



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: July 24, 2008

TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation

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

RE: Docket No: 080002-EG: Company Name: Florida Power & Light;
 Audit Purpose: Conservation Cost Recovery Clause; Company Code: EI802;
 Audit Control No: 08-037-4-2; Record # 5768:

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
 (Salak, District Offices, File Folder-6)
 Division of Commission Clerk -2
 Division of Regulatory Compliance (Harvey)
 General Counsel
 Office of Public Counsel

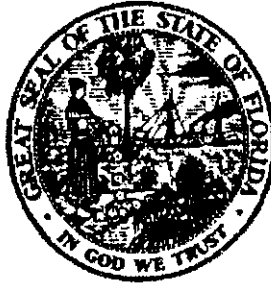
Mr. Wade Litchfield
 Florida Power & Light Company
 215 S. Monroe St., Suite 810
 Tallahassee, FL 32301-1859

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

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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

YEAR ENDED DECEMBER 31, 2007

DOCKET NO. 080002-EG
AUDIT CONTROL NO. 08-037-4-2

Handwritten signature of Iliana H. Piedra in black ink.

Iliana H. Piedra
Audit Manager

Handwritten signature of Yen Ngo in black ink.

Yen Ngo
Audit Staff

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Gabriela Leon
Audit Staff

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Kathy Welch
Public Utilities Supervisor

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT
July 22, 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 the procedures to the attached schedules prepared by Florida Power and Light in support of its filing for the Energy Conservation Cost Recovery Docket 080002-EG.

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 conservation 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 conservation. 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 work papers. 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. Also, to verify that only recoverable costs are included for recovery and are consistent with PSC Rule 25-17.015, Florida Administrative Code.

Procedures: We reconciled the expenses per the filing to the general ledger. A sample of all the program expenses was selected based on the highest dollars that represented the population. Other samples were selected at random. We determined that the sample items were conservation expenses and were charged to the correct account. For the advertising expenses we reviewed the ads and determined if they followed the criteria from PSC Rule 25-17.015, Florida Administrative Code. If the sample item related to a customer rebate, it was traced to the conservation program standards. We traced the proforma adjustments to proper source documentation.

Objective: The objective was to determine if the Return on Investment Schedules were calculated correctly.

Procedures: We sampled two months of plant additions and retirements. The depreciation expense was also recalculated. The debt and equity ratios were agreed to the company's cost rate schedule. The total return amount was recalculated for specific months.

EXHIBITS

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION TRUE-UP & INTEREST CALCULATION
 JANUARY THROUGH DECEMBER 2007

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B. CONSERVATION PROGRAM REVENUES													
1. a. RESIDENTIAL LOAD CONTROL CREDIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b 1. GREEN POWER PRICING REVENUES	278,211	288,484	300,231	310,035	325,884	331,097	330,944	329,849	343,609	348,298	350,794	363,557	3,900,993
b 2. GREEN POWER PRICING REVENUES DEFERRED	(27,399)	(35,107)	8,565	(35,149)	36,877	(22,536)	(76,690)	(47,314)	(57,962)	(45,222)	(31,888)	(55,859)	(389,682)
c. BUILDSMART PROGRAM REVENUES													
2. CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	13,287,075	11,770,833	11,640,072	11,807,810	13,042,847	14,416,880	16,170,473	16,305,216	17,049,662	15,166,168	13,371,092	12,817,838	166,845,965
3. TOTAL REVENUES	13,537,887	12,024,210	11,948,867	12,082,696	13,405,608	14,725,442	16,424,728	16,587,751	17,335,309	15,469,244	13,689,999	13,125,536	170,357,277
4. ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	388,554	388,554	388,554	388,554	388,554	388,554	388,554	388,554	388,554	388,554	388,554	388,554	4,662,646
5. CONSERVATION REVENUES APPLICABLE TO PERIOD (Line B3 + B4)	13,926,441	12,412,764	12,337,421	12,471,250	13,794,162	15,113,996	16,813,282	16,976,305	17,723,863	15,857,798	14,078,553	13,514,090	175,019,923
6. CONSERVATION EXPENSES (From CT-3, Page 1, Line 33)	8,733,526	9,585,495	11,355,057	13,049,487	12,586,650	14,590,273	20,545,305	16,411,061	15,554,929	15,224,954	13,615,183	13,398,716	164,650,632
7. TRUE-UP THIS PERIOD (Line B5 - Line B6)	5,192,915	2,827,269	982,364	(578,237)	1,207,512	523,723	(3,732,023)	565,244	2,168,934	632,844	463,370	115,374	10,359,259
8. INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	31,707	47,690	54,545	53,967	53,879	56,314	47,719	40,554	44,375	44,934	44,351	45,357	565,402
9. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	4,662,646	9,498,714	11,985,119	12,633,474	11,720,650	12,593,487	12,784,970	8,712,112	8,929,356	10,754,111	11,643,335	11,152,517	4,662,646
a. DEFERRED TRUE-UP BEGINNING OF PERIOD	161,770	161,770	161,770	161,770	161,770	161,770	161,770	161,770	161,770	161,770	161,770	161,770	161,770
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(388,554)	(388,554)	(388,554)	(388,554)	(388,554)	(388,554)	(388,554)	(388,554)	(388,554)	(388,554)	(388,554)	(388,554)	(4,662,646)
11. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (Line B7+B8+B9+B9a+B10)	\$9,660,484	\$12,146,889	\$12,795,244	\$11,882,420	\$12,755,257	\$12,946,740	\$8,873,882	\$9,091,126	\$10,915,881	\$11,205,105	\$11,324,282	\$11,096,459	\$11,096,459

NOTES: () Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY
CONSERVATION TRUE-UP & INTEREST CALCULATION
JANUARY THROUGH DECEMBER 2007

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
C. INTEREST PROVISION													
1. BEGINNING TRUE-UP AMOUNT ... (Line B9+B9a)	\$4,824,416	\$9,660,484	\$12,146,889	\$12,795,244	\$11,882,420	\$12,755,257	\$12,946,740	\$8,873,882	\$9,091,126	\$10,915,881	\$11,205,105	\$11,324,282	\$128,421,726
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST ... (Line B7+B9+B9a+B10)	9,628,777	12,099,199	12,740,699	11,828,453	12,701,378	12,890,426	8,826,163	9,050,572	10,871,506	11,160,171	11,279,921	11,051,102	134,128,367
3. TOTAL OF BEGINNING & ENDING TRUE-UP ... (Line C1+C2)	\$14,453,193	\$21,759,683	\$24,887,588	\$24,623,697	\$24,583,798	\$25,645,683	\$21,772,903	\$17,924,454	\$19,962,632	\$22,076,052	\$22,485,026	\$22,375,384	\$262,550,093
4. AVERAGE TRUE-UP AMOUNT ... (50% of Line C3)	\$7,226,597	\$10,879,842	\$12,443,794	\$12,311,849	\$12,291,899	\$12,822,842	\$10,886,452	\$8,962,227	\$9,981,316	\$11,038,026	\$11,242,513	\$11,187,692	\$131,275,047
5. INTEREST RATE - FIRST DAY OF REPORTING ... BUSINESS MONTH	5.27000%	5.26000%	5.26000%	5.26000%	5.26000%	5.26000%	5.28000%	5.24000%	5.62000%	5.05000%	4.72000%	4.75000%	N/A
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT ... BUSINESS MONTH	5.26000%	5.26000%	5.26000%	5.26000%	5.26000%	5.28000%	5.24000%	5.62000%	5.05000%	4.72000%	4.75000%	4.98000%	N/A
7. TOTAL (Line C5+C6)	10.53000%	10.52000%	10.52000%	10.52000%	10.52000%	10.54000%	10.52000%	10.86000%	10.67000%	9.77000%	9.47000%	9.73000%	N/A
8. AVERAGE INTEREST RATE ... (50% of Line C7)	5.26500%	5.26000%	5.26000%	5.26000%	5.26000%	5.27000%	5.26000%	5.43000%	5.33500%	4.88500%	4.73500%	4.86500%	N/A
9. MONTHLY AVERAGE INTEREST RATE ... (Line C8 / 12)	0.43875%	0.43833%	0.43833%	0.43833%	0.43833%	0.43917%	0.43833%	0.45250%	0.44458%	0.40708%	0.39458%	0.40542%	N/A
10. INTEREST PROVISION FOR THE MONTH ... (Line C4 x C9)	\$31,707	\$47,690	\$54,545	\$53,967	\$53,879	\$56,314	\$47,719	\$40,554	\$44,375	\$44,934	\$44,361	\$45,357	\$565,402

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