

ORIGINAL

State of Florida



Public Service Commission

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

DATE: June 27, 2001
TO: Division of Safety and Electric Reliability (Jim Breman)
FROM: Division of Regulatory Oversight (Vandiver) W
RE: Docket No. 010007-EI; Florida Power and Light Company; Environmental Cost Recovery; Audit Control No. 01-023-4-1

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.

Attachment

cc: Division of Regulatory Oversight (Hoppe, Harvey, District Offices, File Folder)
Division of Commission Clerk and Administrative Services
Division of Legal Services

Mr. Bill Walker
Florida Power and Light Company
215 South Monroe Street, Suite 810
Tallahassee, Florida 32301-1859

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REGULATORY REPORTING



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, 2000

DOCKET NO. 010007-EI
AUDIT CONTROL NO. 01-023-4-1

A handwritten signature in black ink, appearing to read "Yen Ngo", written over a horizontal line.

Yen Ngo, Audit Manager

A handwritten signature in black ink, appearing to read "Kathy Welch", written over a horizontal line.

Kathy Welch, Regulatory Analyst Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	AUDIT PURPOSE	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT PROCEDURES	2
II.	DISCLOSURES	
	CORRECTING CAPITAL	4
III.	EXHIBITS	
	FORM 42-2A	6
	FORM 42-3A	8

**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT
JUNE 5, 2001**

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, 2000 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Environmental Cost Recovery in Docket 010007-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.

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.

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. Selected the programs with the highest variance between estimated and actual. Examined a statistical sample of accounts related to these programs. Prepared a trial balance and reconciled to the filing.

Depreciation Expenses - Randomly recalculated Depreciation Expense for month of December 2000. 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-30 day Commercial Paper Rate. Traced the prior true-up to the prior audit. Traced the ECRC Costs Per Stipulation & Settlement Agreement to Commission Order.

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 specific projects.

Deferred Gain on Sales Emission Allowances - Traced May 2000 proceeds to the General Ledger and to EPA Allowance Tracking System.

DISCLOSURES

Disclosure No. 1

Subject: Correcting Capital *16-16/2-3*

Statement of Fact: In December 1999, an invoice for \$23,883.08 was incorrectly coded as Operation & Maintenance (O&M) expense. The correction & adjustment (C&A) was issued to transfer \$125,099.00 of plant that was originally booked in O&M to capital in early February of 2000. The \$23,883.08 was embedded in the C&A.

Around the same time the C&A was generated, the invoice for \$23,883.08 was being paid and booked to plant account 311.000. Hence, the entry was booked twice. A correction and adjustment will be done.

III. EXHIBITS

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2000

Line No.	January	February	March	April	May	June
1 ECRC Revenues (net of Revenue Taxes)	\$1,001,254	\$939,407	\$914,300	\$937,326	\$997,300	\$1,224,014
2 True-up Provision (Order No. PSC-99-2513-FOF-EI)	69,598	69,598	69,598	69,598	69,598	69,598
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	1,070,852	1,009,005	983,898	1,006,924	1,066,898	1,293,612
4 Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-5A, Line 9)	351,235	1,936,777	415,043	238,746	(34,492)	624,994
b - Capital Investment Projects (Form 42-7A, Line 9)	524,971	529,648	531,280	553,700	561,707	561,756
c - Total Jurisdictional ECRC Costs	876,206	2,466,425	946,323	792,446	527,215	1,186,750
d - Total Jurisdictional ECRC Costs per Stipulation & Settlement Agreement	1,066,667	1,066,667	1,066,667	1,066,667	1,066,667	1,066,667
5 Over/(Under) Recovery (Line 1 - Line 4d)	(65,413)	(127,260)	(152,367)	(129,341)	(69,367)	157,347
6 Interest Provision (Form 42-3A, Line 10)	11,456	10,910	10,182	9,486	9,026	9,218
7 Beginning Balance True-Up & Interest Provision	835,174	711,619	525,671	313,888	124,435	(5,504)
a - Deferred True-Up from Oct 1997 to Dec 1998 (Form 42-1A, Line 9)	1,644,089	1,644,089	1,644,089	1,644,089	1,644,089	1,644,089
8 True-Up Collected / (Refunded) (See Line 2)	(69,598)	(69,598)	(69,598)	(69,598)	(69,598)	(69,598)
9 End of Period True-Up (Lines 5+6+7+7a+8)	2,355,708	2,169,760	1,957,977	1,768,524	1,638,585	1,735,552
10 Adjustments to Period Total True-Up Including Interest						
11 End of Period Total Net True-Up (Lines 9+10)	\$2,355,708	\$2,169,760	\$1,957,977	\$1,768,524	\$1,638,585	\$1,735,552

Notes:

(1) \$14,407,045 are the actual Environmental costs for 2000 and are provided for information only.

(2) Per the Stipulation and Settlement Agreement, "FPL will be allowed to recover its otherwise eligible and prudent environmental costs, including true-up amounts, in 2000 up to \$12.8 million".

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2000

Line No.	July	August	September	October	November	December	End of Period Amount
1	\$1,267,816	\$1,302,783	\$1,321,896	\$1,184,101	\$984,463	\$1,006,312	\$13,080,971
2	69,598	69,598	69,598	69,598	69,598	69,598	835,176
3	1,337,414	1,372,381	1,391,494	1,253,699	1,054,061	1,075,910	13,916,147
4	Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-5A, Line 9)	195,761	403,585	209,604	171,010	320,117	3,040,923	7,873,303
b - Capital Investment Projects (Form 42-7A, Line 9)	542,780	546,732	547,057	545,547	543,958	544,606	6,533,742
c - Total Jurisdictional ECRC Costs	738,541	950,317	756,661	716,557	864,075	3,585,529	14,407,045 (1)
d - Total Jurisdictional ECRC Costs per Stipulation & Settlement Agreement	1,066,667	1,066,667	1,066,667	1,066,667	1,066,667	1,066,667	12,800,000 (2)
5	201,149	236,117	255,229	117,435	(82,204)	(60,355)	280,971
6	9,817	10,601	11,611	12,315	12,240	11,544	128,406
7	91,463	232,831	409,951	607,193	667,345	527,783	835,174
a - Deferred True-Up from Oct 1997 to Dec 1998 (Form 42-1A, Line 9)	1,644,089	1,644,089	1,644,089	1,644,089	1,644,089	1,644,089	1,644,089
8	(69,598)	(69,598)	(69,598)	(69,598)	(69,598)	(69,598)	(835,176)
9	1,876,920	2,054,040	2,251,282	2,311,434	2,171,872	2,053,465	2,053,465
10	Adjustments to Period Total True-Up Including Interest						
11	\$1,876,920	\$2,054,040	\$2,251,282	\$2,311,434	\$2,171,872	\$2,053,465	\$2,053,465

Notes:

(1) \$14,407,045 are the actual Environmental costs for 2000 and are provided for information only.

(2) Per the Stipulation and Settlement Agreement, "FPL will be allowed to recover its otherwise eligible and prudent environmental costs, including true-up amounts, in 2000 up to \$12.8 million".

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2000

Interest Provision (In Dollars)

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Line No.	January	February	March	April	May	June
1 Beginning True-Up Amount (Form 42-2A, Lines 7 + 7a + 10)	\$2,479,263	\$2,355,708	\$2,169,760	\$1,957,977	\$1,768,524	\$1,638,585
2 Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	2,344,252	2,158,850	1,947,795	1,759,038	1,629,559	1,726,334
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	\$4,823,515	\$4,514,558	\$4,117,555	\$3,717,015	\$3,398,083	\$3,364,919
4 Average True-Up Amount (Line 3 x 1/2)	\$2,411,758	\$2,257,279	\$2,058,778	\$1,858,508	\$1,699,042	\$1,682,460
5 Interest Rate (First Day of Reporting Month)	5.60000%	5.80000%	5.80000%	6.07000%	6.18000%	6.57000%
6 Interest Rate (First Day of Subsequent Month)	5.80000%	5.80000%	6.07000%	6.18000%	6.57000%	6.58000%
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	11.40000%	11.60000%	11.87000%	12.25000%	12.75000%	13.15000%
8 Average Interest Rate (Line 7 x 1/2)	5.70000%	5.80000%	5.93500%	6.12500%	6.37500%	6.57500%
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.47500%	0.48333%	0.49458%	0.51042%	0.53125%	0.54792%
10 Interest Provision for the Month (Line 4 x Line 9)	\$11,456	\$10,910	\$10,182	\$9,486	\$9,026	\$9,218

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2000

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)	\$1,735,552	\$1,876,920	\$2,054,040	\$2,251,282	\$2,311,434	\$2,171,872	\$24,770,917
2 Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	1,867,103	2,043,439	2,239,671	2,299,119	2,159,632	2,041,919	24,216,711
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	\$3,602,655	\$3,920,359	\$4,293,711	\$4,550,401	\$4,471,066	\$4,213,791	\$48,987,628
4 Average True-Up Amount (Line 3 x 1/2)	\$1,801,328	\$1,960,180	\$2,146,856	\$2,275,201	\$2,235,533	\$2,106,896	\$24,493,814
5 Interest Rate (First Day of Reporting Month)	6.58000%	6.50000%	6.48000%	6.50000%	6.49000%	6.65000%	N/A
6 Interest Rate (First Day of Subsequent Month)	6.50000%	6.48000%	6.50000%	6.49000%	6.65000%	6.50000%	N/A
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	13.08000%	12.98000%	12.98000%	12.99000%	13.14000%	13.15000%	N/A
8 Average Interest Rate (Line 7 x 1/2)	6.54000%	6.49000%	6.49000%	6.49500%	6.57000%	6.57500%	N/A
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.54500%	0.54083%	0.54083%	0.54125%	0.54750%	0.54792%	N/A
10 Interest Provision for the Month (Line 4 x Line 9)	\$9,817	\$10,601	\$11,611	\$12,315	\$12,240	\$11,544	\$128,406

6