

State of Florida



# Public Service Commission

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

---

**DATE:** July 24, 2002  
**TO:** Division of Economic Regulation (Bohrmann)  
**FROM:** Division of Auditing and Safety (Vandiver)  
**RE:** **Docket No.** 020002-EG; Florida Power & Light Company; **Audit Purpose:** Energy Conservation Cost Recovery Clause; **Audit Control No.** 02-064-4-1

---

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 the Commission Clerk and Administrative Services. There are confidential work papers associated with this audit.

DNV/jcp  
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)  
Division of the Commission Clerk and Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

Mr. Bill Walker, Vice President  
Florida Power & Light Company  
215 South Monroe Street, Suite 810  
Tallahassee, FL 32301-1859

Steel Law Firm  
Matt Childs, Esq.  
215 So. Monroe Street  
Tallahassee, FL 32301

DOCUMENT NUMBER

07852 JUL 26 2002

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING & SAFETY  
BUREAU OF AUDITING

*Miami District Office*

FLORIDA POWER AND LIGHT COMPANY  
ENERGY CONSERVATION COST RECOVERY CLAUSE  
HISTORICAL YEAR ENDED DECEMBER 31, 2001

DOCKET NO. 020002-EG  
AUDIT CONTROL NO. 02-064-4-1

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

<b>I.</b>	<b>AUDITOR'S REPORT</b> .....	<b>PAGE</b>
	AUDIT PURPOSE .....	1
	SCOPE LIMITATION .....	1
	DISCLAIM PUBLIC USE .....	1
	SUMMARY OF SIGNIFICANT PROCEDURES .....	2
<b>II.</b>	<b>EXHIBITS</b>	
	SCHEDULE CT-3 .....	4

**DIVISION OF REGULATORY OVERSIGHT  
AUDITOR'S REPORT  
JULY 15, 2002**

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

We have applied the procedures described in this report to audit the Energy Cost Recovery schedules for the historical 12-month period ended December 31, 2001 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Energy Cost Recovery in Docket 020002-EG.

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. Extracted and examined a statistical sample of accounts related to these programs from the audit analyzer. Prepared a trial balance and reconciled to the filing.

**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 ECCR 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.

Randomly selected the additions and reconciled to payroll, cash voucher, journal voucher, vehicle source, and work order.

## II. EXHIBITS

Florida Power & Light Company  
**CONSERVATION PROGRAM COSTS**  
 JANUARY 2001 THROUGH DECEMBER 2001

Program Title	January	February	March	April	May	June	July	August	September	October	November	December	Total For Period
1 Residential Conservation Service Program	\$ 147,383	\$ 1,411,513	\$ 434,230	\$ 1,596,140	\$ 405,798	\$ 940,055	\$ 1,826,509	\$ 467,030	\$ 410,398	\$ 1,876,619	\$ 949,262	\$ 838,907	\$ 11,303,826
2 Residential Building Envelope Program	223,922	160,028	308,435	242,576	358,113	343,517	338,334	450,465	385,199	403,933	463,715	244,619	3,922,855
3 Residential Load Management ("On Call")	4,151,947	3,930,071	4,120,175	6,231,835	6,299,604	6,549,967	6,644,641	6,460,977	6,413,209	6,423,630	4,571,170	4,286,059	56,083,284
4 Duct System Testing & Repair Program	168,742	163,378	224,433	239,851	229,702	283,245	363,340	245,013	240,343	278,345	230,118	244,020	2,910,529
5 Residential Air Conditioning Program	1,048,631	974,834	1,352,794	1,572,810	1,594,523	1,616,872	1,729,980	1,997,110	1,664,709	1,511,089	1,707,634	1,243,498	18,014,484
6 Business On Call Program	(42,073)	113,052	152,338	255,142	235,176	298,863	154,449	242,604	241,576	254,935	103,680	106,976	2,116,719
7 Cogeneration & Small Power Production	271,324	276,203	79,131	24,482	17,254	115,556	22,641	18,947	19,401	17,208	18,565	18,560	899,261
8 Commercial/Industrial Efficient Lighting	21,729	41,687	46,552	28,876	41,736	64,671	114,310	96,167	62,241	62,908	19,331	50,280	650,489
9 Commercial/Industrial Load Control	2,222,850	2,161,242	2,322,456	2,380,814	2,393,521	2,437,988	2,928,653	2,628,229	2,680,416	2,638,771	2,543,949	2,686,354	30,025,243
10 C/I Demand Reduction	824	3,314	4,858	4,921	7,215	7,721	6,843	13,358	14,090	13,708	13,283	12,798	102,533
11 Business Energy Evaluation	72,974	563,137	159,474	693,917	147,265	146,193	809,911	94,393	140,891	1,002,567	110,926	258,009	4,199,655
12 C/I Heating, Ventilating & A/C Program	225,005	279,727	259,870	567,528	155,244	892,661	483,438	133,515	421,627	121,720	237,537	782,491	4,360,365
13 Business Custom Incentive Program	4,471	1,120	241,209	1,187	1,155	1,187	611	787	692	(239,357)	240,791	65,913	319,765
14 C/I Building Envelope Program	30,248	39,918	33,866	46,117	83,596	76,821	91,432	54,246	56,586	60,169	54,404	96,100	723,504
15 Cool Communities Research Project	159		53,344	100				(7,984)					45,619
16 Conservation Research & Development Program	8,784		340	4,996	14,821	157,412	3,677	457	(561)		1,096	6,865	197,887
17 BuildSmart Program	67,240	73,264	81,844	88,977	76,690	87,525	51,264	55,938	48,733	45,054	42,459	47,581	766,567
18 Low Income Weatherization R&D	1,418	1,418	1,594	1,534	1,469	4,028	15,169	1,588	7,313	7,115	4,308	10,359	57,315
19 Photovoltaic R&D	8	25						179	318		12,790	76	13,396
20 Green Energy Project	1,684	890	7,578	31,506		2,256	1,654	21,586	1,850	9,387	161,268	22,869	262,527
21 Common Expenses	850,847	833,324	1,724,203	1,062,636	919,992	933,452	770,342	819,472	842,081	790,544	1,099,949	1,288,067	11,934,909
<b>22 Total All Programs</b>	<b>\$ 9,477,896</b>	<b>\$ 11,028,143</b>	<b>\$ 11,608,526</b>	<b>\$ 15,075,945</b>	<b>\$ 12,982,876</b>	<b>\$ 14,759,990</b>	<b>\$ 16,357,198</b>	<b>\$ 13,794,075</b>	<b>\$ 13,651,112</b>	<b>\$ 15,278,344</b>	<b>\$ 12,586,234</b>	<b>\$ 12,310,393</b>	<b>\$ 158,910,731</b>
23 LESS Included in Base Rates	93,204	119,372	74,539	144,263	83,247	85,215	89,934	151,756	86,163	77,899	110,096	92,974	1,210,762
<b>24 Recoverable Conservation Expenses</b>	<b>\$ 9,384,692</b>	<b>\$ 10,908,771</b>	<b>\$ 11,533,887</b>	<b>\$ 14,931,681</b>	<b>\$ 12,899,630</b>	<b>\$ 14,674,776</b>	<b>\$ 16,267,264</b>	<b>\$ 13,642,318</b>	<b>\$ 13,562,949</b>	<b>\$ 15,200,445</b>	<b>\$ 12,476,137</b>	<b>\$ 12,217,418</b>	<b>\$ 157,699,969</b>
Totals may not add due to rounding													

4

Florida Power & Light Company  
 CONSERVATION PROGRAM COSTS  
 JANUARY 2001 THROUGH DECEMBER 2001

Program Title	Depreciation & Return	Payroll & Benefits	Materials & Supplies	Outside Services	Advertising	Incentives	Vehicles	Other	Sub-Total	Program Revenues	Total for Period
1. Residential Conservation Service Program	\$ 22,669	\$ 4,242,471	\$ 30,628	\$ 1,470,659	\$ 4,917,041		\$ 2,554	\$ 617,804	\$ 11,303,826		\$ 11,303,826
2. Residential Building Envelope Program		357,861	1,324	143,091		3,380,373	138	40,068	3,922,855		3,922,855
3. Residential Load Management ("On Call")	13,899,455	1,756,309	(3,553,294)	3,839,985		49,167,908	3,992	968,929	66,083,284		66,083,284
4. Duct System Testing & Repair Program		1,190,660	96,271	216,665	30,150	1,690,552	3,716	(317,485)	2,910,529		2,910,529
5. Residential Air Conditioning Program		583,729	2,828	345,154		17,006,402	222	76,149	18,014,484		18,014,484
6. Business On Call Program	855,805	165,816		55,609		997,413	1,033	41,043	2,116,719		2,116,719
7. Cogeneration & Small Power Production		274,264		676,031			46	(51,080)	899,261		899,261
8. Commercial/Industrial Efficient Lighting		112,768	374	139,575		374,775	731	22,266	650,489		650,489
9. Commercial/Industrial Load Control		299,881	205			29,666,519	1,287	57,351	30,025,243		30,025,243
10. C/I Demand Reduction		41,836	612			58,197	151	1,737	102,533		102,533
11. Business Energy Evaluation		1,166,508	23,289	563,621	2,252,650		8,405	185,182	4,199,655		4,199,655
12. C/I Heating, Ventilating & A/C Program	1,713	652,990	642	431,746		3,184,240	4,327	84,707	4,360,365		4,360,365
13. Business Custom Incentive Program		11,073		256		308,380	56		319,765		319,765
14. C/I Building Envelope Program		169,856		94,645		436,877	1,259	20,867	723,504		723,504
15. Cool Communities Research Project				45,416				203	45,619		45,619
16. Conservation Research & Development Program		1,081	183	193,343				3,280	197,887		197,887
17. BuildSmart Program		681,779	662	22,204	5,480		399	56,043	766,567	(70,675)	695,892
18. Low Income Weatherization R&D		18,123		27,480		11,360	89	263	57,315		57,315
19. Photovoltaic R&D			12,597					799	13,396		13,396
20. Green Energy Project		18,379		226,523				17,625	262,527		262,527
21. Common Expenses	2,254,697	7,209,533	40,946	1,064,991			96,505	1,268,237	11,934,909		11,934,909
22. Total All Programs	\$ 17,034,339	\$ 18,954,917	\$ (3,342,733)	\$ 9,556,994	\$ 7,205,321	\$ 106,282,996	\$ 124,910	\$ 3,093,988	\$ 158,910,731	\$ (70,675)	\$ 158,840,056
23. LESS- Included in Base Rates		1,210,762							1,210,762		1,210,762
24. Recoverable Conservation Expenses	\$ 17,034,339	\$ 17,744,155	\$ (3,342,733)	\$ 9,556,994	\$ 7,205,321	\$ 106,282,996	\$ 124,910	\$ 3,093,988	\$ 157,699,969	\$ (70,675)	\$ 157,629,294
Totals may not add due to rounding											

5



Florida Power & Light Company  
 CONSERVATION PROGRAM VARIANCE  
 JANUARY 2001 THROUGH DECEMBER 2001

Program Title	Depreciation & Return	Payroll & Benefits	Materials & Supplies	Outside Services	Advertising	Incentives	Vehicles	Other	Sub-Total	Program Revenues	Total for Period
1 Residential Conservation Service Program	\$ 12,014	\$ (63,653)	\$ (3,199)	\$ (263,938)	\$ (74,959)	-	\$ (4,009)	\$ 12,276	\$ (385,468)		\$ (385,468)
2 Residential Building Envelope Program	-	(3,435)	1,094	(15,679)		177,000	46	6,336	165,362		165,362
3 Residential Load Management ("On Call")	(23,328)	(76,155)	(506,737)	679,537		(2,627,487)	(3,726)	109,901	(2,447,995)		(2,447,995)
4 Duct System Testing & Repair Program		(103,674)	10,684	(97,741)	(132,600)	173,462	(4,632)	(69,434)	(223,935)		(223,935)
5 Residential Air Conditioning Program		37,300	(52,455)	(36,006)	(75,000)	2,671,661	92	9,408	2,555,000		2,555,000
6 Business On Call Program	(1,436)	3,277	(13,335)	(2,792)		52,301	(1,185)	(26,524)	10,305		10,305
7 Cogeneration & Small Power Production		(1,889)		(520,719)				(40,524)	(563,132)		(563,132)
8 Commercial/Industrial Efficient Lighting		(4,052)	374	(7,597)		83,644	117	2,399	74,885		74,885
9 Commercial/Industrial Load Control	(20,197)	(43,189)	(10,537)	(80,665)		869,077	278	(1,295)	713,472		713,472
10 C/I Demand Reduction		(455)	(1,473)	(18,335)		(48,649)	(977)	(965)	(70,854)		(70,854)
11 Business Energy Evaluation		(17,721)	3,365	(548,184)	307,650		3,231	26,528	(225,131)		(225,131)
12 C/I Heating, Ventilating & A/C Program	1,713	66,435	(606)	(229,822)		(230,372)	1,190	(51,578)	(443,040)		(443,040)
13 Business Custom Incentive Program		(2,080)		(2,430)		38,380	56	(332)	33,594		33,594
14 C/I Building Envelope Program		9,564	(3,957)	(29,913)		(102,347)	512	(18,104)	(144,245)		(144,245)
15 Cool Communities Research Project				(7,984)					(7,984)		(7,984)
16 Conservation Research & Development Program			183	(242,222)				(8,530)	(250,569)		(250,569)
17 BuildSmart Program		(72,421)	(1,162)	(100,652)	(2,410)		(1,763)	(23,686)	(202,094)	(13,235)	(215,329)
18 Low Income Weatherization R&D				21,411		(13,640)	(34)	(200)	7,537		7,537
19 Photovoltaic R&D			12,597	(33,335)				(16,349)	(37,087)		(37,087)
20 Green Energy Project		(66,567)		26,815				(2,603)	(42,355)		(42,355)
21. Common Expenses	(39,724)	(261,764)	(56,301)	(1,088)			8,081	236,096	(114,700)		(114,700)
22. Total All Programs	\$ (70,958)	\$ (600,479)	\$ (621,465)	\$ (1,511,339)	\$ 22,681	\$ 1,043,030	\$ (2,723)	\$ 142,820	\$ (1,598,435)	\$ (13,235)	\$ (1,611,670)
23. LESS. Included in Base Rates		(38,051)							(38,051)		(38,051)
24 Recoverable Conservation Expenses	\$ (70,958)	\$ (562,428)	\$ (621,465)	\$ (1,511,339)	\$ 22,681	\$ 1,043,030	\$ (2,723)	\$ 142,820	\$ (1,560,384)	\$ (13,235)	\$ (1,573,619)

Totals may not add due to rounding

FLORIDA POWER & LIGHT COMPANY  
 CONSERVATION TRUE-UP & INTEREST CALCULATION  
 JANUARY 2001 THROUGH DECEMBER 2001

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
<b>B CONSERVATION PROGRAM REVENUES</b>													
1 a RESIDENTIAL LOAD CONTROL CREDIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b C/I - PENALTIES	0	0	0	0	0	0	0	0	0	0	0	0	0
c BUILDSMART PROGRAM REVENUES	3,025	4,025	6,700	2,850	10,075	8,925	4,275	5,750	7,550	1,875	8,825	6,800	70,675
2 CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	12,929,954	11,248,295	10,869,052	11,031,611	11,276,372	13,602,484	14,400,270	14,275,376	15,216,115	13,193,638	11,715,106	11,831,793	151,590,066
3 TOTAL REVENUES	12,932,979	11,252,320	10,875,752	11,034,461	11,286,447	13,611,409	14,404,545	14,281,126	15,223,665	13,195,513	11,723,931	11,838,593	151,660,741
4 ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	828,604	828,604	828,604	828,604	828,604	828,604	828,604	828,604	828,604	828,604	828,604	828,604	9,943,246
5 CONSERVATION REVENUES APPLICABLE TO PERIOD (Line B3 + B4)	13,761,583	12,080,924	11,704,356	11,863,065	12,115,051	14,440,013	15,233,149	15,109,730	16,052,269	14,024,117	12,552,535	12,667,197	161,603,987
6 CONSERVATION EXPENSES (From CT-3, Page 1, Line 24)	9,384,692	10,908,771	11,533,887	14,931,681	12,899,630	14,674,776	16,267,264	13,642,318	13,562,949	15,200,445	12,476,137	12,217,418	157,699,969
7 TRUE-UP THIS PERIOD (Line B5 - Line B6)	4,376,891	1,172,153	170,469	(3,068,617)	(784,579)	(234,763)	(1,034,115)	1,467,412	2,489,320	(1,176,328)	76,397	449,778	3,904,018
8 INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	70,789	71,850	67,795	53,957	38,500	31,668	26,387	23,472	22,963	17,984	13,252	11,004	449,621
9 TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	9,943,246	13,562,322	13,977,721	13,387,381	9,544,118	7,969,435	6,937,736	5,101,404	5,763,684	7,447,363	5,460,415	4,721,461	9,943,246
a DEFERRED TRUE-UP BEGINNING OF PERIOD	2,381,681	2,381,681	2,381,681	2,381,681	2,381,681	2,381,681	2,381,681	2,381,681	2,381,681	2,381,681	2,381,681	2,381,681	2,381,681
10 PRIOR TRUE-UP COLLECTED (REFUNDED)	(828,604)	(828,604)	(828,604)	(828,604)	(828,604)	(828,604)	(828,604)	(828,604)	(828,604)	(828,604)	(828,604)	(828,604)	(9,943,246)
11 END OF PERIOD TRUE-UP - OVER(Under) RECOVERY (Line B7+B8+B9+B9a+B10)	\$15,944,003	\$16,359,402	\$15,769,062	\$11,925,799	\$10,351,116	\$9,319,417	\$7,483,085	\$8,145,365	\$9,829,044	\$7,842,096	\$7,103,142	\$6,735,320	\$6,735,320

NOTES ( ) Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY  
 CONSERVATION TRUE-UP & INTEREST CALCULATION  
 JANUARY 2001 THROUGH DECEMBER 2001

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
C INTEREST PROVISION													
1 BEGINNING TRUE-UP AMOUNT (Line B9+B9a)	\$12,324,927	\$15,944,003	\$16,359,402	\$15,769,062	\$11,925,799	\$10,351,116	\$9,319,417	\$7,483,085	\$8,145,365	\$9,829,044	\$7,842,096	\$7,103,142	\$132,396,458
2 ENDING TRUE-UP AMOUNT BEFORE INTEREST (Line B7+B9+B9a+B10)	15,873,214	16,287,552	15,701,267	11,871,842	10,312,616	9,287,749	7,456,698	8,121,893	9,806,081	7,824,112	7,089,890	6,724,317	126,357,231
3 TOTAL OF BEGINNING & ENDING TRUE-UP (Line C1+C2)	\$28,198,141	\$32,231,555	\$32,060,669	\$27,640,904	\$22,238,415	\$19,638,865	\$16,776,115	\$15,604,978	\$17,951,446	\$17,653,156	\$14,931,986	\$13,827,459	\$258,753,689
4 AVERAGE TRUE-UP AMOUNT (50% of Line C3)	\$14,099,071	\$16,115,778	\$16,030,335	\$13,820,452	\$11,119,208	\$9,819,433	\$8,388,058	\$7,802,489	\$8,975,723	\$8,826,578	\$7,465,993	\$6,913,730	\$129,376,845
5 INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	6.50000%	5.55000%	5.15000%	5.00000%	4.37000%	3.94000%	3.80000%	3.75000%	3.47000%	2.67000%	2.22000%	2.04000%	N/A
6 INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.55000%	5.15000%	5.00000%	4.37000%	3.94000%	3.80000%	3.75000%	3.47000%	2.67000%	2.22000%	2.04000%	1.78000%	N/A
7 TOTAL (Line C5+C6)	12.05000%	10.70000%	10.15000%	9.37000%	8.31000%	7.74000%	7.55000%	7.22000%	6.14000%	4.89000%	4.26000%	3.82000%	N/A
8 AVERAGE INTEREST RATE (50% of Line C7)	6.02500%	5.35000%	5.07500%	4.68500%	4.15500%	3.87000%	3.77500%	3.61000%	3.07000%	2.44500%	2.13000%	1.91000%	N/A
9 MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.50208%	0.44583%	0.42292%	0.39042%	0.34625%	0.32250%	0.31458%	0.30083%	0.25583%	0.20375%	0.17750%	0.15917%	N/A
10 INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	\$70,789	\$71,850	\$67,795	\$53,957	\$38,500	\$31,668	\$26,387	\$23,472	\$22,963	\$17,984	\$13,252	\$11,004	\$449,621