

State of Florida



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DATE: May 20, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis CJP
RE: Docket No.: 110007-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: Environmental Cost Recovery Clause
Audit Control No: 11-005-4-3

Attached is the final audit report for the Utility stated above. Volumes five and six of the audit working papers are forwarded for confidential treatment pursuant to Rule 25-22.006, Florida Administrative Code. The audit report and volumes one through four of the work papers are public and held by the Bureau of Auditing. An attached index lists all confidential material.

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 Commission Clerk.

CJP:pld
Attachments: Confidential Document Index
Confidential Binders Listed Above

cc: Office of Auditing and Performance Analysis File

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State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Miami District Office

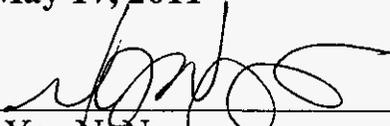
Auditor's Report

Florida Power & Light Company
Environmental Cost Recovery Clause

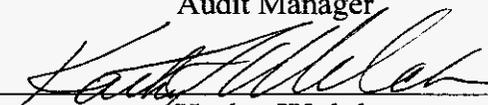
Test Year Ended December 31, 2010

Docket No. 110007-EI
Audit Control No. 11-005-4-3

May 17, 2011



Yen N. Ngo
Audit Manager



Kathy Welch
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 5, 2011. We have applied these procedures to the attached summary exhibit prepared by Florida Power & Light Company (FPL) and to several of its related schedules in support of its filing for the Environmental Cost Recovery Clause in Docket No. 110007-EI.

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

Objectives and Procedures

General

Utility Plant in Service

Objective: The objective of the audit was to verify the Environmental Cost Recovery Clause (ECRC) project-related plant additions, retirements, and adjustment for the period January to December 2010.

Procedures: We reconciled the plant in service and accumulated depreciation of all projects from the filing to the general ledger. Florida Power & Light Company (FPL), as part of the requirement in the FPSC Docket No. 080677-EI¹, transferred all Environmental Cost Recovery Clause (ECRC) costs related to Cape Canaveral and the Riviera Plant back to its base rate calculation. The transfers occurred in April 2010. The dollars related to the transfers were reconciled to the appropriate supporting documentation.

Construction Work in Progress

Objective: The objective of this audit was to verify the net investments associated with the capital projects:

1. Clean Air Interstate Rule (CAIR) (Project #31).
2. Space Coast Next Generation (Project #38).
3. Martin Next Solar Energy Center (Project 39).

Procedures: A sample of the additions to the above projects was selected. 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, billing statements, purchase orders, contracts, and contract change orders. No errors were found.

Revenue

Operating Revenue

Objective: The objective was to determine if the company applied the Commission approved cost recovery factor to actual KWH sales.

Procedures: We reconciled the filing to 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

¹ See Order No. PSC-11-0089-S-EI issued February 1, 2011, Docket No. 080677-EI, Docket No. 090130-EI, In Re: Petition for increase in rates by Florida Power & Light Company, Re: 2009 Depreciation and dismantlement study by Florida Power & Light Company

order. We selected some customer bills from the customer report to verify that the proper environmental rate factors were used. No errors were found.

Expense

Operation and Maintenance Expense

Objective: The objective of the audit was to reconcile a sample of actual operation and maintenance project costs to the operation and maintenance projects listed in Form 42-5 A of the Operation and Maintenance Activities filing.

Procedures: The expenses in the filing were traced to the general ledger. A judgmental sample of the operation and maintenance expenses was selected for testing. The source documentation for these items was reviewed to ensure the expense was related to the Environmental Cost Recovery Clause and that the expense was charged to the correct account. No errors were found.

Depreciation and Amortization

Objectives: The objective of the audit was to verify that the most recent Commission approved depreciation rates or amortization periods were used in calculating the depreciation expense. In addition, we verified that the dismantlement expense was not included in depreciation/amortization expense.

Procedures: We recalculated the depreciation expense and the accumulated depreciation for the month of May 2010, and traced it to the general ledger. The depreciation rates were traced to the company's last depreciation study Order No. PSC-10-0153-FOF-EI². We tested the calculation to determine if dismantlement expense was recorded in the depreciation expense. No errors were found.

Objectives: The objective of the audit was to determine if FPL reported any negative depreciation for any of the ECRC projects on the company filing, Form 42-8A. In addition, we were asked to review FPL's justification for each negative depreciation amount and include the applicable company workpapers.

Procedures: We reviewed Form 42-8A in order to determine if there was any negative depreciation expense. We obtained schedules from FPL that calculated depreciation and reconciled the balances to the filing. The company did not have any negative depreciation expense.

True-up

Objective: The objective was to verify that the true-up and interest provision amount at December 31, 2010 was properly calculated.

² See Order No. PSC-11-0089-S-EI, issued February 1, 2011, Docket No. 080677-EI, Docket No. 090130-EI, In Re: Petition for increase in rates by Florida Power & Light Company, Re: 2009 depreciation and dismantlement study by Florida Power & Light Company

Procedures: We recalculated the true-up and interest provision amount as of December 31, 2010 using the Commission approved beginning balance as of December 31, 2009, the Commercial paper rates, and the 2010 ECRC Revenues and Costs.

Deferred Gain on Sales of Emission Allowance

Objectives: The objective of the audit was to verify the gains and losses on sales of emission allowance.

Procedures: The Emission Allowances accounts were traced to the general ledger. The proceeds from the largest sales were traced to the invoices. Amortization of the proceeds from one plant location was recalculated. The treatment of the Emission Allowances was made in accordance with Commission Order PSC-93-1580-FOF-EI³.

³ See Order No. 93-1580-FOF-EI, issued October 29, 1993, Docket No. 930661-EI, Re: Environmental Cost Recovery Clause

Audit Findings

None

Exhibits

Exhibit 1: Calculation of Actual True-up Schedule 42-2A

Florida Power & Light Company
 Environmental Cost Recovery Clause
 Calculation of the Final True-up Amount for the Period
 January 2010 through December 2010

Form 42-2A
 Page 1 of 2

Line No.	January	February	March	April	May	June
1 ECRC Revenues (net of Revenue Taxes)	\$16,293,228	\$12,607,180	\$12,023,728	\$11,467,826	\$13,836,797	\$16,740,007
2 True-up Provision (Order No. PSC-08-0789-FCF-EI)	524,748	524,748	524,748	524,748	524,748	524,748
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	16,817,977	13,131,928	12,548,476	11,992,574	14,361,545	17,264,755
4 Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-9A, Line 7)	958,409	1,634,497	1,991,829	1,722,650	2,131,555	1,991,503
b - Capital Investment Projects (Form 42-7A, Line 8)	8,933,811	8,397,070	8,801,783	9,141,789	8,602,004	9,893,278
c - Total Jurisdictional ECRC Costs	9,892,220	10,031,567	10,793,612	10,864,439	10,733,559	11,884,781
5 Over(Under) Recovery (Line 3 - Line 4c)	6,925,757	3,099,361	1,754,864	1,128,135	3,628,086	5,380,074
6 Interest Provision (Form 42-3A, Line 18)	2,250	2,901	3,237	3,573	4,944	7,081
7 Prior Periods True-Up to be (Collected)/Refunded in 2010	8,298,075	11,700,188	13,274,881	14,717,006	16,284,084	17,372,168
a - Deferred True-Up from 2009 (Form 42-1A, Line 7)	4,000,433	4,000,433	4,000,433	4,000,433	4,000,433	4,000,433
8 True-Up Collected ((Refunded) (See Line 2)	(524,748)	(524,748)	(524,748)	(524,748)	(524,748)	(524,748)
9 End of Period True-Up (Lines 5+6+7+8)	16,293,801	17,775,115	16,218,338	19,765,418	21,872,800	27,256,787
10 Adjustments to Period Total True-Up including Interest						
11 End of Period Total Net True-Up (Lines 9+10)	\$16,293,801	\$17,775,115	\$16,218,338	\$19,765,418	\$21,872,800	\$27,256,787

Florida Power & Light Company
 Environmental Cost Recovery Clause
 Calculation of the Final True-up Amount for the Period
 January 2019 through December 2019

Form 42-2A
 Page 2 of 2

Line No.	July	August	September	October	November	December	End of Period Amount
1	\$17,518,336	\$17,402,864	\$17,087,087	\$14,709,920	\$13,009,336	\$13,220,401	\$174,535,873
2	524,748	524,748	524,748	524,748	524,748	524,748	6,296,875
3	18,143,085	17,927,612	17,611,835	15,314,668	13,534,084	13,745,149	181,232,748
4							
4	Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-6A, Line 9)	1,715,483	980,141	1,559,451	1,174,336	2,176,969	3,552,734	21,079,475
b - Capital Investment Projects (Form 42-7A, Line 9)	10,127,604	10,300,370	10,418,972	10,524,857	10,805,841	11,815,268	110,474,651
c - Total Jurisdictional ECRC Costs	11,843,087	11,280,511	11,978,423	11,699,193	13,082,810	15,368,002	140,554,126
5	Over(Under) Recovery (Line 3 - Line 4c)	6,647,101	6,639,102	3,615,465	562,157	(1,652,873)	40,678,722
6	Interest Provision (Form 42-3A, Line 10)	7,913	8,424	9,214	8,548	8,875	78,686
7	Prior Periods True-Up to be (Collected)/(Refunded) in 2009	22,755,354	28,539,219	34,870,025	38,797,693	42,888,100	42,925,384
a - Deferred True-Up from 2009 (Form 42-1A, Line 7)	4,500,433	4,500,433	4,500,433	4,500,433	4,500,433	4,500,433	
8	True-Up Collected/(Refunded) (See Line 2)	(524,748)	(524,748)	(524,748)	(524,748)	(524,748)	(6,296,875)
9	End of Period True-Up (Lines 5+6+7+7a+8)	33,039,651	38,170,468	44,288,328	47,388,533	47,425,817	46,257,751
10	Adjustments to Period Total True-Up including Interest						
11	End of Period Total Net True-Up (Lines 9+10)	33,039,651	38,170,468	44,288,328	47,388,533	47,425,817	46,257,751

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