

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: October 15, 2007

TO: Peter H. Lester, Economic Analyst, Division of Economic Regulation

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

RE: Docket No: 070001-EI; Company Name: Florida Power & Light;
Audit Purpose: Audit of FPL Cost Model for Economy Sales;
Audit Control No: 07-164-4-1; Company Code EI802;

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. There are confidential work papers associated with this audit.

DNV:sbj
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

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

John T. Butler / R. Wade Litchfield
Florida Power & Light Co.
700
Universe Blvd.
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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA POWER AND LIGHT

ECONOMY SALES AUDIT

AS OF SEPTEMBER 30, 2007

DOCKET NO. 070001-EI
AUDIT CONTROL NO. 07-164-4-1

Handwritten signature of Iliana H. Piedra in cursive script.

ILIANA H. PIEDRA
Audit Manager

Handwritten signature of Gabriela Leon in cursive script.

Gabriela Leon
Regulatory Analyst IV

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Yen Ngo
Regulatory Analyst III

Handwritten signature of Kathy Welch in cursive script.

Kathy Welch
Public Utilities Supervisor

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

October 8, 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 these procedures to the system that generates the attached schedule A-6-Power Sold, prepared by Florida Power and Light Co. (FPL), in support of its filing of fuel recovery, in docket 070001-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 gain an understanding of the cost models used to determine sales recorded on Schedule A-6.

Procedure: We attended meetings with the company representatives to understand the information included in the Power Deal Lambda Report. We determined what documentation the company has for the cost components in this report. We determined what cost models are used.

Objective: The objective was to determine if the cost components are accurately computed for current transactions.

Procedure: We selected two days for the utility to print out all documentation for all A-6 transactions. Two systems are used to provide information in the A-6 schedules, the Gentrader System and the Economy A system. We agreed the selected current transactions megawatts and cost to transactions print screens. We tested inputs to the computer models by doing the following procedures. Fuel prices were agreed to oil pricing reports. Gas prices were agreed to the gas daily reports. Unit Power Sales charges were agreed to the invoice. The emission allowance was recalculated for the Gentrader system. Emission allowances are not used in the Economy A system. The operating and maintenance (O & M) amounts were reconciled to the company's calculations and traced to some source documentation. The Economy A system does not include O&M amounts. Attached is Audit Finding No. 1 which discusses the methodology used for the O&M factor calculations.

Objective: The objective was to determine that the selected current transactions agree to the Power Deal Lambda Report.

Procedure: We agreed the selected current transactions from the Gentrader and Economy A systems for specific vendors to the Power Deal Lambda Report.

Objective: The objective was to determine that Schedule A-6 reconciles to the Power Deal Lambda Report.

Procedure: We agreed the total costs and gain from A-6 for the specific vendor to the Power Deal Lambda Report. We determined if any transmission and/or capacity charges are needed as reconciling items and obtained source documentation for these items.

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EXHIBITS

POWER SOLD
 COMPANY: FLORIDA POWER & LIGHT COMPANY
 FOR THE MONTH OF JULY 2007

SCHEDULE A6

(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)	(9)	
SOLD TO	TYPE & SCHEDULE	TOTAL KWH SOLD (000)	KWH WHEELED FROM OTHER SYSTEMS (000)	KWH FROM OWN GENERATION (000)	cents/KWH		TOTAL \$ FOR FUEL ADJ. (\$ X (6)(a))	TOTAL COST \$ (5) X (6)(b)	GAIN FROM OFF-SYSTEM SALES \$	
					(a) FUEL COST	(b) TOTAL COST				
ESTIMATED:										
ST. LUCIE RELIABILITY	OS	81,130	0	81,130	6.539	7.708	5,304,785	6,252,171	658,516	
		6,755	0	6,755	2.346	0.000	158,500	158,500	0	
TOTAL		87,885	0	87,885	6.216	7.294	5,463,285	6,410,671	658,516	
ACTUAL:										
ECONOMY **		0	0	0	0.000	0.000	0	0	0	
FMPA (SL 1)		26,900	0	26,900	0.525	0.525	141,279	141,279	0	
OUC (SL 1)		18,602	0	18,602	0.919	0.919	170,894	170,894	0	
FLORIDA KEYS ELECTRIC COOPERATIVE		6,565	0	6,565	8.733	8.733	573,330	573,330	0	
ALABAMA ELECTRIC COOPERATIVE INC.	OS	0	0	0	0.000	0.000	0	0	(109)	
CARGILL POWER MARKETS, LLC	OS	0	0	0	0.000	0.000	0	0	(3,114)	
CAROLINA POWER & LIGHT COMPANY	OS	0	0	0	0.000	0.000	0	0	0	
CINCINNATI GAS & ELECTRIC CO	OS	0	0	0	0.000	0.000	0	0	0	
COBB ELECTRIC MEMBERSHIP CORP.	OS	0	0	0	0.000	0.000	0	0	0	
CONOCO PHILLIPS, INC.	OS	18	0	18	4.087	5.200	736	936	(6,453)	
CONSTELLATION ENERGY COMMODITIES GROUP, INC.	OS	0	0	0	0.000	0.000	0	0	200	
ENERGY AUTHORITY, THE	OS	4,995	0	4,995	3.867	5.080	193,161	252,769	(1,767)	
FLORIDA MUNICIPAL POWER AGENCY - EAST	OS	200	0	200	4.207	5.600	8,413	11,200	46,853	
FLORIDA POWER CORPORATION	OS	125	0	125	3.986	5.500	4,983	6,875	2,754	
GAINESVILLE REGIONAL UTILITIES	OS	0	0	0	0.000	0.000	0	0	(251)	
HOMESTEAD, CITY OF	OS	461	0	461	4.174	5.846	19,243	26,026	0	
MERRILL LYNCH COMMODITIES, INC.	OS	0	0	0	0.000	0.000	0	0	5,931	
MORGAN STANLEY CAPITAL GROUP, INC.	OS	0	0	0	0.000	0.000	0	0	0	
NEW SMYRNA BEACH UTILITIES COMMISSION, CITY OF	OS	204	0	204	8.269	10.067	16,869	20,537	0	
OGLETHORPE POWER CORPORATION	OS	2,975	0	2,975	4.438	5.742	132,032	170,825	3,579	
ORLANDO UTILITIES COMMISSION	OS	475	0	475	4.551	5.584	21,619	26,525	21,192	
PROGRESS VENTURES, INC.	OS	0	0	0	0.000	0.000	0	0	3,881	
REEDY CREEK IMPROVEMENT DISTRICT	OS	0	0	0	0.000	0.000	0	0	0	
RELIANT ENERGY SERVICES, INC.	OS	0	0	0	0.000	0.000	0	0	0	
SEMINOLE ELECTRIC COOPERATIVE, INC.	OS	25,064	0	25,064	4.576	5.920	1,146,870	1,483,730	262,360	
SEMINOLE ELECTRIC COOPERATIVE, INC.	DF	186	0	186	22.790	91.976	42,389	171,075	0	
SEMPRA ENERGY TRADING CORP.	OS	0	0	0	0.000	0.000	0	0	0	
SOUTH CAROLINA ELECTRIC & GAS CO.	OS	0	0	0	0.000	0.000	0	0	0	
SOUTHERN COMPANY SERVICES, INC.	OS	0	0	0	0.000	0.000	0	0	32,072	
SOUTHERN COMPANY FLORIDA LLC	OS	0	0	0	0.000	0.000	0	0	0	
TALLAHASSEE, CITY OF	OS	0	0	0	0.000	0.000	0	0	0	
TAMPA ELECTRIC COMPANY	OS	43,257	0	43,257	4.833	6.184	2,090,764	2,666,331	477,739	
TENASKA POWER SERVICES CO	OS	0	0	0	0.000	0.000	0	0	0	
TENNESSEE VALLEY AUTHORITY	OS	0	0	0	0.000	0.000	0	0	(5,755)	
WILLIAMS ENERGY MARKETING & TRADING	OS	0	0	0	0.000	0.000	0	0	(581)	
ECONOMY SUB-TOTAL		0	0	0	0.000	0.000	0	0	0	
ST. LUCIE PARTICIPATION SUB-TOTAL		45,502	0	45,502	0.000	0.000	312,173	312,173	0	
SALES EXCLUSIVE OF ECONOMY AND ST. LUCIE PARTICIPATION SUB-TOTAL		84,525	0	84,525	5.029	6.401	4,250,408	5,410,158	838,551	
80% OF GAIN ON ECONOMY SALES (SEE SCHED A6a)							0			
SUBTOTAL		130,027	0	130,027	3.509	4.401	4,562,581	5,722,331	838,551	
Gas Turbine Maintenance Revenue Reclassed to Base Revenue							0			
PP ADJ-Gas Turbine Rev Reclassed to Base Revenue							0			
TOTAL		130,027	0	130,027	3.509	4.401	4,562,581	5,722,331	838,551	
2006 3-Yr Average Threshold									19,849,221	
YTD Difference of Threshold vs Actual									(5,620,722)	
YTD 20% FPL Share									0	
CURRENT MONTH:										
DIFFERENCE		42,142	0	42,142	(2.707)	(2.894)	(900,704)	(688,340)	180,035	
DIFFERENCE (%)		48.0	0.0	48.0	(43.6)	(39.7)	(16.5)	(10.7)	27.3	
PERIOD TO DATE:										
ACTUAL		1,323,318	0	1,323,318	3.985	5.244	52,736,445	69,398,794	14,228,499	
ESTIMATED		1,281,176	0	1,281,176	4.187	5.470	53,837,149	70,085,134	14,048,463	
DIFFERENCE		42,142	0	42,142	(0.201)	(0.226)	(900,704)	(688,340)	180,035	
DIFFERENCE (%)		3.3	0.0	3.3	(4.8)	(4.1)	(1.7)	(1.0)	1.3	

* ONLY TOTAL \$ INCLUDES 80% OF GAIN ON ECONOMY SALES.

** TOTAL C SCHEDULE TRANSMISSION SERVICE INCLUDED IN FUEL COST = \$ -