

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: September 24, 2009
TO: Jenny Wu, Economic Analyst, Division of Economic Regulation
FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance
RE: Docket No.: 090007-EI
Company Name: Florida Power and Light Company
Company Code: EI802
Audit Purpose: Environmental Cost Recovery Supplement
Audit Control No: 09-173-4-1

DM
RECEIVED-FPSC
09 SEP 24 PM 3:26
COMMISSION
CLERK

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 a response to the Office of the Commission Clerk. There are confidential work papers associated with this audit.

DNM/ch

Attachment: Audit Report

cc: (With Attachment)
Division of Regulatory Compliance (Salak, Mailhot, File Folder)
Office of Commission Clerk
Office of the General Counsel

(Without Attachment)

Division of Regulatory Compliance (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER-DATE

09906 SEP 24 8

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING*

Miami District Office

FLORIDA POWER AND LIGHT COMPANY

ENVIRONMENTAL COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 2008

DOCKET NO. 090007-EI
AUDIT CONTROL NO. 09-173-4-1

Handwritten signature of Gabriela Leon in cursive script.

*Gabriela Leon
Audit Manager*

Handwritten signature of Kathy Welch in cursive script.

*Kathy Welch
Public Utilities Supervisor*

DOCUMENT NUMBER-DATE

09906 SEP 24 8

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**DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT
September 23, 2009**

TO: FLORIDA PUBLIC SERVICE COMMISSION

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 Company (FPL) in support of its filing for the Environmental Cost Recovery Clause, Docket No. 090007-EI. These procedures are supplemental procedures to the audit report of June 9, 2009.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed upon procedures and the report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Objective: The objective of the audit was to verify the Environmental Cost Recovery Clause (ECRC) project-related plant additions, retirements, and adjustments for the period January 1, 2008-December 31, 2008.

Procedures: An analytical review was performed to determine the changes in each project. Based on this analysis, the projects with the largest dollar increases were tested. These projects are the Clean Air Interstate Rule (CAIR), Clean Air Mercury Rule (CAMR), and the Solar Projects. A list of the work orders was requested and used to judgmentally choose a sample. We verified that the additions had appropriate supporting documentation and were recorded to the correct environmental project and account. The sample items were traced to invoices, purchase orders, and contracts. The retirements and adjustments were tested in the first part of this audit. No errors were found.

Objective: The objective of this audit was to verify net investments associated with the capital projects No. 37 DeSoto Next Generation Solar Energy Center, No. 38 Space Coast Next Generation Solar Energy Center and No. 39 Martin Next Solar Energy Center.

Procedures: A detailed list of the charges was provided by the company and was used to choose the sample. We verified that the additions had appropriate supporting documentation and were recorded to the correct project and correct account. These sample items were traced to invoices, purchase orders and contracts. No errors were found.

Objective: The objective of the audit was to verify the amounts of the Construction Work in Progress - Non Interest Bearing associated with the capital project No. 31 CAIR Compliance FPL reported for the months of February, March, and November 2008.

Procedures: A detailed list of the charges was provided by the company and was used to choose the sample. We verified that the additions had appropriate supporting documentation and were recorded in the correct project and account. These sample items were traced to invoices, purchase orders, and contracts. No errors were found.

III. EXHIBITS

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up for the Period
January through December 2008

Line No.		
1	Over/(Under) Recovery for the Current Period (Form 42-2A Page 2 of 2, Line 5)	(\$3,141,513)
2	Interest Provision (Form 42-2A Page 2 of 2, Line 6)	\$107,061
3	Total	(\$3,034,452)
4	Estimated/Actual Over/(Under) Recovery for the Same Period *	(\$5,816,598)
5	Interest Provision	\$88,022
6	Total	(\$5,728,576)
7	Net True-Up for the period	\$2,694,124

* Per Order No. PSC-08-0775-FOF-EI dated November 24, 2008.

III. EXHIBITS

Florida Power & Light Company
 Environmental Cost Recovery Clause
 Calculation of the Final True-up Amount for the Period
 January through December 2008

Form 42-2A
 Page 1 of 2

Line No.	January	February	March	April	May	June
1 ECRC Revenues (net of Revenue Taxes)	\$3,100,841	\$2,884,144	\$2,853,259	\$2,956,273	\$3,236,589	\$3,795,339
2 True-up Provision (Order No. PSC-07-0922-FOF-EI)	81,502	81,502	81,502	81,502	81,502	81,502
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	3,182,343	2,965,646	2,934,761	3,037,775	3,318,091	3,876,841
4 Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-5A, Line 9)	902,508	428,125	949,072	631,259	771,264	1,437,813
b - Capital Investment Projects (Form 42-7A, Line 9)	2,157,693	2,202,282	2,254,942	2,312,532	2,396,490	2,496,952
c - Total Jurisdictional ECRC Costs	3,060,201	2,630,407	3,204,015	2,943,791	3,167,753	3,934,765
5 Over/(Under) Recovery (Line 3 - Line 4c)	122,141	335,239	(269,253)	93,983	150,337	(57,924)
6 Interest Provision (Form 42-3A, Line 10)	14,013	11,142	10,240	9,430	9,196	8,462
7 Prior Periods True-Up to be (Collected)/Refunded in 2008	978,023	1,032,676	1,297,555	957,040	978,952	1,056,983
a - Deferred True-Up from 2007 (Form 42-1A, Line 7)	3,174,379	3,174,379	3,174,379	3,174,379	3,174,379	3,174,379
8 True-Up Collected /(Refunded) (See Line 2)	(81,502)	(81,502)	(81,502)	(81,502)	(81,502)	(81,502)
9 End of Period True-Up (Lines 5+6+7+7a+8)	4,207,055	4,471,934	4,131,419	4,153,331	4,231,362	4,100,398
10 Adjustments to Period Total True-Up Including Interest						
11 End of Period Total Net True-Up (Lines 9+10)	\$4,207,055	\$4,471,934	\$4,131,419	\$4,153,331	\$4,231,362	\$4,100,398

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2008

Line No.	July	August	September	October	November	December	End of Period Amount
1 ECRC Revenues (net of Revenue Taxes)	\$3,795,206	\$3,765,541	\$3,984,614	\$3,533,673	\$2,926,814	\$2,965,034	\$39,797,325
2 True-up Provision (Order No. PSC-07-0922-FOF-EI)	81,502	81,502	81,502	81,502	81,502	81,502	978,023
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	3,876,708	3,847,043	4,066,116	3,615,175	3,008,316	3,046,535	40,775,348
4 Jurisdictional ECRC Costs							
a - O&M Activities (Form 42-5A, Line 9)	1,499,685	1,209,396	737,612	1,571,289	1,142,260	1,311,562	12,591,845
b - Capital Investment Projects (Form 42-7A, Line 9)	2,606,964	2,727,077	2,834,991	2,936,623	3,051,530	3,346,941	31,325,017
c - Total Jurisdictional ECRC Costs	4,106,648	3,936,473	3,572,604	4,507,912	4,193,791	4,658,503	43,916,862
5 Over/(Under) Recovery (Line 3 - Line 4c)	(229,941)	(89,430)	493,512	(892,737)	(1,185,475)	(1,611,968)	(3,141,513)
6 Interest Provision (Form 42-3A, Line 10)	8,037	7,582	11,839	11,752	4,554	834	107,061
7 Prior Periods True-Up to be (Collected)/Refunded in 2008	926,019	622,614	459,244	883,093	(79,394)	(1,341,817)	978,023
a - Deferred True-Up from 2007 (Form 42-1A, Line 7)	3,174,379	3,174,379	3,174,379	3,174,379	3,174,379	3,174,379	
8 True-Up Collected /(Refunded) (See Line 2)	(81,502)	(81,502)	(81,502)	(81,502)	(81,502)	(81,502)	(978,023)
9 End of Period True-Up (Lines 5+6+7+7a+8)	3,796,993	3,633,623	4,057,472	3,094,985	1,832,562	139,926	(3,034,452)
10 Adjustments to Period Total True-Up Including Interest							
11 End of Period Total Net True-Up (Lines 9+10)	\$3,796,993	\$3,633,623	\$4,057,472	\$3,094,985	\$1,832,562	\$139,926	(\$3,034,452)

Florida Power & Light Company
 Environmental Cost Recovery Clause
 Calculation of the Final True-up Amount for the Period
 January through December 2008

Form 42-3A
 Page 1 of 2

Interest Provision (in Dollars)

Line No.	January	February	March	April	May	June
1 Beginning True-Up Amount (Form 42-2A, Lines 7 + 7a + 10)	\$4,152,402	\$4,207,055	\$4,471,934	\$4,131,419	\$4,153,331	\$4,231,362
2 Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	4,193,042	4,460,792	4,121,179	4,143,901	4,222,166	4,091,936
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	\$8,345,444	\$8,667,847	\$8,593,113	\$8,275,320	\$8,375,497	\$8,323,298
4 Average True-Up Amount (Line 3 x 1/2)	\$4,172,722	\$4,333,923	\$4,296,556	\$4,137,660	\$4,187,748	\$4,161,649
5 Interest Rate (First Day of Reporting Month)	4.98000%	3.08000%	3.09000%	2.63000%	2.84000%	2.43000%
6 Interest Rate (First Day of Subsequent Month)	3.08000%	3.09000%	2.63000%	2.84000%	2.43000%	2.45000%
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	8.06000%	6.17000%	5.72000%	5.47000%	5.27000%	4.88000%
8 Average Interest Rate (Line 7 x 1/2)	4.03000%	3.08500%	2.86000%	2.73500%	2.63500%	2.44000%
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.33583%	0.25708%	0.23833%	0.22792%	0.21958%	0.20333%
10 Interest Provision for the Month (Line 4 x Line 9)	\$14,013	\$11,142	\$10,240	\$9,430	\$9,196	\$8,462

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Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2008

Interest Provision (in Dollars)

Line No.	July	August	September	October	November	December	End of Period Amount
1 Beginning True-Up Amount (Form 42-2A, Lines 7 + 7a + 10)	\$4,100,398	\$3,796,993	\$3,633,623	\$4,057,472	\$3,094,985	\$1,832,562	\$45,863,535
2 Ending True-Up Amount before Interest (Line 1 + Form 42-2A, Lines 5 + 8)	3,788,956	3,626,061	4,045,633	3,083,233	1,828,008	139,092	41,743,999
3 Total of Beginning & Ending True-Up (Lines 1 + 2)	\$7,889,354	\$7,423,054	\$7,679,256	\$7,140,705	\$4,922,993	\$1,971,654	\$87,607,534
4 Average True-Up Amount (Line 3 x 1/2)	\$3,944,677	\$3,711,527	\$3,839,628	\$3,570,353	\$2,461,496	\$985,827	\$43,803,767
5 Interest Rate (First Day of Reporting Month)	2.45000%	2.44000%	2.45000%	4.95000%	2.95000%	1.49000%	N/A
6 Interest Rate (First Day of Subsequent Month)	2.44000%	2.45000%	4.95000%	2.95000%	1.49000%	0.54000%	N/A
7 Total of Beginning & Ending Interest Rates (Lines 5 + 6)	4.89000%	4.89000%	7.40000%	7.90000%	4.44000%	2.03000%	N/A
8 Average Interest Rate (Line 7 x 1/2)	2.44500%	2.44500%	3.70000%	3.95000%	2.22000%	1.01500%	N/A
9 Monthly Average Interest Rate (Line 8 x 1/12)	0.20375%	0.20375%	0.30833%	0.32917%	0.18500%	0.08458%	N/A
10 Interest Provision for the Month (Line 4 x Line 9)	\$8,037	\$7,562	\$11,839	\$11,752	\$4,554	\$834	\$107,061

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COMMISSIONERS:
MATTHEW M. CARTER II, CHAIRMAN
LISA POLAK EDGAR
KATRINA J. MCMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

STATE OF FLORIDA



MIAMI DISTRICT OFFICE
3625 NW 82ND AVENUE
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MIAMI, FL 33166-7602
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Public Service Commission

September 23, 2009

Robert Leyva
Florida Power and Light Company
9250 West Flagler Street
Miami, FL. 33174

Re: Docket No. 090007-EG
Audit Control No. 09-173-4-1
Environmental Cost Recovery Supplement

Dear Robert Leyva:

We have completed the field work in the above referenced audit. Included with this letter is a copy of the audit work papers which the Commission is maintaining in a Temporary Confidential Status and a listing of these work papers. Please sign and date a copy of this letter indicating that you have received these copies. The utility must file a Request for Confidential Classification according to Rule 25-22.006, F.A.C. in order to maintain this confidentiality. This request must be filed with the Commission within twenty-one days from today or these work papers will become public documents.

Sincerely,

Handwritten signature of Gabriela Leon in cursive.

Gabriela Leon
Audit Manager

cc: Dale Mailhot
Kathy Welch

Handwritten signature of Robert Leyva in cursive, written over a horizontal line.

Received by Company