

State of Florida



Public Service Commission  
-M-E-M-O-R-A-N-D-U-M-

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**DATE:** August 1, 2002  
**TO:** Division of Economic Regulation (Breman)  
**FROM:** Division of Auditing and Safety (Vandiver)  
**RE:** **Docket No.** 020007-EI; **Company Name:** Florida Power & Light Company; **Audit Purpose:** Enviromental Cost Recovery Clause ; **Audit Control No.** 02-032-4-1

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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

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY*

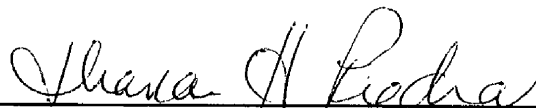
*Miami District Office*

FLORIDA POWER AND LIGHT COMPANY

ENVIRONMENTAL CLAUSE AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2001

DOCKET NO. 020007-EI  
AUDIT CONTROL NO. 02-032-4-1

  
\_\_\_\_\_  
*Iliana H. Piedra, Audit Manager*

  
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*Kathy Welch, Public Utilities Supervisor*

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**DIVISION OF AUDITING AND SAFETY  
AUDITOR'S REPORT  
JULY 29, 2002**

**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, 2001 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Environmental Cost Recovery in Docket 020007-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.

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**Revenues** - Compiled the revenues from the revenue and rate report and reconciled to the filing; investigated differences. Verified the billing factors to the appropriate order.

**Expenses** - Prepared a trial balance of recoverable and non-recoverable accounts and investigated differences when compared to the filing.

**Depreciation Expenses** - Recalculated Depreciation Expense for the month of February 2001. 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 judgmental sample of additions and retirements for specific projects.

## **DISCLOSURES**

### **DISCLOSURE NO. 1**

#### **SUBJECT: TRUE UP ADJUSTMENT**

**STATEMENT OF FACTS:** The company's environmental revenues per the revenue and rate report for the month of December 2001 total \$523,970.20. These revenues net of revenue taxes total \$515,733.39. The revenues shown on the company filing schedule 42-2A page 2 of 2 total \$240,962. The company used this revenue amount in order to arrive at a zero for the "End of Period True Up" on the above mentioned schedule.

This was done because according to FPSC Order No. PSC-99-0519-AS-EI, "For 2002, FPL will not be allowed to recover any costs through the environmental cost recovery docket."

### **III. EXHIBITS**

Florida Power & Light Company  
Environmental Cost Recovery Clause  
Calculation of the Final True-up Amount for the Period  
January through December 2001

Line No.	January	February	March	April	May	June
1 ECRC Revenues (net of Revenue Taxes)	622,092	\$481,913	\$474,393	\$479,441	\$490,810	\$591,694
2 True-up Provision (Order No. PSC-99-2513-FOF-EI)	305,309	305,309	305,309	305,309	305,309	305,309
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	927,401	787,222	779,703	784,750	796,119	897,003
4 Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-5A, Line 9)	188,074	427,436	242,868	330,848	399,821	453,250
b - Capital Investment Projects (Form 42-7A, Line 9)	538,852	541,947	541,042	542,705	540,602	506,001
c - Total Jurisdictional ECRC Costs	726,926	969,383	783,910	873,553	940,423	959,251
d - Total Jurisdictional ECRC Costs Per Stipulation & Settlement Agreement	671,173	713,283	714,317	714,517	657,067	556,478
5 Over/(Under) Recovery (Line 3 - Line 4c)	(49,081)	(231,370)	(239,924)	(235,076)	(166,257)	35,216
6 Interest Provision (Form 42-3A, Line 10)	9,420	6,421	3,830	1,431	(477)	(1,642)
7 Beginning Balance True-Up & Interest Provision	3,663,710	3,318,740	2,788,482	2,247,079	1,708,125	1,236,082
a - Final Deferred True-Up from 2000 (Form 42-1A, Line 9)	(1,610,244)	(1,610,244)	(1,610,244)	(1,610,244)	(1,610,244)	(1,610,244)
8 True-Up Collected /(Refunded) (See Line 2)	(305,309)	(305,309)	(305,309)	(305,309)	(305,309)	(305,309)
9 End of Period True-Up (Lines 5+6+7+7a+8)	1,708,496	1,178,238	636,835	97,881	(374,162)	(645,897)
10 Adjustments to Period Total True-Up Including Interest						
11 End of Period Total Net True-Up (Lines 9+10)	\$1,708,496	\$1,178,238	\$636,835	\$97,881	(\$374,162)	(\$645,897)

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Florida Power & Light Company  
Environmental Cost Recovery Clause  
Calculation of the Final True-up Amount for the Period  
January through December 2001

Line No.	July	August	September	October	November	December	End of Period Amount
1 ECRC Revenues (net of Revenue Taxes)	\$627,657	\$621,105	\$663,101	\$581,905	\$512,626	\$240,962	\$6,387,700
2 True-up Provision (Order No. PSC-99-2513-FOF-EI)	305,309	(16,740)	(16,740)	(16,740)	(16,740)	(16,740)	2,053,466
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	932,966	604,365	646,361	565,165	495,886	224,223	8,441,166
4 Jurisdictional ECRC Costs							
a - O&M Activities (Form 42-5A, Line 9)	132,719	213,062	261,732	255,559	234,797	2,792,646	5,932,812
b - Capital Investment Projects (Form 42-7A, Line 9)	502,626	598,617	532,917	531,341	366,761	527,846	6,271,257
c - Total Jurisdictional ECRC Costs	635,345	811,679	794,649	786,900	601,558	3,320,492	12,204,069
d - Total Jurisdictional ECRC Costs Per Stipulation & Settlement Agreement	549,997	389,510	433,316	431,740	267,160	301,443	6,400,000
5 Over/(Under) Recovery (Line 3 - Line 4c)	77,660	231,595	229,785	150,165	245,466	(60,481)	(12,300)
6 Interest Provision (Form 42-3A, Line 10)	(2,390)	(2,262)	(1,296)	(614)	(155)	35	12,301
7 Beginning Balance True-Up & Interest Provision	964,347	734,308	980,381	1,225,610	1,391,900	1,653,950	3,663,710
a - Final Deferred True-Up from 2000 (Form 42-1A, Line 9)	(1,610,244)	(1,610,244)	(1,610,244)	(1,610,244)	(1,610,244)	(1,610,244)	(1,610,244)
8 True-Up Collected /(Refunded) (See Line 2)	(305,309)	16,740	16,740	16,740	16,740	16,740	(2,053,466)
9 End of Period True-Up (Lines 5+6+7+7a+8)	(875,936)	(629,863)	(384,634)	(218,344)	43,706	0	(0)
10 Adjustments to Period Total True-Up including Interest							
11 End of Period Total Net True-Up (Lines 9+10)	(\$875,936)	(\$629,863)	(\$384,634)	(\$218,344)	\$43,706	\$0	(\$0)

Florida Power & Light Company  
Environmental Cost Recovery Clause  
Calculation of the Final True-up Amount for the Period  
January through December 2001

Interest Provision (In Dollars)

Line No.	January	February	March	April	May	June
1 Beginning True-Up Amount (Form 42-2A, Lines 7 + 7a + 10)	\$2,053,466	\$1,708,496	\$1,178,238	\$636,835	\$97,881	(\$374,162)
2 Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	1,699,076	1,171,817	633,005	96,450	(373,685)	(644,255)
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	\$3,752,542	\$2,880,313	\$1,811,243	\$733,285	(\$275,804)	(\$1,018,417)
4 Average True-Up Amount (Line 3 x 1/2)	\$1,876,271	\$1,440,157	\$905,622	\$366,643	(\$137,902)	(\$509,209)
5 Interest Rate (First Day of Reporting Month)	6.50000%	5.55000%	5.15000%	5.00000%	4.37000%	3.94000%
6 Interest Rate (First Day of Subsequent Month)	5.55000%	5.15000%	5.00000%	4.37000%	3.94000%	3.80000%
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	12.05000%	10.70000%	10.15000%	9.37000%	8.31000%	7.74000%
8 Average Interest Rate (Line 7 x 1/2)	6.02500%	5.35000%	5.07500%	4.68500%	4.15500%	3.87000%
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.50208%	0.44583%	0.42292%	0.39042%	0.34625%	0.32250%
10 Interest Provision for the Month (Line 4 x Line 9)	\$9,420	\$6,421	\$3,830	\$1,431	(\$477)	(\$1,642)

Florida Power & Light Company  
Environmental Cost Recovery Clause  
Calculation of the Final True-up Amount for the Period  
January through December 2001

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)	(\$645,897)	(\$875,936)	(\$629,863)	(\$384,634)	(\$218,344)	\$43,706	\$2,589,786
2 Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	(873,546)	(627,601)	(383,338)	(217,730)	43,861	(35)	524,019
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	(\$1,519,443)	(\$1,503,537)	(\$1,013,201)	(\$602,364)	(\$174,483)	\$43,671	\$3,113,805
4 Average True-Up Amount (Line 3 x 1/2)	(\$759,722)	(\$751,769)	(\$506,601)	(\$301,182)	(\$87,242)	\$21,836	\$1,556,903
5 Interest Rate (First Day of Reporting Month)	3.80000%	3.75000%	3.47000%	2.67000%	2.22000%	2.04000%	N/A
6 Interest Rate (First Day of Subsequent Month)	3.75000%	3.47000%	2.67000%	2.22000%	2.04000%	1.78000%	N/A
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	7.55000%	7.22000%	6.14000%	4.89000%	4.26000%	3.82000%	N/A
8 Average Interest Rate (Line 7 x 1/2)	3.77500%	3.61000%	3.07000%	2.44500%	2.13000%	1.91000%	N/A
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.31458%	0.30083%	0.25583%	0.20375%	0.17750%	0.15917%	N/A
10 Interest Provision for the Month (Line 4 x Line 9)	(\$2,390)	(\$2,262)	(\$1,296)	(\$614)	(\$155)	\$35	\$12,301