

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: April 24, 2006
TO: Peter H. Lester, Economic Analyst, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 060001-EI; Company Name: Florida Power & Light Company
Audit Purpose: Capacity Clause Audit
Audit Control No: 06-045-4-1

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

DNV:bj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk & 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 S. Monroe St., Suite 810
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Mr. J. T. Butler
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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA POWER AND LIGHT
CAPACITY COST RECOVERY CLAUSE
HISTORICAL YEAR ENDED DECEMBER 31, 2005

DOCKET NO. 060001-EI
AUDIT CONTROL NO. 06-045-4-1

Handwritten signature of Gabriela Leon in cursive script.

Gabriela Leon
Audit Manager

Handwritten signature of Yen Ngo in cursive script.

Yen Ngo
Audit Staff

Handwritten signature of Kathy L. Welch in cursive script.

Kathy L. Welch
Public Utilities Supervisor

**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

April 13, 2006

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

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Florida Power and Light in support of its filing for fuel capacity docket 060001-EI.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Objective: The objective was to determine if capacity revenue and kilowatt hours sold were accurately reported.

Procedures: We prepared a schedule of revenues from FPL's Revenue and Rate Reports which summarize FPL's billing. We computed the factors by rate code and compared them to the last Commission order for capacity. We selected some customer bills from various rate classes to verify that the proper capacity rate factors were used. No errors were found.

Objective: The objective was to verify that the true-up was calculated correctly.

Procedures: The true-up was recalculated and the interest rates were traced to the approved interest rates established by the Commission. We traced the prior period true up to the last audit workpapers. No errors were found.

Objective: The objective was to verify that the costs agree to the general ledger and can be substantiated with source documentation and that the jurisdictional factor was properly applied.

Procedures: We reconciled the filing to the general ledger. We tested one month of Unit Power Sales (UPS) charges by tracing the schedule to invoices.

We traced the short-term capacity purchases to invoices for one month and to a contract.

We verified that transmission revenues from non-separated sales are credited to the capacity clause by reviewing the itemized account detail and tracing it to invoices and the financial accounting system. The treatment was compared to Commission Order PSC-00-1744-PAA-EI.

For qualifying facilities, we traced the general ledger amount to the Estimated Purchase Power Sales Billing Summary and reviewed the true-up of the prior month's estimate.

We prepared a schedule of the St. Johns River Power Plant (SJRPP) capacity charges for one month and traced it to FPL's accrual. For the same month we traced the components such as debt service and transmission to schedules provided by Jacksonville Electric Authority (JEA). We reconciled the decommissioning costs to a Commission order. The deferred interest for SJRPP was traced to the general ledger. We obtained a letter estimating property tax from JEA and used it to calculate the monthly accrual.

SJRPP Energy Suspension payments were traced to an accrual worksheet. The debt and equity component from that worksheet was traced to prior audits.

For Transmission of Electricity by others, we traced one month's charges to invoices and transmission reports prepared by FPL's Energy Marketing and Trading.

We reconciled the Okeelanta settlement to the general ledger and recalculated the amortization. We traced the amount to the prior audit and Commission Order PSC 00-2341-FOF-EI.

No errors were found in any of the costs reviewed.

Objective: The objective was to verify that security charges included in the capacity filing are incremental to security charges in base rates.

Procedures: We determined total security costs, removed base costs established in prior audits and verified that the costs included were incremental. We also selected a sample of charges to the security cost accounts included in the filing and traced them to invoices. The accruals made through journal entries were also reviewed. No errors were found.

Objective: The objective was to determine if the Nuclear Regulatory Commission fee and the recoverable portion of the incremental fee increase amount are consistent with the percentage approved for recovery through the clause according to Commission Order PSC-03-1461-FOF-EI.

Procedures: We obtained and traced the invoices, reviewed the order and FPL's calculation of non-recoverable expense. No errors were found.

EXHIBITS

CAPACITY COST RECOVERY CLAUSE														
CALCULATION OF FINAL TRUE-UP AMOUNT														
FOR THE PERIOD JANUARY THROUGH DECEMBER 2005														
LINE NO.	(1) JAN 2005	(2) FEB 2005	(3) MAR 2005	(4) APR 2005	(5) MAY 2005	(6) JUN 2005	(7) JUL 2005	(8) AUG 2005	(9) SEP 2005	(10) OCT 2005	(11) NOV 2005	(12) DEC 2005	(13) TOTAL	
1.	Payments to Non-cogenerators (UPS & SJRPP)	\$ 15,276,733	\$ 16,353,691	\$ 17,519,018	\$ 13,571,481	\$ 16,144,679	\$ 16,518,990	\$ 16,158,726	\$ 19,484,990	\$ 14,394,265	\$ 15,944,938	\$15,613,719	\$17,898,401	\$ 195,079,630
2.	Short Term Capacity Purchases CCR	5,883,435	5,937,967	3,590,187	3,479,937	5,997,657	11,738,190	11,792,166	11,984,306	6,036,208	1,849,092	2,121,972	3,769,400	74,180,517
3.	QF Capacity Charges	29,347,865	27,839,052	27,891,740	27,864,561	29,142,050	28,433,557	29,248,477	28,714,705	29,192,392	29,631,636	23,353,203	25,289,231	335,948,469
4a.	SJRPP Suspension Accrual	393,207	393,207	393,207	393,207	393,207	393,207	393,207	393,207	393,207	393,207	393,207	393,207	4,718,484
4b.	Return on SJRPP Suspension Liability	(346,531)	(350,386)	(354,241)	(358,096)	(361,952)	(365,807)	(369,662)	(373,517)	(377,373)	(381,228)	(385,083)	(388,938)	(4,412,814)
5.	Okeelanta Settlement (Capacity)	3,068,421	3,071,027	3,072,089	3,073,719	3,073,353	3,072,529	3,072,706	3,071,979	3,070,161	3,067,994	3,065,370	3,059,431	36,838,778
6.	Incremental Plant Security Costs-Order No. PSC-02-1761	1,322,531	881,730	961,763	1,847,765	3,510,578	2,554,659	3,814,149	3,330,547	2,678,443	2,276,389	2,024,056	3,476,092	28,678,702
7.	Transmission of Electricity by Others	594,341	616,642	568,993	597,209	550,852	520,905	401,569	442,921	497,329	497,542	536,537	564,827	6,389,669
8.	Transmission Revenues from Capacity Sales	(858,168)	(691,207)	(1,185,025)	(575,100)	(308,383)	(268,603)	(186,954)	(333,164)	(109,040)	(72,953)	(357,649)	(780,548)	(5,726,793)
9.	Total (Lines 1 through 8)	\$ 54,681,834	\$ 54,251,724	\$ 52,457,732	\$ 49,894,683	\$ 58,142,041	\$ 62,597,626	\$ 64,324,384	\$ 66,715,975	\$ 55,775,592	\$ 53,206,617	\$46,365,331	\$53,281,103	\$ 671,694,643
10.	Jurisdictional Separation Factor (a)	98.63289%	98.63289%	98.63289%	98.63289%	98.63289%	98.63289%	98.63289%	98.63289%	98.63289%	98.63289%	98.63289%	98.63289%	N/A
11.	Jurisdictional Capacity Charges	53,934,273	53,510,044	51,740,577	49,212,568	57,347,175	61,741,848	63,444,999	65,803,894	55,013,078	52,479,224	45,731,466	52,552,692	662,511,838
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)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(56,945,592)
13.	Jurisdictional Capacity Charges Authorized	\$ 49,188,807	\$ 48,764,578	\$ 46,995,111	\$ 44,467,102	\$ 52,601,709	\$ 56,996,382	\$ 58,699,533	\$ 61,058,428	\$ 50,267,612	\$ 47,733,758	\$40,986,000	\$47,807,226	\$ 605,566,246
14.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 49,018,409	\$ 45,631,519	\$ 45,147,084	\$ 46,626,657	\$ 48,420,551	\$ 57,011,804	\$ 62,338,552	\$ 64,804,697	\$ 64,834,082	\$ 59,722,102	\$48,514,717	\$48,491,099	\$ 640,561,273
15.	Prior Period True-up Provision	(3,580,000)	(3,580,000)	(3,580,000)	(3,580,000)	(3,580,000)	(3,580,000)	(3,580,000)	(3,580,000)	(3,580,000)	(3,580,000)	(3,580,000)	(3,579,996)	(42,959,996)
16.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 45,438,409	\$ 42,051,519	\$ 41,567,084	\$ 43,046,657	\$ 44,840,551	\$ 53,431,804	\$ 58,758,552	\$ 61,224,697	\$ 61,254,082	\$ 56,142,102	\$44,934,717	\$44,911,103	\$ 597,601,277
17.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	(3,750,399)	(6,713,058)	(5,428,027)	(1,420,445)	(7,761,159)	(3,564,578)	59,019	166,269	10,986,470	8,408,344	3,948,717	(2,896,123)	(7,964,970)
18.	Interest Provision for Month	(76,367)	(84,967)	(95,414)	(101,067)	(108,779)	(119,782)	(122,017)	(118,236)	(96,276)	(58,381)	(28,213)	(14,677)	(1,024,177)
19.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	(42,959,996)	(43,206,762)	(46,424,788)	(48,368,228)	(46,309,741)	(50,599,678)	(50,704,038)	(47,187,035)	(43,559,003)	(29,088,809)	(17,158,846)	(9,658,343)	(42,959,996)
20.	Deferred True-up - Over/(Under) Recovery	5,177,060	5,177,060	5,177,060	5,177,060	5,177,060	5,177,060	5,177,060	5,177,060	5,177,060	5,177,060	5,177,060	5,177,060	5,177,060
21.	Prior Period True-up Provision - Collected/(Refunded) this Month	3,580,000	3,580,000	3,580,000	3,580,000	3,580,000	3,580,000	3,580,000	3,580,000	3,580,000	3,580,000	3,580,000	3,579,996	42,959,996
22.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	\$ (38,029,702)	\$ (41,247,728)	\$ (43,191,168)	\$ (41,132,681)	\$ (45,422,618)	\$ (45,526,978)	\$ (42,009,975)	\$ (38,381,943)	\$ (23,911,749)	\$ (11,981,786)	\$ (4,481,283)	\$ (3,812,087)	\$ (3,812,087)
Notes: (a) Per K. M. Dubin's Testimony Appendix III Page 3, filed September 9, 2003														
(b) Per FPSC Order No. PSC-94-1092-POF-EI, Docket No. 940001-EI, as adjusted in August 1993, per E.L. Hoffman's Testimony Appendix IV, Docket No. 930001-EI, filed July 8, 1993.														