

M E M O R A N D U M

DATE: June 14, 2001

TO: DENISE VANDIVER, BUREAU CHIEF, DIVISION OF REGULATORY OVERSIGHT

FROM: KATHY L. WELCH, REGULATOR ANALYST SUPERVISOR
MIAMI DISTRICT *KW*

RE: COMPLETED AUDIT SUMMARY REPORT

ORIGINATOR Daniel Lee

COMPANY Florida Power & Light

AFAD CONTROL # 01-037-4-1 DOCKET # 01-0001-EI

PURPOSE OF AUDIT: Capacity Audit - period 1/1/00 - 12/31/00 -
Audit each cost using same procedures and guidelines as prior
audit.

AUDITORS ASSIGNED	AUDIT HRS	TRAVEL HRS
AUDITORS ASSIGNED	AUDIT HRS	TRAVEL HRS
AUDIT MANAGER	AUDIT HRS	TRAVEL HRS
<u>Gabriela Leon</u>	<u>364 3/4</u>	

DATE FIELD WORK BEGAN 1/01/01 FIELD WORK ENDED 6/12/01

ESTIMATED HOURS _____ FIELD AUDIT SUPERVISOR HOURS (INC. TRAVEL) 7

ESTIMATED TRAVEL HOURS _____ TOTAL HOURS CHARGED 371 3/4

TOTAL DOLLARS AUDITED: INVESTMENT _____

REVENUE	<u>\$404,902,021</u>
EXPENSE	<u>\$528,655,517.96</u>

FOR THE FOLLOWING ITEM, USE PAPER AS NECESSARY BE SPECIFIC RECOMMENDATIONS FOR NEXT AUDIT: _____



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*


Miami District Office

FLORIDA POWER AND LIGHT


CAPACITY COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2000

DOCKET #010001-EI
AUDIT CONTROL NO. 01-037-4-1



Gabriela Leon
Audit Manager



Kathy Welch
Audit Supervisor

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT**

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described in this report to audit the Capacity Cost Recovery Clause True-up schedules for the historical 12-month period ended December 31, 2000 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Capacity Cost Recovery Clause in Docket 010001-EI.

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

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 errors or inconsistency.

Reviewed-The exhibit amounts were reconciled with the general ledger. The general account balances were traced to the subsidiary ledgers, and selective analytical review procedures were applied.

Examined-The exhibit amounts were reconciled with the general ledger. The general account balances were traced to the 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.

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

REVENUES: Compiled the revenues from the revenue and rate report and reconciled to the filing; verified the billing factors to the appropriate order.

CAPACITY CHARGES -EXPENSES: Prepared an analytical review of all the capacity charges. On a judgmental basis selected accounts that had a high increase from the previous year and that represented a high percent of total capacity charges.

UNIT POWER CAPACITY- Reconciled the Unit Power Sales from Southern Company Services invoices to the Florida Power and Light filings. Judgementally selected and recalculated one month. Agreed the monthly capacity rate on the invoice to the documentation provided by Southern Company to Florida Power and Light.

The transmission true-up was recalculated and agreed to the supporting documentation provide by Southern Company to Florida Power and Light.

QUALIFYING FACILITY CHARGES- Examined and reconciled the Qualifying Facility (QF) amounts on the filing to the Actual Interchange and Purchased Power Billing Summary for the 12 months in 2000. All 12 months of QF charges were agreed to the invoices and to the actual QF charges on the Purchased Power Billing Summary.

ST. JOHN RIVER POWER PARK-SUSPENSION ACCRUALS/SUSPENSION LIABILITY- Recalculated St. Johns River Park (SJRPP) Suspension Liability and traced amounts to the general ledger. Traced the amounts to source documentation.

ST. JOHN RIVER POWER PLANT CAPACITY- Reconciled St. Johns River Power Park charges on the company's filing to the monthly Purchased Power Accruals, Jacksonville Electric Authority (JEA), Carrying Cost of Investment, Bond Resolution Expense, and 30% Fixed Cost of Operation. Traced monthly accruals to source documentation from JEA to cancelled checks showing payments made.

CYPRESS SETTLEMENT PAYMENTS- Examined and reconciled Cypress Settlement Payments made to the general ledger and to proper source documentation.

CAPACITY AMOUNT IN RATE BASE- Traced the capacity related amounts included in rate base to the prior audit commission order.

TRUE-UP: Recalculated the true-up and verified the beginning true-up to the orders and the interest rates to the Wall Street Journal.

II. EXHIBITS

CAPACITY COST RECOVERY CLAUSE							
CALCULATION OF FINAL TRUE-UP AMOUNT							
FOR THE PERIOD JANUARY THROUGH DECEMBER 2000							
LINE NO.		(1) JAN 2000	(2) FEB 2000	(3) MAR 2000	(4) APR 2000	(5) MAY 2000	(6) JUN 2000
1.	UPS Capacity Charges	\$ 9,093,678.00	\$ 9,499,081.00	\$ 9,320,275.00	\$ 9,219,263.00	\$ 9,019,651.00	\$ 9,196,312.00
2.	Short Term Capacity Purchases CCR	0.00	0.00	0.00	0.00	0.00	3,779,000.00
3.	QP Capacity Charges	26,406,493.27	26,498,606.07	25,962,121.20	26,759,341.94	26,608,232.57	26,567,549.89
4.	SJRPP Capacity Charges	7,274,434.99	7,282,165.88	7,707,571.14	7,625,508.83	7,433,150.86	7,423,269.10
4a.	SJRPP Suspension Accrual	391,667.00	391,667.00	391,667.00	364,775.00	364,775.00	364,775.00
4b.	Return on SJRPP Suspension Liability	(106,038.28)	(109,894.20)	(113,750.15)	(117,473.71)	(121,064.90)	(124,656.10)
5.	SJRPP Deferred Interest Payment	(308,458.17)	(308,458.17)	(233,106.95)	(233,106.95)	(233,106.95)	(233,106.95)
6.	Cypress Settlement (Capacity)	0.00	0.00	0.00	1,530,589.14	0.00	0.00
7.	Trans. of Electricity by Others - FPL Sales	34,414.07	12,890.00	13,739.50	(3,667.20)	50,560.70	355,975.81
8.	Revenues from Capacity Sales	(657,825.63)	(269,478.09)	(290,773.14)	(356,613.43)	(501,496.25)	(275,795.86)
9.	Total (Lines 1 through 8)	\$ 42,128,365.25	\$ 42,996,579.49	\$ 42,757,743.60	\$ 44,788,616.62	\$ 42,620,702.03	\$ 47,053,322.89
10.	Jurisdictional Separation Factor (a)	97.87297%	97.87297%	97.87297%	97.87297%	97.87297%	97.87297%
11.	Jurisdictional Capacity Charges	41,232,282.28	42,082,029.35	41,848,273.57	43,835,949.31	41,714,146.91	46,052,484.60
12.	Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)
13.	Jurisdictional Capacity Charges Authorized	\$ 36,486,816.28	\$ 37,336,563.35	\$ 37,102,807.57	\$ 39,090,483.31	\$ 36,968,680.91	\$ 41,307,018.60
14.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 30,219,886.13	\$ 29,996,057.19	\$ 28,692,655.49	\$ 29,715,040.03	\$ 31,392,464.44	\$ 37,706,366.65
15.	Prior Period True-up Provision	7,022,407.00	7,022,407.00	7,022,407.00	7,022,407.00	7,022,407.00	7,022,407.00
16.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 37,242,293.13	\$ 37,018,464.19	\$ 35,715,062.49	\$ 36,737,447.03	\$ 38,414,871.44	\$ 44,728,773.65
17.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	755,476.85	(318,099.16)	(1,387,745.08)	(2,353,036.28)	1,446,190.52	3,421,755.06
18.	Interest Provision for Month	463,570.11	441,058.87	414,556.24	384,553.27	362,576.91	350,797.70
19.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	84,268,889.00	78,465,528.96	71,566,081.67	63,570,485.83	54,579,595.82	49,365,956.26
20.	Deferred True-up - Over/(Under) Recovery	16,458,284.00	16,458,284.00	16,458,284.00	16,458,284.00	16,458,284.00	16,458,284.00
21.	Prior Period True-up Provision - Collected/(Refunded) this Month	(7,022,407.00)	(7,022,407.00)	(7,022,407.00)	(7,022,407.00)	(7,022,407.00)	(7,022,407.00)
22.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	\$ 94,923,812.96	\$ 88,024,365.67	\$ 80,028,769.83	\$ 71,037,879.82	\$ 65,824,240.26	\$ 62,574,386.01
	monthly entry	(5,803,360.04)	(6,899,447.29)	(7,995,595.84)	(8,990,890.01)	(5,213,639.56)	(3,249,854.25)
		Notes: (a) Per K. M. Dublin's Testimony Appendix III Page 3, Docket No. 990001-El, filed October 1, 1999					
		(b) Per FPSC Order No. PSC-94-1092-FOF-El, Docket No. 940001-El, as adjusted in August 1993, per E.L. Hoffman's Testimony Appendix IV, Docket No. 930001-El, filed July 8, 1993.					

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CAPACITY COST RECOVERY CLAUSE									
CALCULATION OF FINAL TRUE-UP AMOUNT									
FOR THE PERIOD JANUARY THROUGH DECEMBER 2000									
LINE NO.		(7) JUL 2000	(8) AUG 2000	(9) SEP 2000	(10) OCT 2000	(11) NOV 2000	(12) DEC 2000	(13) TOTAL	LINE NO.
1.	UPS Capacity Charges	\$ 7,721,900.00	\$ 9,077,699.00	\$ 9,092,974.00	\$ 8,945,049.00	\$ 8,816,443.00	\$ 8,754,184.00	\$107,756,509.00	1.
2.	Short Term Capacity Purchases CCR	3,779,000.00	3,862,200.00	1,821,500.00	0.00	0.00	0.00	13,241,700.00	2.
3.	QF Capacity Charges	26,452,487.44	26,099,044.75	27,040,455.45	26,244,778.38	26,586,533.18	26,676,485.71	317,902,129.85	3.
4.	SJRPP Capacity Charges	7,117,693.35	6,943,956.15	6,280,669.74	7,324,915.04	7,198,354.18	6,091,872.15	85,703,561.41	4.
4a.	SJRPP Suspension Accrual	364,775.00	364,775.00	364,775.00	364,775.00	364,775.00	364,775.00	4,457,976.00	4a.
4b.	Return on SJRPP Suspension Liability	(128,247.29)	(131,838.48)	(135,429.65)	(139,020.85)	(142,612.05)	(146,203.23)	(1,516,228.89)	4b.
5.	SJRPP Deferred Interest Payment	(233,106.95)	(233,106.95)	(234,464.05)	(310,545.87)	(310,545.87)	(310,545.87)	(3,181,659.70)	5.
6.	Cypress Settlement (Capacity)	0.00	0.00	0.00	1,530,589.14	136,279.40	0.00	3,197,457.68	6.
7.	Trans. of Electricity by Others - FPL Sales	356,545.88	174,764.33	54,485.10	(901.01)	34,824.00	10,441.43	1,094,072.61	7.
8.	Revenues from Capacity Sales	(524,499.07)	(825,064.82)	(216,067.16)	(320,629.27)	(448,975.98)	(1,878,424.19)	(6,565,642.89)	8.
9.	Total (Lines 1 through 8)	\$ 44,906,548.36	\$ 45,332,428.98	\$ 44,068,898.43	\$ 43,639,009.56	\$ 42,235,074.86	\$ 39,562,585.00	\$522,089,875.07	9.
10.	Jurisdictional Separation Factor (a)	97.87297%	97.87297%	97.87297%	97.87297%	97.87297%	97.87297%	N/A	10.
11.	Jurisdictional Capacity Charges	43,951,372.60	44,368,194.62	43,131,539.74	42,710,794.73	41,336,722.15	38,721,076.95	510,984,866.80	11.
12.	Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(56,945,592.00)	12.
13.	Jurisdictional Capacity Charges Authorized	\$ 39,205,906.60	\$ 39,622,728.62	\$ 38,386,073.74	\$ 37,965,328.73	\$ 36,591,256.15	\$ 33,975,610.95	\$454,039,274.80	13.
14.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 38,504,653.20	\$ 39,765,128.10	\$ 39,996,776.93	\$ 36,682,353.26	\$ 31,010,497.95	\$ 31,220,141.85	\$404,902,021.20	14.
15.	Prior Period True-up Provision	7,022,407.00	7,022,407.00	7,022,407.00	7,022,407.00	7,022,407.00	7,022,407.00	84,268,889.00	15.
16.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 45,527,060.20	\$ 46,787,535.10	\$ 47,019,183.93	\$ 43,704,760.26	\$ 38,032,904.95	\$ 38,242,548.85	\$489,170,910.20	16.
17.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	6,321,153.59	7,164,806.48	8,633,110.19	5,739,431.52	1,441,648.80	4,266,937.90	35,131,635.40	17.
18.	Interest Provision for Month	339,119.49	336,849.67	343,412.15	346,422.35	333,529.80	312,773.30	4,429,219.84	18.
19.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	46,116,102.01	45,753,968.09	46,233,217.24	48,187,332.58	47,250,779.45	42,003,551.04	84,268,889.00	19.
20.	Deferred True-up - Over/(Under) Recovery	16,458,284.00	16,458,284.00	16,458,284.00	16,458,284.00	16,458,284.00	16,458,284.00	16,458,284.00	20.
21.	Prior Period True-up Provision - Collected/(Refunded) this Month	(7,022,407.00)	(7,022,407.00)	(7,022,407.00)	(7,022,407.00)	(7,022,407.00)	(7,022,407.00)	(84,268,889.00)	21.
22.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	\$ 62,212,252.09	\$ 62,691,501.24	\$ 64,645,616.58	\$ 63,709,063.45	\$ 58,461,835.04	\$ 56,019,139.25	\$ 56,019,139.25	22.
	monthly entry	(362,133.92)	479,249.15	1,954,115.34	(936,553.13)	(5,247,228.40)	(2,442,695.80)		

Notes: (a) Per K. M. Dublin's Testimony Appendix III Page 3, Docket No. 990001-EI, filed October 1, 1999
(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.