

EXHIBIT "B"

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EXHIBIT 2 examines the monthly percentages of quality inspections completed for all jobs that required more than 100 man hours by service area. As Exhibit 2 highlights, only one service area, the newly-formed Naples area, completed the required number of inspections. The four service regions in the Dade region consistently missed this requirement for the vast majority of months in 2007. The service areas within the North region struggled to meet this goal in the first part of the year, but improved its quality inspection rates in the last half of 2007. Overall, in 2007, the company states that it completed a quality inspection on 88 percent of the jobs within this targeted range and that 36 of its 50, 72 percent, of the associates employed during 2007 did not complete all the quality inspections as required by policy.

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Projects Requiring 100 Man Hours or Less

In addition to the required inspections for its larger projects, the company requires its CCRs to complete a sample audit of 10 percent of the remaining jobs. **EXHIBIT 3** details the annual results for each region in completing the required sample inspections. Each region met the 10 percent threshold for the year, with Broward completing an inspection on 81 percent of its work projects. This region has the least number of work orders and therefore its staff is able to place greater focus on its current projects. While the North region met the minimum annual requirement, **EXHIBIT 4** shows that two of the service areas within this region were inconsistent in meeting this requirement during the year. Overall, FP&L states that 87 percent of its CCRs met this annual sample requirement.

**Annual Quality Inspection Compliance on Construction Projects
Requiring 100 Man Hours or Less
2007**

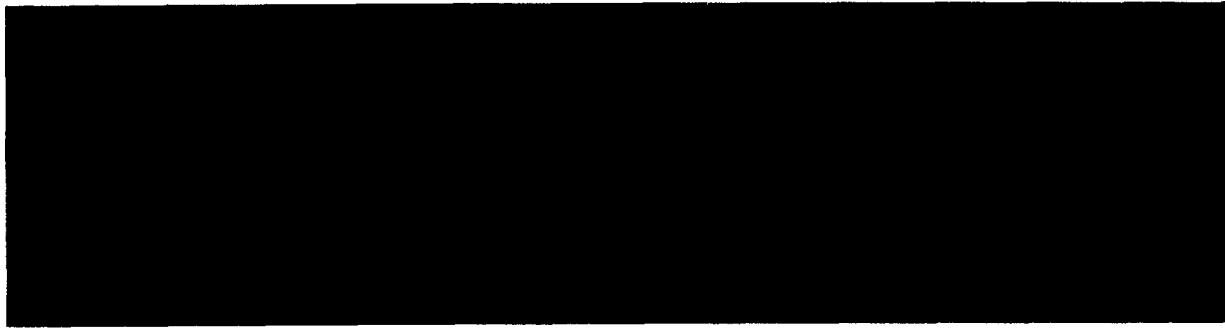
| Region | Number of CCRs | Number of Qualifying Work Orders | Number of Inspections Completed | Percentage of Inspections Completed <i>(10 Percent for Compliance)</i> |
|---------|----------------|----------------------------------|---------------------------------|---|
| Dade | 12 | 376 | 133 | 35% |
| North | 7 | 954 | 93 | 10% |
| West | 10 | 1,402 | 305 | 22% |
| East | 11 | 480 | 161 | 34% |
| Broward | 5 | 147 | 119 | 81% |
| Company | 45 | 2,259 | 811 | 36% |

EXHIBIT 3

Source: Data Request 1.9, 2.1, & 4.5

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Exhibit 4 summarizes, at the service area level, the percentage of CCRs that met the 10 percent sampling threshold on a monthly basis. Two service areas, Brevard and North Florida—both within the North region—did not meet the annual threshold requirement in 2007. The CCRs in these two areas only met the inspection threshold a combined three months during this year. Also, while the Boca Raton and West Dade service areas met the threshold requirement of 10 percent overall in 2007, the CCRs were inconsistent in completing these inspections on a monthly basis.



Quality Inspection Variances

Audit staff examined the number of quality inspections completed by the CCRs for the period August 2007 through August 2008. For this period, FP&L reported that 10,566 distribution construction projects were completed by contractors and completed 2,110 quality inspections on these projects. **EXHIBIT 5** details the numbers of variances identified by CCRs during the quality inspections performed during this period.

| Number of Quality Inspection Deficiencies August 2007 – August 2008 | | | | | | |
|--|----------------|-------------|--------------|-------------|-------------|---------------|
| Severity of Deficiency | Broward Region | Dade Region | North Region | West Region | East Region | Company Total |
| Not Assigned | 1 | 0 | 1 | 22 | 3 | 27 |
| Minor Exception | 6 | 12 | 4 | 55 | 67 | 144 |
| Unacceptable Condition – <i>customer affected dissatisfied</i> | 2 | 0 | 0 | 3 | 3 | 8 |
| Work Not to Standard – <i>not serious</i> | 1 | 10 | 1 | 20 | 26 | 58 |
| Work Not to Standard – <i>serious system integrity safety concern</i> | 0 | 2 | 0 | 4 | 4 | 10 |
| Total Deficiencies | 10 | 24 | 6 | 104 | 103 | 247 |

EXHIBIT 5

Source: DR 3.4c

As this Exhibit shows, the company identified 247 (12 percent) construction deficiencies during the 2,110 quality inspections performed in the period. When a deficiency is observed, the company rates these variances into five categories, ranging from minor exception to serious concern. Of these 247 deficiencies, 144 (60 percent) were categorized as minor exceptions, but 10 (.5 percent) were categorized by the company as having a “serious system integrity safety

1 Each FP&L production lead and area manager is responsible for ensuring that all workers
2 are current in their training cycles. Employee training records are maintained online, and
3 management receives training reminders when an associate is required to attend a course.
4 Depending on the topic, training refreshers can be required every one to three years.

5 Along with its specialized training program, the company also provides periodic notices,
6 in the form of flyers and monthly publications such as the *Distribution Line*, that notify
7 employees of changes to policies and procedures, safety concerns, or equipment installations.
8 These notifications are distributed to each area office and are also available to employees via the
9 company's Intranet.

10 Does the company have a process to monitor the construction practices of
11 FP&L's own distribution construction personnel?

12 FP&L monitors its construction practices of its distribution staff through its normal
13 management oversight process. When a job is assigned to an FP&L distribution area for
14 construction, the area management team will coordinate to confirm the constructability of the
15 project, verify the job site will support the proposed job, and ensure that the job is designed in
16 accordance with required specifications. Once all pre-construction requirements are met, the
17 production supervisor will assign the job to an FP&L work crew.

18 Each FP&L work crew consists of certified journeymen with a designated "person in
19 charge." The lead crew member is responsible for monitoring the daily oversight of the job from
20 the start of construction until completion. During the construction process, the company
21 production supervisor may visit the site to monitor and evaluate the progress of the job.

22 Once the work is complete, the lead crew member and the production supervisor are
23 required to sign-off the job project design specification plan, verifying that the job was
24 completed according to the specifications. However, the production lead is not required to visit
25 the construction site at completion to verify that the work has been performed according to the
26 design standards. According to FP&L management, while it is not possible to visit each
27 construction site prior to the sign-off, the production supervisors do attempt to visit the larger,
28 more complex, construction projects.

29 The company does not have in place an independent oversight inspection process for its
30 FP&L work crews to verify that work is completed according to design specifications. Rather,
31 the company relies on the worksite crew leader and visits from its production supervisors to
32 ensure that the work is completed according to all applicable construction and safety standards.

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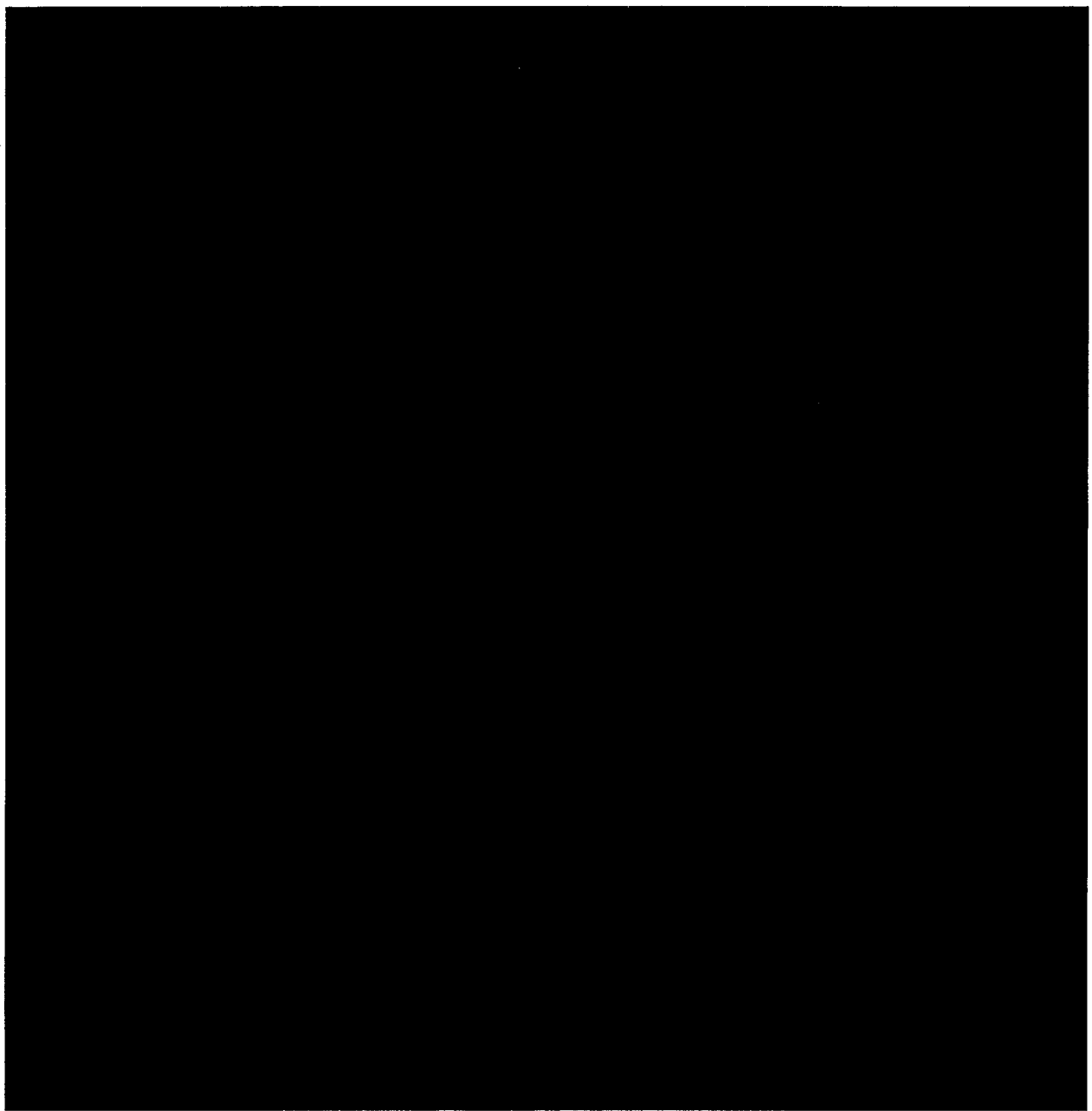
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also be performed by a party who is independent of the operation being examined. This independence is a requirement for any audit function and is specified in the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.² Therefore, an independent audit function is preferable to the current practice of relying on operational oversight alone.

2.3 FPL Corporate Audit Oversight



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