

AUDIT DISCLOSURE NO. 2

SUBJECT: ESTIMATES VS. ACTUAL

STATEMENT OF FACT: Fibernet charged Florida Power and Light a portion of the estimated Fibernet costs as discussed in Disclosure No. 1. Actual and estimated costs were requested May 15. On May 25 a worksheet showing the estimate for one account and the calculation of the [REDACTED] allocation for that account was provided. After a meeting to determine how allocations were made and what data was available, actual costs for 1999 for seven of the accounts charged were requested to determine the reasonableness of the estimates which were supposed to be based on 1999 numbers. The allocation methodology for each account was also requested since it was determined at the meeting that not all accounts were charged at the [REDACTED] allocation. This request was made on June 6.

The company responded on June 29 as follows:

"In a previous request we have provided both the breakdown and total of estimated cost of fiber service to the utility. We also provided the methodology used for each line item. We believe the 1999 requested numbers not to be a relevant set of values as we will be charging the utility actual costs based on the methodology previously presented. Staff is more than welcome to review actual costs charged at a future point in time."

Despite the utility's assertion in this response, staff had not previously received the methodology. When asked to provide a request number where this was provided, the utility was unable to do so. Subsequently, the utility provided the allocation methodology on July 31, 2000, our last day of field work. The utility expects to have actual costs this month and we will follow up on these costs when they are provided.

Commission rule 25-6.0151, Florida Administrative Code, addresses the audit access to records. We do not believe that the utility fully complied with the provisions of this rule. Specifically, subsection (b) states that "reasonable access means that company responses to audit requests for access to records shall be fully provided within the time frame established by the auditor." The rule specifically details in subsection (c) that "in those instances where the utility disagrees with the auditor's assessment of a reasonable response time to the request, the utility shall first attempt to discuss the disagreement with the auditor and reach an acceptable revised date. If agreement cannot be reached, the utility shall discuss the issue with successive levels of supervisors at the Commission until an agreement is reached." In future audits, we plan to pursue strict interpretation of this rule and if necessary, follow up with a show cause for why the utility should not be fined for non-compliance.

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