\$7,103,542	\$72,745,945
4 Average True-Up Amount (Line 3 x 1/2)	\$2,202,053	\$2,935,243	\$3,637,663	\$4,249,395	\$4,577,053	\$3,551,771	\$36,372,973
5 Interest Rate (First Day of Reporting Month)	5.05000%	5.10000%	5.32000%	5.30000%	5.30000%	5.55000%	N/A
6 Interest Rate (First Day of Subsequent Month)	5.10000%	5.32000%	5.30000%	5.30000%	5.55000%	5.60000%	N/A
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	10.15000%	10.42000%	10.62000%	10.60000%	10.85000%	11.15000%	N/A
8 Average Interest Rate (Line 7 x 1/2)	5.07500%	5.21000%	5.31000%	5.30000%	5.42500%	5.57500%	N/A
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.42292%	0.43417%	0.44250%	0.44167%	0.45208%	0.46458%	N/A
10 Interest Provision for the Month (Line 4 x Line 9)	\$9,313	\$12,744	\$16,097	\$18,768	\$20,692	\$16,501	\$155,719