



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 12, 2008

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

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

RE: Docket No: 080001-EI; Company Name: Florida Power & Light Company;
Audit Purpose: Fuel Audit; Company Code: EI802;
Audit Control No: 08-003-4-2;

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: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

Mr. Wade Litchfield
Florida Power & Light Company
215 S. Monroe St., Suite 810
Tallahassee, FL 32301-1859

John T. Butler
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420

Ms. Natalie smith
Florida Power & Light Company
215 S. Monroe St., Suite 810
Tallahassee, FL 32301-1859

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA POWER AND LIGHT

FUEL COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2007

DOCKET NO. 080001-EI
AUDIT CONTROL NO. 08-003-4-2

A handwritten signature in black ink, appearing to read "Yen Ngo", written over a horizontal line.

Yen Ngo
Audit Manager

A handwritten signature in black ink, appearing to read "Kathy Welch", written over a horizontal line.

Kathy Welch
Public Utilities Supervisor

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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EPSC-COMMISSION CLERK

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

May 8, 2008

**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 Docket 080001-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 of the audit was to reconcile the schedules to each other, to the general ledger and to source documents. In addition, the objective was to determine if the costs in the clause comply with the criteria in Commission Order 14546, issued July 8, 1985.

Procedures: We prepared a trial balance using the general ledger and reconciled all fuel accounts to the filing.

For revenue, we obtained the monthly Revenue and Rate Reports which are an output of the billing system and prepared schedules of revenue. We reconciled these schedules to the filing and traced the factors charged to the last order. We recalculated some bills to verify ordered rates were used.

We obtained a file of detailed transactions for the general ledger accounts and summarized them and reconciled them to the ledger and the filing. Using this file, we selected a sample of transactions that went to inventory and were transferred to the fuel accounts and transactions that were directly charged to the fuel expenses. We traced the sample to source documents. We traced the Decommissioning and Decontamination payment to the invoices. The nuclear fuel leased amortization ledger provided by the company was recalculated and the amount for the overcharge settlement from the Department of Energy was agreed to company's documentation. We tested a sample of invoices for purchased power on the A7 filing and for economy energy purchases on the A9 filing. We obtained the schedule of capital investment and verified the depreciation and return on investment to prior audit work performed. We reviewed internal audits that relate to internal control over divisions that handle fuel and energy purchases.

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

Procedures: We agreed the beginning true-up provision to the last order and workpapers. We prepared a recalculation using the filing and Commission approved interest rates.

Objective: The objective was to verify that vendor rebates and refunds are credited to fuel costs.

Procedures: We selected two fuel vendors from our sample of expenses and reviewed the payment history to verify that all receivables were billed. We also obtained a confirmation from FPL that no refunds were received. In addition, we reviewed the sample of all fuel expenses for any credits received.

Objective: The objective was to verify that coal inventory has been completed and adjustments to inventory made based on Commission Order PSC-97-0359-FOF-EI.

Procedures: We obtained the inventory analysis, inventory adjustments and survey reports. We reconciled the adjustments to the filings and to the general ledger. We traced these reports to supporting documentation. We reviewed the methodology used to calculate the adjustments and compared them to Commission Order PSC-97-0359-FOF-EI.

Objective: The objective was to reconcile purchases on the company filing A5 to Form 423.

Procedures: We selected two months and determined which transactions were on one form and not the other. We verified that the reason the transactions were not recorded on the same forms were because of timing differences due to when the forms were prepared.

Objective: The objective is to verify that FPL has credited generation-related gains derived from non-separated wholesale energy sales to the fuel clause as set forth in Commission Order PSC-00-1744-PAA-EI.

Procedures: We reconciled the A6 schedule to the monthly schedules and selected a sample of sales to test. The sales were traced to the Power Deal Lambda reports, deal tickets, logs and confirmations. The gains were recalculated. The scope was limited because the Power Deal Lambda reports generate a number for the cost of fuel on a real time basis. The company is not able to go back retroactively to determine what costs go into a transaction. A separate audit of this system was done in 2007.

Objective: The objective was to verify that energy payments to qualifying facilities are based on the negotiated contract rate.

Procedures: We selected two months of payments to the qualifying facilities. The charges for a current month are based on estimates and true-ups for the prior month. The estimates were traced to the source documents and the true-up's traced to the prior month estimate and the actual bill for the period.

Objective: The objective was to reconcile service hours, reserve shutdown hours, and unavailable hours for GPIF units as shown on annual GPIF filings to source documents. In addition, the objective was to reconcile the heat rate for GPIF shown on FPL's A4 filing to source documents.

Procedures: We reconciled the A4 to the GPIF filing. We obtained explanations for the differences and traced to source documents.

EXHIBITS

CALCULATION OF ACTUAL TRUE-UP AMOUNT
 FLORIDA POWER & LIGHT COMPANY
 FOR THE PERIOD JANUARY THROUGH DECEMBER 2007

LINE NO.		(1)	(2)	(3)	(4)	(5)	(6)
		JAN	FEB	MAR	APR	MAY	JUN
A Fuel Costs & Net Power Transactions							
1	a Fuel Cost of System Net Generation (See line 75 below)	\$ 344,860,541	\$ 333,895,916	\$ 336,299,910	\$ 459,797,479	\$ 514,498,368	\$ 528,202,921
	b Incremental Hedging Costs	\$ 53,226	\$ 39,493	\$ 23,534	\$ 30,791	\$ 24,115	\$ 37,136
	c Nuclear Fuel Disposal Costs	\$ 2,080,232	\$ 1,838,048	\$ 2,068,516	\$ 1,527,611	\$ 1,426,405	\$ 1,772,838
	d Scherer Coal Cars Depreciation & Return	\$ 276,584	\$ 274,727	\$ 272,871	\$ 271,014	\$ 268,922	\$ 266,679
2	a Fuel Cost of Power Sold (Per A6)	\$ (6,942,952)	\$ (13,948,405)	\$ (8,140,711)	\$ (9,714,574)	\$ (5,956,867)	\$ (3,424,938)
	b Gains from Off-System Sales	\$ (2,083,070)	\$ (5,499,558)	\$ (2,229,624)	\$ (1,844,553)	\$ (1,169,825)	\$ (563,318)
3	a Fuel Cost of Purchased Power (Per A7)	\$ 21,506,997	\$ 22,969,094	\$ 17,804,660	\$ 21,444,941	\$ 23,110,057	\$ 24,916,606
	b Energy Payments to Qualifying Facilities (Per A8)	\$ 14,369,588	\$ 14,062,127	\$ 14,320,595	\$ 7,235,184	\$ 14,106,491	\$ 15,289,372
4	Energy Cost of Economy Purchases (Per A9)	\$ 5,725,484	\$ 2,528,336	\$ 2,649,522	\$ 5,722,004	\$ 7,237,907	\$ 5,509,560
5	Total Fuel Costs & Net Power Transactions	\$ 379,846,630	\$ 356,159,778	\$ 363,069,272	\$ 484,469,897	\$ 553,545,573	\$ 572,006,856
6 Adjustments to Fuel Cost							
	a Sales to Fla Keys Elect Coop (FKEC) & City of Key West (CKW)	\$ (4,265,087)	\$ (4,514,513)	\$ (4,274,683)	\$ (4,521,659)	\$ (5,446,650)	\$ (6,025,887)
	b Energy Imbalance Fuel Revenues - Account 456.225	\$ (46,608)	\$ (141,687)	\$ (37,683)	\$ (85,101)	\$ 10,120	\$ (117,212)
	c Inventory Adjustments	\$ (65,740)	\$ (23,322)	\$ 151,823	\$ 165,860	\$ 44,370	\$ 45,870
	d Non Recoverable Oil/Tank Bottoms - Docket No. 13092	\$ 226,102	\$ 53,484	\$ 0	\$ (18,211)	\$ (76,294)	\$ 0
7	Adjusted Total Fuel Costs & Net Power Transactions	\$ 375,695,297	\$ 351,533,741	\$ 358,908,729	\$ 480,010,787	\$ 548,077,118	\$ 565,909,627
B kWh Sales							
1	Jurisdictional kWh Sales	8,555,173,173	7,458,110,394	7,381,834,925	7,481,240,405	8,249,438,274	9,086,669,337
2	Sale for Resale (excluding FKEC & CKW)	42,430,619	44,452,806	44,688,200	48,430,962	49,191,597	48,011,520
3	Sub-Total Sales (excluding FKEC & CKW)	8,597,603,792	7,502,563,200	7,426,523,125	7,529,671,367	8,298,629,871	9,134,680,857
6	Jurisdictional % of Total Sales (B1/B3)	99.50648%	99.40750%	99.39826%	99.35680%	99.40723%	99.47440%
C True-up Calculation							
1	Juris Fuel Revenues (Net of Revenue Taxes)	\$ 495,538,005	\$ 424,858,917	\$ 420,150,299	\$ 426,184,984	\$ 462,649,668	\$ 512,234,106
2 Fuel Adjustment Revenues Not Applicable to Period							
	a Prior Period True-up (Collected)/Refunded This Period	\$ (7,583,913)	\$ (7,583,913)	\$ (7,583,913)	\$ (7,583,913)	\$ (7,583,913)	\$ (7,583,913)
	b GPIF. Net of Revenue Taxes (a)	\$ (705,999)	\$ (705,999)	\$ (705,999)	\$ (705,999)	\$ (705,999)	\$ (705,999)
3	Jurisdictional Fuel Revenues Applicable to Period	\$ 487,248,092	\$ 416,569,005	\$ 411,860,386	\$ 417,895,072	\$ 454,359,755	\$ 503,944,193
4	a Adjusted Total Fuel Costs & Net Power Transactions (Line A-7)	\$ 375,695,297	\$ 351,533,741	\$ 358,908,729	\$ 480,010,787	\$ 548,077,118	\$ 565,909,627
	b Nuclear Fuel Expense - 100% Retail (Acct. 518.111)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	c RTP Incremental Fuel -100% Retail	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	d D&D Fund Payments -100% Retail	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	e Adj Total Fuel Costs & Net Power Transactions - Excluding 100% Retail Items (C4a-C4b-C4c-C4d)	\$ 375,695,297	\$ 351,533,741	\$ 358,908,729	\$ 480,010,787	\$ 548,077,118	\$ 565,909,627
5	Jurisdictional Sales % of Total kWh Sales (Line B-6)	99.50648 %	99.40750 %	99.39826 %	99.35680 %	99.40723 %	99.47440 %
6	Jurisdictional Total Fuel Costs & Net Power Transactions (Line C4e x C5 x 1.00054(b)) +(Lines C4b,c,d)	\$ 374,043,040	\$ 349,639,607	\$ 356,941,676	\$ 477,180,896	\$ 545,122,489	\$ 563,239,191
7	True-up Provision for the Month - Over/(Under) Recovery (Line C3 - Line C6)	\$ 113,205,052	\$ 66,929,398	\$ 54,918,710	\$ (59,285,824)	\$ (90,762,734)	\$ (59,294,998)
8	Interest Provision for the Month (Line D10)	\$ (370,116)	\$ 56,650	\$ 357,189	\$ 382,426	\$ 88,491	\$ (207,149)
9	a True-up & Interest Provision Beg. of Period - Over/(Under) Recovery	\$ (91,006,958)	\$ 29,411,891	\$ 103,981,851	\$ 166,841,664	\$ 115,522,178	\$ 32,431,849
	b Deferred True-up Beginning of Period - Over/(Under) Recovery	\$ (53,744,558)	\$ (53,744,558)	\$ (53,744,558)	\$ (53,744,558)	\$ (53,744,558)	\$ (53,744,558)
10	Prior Period True-up Collected/(Refunded) This Period	\$ 7,583,913	\$ 7,583,913	\$ 7,583,913	\$ 7,583,913	\$ 7,583,913	\$ 7,583,913
11	End of Period Net True-up Amount Over/(Under) Recovery (Lines C7 through C10)	\$ (24,332,667)	\$ 50,237,293	\$ 113,097,106	\$ 61,777,620	\$ (21,312,709)	\$ (73,230,942)

CALCULATION OF ACTUAL TRUE-UP AMOUNT
 FLORIDA POWER & LIGHT COMPANY
 FOR THE PERIOD JANUARY THROUGH DECEMBER 2007

LINE NO.	(7) JUL	(8) AUG	(9) SEP	(10) OCT	(11) NOV	(12) DEC	(13) TOTAL PERIOD	
A Fuel Costs & Net Power Transactions								
1 a	Fuel Cost of System Net Generation (See line 75 below)	\$ 578,361,756	\$ 641,939,876	\$ 576,496,603	\$ 564,280,394	\$ 382,805,648	\$ 382,332,313	\$ 5,643,771,725
b	Incremental Hedging Costs	\$ 26,004	\$ 24,601	\$ 28,515	\$ 24,572	\$ 49,339	\$ 149,382	\$ 510,708
c	Nuclear Fuel Disposal Costs	\$ 1,872,419	\$ 1,835,979	\$ 1,554,192	\$ 1,225,008	\$ 1,593,985	\$ 1,538,813	\$ 20,334,045
d	Scherer Coal Cars Depreciation & Return	\$ 264,673	\$ 260,503	\$ 256,342	\$ 254,505	\$ 252,668	\$ 250,831	\$ 3,170,320
2 a	Fuel Cost of Power Sold (Per A6)	\$ (4,562,581)	\$ (4,884,605)	\$ (2,068,843)	\$ (2,133,551)	\$ (4,226,070)	\$ (4,134,264)	\$ (70,138,361)
b	Gains from Off-System Sales	\$ (838,551)	\$ (939,488)	\$ (302,187)	\$ (331,476)	\$ (1,279,360)	\$ (1,464,396)	\$ (18,545,406)
3 a	Fuel Cost of Purchased Power (Per A7)	\$ 28,862,020	\$ 32,251,633	\$ 27,342,963	\$ 31,525,070	\$ 19,128,582	\$ 20,037,587	\$ 290,900,210
b	Energy Payments to Qualifying Facilities (Per A8)	\$ 14,465,306	\$ 16,601,642	\$ 17,934,390	\$ 12,535,471	\$ 13,431,691	\$ 16,982,852	\$ 171,334,709
4	Energy Cost of Economy Purchases (Per A9)	\$ 7,475,360	\$ 2,985,289	\$ 7,798,474	\$ 8,605,174	\$ 5,457,367	\$ 7,395,718	\$ 69,090,195
5	Total Fuel Costs & Net Power Transactions	\$ 625,926,407	\$ 690,075,430	\$ 629,040,449	\$ 615,985,167	\$ 417,213,850	\$ 423,088,836	\$ 6,110,428,144
6 Adjustments to Fuel Cost								
a	Sales to Fla Keys Elect Coop (FKEC) & City of Key West (CKW)	\$ (5,888,231)	\$ (6,812,766)	\$ (6,759,287)	\$ (5,815,735)	\$ (6,008,368)	\$ (4,494,009)	\$ (64,826,873)
b	Energy Imbalance Fuel Revenues - Account 456.225	\$ (55,860)	\$ (23,415)	\$ (272,688)	\$ (177,595)	\$ (278,205)	\$ (216,453)	\$ (1,442,387)
c	Inventory Adjustments	\$ 22,507	\$ (1,133,481)	\$ 10,397	\$ (13,868)	\$ (95,135)	\$ (163,105)	\$ (1,053,825)
d	Non Recoverable Oil/Tank Bottoms - Docket No. 13092	\$ 0	\$ 0	\$ 0	\$ 209,565	\$ (29,923)	\$ 0	\$ 364,724
7	Adjusted Total Fuel Costs & Net Power Transactions	\$ 620,004,823	\$ 682,105,768	\$ 622,018,870	\$ 610,187,534	\$ 410,802,220	\$ 418,215,268	\$ 6,043,469,784
B kWh Sales								
1	Jurisdictional kWh Sales	10,150,866,208	10,223,402,839	10,696,164,689	9,553,813,833	8,459,530,643	8,118,657,626	105,414,902,346
2	Sale for Resale (excluding FKEC & CKW)	43,849,746	51,153,948	54,512,922	48,311,904	52,677,708	518,693	528,230,625
3	Sub-Total Sales (excluding FKEC & CKW)	10,194,715,954	10,274,556,787	10,750,677,611	9,602,125,737	8,512,208,351	8,119,176,319	105,943,132,971
6	Jurisdictional % of Total Sales (B1/B3)	99.56988%	99.50213%	99.49294%	99.49686%	99.38115%	99.99361%	99.50140%
C True-up Calculation								
1	Juris Fuel Revenues (Net of Revenue Taxes)	\$ 575,795,562	\$ 580,444,829	\$ 608,278,006	\$ 539,424,883	\$ 474,393,408	\$ 454,212,991	\$ 5,974,165,658
2 Fuel Adjustment Revenues Not Applicable to Period								
a	Prior Period True-up (Collected)/Refunded This Period	\$ (7,583,913)	\$ (7,583,913)	\$ (7,583,913)	\$ (7,583,913)	\$ (7,583,913)	\$ (7,583,913)	\$ (91,006,958)
b	GPIF, Net of Revenue Taxes (a)	\$ (705,999)	\$ (705,999)	\$ (705,999)	\$ (705,999)	\$ (705,999)	\$ (705,999)	\$ (8,471,994)
3	Jurisdictional Fuel Revenues Applicable to Period	\$ 567,505,650	\$ 572,154,916	\$ 599,988,093	\$ 531,134,971	\$ 466,103,495	\$ 445,923,078	\$ 5,874,686,707
4 a	Adjusted Total Fuel Costs & Net Power Transactions (Line A-7)	\$ 620,004,823	\$ 682,105,768	\$ 622,018,870	\$ 610,187,534	\$ 410,802,220	\$ 418,215,268	\$ 6,043,469,784
b	Nuclear Fuel Expense - 100% Retail (Acct. 518.111)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
c	RTP Incremental Fuel - 100% Retail	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
d	D&D Fund Payments - 100% Retail	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
e	Adj Total Fuel Costs & Net Power Transactions - Excluding 100% Retail Items (C4a-C4b-C4c-C4d)	\$ 620,004,823	\$ 682,105,768	\$ 622,018,870	\$ 610,187,534	\$ 410,802,220	\$ 418,215,268	\$ 6,043,469,784
5	Jurisdictional Sales % of Total kWh Sales (Line B-6)	99.56988 %	99.50213 %	99.49294 %	99.49686 %	99.38115 %	99.99361 %	99.50140 %
6	Jurisdictional Total Fuel Costs & Net Power Transactions (Line C4e x C5 x 1.00054(b)) + (Lines C4b,c,d)	\$ 617,671,421	\$ 679,076,272	\$ 619,199,048	\$ 607,445,280	\$ 408,480,431	\$ 418,414,366	\$ 6,016,453,717
7	True-up Provision for the Month - Over/(Under) Recovery (Line C3 - Line C6)	\$ (50,165,771)	\$ (106,921,356)	\$ (19,210,955)	\$ (76,310,309)	\$ 57,623,064	\$ 27,508,712	\$ (141,767,010)
8	Interest Provision for the Month (Line D10)	\$ (414,318)	\$ (750,679)	\$ (987,540)	\$ (1,071,813)	\$ (1,050,074)	\$ (879,862)	\$ (4,846,795)
9 a	True-up & Interest Provision Beg. of Period - Over/(Under) Recovery	\$ (19,486,384)	\$ (62,482,560)	\$ (162,570,682)	\$ (175,185,263)	\$ (244,983,472)	\$ (180,826,569)	\$ (91,006,958)
b	Deferred True-up Beginning of Period - Over/(Under) Recovery	\$ (53,744,558)	\$ (53,744,558)	\$ (53,744,558)	\$ (53,744,558)	\$ (53,744,558)	\$ (53,744,558)	\$ (53,744,558)
10	Prior Period True-up Collected/(Refunded) This Period	\$ 7,583,913	\$ 7,583,913	\$ 7,583,913	\$ 7,583,913	\$ 7,583,913	\$ 7,583,913	\$ 91,006,958
11	End of Period Net True-up Amount Over/(Under) Recovery (Lines C7 through C10)	\$ (116,227,118)	\$ (216,315,240)	\$ (228,929,821)	\$ (298,728,030)	\$ (234,571,127)	\$ (200,358,364)	\$ (200,358,364)