



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: February 15, 2005
TO: Marshall Willis, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DNV*
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.** 041291-EI; **Company Name:** Florida Power and Light Company ;
Audit Purpose: Storm Cost Recovery Costs ; **Audit Control No.** 04-343-4-1

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 and audit pages 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

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

Mr. Bill Feaster, Manager, Regulatory Affairs
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, FL 32301-1859

Mr. K. Michael Davis, Vice President & Controller
Florida Power & Light Company
9250 West Flagler Street
Miami, FL 33102

R. Wade Litchfield and Ms. Natalie Smith
Florida Power & Light Company
700 Universe Blvd.
June Beach, FL 33408-0420

McWhirter Law Firm
Vickie Kaufman, Esq., Tim Perry, Esq.
117 So. Gadsden Street
Tallahassee, FL 32301

DOCUMENT NUMBER-DATE

01671 FEB 17 05

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA POWER AND LIGHT

STORM COST RECOVERY COSTS

YEAR ENDED DECEMBER 31, 2004

DOCKET #041291-EI

AUDIT CONTROL NO. 04-343-4-1

Handwritten signature of Iliana H. Piedra in black ink.

Iliana H. Piedra, Audit Manager

Handwritten signature of Gabby Leon in black ink.

Gabby Leon, Audit Staff

Handwritten signature of Yen Ngo in black ink.

Yen Ngo, Audit Staff

Handwritten signature of Ruth Young in black ink.

Ruth Young, Audit Staff

Handwritten signature of Kathy Welch in black ink.

*Kathy Welch, Public Utility
Supervisor*

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	AUDIT PURPOSE USE	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT PROCEDURES	2
II.	AUDIT DISCLOSURES	
	NUCLEAR PLANT DAMAGES	3
	NON-NUCLEAR INSURANCE	4
	BONUSES PAID TO EMPLOYEES	5
	STORM ASSIGNMENT RECORDS	15
	REVISION OF ESTIMATE TO \$890,000,000	16
	ITEMS INCLUDED IN BASE RATES	18

**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT
February 7, 2005**

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

We have applied the procedures described in this report to audit the Storm Recovery Costs charged to Account 186.18 - Storm Maintenance deferred debit for the period ended December 31, 2004 for Florida Power and Light Company. This audit is done for Docket 041291-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.

Scanned and compiled all files provided with storm charges in Account 186.18 in order to select sample items for vehicle, material and supplies, journal vouchers, cash vouchers and payroll. We reconciled the totals to the general ledger.

The sample items were verified to supporting documentation.

Determined that the company's property that is insured; obtained information regarding any claims filed. The status of the process to record capital work-orders was obtained.

The jurisdictional factors that apply to the storm recovery charges were requested.

Read the approved study, Transmission and Distribution Insurance Replacement dated 10/1/93 and Order No. PSC-95-0264-FOF-EI.

AUDIT DISLCOSURE NO. 1

SUBJECT: NUCLEAR PLANT DAMAGES

STATEMENT OF FACT:

[REDACTED]

[REDACTED]

[REDACTED]

AUDIT DISCLOSURE NO. 2

SUBJECT: INSURANCE COVERAGE FOR NON-NUCLEAR PROPERTY

STATEMENT OF FACT: FPL carries insurance on non-nuclear property which has a deductible of \$25,000,000 for each named storm. The policy indicates that no coverage is provided for Transmission and Distribution Lines, except for lines situated within 1,000 feet of the premises. We did not find items in our sample for credits for insurance payments or accrued insurance payments for non-nuclear property. The company has not applied to the insurance company for reimbursement. Company personnel explained that, as of mid-January, the damage to plants and buildings for each named storm was approximately \$12 million for Charley, \$15 million for Jeanne and \$18 million for Frances. The company periodically updates this. FPL does not have an amount identified for the lines situated within 1,000 feet of the premises.

OPINION: FPL should be asked to submit updates to the Commission. Should the damage to plant and building exceed \$25,000,000 for each storm, then the insurance reimbursements should be credited to the restoration costs.

AUDIT DISCLOSURE NO. 3

SUBJECT: BONUSES PAID TO EMPLOYEES

STATEMENT OF FACTS:

[REDACTED]

[REDACTED]

[REDACTED]

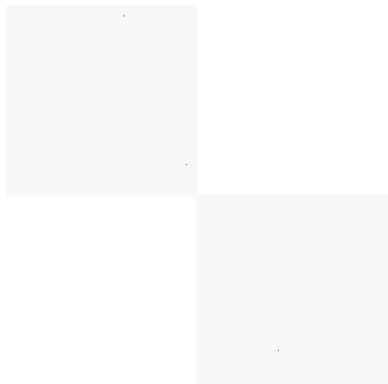
[REDACTED]

[REDACTED]

Confidential Exhibit

Confidential Exhibit

Confidential Exhibit



Confidential Exhibit

Confidential Exhibit

Confidential Exhibit

Confidential Exhibit

Confidential Exhibit

Confidential Exhibit

AUDIT DISCLOSURE NO. 4

SUBJECT: STORM ASSIGNMENT RECORDS

STATEMENT OF FACTS: We selected a sample of payroll from Florida Power and Light's ledger account 186.18-Storm Maintenance Deferred Debit, which was later charged to the storm reserve account 228, to determine if the company had adequate support and that the employees were actually working on storm related work. The sample was traced to supporting documentation but the documentation did not include any information about what duties the employee performed. We requested additional information about the duties performed for all employees in the sample and for a small sample asked for job tickets that the employee worked on. The company explained they could not provide a job ticket or job record which shows the actual storm duties assigned to each employee selected or a list of duties for the entire sample. The company did contact the individuals in the small sample that we asked for job tickets for to request their storm duties and locations and explained that:

"FPL maintains a storm restoration plan with initial assignments of employees to restoration assignments. When the storm restoration efforts actually are underway, the assignments become very fluid. Some employees are not available for their assignment and others are substituted. The goal is to track all assignments, however, during the summer of 2004 the efforts were so long and so dynamic, centralized daily records are not available. Employees are reassigned duties and locations on a daily basis to meet the changing needs of the restoration efforts."

OPINION: Since the records were not available, we were not able to verify storm duties for the sample of payroll selected. Florida Power and Light employees called a small sample of the employees that were in our sample to obtain the duties performed. The employees' responses were provided as the answer to the audit request and are included in the workpapers.

AUDIT DISCLOSURE NO. 5

SUBJECT: REVISION OF ESTIMATE TO \$890,000,000

STATEMENT OF FACTS:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



AUDIT DISCLOSURE NO. 6

SUBJECT: ITEMS INCLUDED IN BASE RATES

STATEMENT OF FACT:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]