

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-**

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**DATE:** June 28, 2006  
**TO:** Lee R. Colson, Utilities System/Engineering Specialist, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance  
**RE:** Docket No: 060002-EG; Company Name: Florida Power and Light Company  
Audit Purpose: Energy Conservation Cost Recovery Clause  
Audit Control No: 06-040-4-1

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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 Commission Clerk and Administrative Services. 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  
Florida Power & Light Company  
215 S. Monroe St., Suite 810  
Tallahassee, FL 32301-1859

Mr. John T. Butler  
Squire, Sanders Law Firm  
200 S. Biscayne Blvd., Suite 4000  
Miami, FL 33131-2398

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FLORIDA PUBLIC SERVICE COMMISSION  
DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

*Miami District Office*

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

DOCKET NO. 060002-EG  
AUDIT CONTROL NO. 06-040-4-1

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

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Iliana H. Piedra  
Audit Manager

A handwritten signature in cursive script, reading "Gabriela Leon".

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Gabriela Leon  
Audit Staff

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

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Kathy L. Welch  
Public Utilities Supervisor

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

**June 23, 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 energy conservation clause filing for 2005.

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 of the audit was to determine if there were changes in the conservation programs in 2005. We also determined if the expenses in 2005 were materially different than in 2004 and if the actual expenses for 2005 were within budget.

**Procedure:** We compared the programs in the filing for 2005 to the programs in effect in 2004. Each type of expense in 2005 was compared to the same expense in 2004. The company was asked to explain any material increases or decreases. No significant problems were found.

**Objective:** The objective of the audit was to determine if the company applied the Commission approved cost recovery factor to actual KWH sales.

**Procedure:** We obtained the monthly Revenue and Rate Reports, which are an output of the billing system, and prepared schedules of revenue. Revenues for programs that are not included in the revenue and rate report were added. We reconciled these schedules to the filing and traced the factors charged to the last order. We recalculated various bills to verify ordered rates were used. No significant problems were found.

**Objective:** The objective of the audit was to determine that the actual program expenses are representative of company activity and are properly computed and recorded on the company books.

**Procedure:** The expenses in the filing were tied to the general ledger. A judgmental sample of all expenses was selected and the source documentation for the sample items were reviewed to make sure the item was a conservation expense and charged to the correct account. For advertising and promotions, we reviewed all source documents to make sure they followed the criteria from PSC Rule 25-17.015. We traced the proformas adjustments to source documentation and recalculated a sample of bills that contained credits for incentives using the tariffs. No significant problems were found.

**Objective:** The objective of the audit was to determine if the true-up calculation and interest provision as filed was properly calculated.

**Procedures:** We agreed the beginning true-up to the PSC order. The true-up was recalculated for the year using the Wall Street Journal interest rates. No significant problems were found.

**Objective:** The objective of the audit was to verify that the 2005 Demand Side Management Annual report to the Commission detailing the company's achieved KWH savings results is accurate for three programs (Residential A/C, Residential Load Management and Commercial/Industrial HVAC).

**Procedures:** The achieved KWH savings for 2005 for each program were recalculated. We agreed the number of customers participating to appropriate company records. We agreed actual KWH to sales reports. No significant problems were found.

**Objective:** The objective of the audit was to determine that the Return on Investment Schedules are calculated correctly, that the additions to plant are supported by proper documentation, that the depreciation expense is calculated in accordance with Commission guidelines and that the debt and equity ratios used are properly calculated.

**Procedure:** We recalculated the Return on Investment schedules. A sample of the plant additions and retirements were audited. Depreciation was recalculated and the debt and equity ratios were traced to the company's cost rate schedule. No significant problems were found.

**Objective:** The objective of the audit was to determine if any information found in selected Internal Audits and the Board of Directors Minutes relate to the clause.

**Procedure:** We read selected internal audits and the Board of Directors Minutes. No significant problems were found.

**Objective:** The objective of the audit was to determine the difference in the estimated and the actual payroll and benefits for July through December 2005 to compare it to the reassignment amount from clause to storm reserve amount mentioned in the Storm Recommendation.

**Procedure:** We obtained the actual payroll and benefits for July through December and the related estimated amounts. We compared this amount to the reassignment amount from the clause to the storm reserve. No significant problems were found.

EXHIBITS

## EXHIBITS

**Florida Power & Light Company**  
**CONSERVATION PROGRAM COSTS**  
 January through December 2006

Program Title	Actuals January	Actuals February	Actuals March	Actuals April	Actuals May	Actuals June	Actuals July	Actuals August	Actuals September	Actuals October	Actuals November	Actuals December	2006 TOTAL
1. Residential Conservation Service Program	\$ 358,116	\$ 317,331	\$ 718,577	\$ 1,326,729	\$ 891,360	\$ 424,603	\$ 503,482	\$ 504,713	\$ 433,587	\$ 812,106	\$ 470,660	\$ 1,435,481	\$ 8,196,745
2. Residential Building Envelope Program	89,860	56,527	54,833	63,728	87,741	90,119	80,289	52,282	93,569	85,612	59,940	51,328	865,808
3. Residential Load Management ("On Call")	3,895,066	3,695,652	3,558,459	5,572,644	5,701,825	5,714,330	5,959,497	5,623,857	5,749,200	5,675,415	3,892,184	3,475,220	58,313,350
4. Duct System Testing & Repair Program	135,144	131,069	135,845	209,125	155,742	189,212	166,375	129,829	105,941	110,441	84,921	158,380	1,712,124
5. Residential Air Conditioning Program	1,463,914	927,377	882,352	1,448,267	1,193,248	1,662,835	1,722,549	1,565,627	1,592,697	1,870,077	1,551,251	1,687,988	17,347,982
6. Business On Call Program	59,484	69,775	78,855	334,084	353,983	330,440	363,160	334,252	336,828	330,873	(83,732)	66,969	2,575,069
7. Cogeneration & Small Power Production	27,075	26,914	29,394	31,268	27,200	35,515	29,659	18,145	17,683	23,833	21,334	30,903	318,823
8. Commercial/Industrial Efficient Lighting	53,222	16,043	13,184	49,818	138,533	136,825	19,650	108,587	61,347	52,274	12,854	17,705	677,842
9. Commercial/Industrial Load Control	2,505,975	1,999,039	2,074,049	2,200,861	2,587,704	2,338,892	2,617,422	2,561,601	3,612,784	2,523,326	2,322,236	4,421,535	31,745,624
10. CI Demand Reduction	75,419	75,696	83,151	87,714	88,724	88,163	93,436	93,971	104,213	132,631	88,076	112,911	1,123,105
11. Business Energy Evaluation	200,755	587,192	603,618	(158,407)	635,835	271,607	336,350	217,115	482,032	403,299	363,152	781,706	4,704,254
12. CI Heating, Ventilating & A/C Program	393,300	339,309	187,452	213,116	262,796	192,639	832,820	74,248	844,845	372,535	62,904	200,158	3,976,122
13. Business Custom Incentive Program	1,084	10,749	10,745	1,284	1,069	1,313	171,180	5,356	1,154	925	883	1,091	206,843
14. CI Building Envelope Program	60,873	69,518	55,943	188,776	79,205	48,249	51,280	120,955	51,896	65,537	9,383	19,817	801,232
15. Conservation Research & Dev Program	(2,519)	(58)		(708)	(116)	(7,391)	1,162	1,176	1,855	1,165	866	106,371	101,803
16. BuildSmart Program	53,364	54,318	61,070	84,711	65,063	78,799	77,078	61,174	68,554	58,477	40,380	104,837	807,825
17. (a) Green Power Pricing Research Proj.	85,138	118,271	134,961	154,728	175,542	194,320	188,524	198,450	204,104	193,061	236,376	216,976	2,101,449
18. Low-Income Weatherization Program	1,787	2,701	1,915	3,514	2,639	2,322	2,552	2,403	3,835	3,637	2,157	4,102	33,564
19. Business Green Energy Research Project									23,231	3,877			27,108
20. Common Expenses	1,116,290	875,548	1,590,798	1,223,781	925,182	1,094,079	1,102,187	727,331	780,591	882,293	769,383	1,124,336	12,191,799
<b>21. Total All Programs</b>	<b>\$ 10,373,356</b>	<b>\$ 9,372,969</b>	<b>\$ 10,275,100</b>	<b>\$ 13,015,032</b>	<b>\$ 13,351,272</b>	<b>\$ 12,887,675</b>	<b>\$ 14,319,653</b>	<b>\$ 12,401,351</b>	<b>\$ 14,549,744</b>	<b>\$ 13,401,395</b>	<b>\$ 9,803,007</b>	<b>\$ 13,977,815</b>	<b>\$ 147,828,370</b>
22. LESS: Included in Base Rates	(85,447)	(68,661)	(91,731)	(131,618)	(90,185)	(140,945)	(91,124)	(107,715)	(74,144)	(75,921)	(128,748)	(62,059)	(1,166,298)
<b>23. Recoverable Conservation Expenses</b>	<b>\$ 10,287,909</b>	<b>\$ 9,284,308</b>	<b>\$ 10,183,369</b>	<b>\$ 12,883,414</b>	<b>\$ 13,261,088</b>	<b>\$ 12,746,730</b>	<b>\$ 14,228,529</b>	<b>\$ 12,293,636</b>	<b>\$ 14,475,600</b>	<b>\$ 13,325,474</b>	<b>\$ 9,776,259</b>	<b>\$ 13,915,756</b>	<b>\$ 146,662,073</b>
Totals may not add due to rounding													



FLORIDA POWER & LIGHT COMPANY  
 CONSERVATION TRUE-UP & INTEREST CALCULATION  
 JANUARY THROUGH DECEMBER 2005

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	ACTUALS JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
<b>B. CONSERVATION PROGRAM REVENUES</b>													
1. <b>a. RESIDENTIAL LOAD CONTROL CREDIT</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. GREEN POWER PRICING REVENUES	109,962	130,878	155,538	174,243	182,765	200,033	208,921	211,017	217,492	218,810	225,286	223,807	2,258,753
c. BUILDSMART PROGRAM REVENUES	23,650	15,525	7,450	23,550	24,000	17,750	10,650	21,900	27,750	15,000	12,750	10,650	210,625
2. CONSERVATION CLAUSES REVENUES (NET OF REVENUE TAXES)	10,911,657	9,896,662	9,716,998	10,034,370	10,547,746	12,648,765	13,916,247	14,427,820	14,418,991	13,213,977	10,150,082	10,708,746	140,592,062
3. TOTAL REVENUES	11,045,269	10,043,065	9,879,986	10,232,163	10,754,511	12,866,549	14,135,818	14,660,737	14,664,233	13,447,787	10,388,118	10,943,203	143,061,439
4. ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	882,315	882,315	882,315	882,315	882,315	882,315	882,315	882,315	882,315	882,315	882,315	882,315	10,587,780
5. CONSERVATION REVENUES APPLICABLE TO PERIOD (Line B3 + B4)	11,927,584	10,925,380	10,762,301	11,114,478	11,636,826	13,748,864	15,018,133	15,543,052	15,546,548	14,330,102	11,270,433	11,825,518	153,649,219
6. CONSERVATION EXPENSES (From CT-3, Page 1, Line 33)	10,287,910	9,284,308	10,183,369	12,883,414	13,261,088	12,746,729	14,228,529	12,293,636	14,475,600	13,325,474	9,776,259	13,915,757	146,662,073
7. TRUE-UP THIS PERIOD (Line B5 - Line B6)	1,639,674	1,641,072	578,932	(1,768,936)	(1,624,262)	1,002,135	789,604	3,249,416	1,070,948	1,004,628	1,494,174	(2,090,239)	6,987,146
8. INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	30,366	34,003	36,444	35,201	30,510	28,908	30,716	35,853	41,745	44,579	48,387	45,959	442,671
9. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	10,587,780	11,375,505	12,168,265	11,901,326	9,285,276	6,809,209	6,957,937	6,895,942	9,298,896	9,529,274	9,696,166	10,356,412	10,587,780
u. DEFERRED TRUE-UP BEGINNING OF PERIOD	4,091,187	4,091,187	4,091,187	4,091,187	4,091,187	4,091,187	4,091,187	4,091,187	4,091,187	4,091,187	4,091,187	4,091,187	4,091,187
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(882,315)	(882,315)	(882,315)	(882,315)	(882,315)	(882,315)	(882,315)	(882,315)	(882,315)	(882,315)	(882,315)	(882,315)	(10,587,780)
11. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (Line B7+B8+B9+B10)	\$15,466,692	\$16,259,452	\$15,992,513	\$13,376,463	\$10,900,396	\$11,049,124	\$10,987,129	\$13,390,083	\$13,620,461	\$13,787,353	\$14,447,599	\$11,521,004	\$11,521,004

NOTES: ( ) Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY  
 CONSERVATION TRUE-UP & INTEREST CALCULATION  
 JANUARY, THROUGH, DECEMBER 2005

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	ACTUALS JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
<b>C. INTEREST PROVISION</b>													
1. BEGINNING TRUE-UP AMOUNT .... (Line D9+B9a)	\$14,678,967	\$15,466,692	\$16,259,452	\$15,992,513	\$13,376,463	\$10,900,396	\$11,049,124	\$10,987,129	\$13,390,083	\$13,620,461	\$13,787,353	\$14,447,599	\$163,956,232
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST .... (Line B7+B9+D9a+B10)	15,436,326	16,225,449	15,956,069	13,341,262	10,869,886	11,020,216	10,956,413	13,354,230	13,578,716	13,742,774	14,399,212	11,475,045	160,355,598
3. TOTAL OF BEGINNING & ENDING TRUE-UP .... (Line C1+C2)	\$30,115,293	\$31,692,141	\$32,215,521	\$29,333,775	\$24,246,349	\$21,920,612	\$22,005,537	\$24,341,359	\$26,968,799	\$27,363,235	\$28,186,565	\$25,922,644	\$324,311,830
4. AVERAGE TRUE-UP AMOUNT .... (50% of Line C3)	\$15,057,647	\$15,846,071	\$16,107,761	\$14,666,888	\$12,123,175	\$10,960,306	\$11,002,769	\$12,170,680	\$13,484,400	\$13,681,618	\$14,093,283	\$12,961,322	\$162,155,915
5. INTEREST RATE - FIRST DAY OF REPORTING .... BUSINESS MONTH	2.34000%	2.50000%	2.65000%	2.78000%	2.98000%	3.06000%	3.27000%	3.43000%	3.64000%	3.79000%	4.03000%	4.21000%	N/A
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT .... BUSINESS MONTH	2.50000%	2.65000%	2.78000%	2.98000%	3.06000%	3.27000%	3.43000%	3.64000%	3.79000%	4.03000%	4.21000%	4.30000%	N/A
7. TOTAL (Line C5+C6)	4.84000%	5.15000%	5.43000%	5.76000%	6.04000%	6.33000%	6.70000%	7.07000%	7.43000%	7.82000%	8.24000%	8.51000%	N/A
8. AVERAGE INTEREST RATE .... (50% of Line C7)	2.42000%	2.57500%	2.71500%	2.88000%	3.02000%	3.16500%	3.35000%	3.53500%	3.71500%	3.91000%	4.12000%	4.25500%	N/A
9. MONTHLY AVERAGE INTEREST RATE .... (Line C8 / 12)	0.20167%	0.21458%	0.22625%	0.24000%	0.25167%	0.26375%	0.27917%	0.29458%	0.30958%	0.32583%	0.34333%	0.35458%	N/A
10. INTEREST PROVISION FOR THE MONTH .... (Line C4 x C9)	\$30,366	\$34,003	\$36,444	\$35,201	\$30,510	\$28,908	\$30,716	\$35,853	\$41,745	\$44,579	\$48,387	\$45,959	\$442,671

NOTES: (.....) Reflects Underrecovery  
 ..... N/A = Not Applicable