



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 30, 2004
TO: Daniel Lee, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing *W*
 Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.** 040001-EI ; **Company Name:** Florida Power & Light Co. ;
Audit Purpose: Capacity Cost Recovery Clause ;
Audit Control No. 04-022-4-1

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 Regulatory Compliance and Consumer Assistance (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

REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE DIVISION

Miami District Office

FLORIDA POWER AND LIGHT

CAPACITY COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2003

DOCKET #040001-EI
AUDIT CONTROL NO.
04-022-4-1

A handwritten signature in cursive script, reading "Iliana Piedra".

Iliana Piedra
Audit Manager

A handwritten signature in cursive script, reading "Kathy Welch".

Kathy Welch
Audit Supervisor

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**REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE DIVISION
AUDITOR'S REPORT
June 16, 2004**

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, 2003 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 040001-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.

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 for various rate classes to the appropriate order.

CAPACITY CHARGES:

ST. JOHN RIVER POWER PLANT CAPACITY- Reconciled St. Johns River Power Park charges for the months of January and October 2003 to the monthly 30% Fixed & Variable Cost of Operations, Jacksonville Electric Authority (JEA) Carrying Cost of Investment, Bond Resolution Expense, and Purchased Power Accruals. Recalculated St. Johns River Power Park (SJRPP) Suspension Liability and traced amounts to company schedule.

TRANSMISSION OF ELECTRICITY BY OTHERS - Agreed the transmission charges to the Energy Marketing and Trading transmission reports for January and April 2003. Verified actuals to invoices.

REVENUES FROM CAPACITY SALES - Compiled revenues for March and October 2003. Interchange revenues were traced to invoices, billing detail and journal entries. Transmission revenues were reconciled to billing summaries; charges for one company were traced to additional transmission detail, deal forms and invoice.

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

INCREMENTAL SECURITY COSTS- Compiled totals for the accounts. Verified sample items for the accounts, including various source codes. Compared total company security costs to a base amount for charges prior to 9/11/01. Determined if the total incremental security costs in the clause for this period are less than the dollars used in the comparison.

Compiled the documentation used to determine the forecast amount used for the increase in the Nuclear Regulatory Commission license fee. Obtained actual invoices for 2002, 2003 and 2004.

QUALIFYING FACILITIES - Agreed charges for the months of January and October 2003 to the Purchased Power and Other Billing Reports. Verified actual charge calculations to the contracts for two facilities.

OKEELANTA SETTLEMENT - Calculated a portion of the Okeelanta settlement that applies to the capacity clause as indicated in Commission Order. Recalculated the interest related to the unamortized balance.

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 2003							
LINE NO.	(1) JAN 2003	(2) FEB 2003	(3) MAR 2003	(4) APR 2003	(5) MAY 2003	(6) JUN 2003	
1.	Payments to Non-cogenerators (UPS & SJRPP)	\$15,596,426	\$15,990,408	\$14,684,403	\$15,153,064	\$14,649,614	\$15,005,398
2.	Short Term Capacity Payments	6,245,451	6,245,451	4,361,584	4,490,250	6,995,796	15,128,009
3.	Payments to Cogenerators (QFs)	27,481,162	28,207,963	28,961,670	29,873,286	34,695,552	28,990,956
4a.	SJRPP Suspension Accrual	586,656	586,656	586,656	586,656	586,656	586,656
4b.	Return on SJRPP Suspension Liability	(229,653)	(235,428)	(241,204)	(246,979)	(252,755)	(258,331)
5a.	Cypress Settlement (Capacity)	0	0	0	0	353,244	0
5b.	Okeelanta Settlement (Capacity)	3,078,016	3,072,620	3,064,546	3,058,320	3,057,020	3,044,234
6.	Incremental Plant Security Costs-Order No. PSC-02-1761	113,771	832,709	1,151,391	787,976	769,376	709,694
7.	Transmission of Electricity by Others	708,540	726,582	967,321	1,113,810	744,916	497,782
8.	Transmission Revenues from Capacity Sales	(853,648)	(676,765)	(153,736)	(226,606)	(243,744)	(329,412)
9.	Total (Lines 1 through 8)	\$ 52,726,720	\$ 54,750,196	\$ 53,382,631	\$ 54,589,777	\$ 61,355,676	\$ 63,374,786
10.	Jurisdictional Separation Factor (a)	99.01742%	99.01742%	99.01742%	99.01742%	99.01742%	99.01742%
11.	Jurisdictional Capacity Charges	52,208,638	54,212,232	52,858,104	54,053,389	60,752,807	62,752,078
12.	Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)
13.	Jurisdictional Capacity Charges Authorized	\$ 47,463,172	\$ 49,466,766	\$ 48,112,638	\$ 49,307,923	\$ 56,007,341	\$ 58,006,612
14.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 45,289,301	\$ 44,889,661	\$ 44,494,357	\$ 44,357,710	\$ 47,550,317	\$ 52,878,607
15.	Prior Period True-up Provision	3,434,618	3,434,618	3,434,618	3,434,618	3,434,618	3,434,618
16.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 48,723,919	\$ 48,324,279	\$ 47,928,975	\$ 47,792,328	\$ 50,984,935	\$ 56,313,225
17.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	1,260,747	(1,142,487)	(183,663)	(1,515,596)	(5,022,407)	(1,693,387)
18.	Interest Provision for Month	56,326	51,960	46,008	40,687	34,539	25,582
19.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	41,215,416	39,097,870	34,572,726	31,000,453	26,090,927	17,668,441
20.	Deferred True-up - Over/(Under) Recovery	12,676,723	12,676,723	12,676,723	12,676,723	12,676,723	12,676,723
21.	Prior Period True-up Provision - Collected/(Refunded) this Month	(3,434,618)	(3,434,618)	(3,434,618)	(3,434,618)	(3,434,618)	(3,434,618)
22.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	\$ 51,774,593	\$ 47,249,449	\$ 43,677,176	\$ 38,767,650	\$ 30,345,164	\$ 25,242,741
Notes:							
(a) Per K. M. Dublin's Testimony Appendix III Page 5, filed November 4, 2002.							
(b) Per FPSC Order No. PSC-94-1892-FOF-EL, Docket No. 940001-EL, as adjusted in August 1995, per E.L. Hoffman's Testimony Appendix IV, Docket No. 950001-EL, filed July 5, 1995.							

CAPACITY COST RECOVERY CLAUSE								
CALCULATION OF FINAL TRUE-UP AMOUNT								
FOR THE PERIOD JANUARY THROUGH DECEMBER 2003								
LINE NO.		(7) JUL 2003	(8) AUG 2003	(9) SEP 2003	(10) OCT 2003	(11) NOV 2003	(12) DEC 2003	(13) TOTAL
1.	Payments to Non-co generators (UPS & SJRPP)	\$16,208,389	\$14,803,677	\$14,029,336	\$16,232,538	\$15,455,862	\$14,017,230	\$181,826,345
2.	Short Term Capacity Payments	15,063,510	14,822,310	8,447,380	3,758,876	3,873,799	6,156,400	95,588,816
3.	Payments to Cogenerators (QFs)	28,863,092	28,838,119	28,826,788	28,844,161	29,156,890	29,110,184	351,849,823
4a.	SJRPP Suspension Accrual	586,656	586,656	586,656	586,656	586,656	586,656	7,039,872
4b.	Return on SJRPP Suspension Liability	(264,306)	(270,082)	(275,857)	(281,633)	(287,409)	(293,184)	(3,137,021)
5a.	Cypress Settlement (Capacity)	0	0	0	0	0	0	353,244
5b.	Okcelanta Settlement (Capacity)	3,033,431	3,033,895	3,031,801	3,028,744	3,023,422	3,021,365	36,547,413
6.	Incremental Plant Security Costs-Order No. PSC-02-1761	868,722	1,285,560	1,227,623	738,069	222,684	605,027	9,312,602
7.	Transmission of Electricity by Others	476,575	512,334	454,678	531,831	489,636	606,800	7,830,805
8.	Transmission Revenues from Capacity Sales	(269,550)	(289,278)	(394,001)	(98,474)	(413,838)	(978,149)	(4,927,201)
9.	Total (Lines 1 through 8)	\$64,566,518	\$63,323,191	\$55,934,404	\$53,340,768	\$52,107,702	\$52,832,329	\$ 682,284,698
10.	Jurisdictional Separation Factor (a)	99.01742%	99.01742%	99.01742%	99.01742%	99.01742%	99.01742%	N/A
11.	Jurisdictional Capacity Charges	63,932,101	62,700,990	55,384,803	52,816,652	51,595,702	52,313,209	675,580,705
12.	Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(36,945,592)
13.	Jurisdictional Capacity Charges Authorized	\$59,186,635	\$57,955,524	\$50,639,337	\$48,071,186	\$46,850,236	\$47,567,743	\$ 618,635,113
14.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$54,379,742	\$53,846,880	\$54,260,963	\$51,682,946	\$47,641,729	\$44,779,506	\$ 586,051,718
15.	Prior Period True-up Provision	3,434,618	3,434,618	3,434,618	3,434,618	3,434,618	3,434,618	41,215,416
16.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$57,814,360	\$57,281,498	\$57,695,581	\$55,117,564	\$51,076,347	\$48,214,124	\$ 627,267,134
17.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	(1,372,275)	(674,026)	7,056,243	7,046,378	4,226,111	646,382	8,632,021
18.	Interest Provision for Month	19,509	16,178	16,053	19,172	20,523	19,784	366,321
19.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	12,566,018	7,778,634	3,686,168	7,323,847	10,954,778	11,766,794	41,215,416
20.	Deferred True-up - Over/(Under) Recovery	12,676,723	12,676,723	12,676,723	12,676,723	12,676,723	12,676,723	12,676,723
21.	Prior Period True-up Provision - Collected/(Refunded) this Month	(3,434,618)	(3,434,618)	(3,434,618)	(3,434,618)	(3,434,618)	(3,434,618)	(41,215,416)
22.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	\$20,455,357	\$16,362,891	\$20,000,570	\$23,631,501	\$24,443,517	\$21,675,065	\$ 21,675,065
<small> (a) For E. M. Dublin's Testimony Appendix III Page 5, filed November 4, 2002. (b) For FPSC Order No. PSC-04-1091-FOF-EL, Docket No. 040001-EL, as adjusted in August 1995, per R.L. Hoffman's Testimony Appendix IV, Docket No. 930001-EL, filed July 8, 1993. </small>								
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