

State of Florida



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: May 13, 2005
TO: Todd Bohrmann, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing (W)
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.:** 050001-EI; **Company Name:** Florida Power and Light Company.; **Audit Purpose:** To audit Fuel and Purchased Power Cost Recovery Clause and Generation Performance Incentive Factor for the period from January 1, 2004 - December 31, 2004 ;
Audit Control No.: 05-028-4-1

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

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING*

Miami District Office

FLORIDA POWER AND LIGHT
FUEL ADJUSTMENT CLAUSE

YEAR ENDED DECEMBER 31, 2004

DOCKET NO. 050001-EI

AUDIT CONTROL NO. 05-028-4-1

A handwritten signature in cursive script, appearing to read "Iliana Piedra", is written over a horizontal line.

Iliana Piedra, Audit Staff

A handwritten signature in cursive script, appearing to read "Gabriela Leon", is written over a horizontal line.

Gabriela Leon, Audit Manager

A handwritten signature in cursive script, appearing to read "Kathy Welch", is written over a horizontal line.

Kathy Welch, Public Utilities Supervisor
Miami District Office

TABLE OF CONTENTS

	PAGE
I. AUDITOR'S REPORT	
Purpose	1
Disclaim Public Use	1
Summary Of Significant Procedures	2
II. AUDIT DISCLOSURE	
Account 518.18 Nuclear Fuel Rod Replacement	4
III. EXHIBITS	
Company Filing for True-Up.....	5

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

AUDITOR'S REPORT

APRIL 27, 2005

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to the attached Fuel Recovery schedules for the period ended December 31, 2004 for Florida Power and Light Company. These schedules were prepared as part of the petition for fuel recovery in Docket 050001-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 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.

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.

TRUE-UP CALCULATION- Recalculated the true up for the twelve months and verified the interest rates. Traced the beginning true-up to the prior audit. Traced the prior period to the Commission order.

REVENUES- Account 456.225 "Energy Imbalance Revenues" were traced to supporting documentation. Two months were tested.

Tested bills and compared them to the Revenue and Rate Report.

EXPENSES- Compiled a trial balance for all fuel related expense accounts. Reconciled the summary of the fuel expenses from the general ledger to the monthly A-2 schedule. Examined a sample of total steam generation, fuel generation expenses, nuclear fuel amortization and other power generation fuel costs. Traced to invoices and other proper source documentation. Examined a sample of the fuel inventory account.

Verified selected hedging transactions and traced to the Commission order and to source documentation.

Verified that the coal inventory adjustments were recorded in accordance with the Commission order and traced to source documentation.

Verified payments to Qualifying Facilities by selecting one payment and tracing to the proper source documentation.

Verified fuel burned on Schedule A3.

Reconciled Company Schedule A5 to Form 423 and traced to source documentation. Verified that FPL does not charge expenses to the fuel clause until the fuel is burned or consumed in one of FPL's generating units.

Verified Economy Purchases and traced to source documentation.

Verified Power Sales on Schedule A6 and traced to source documentation. Gains from off system sales were traced to cost detail. Traced sales amounts to deal tickets and to confirmation letters.

Verified Long Term and Economy Energy Purchases on Schedule A7 and A9. For Schedule A7, the highest month, June, was selected for testing. For Schedule A9 the month of November was tested and traced to supporting documentation.

Verified nuclear fuel used on Schedule A3 and traced to the general ledger and supporting documentation such as contracts, and SNAP finance ledger, and the DOE documentation. Reconciled Schedule A3 to LFARS Fuel Used Report, to the Fossil Fuel Inventory Report and to FPL's Form 1705-Fuel Used Summary Report.

OTHER- Reconciled heat rates for Generating Performance Incentive Factor (GPIF) units from Schedule A4 to the GPIF filing. Traced GPIF factors to Commission Order.

Read internal auditor's reports related to the Fuel Clause.

AUDIT DISCLOSURE NO. 1

SUBJECT: ACCOUNT 518.18 NUCLEAR FUEL ROD REPLACEMENT

STATEMENT OF FACT: On the A-3 filing, the Nuclear fuel amount does not include account 518.18 for the cost of rod replacement. However, the account is included in the total for A-3. The Heavy Oil, Light Oil, Nuclear and Gas lines do not add up to the total amount.

EXHIBITS

TRUE UP CALCULATION SCHEDULE

FLORIDA POWER & LIGHT COMPANY
 FUEL COST RECOVERY CLAUSE
 CALCULATION OF VARIANCE - ACTUAL vs ESTIMATED/ACTUAL
 FOR THE PERIOD JANUARY THROUGH DECEMBER 2004

LINE NO.		(1)	(2)	(3)	(4)	
		ACTUAL	ESTIMATED / ACTUAL (a)	VARIANCE AMOUNT	%	
A Fuel Costs & Net Power Transactions						
1	a	Fuel Cost of System Net Generation	\$ 3,129,102,007	\$ 3,190,553,382	\$ (61,451,375)	(1.9) %
	b	Incremental Hedging Implementation Costs	647,399	539,278	108,121	20.0 %
	c	Nuclear Fuel Disposal Costs	21,402,622	21,766,140	(363,518)	(1.7) %
	d	Coal Cars Depreciation & Return	4,185,155	4,189,004	(3,849)	(0.1) %
	e	Gas Pipelines Depreciation & Return	1,354,179	1,354,179	0	0.0 %
	g	DOE D&D Fund Payment	6,295,655	6,671,000	(375,345)	(5.6) %
2	a	Fuel Cost of Power Sold (Per A6)	(92,105,172)	(116,641,485)	24,536,313	(21.0) %
	b	Revenues from Off-System Sales	(17,873,448)	(16,992,686)	(880,762)	5.2 %
3	a	Fuel Cost of Purchased Power (Per A7)	264,481,777	275,735,445	(11,253,668)	(4.1) %
	b	Energy Payments to Qualifying Facilities (Per A8)	146,556,386	147,810,238	(1,253,852)	(0.8) %
	d	Okeelanta Settlement Amortization including interest	9,666,526	9,586,975	79,551	0.8 %
4		Energy Cost of Economy Purchases (Per A9)	69,838,564	54,414,740	15,423,824	28.3 %
5		Total Fuel Costs & Net Power Transactions	\$ 3,543,551,651	\$ 3,578,986,212	\$ (35,434,560)	(1.0) %
6		Adjustments to Fuel Cost				
	a	Sales to Fla Keys Elect Coop (FKEC) & City of Key West (CKW)	\$ (40,696,767)	\$ (39,790,068)	\$ (906,699)	2.3 %
	b	Reactive and Voltage Control Fuel Revenue	(723,824)	(335,115)	(388,709)	116.0 %
	c	Inventory Adjustments	(974,586)	9,741	(984,327)	N/M
	d	Non Recoverable Oil/Tank Bottoms	11,059	(45,837)	56,896	(124.1) %
7		Adjusted Total Fuel Costs & Net Power Transactions	\$ 3,501,167,533	\$ 3,538,824,934	\$ (37,657,399)	(1.1) %
B						
1		Jurisdictional kWh Sales	99,094,871,845	100,289,458,094	(1,194,586,249)	(1.2) %
2		Sale for Resale	542,947,188	543,020,508	(73,320)	0.0 %
3		Total Sales (Excluding RTP Incremental)	99,637,819,033	100,832,478,602	(1,194,659,569)	(1.2) %
4		Jurisdictional Sales % of Total kWh Sales (Line B-6)	N/A	N/A	N/A	N/A
C True-up Calculation						
1		Juris Fuel Revenues (Net of Revenue Taxes)	\$ 3,648,996,334	3,693,879,193	\$ (44,882,859)	(1.2) %
2		Fuel Adjustment Revenues Not Applicable to Period				
	a	Prior Period True-up (Collected)/Refunded This Period	(344,729,859)	(344,729,859)	0	0.0 %
	b	GPIF, Net of Revenue Taxes (b)	(7,332,324)	(7,332,324)	0	0.0 %
	c	Oil Backout Revenues, Net of revenue taxes	(9)	(10)	1	(6.7) %
3		Jurisdictional Fuel Revenues Applicable to Period	\$ 3,296,934,142	\$ 3,341,817,000	\$ (44,882,858)	(1.3) %
4	a	Adjusted Total Fuel Costs & Net Power Transactions (Line A-7)	\$ 3,501,167,533	\$ 3,538,824,934	(37,657,401)	(1.1) %
	b	Nuclear Fuel Expense - 100% Retail	-	-	0	N/A
	c	RTP Incremental Fuel -100% Retail	-	-	0	N/A
	d	D&D Fund Payments -100% Retail (Line A 1 e)	6,295,655	6,671,000	(375,345)	(5.6) %
	e	Adj. Total Fuel Costs & Net Power Transactions - Excluding 100% Retail Items (D4a-D4b-D4c-D4d)	3,494,871,878	3,532,153,934	(37,282,055)	(1.1) %
5		Jurisdictional Sales % of Total kWh Sales	N/A	N/A	N/A	N/A
6		Jurisdictional Total Fuel Costs & Net Power Transactions	\$ 3,484,396,810	\$ 3,522,061,299	\$ (37,664,489)	(1.1) %
7		True-up Provision for the Period- Over/(Under) Recovery (Line C3 - Line C6)	\$ (187,462,668)	\$ (180,244,299)	(7,218,369)	4.0 %
8		Interest Provision for the Period	(2,440,773)	(1,952,000)	(488,774)	25.0 %
9	a	True-up & Interest Provision Beg. of Period - Over/(Under) Recovery	(344,729,859)	(344,729,859)	0	0.0 %
	b	Deferred True-up Beginning of Period - Over/(Under) Recovery	41,808,676	41,808,676	0	0.0 %
10	a	Prior Period True-up Collected/(Refunded) This Period	344,729,859	344,729,859	0	0.0 %
11		End of Period Net True-up Amount Over/(Under) Recovery (Lines C7 through C10)	\$ (148,094,765)	\$ (140,387,623)	\$ (7,707,142)	5.5 %
NOTES						
	(a)	Per Estimated/Actual, Schedule E1b, filed August 10, 2004.				
	(b)	Generation Performance Incentive Factor is ((\$7,449,429) x 98.4280%) - See Order No. PSC-03-1461-FOF-EI.				