



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: October 2, 2007

TO: George J. Slemkewicz, Public Utilities Supervisor, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance

RE: Docket No. 070432-EI;
Company Name: Florida Power & Light Company;
Audit Purpose: Review of the \$34.5 million of preconstruction costs for the Glades Power Park Project;
Audit Control No: 07-221-4-1

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 me 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 (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

CMP _____

COM _____

CTR _____

ECR _____

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OPC _____

RCA _____

SCR _____

SGA _____

SEC _____

OTH _____

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

Natalie Smith / R. Wade Litchfield
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA POWER AND LIGHT

GLADES POWER PARK PROJECT

YEAR ENDED AUGUST 31, 2007

DOCKET NO. 070432-EI
AUDIT CONTROL NO. 07-221-4-1



Yen Ngo
Audit Manager



Kathy Welch
Public Utilities Supervisor

DOCUMENT NUMBER-DATE

09051 OCT-25

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DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT
September 28, 2007

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 the procedures to the attached schedule prepared by Florida Power and Light in support of its Appendix A for the Glades Power Park Project Docket No. 070432-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 the calculation of the contract termination costs was properly calculated.

Procedures: We recalculated the termination costs based on the terms defined in the contracts or the negotiations and reconciled the termination fee to the sample testing. No errors were found.

Objective: The objective was to determine if the "Preliminary Engineering and Project Management" costs of \$5.3 million were accurate and whether payroll was included in this portion.

Procedures: We obtained the detail of the total project costs in an Excel file, sorted the "Preliminary Engineering and Project Management" costs by work orders, and reconciled the total of each work order to the schedule provided by the company. Included in these costs was \$921,415 of payroll. The total from the detail costs was \$593 higher than the company's schedule, which was immaterial.

Objective: The objective was to determine whether any of the "Land and Right of Way Option Payments" of \$1.7 million are refundable or conveyed any ownership to FPL.

Procedures: We recalculated the cost of land from the Real Estate Purchase Option Agreements, traced the payments to the issuance of checks, and reviewed the Termination of Memorandum Real Estate Purchase Option Agreement to ensure that there was no assigning of ownership to FPL. The survey costs were traced to the bid forms. The company estimated the cost of land to be \$1.7 million, but the actual cost was \$1,684,275. No errors were found.

Objective: The objective was to determine if the "Site Certification and Permitting" costs of \$7.6 million were accurate and whether payroll was included in this portion.

Procedures: We obtained the detail of the total costs of the project in an Excel file, sorted the detail "Site Certification and Permitting" costs by work orders, and reconciled the total of each work order to the schedule provided by the company. Included in these costs was \$936,931.06 of payroll. The total from the detail cost was \$16,499.55 or 0.0207% higher than the company's schedule, which was immaterial.

Objective: The objective was to determine whether the entire \$34.5 million was strictly associated with the costs for the Glades Power Park Project

Procedures: We obtained the detail of the total costs of the project in an Excel file and selected a sample for testing. The detail indicated that the \$34.5 million was comprised

of:

1. Preliminary engineering for the installation of steam turbine generators
2. Siting and permitting
3. Termination fees
4. Consultant services for permit application and fuel professional services for reviewing contracts and environmental issues.
5. Coal plant study and mercury analysis
6. Land survey
7. Rail transportation study
8. Performance Excellence Reward Plan for the project
9. Meal catering
10. Printing materials for the project
11. Legal services, community outreach, customer survey, and lobbying
12. Payroll, relocation costs, and travel expense to solicit competitive steam generator equipment.

Audit finding one discusses the settlement of one of the termination fees.

Audit finding two discusses payroll, relocation costs, and travel.

Audit finding three discusses Community outreach, customer surveys, lobbying, and legal services.

II. AUDIT FINDINGS

AUDIT FINDING NO. 1

SUBJECT: TERMINATION FEE

AUDIT ANALYSIS:

CONFIDENTIAL

EFFECT ON LEDGER: This finding is for informational purpose only.

EFFECT ON THE FILING: This finding is for informational purpose only.

CONFIDENTIAL

AUDIT FINDING NO. 2

SUBJECT: PAYROLL AND RELOCATION COSTS

AUDIT ANALYSIS:

CONFIDENTIAL

EFFECT ON LEDGER: This finding is for informational purpose only.

EFFECT ON THE FILING: This finding is for informational purpose only.

CONFIDENTIAL

AUDIT FINDING NO. 3

SUBJECT: LEGAL SERVICES, LOBBYING, COMMUNITY OUTREACH, & PUBLIC RELATION

AUDIT ANALYSIS:

EFFECT ON LEDGER: This finding is for informational purpose only.

EFFECT ON THE FILING: This finding is for informational purpose only.

CONFIDENTIAL

III. EXHIBITS

APPENDIX A

FPL Glades Power Park Project Cost Analysis (in millions of dollars)

Land and Right of Way Option Payments	1.7
Site Certification and Permitting	7.6
Major Equipment Contracts	
Turbine contracted termination cost	12.7
Air Quality Control System contracted termination cost	<u>4.8</u>
Subtotal Major Equipment Contracts	17.5
Preliminary Engineering and Project Management	5.3
Engineering, Procurement, Construction Contract	
Contracted termination cost	<u>2.4</u>
Total Project Cost	34.5