

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-**

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**DATE:** June 15, 2011  
**TO:** Office of Commission Clerk  
**FROM:** Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*  
**RE:** Docket No.: 110002-EG  
Company Name: Florida Power & Light Company  
Company Code: EI802  
Audit Purpose: Energy Conservation Cost Recovery  
Audit Control No: 11-005-4-4

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Attached is the final audit report for the Utility stated above. Volume 3 of the audit working papers is forwarded for confidential treatment pursuant to Rule 25-22.006, Florida Administrative Code. The audit report and volumes 1 and 2 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/ir

Attachments: Confidential Document Index  
Confidential Binder Listed Above

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

04113 JUN 15 =

FPSC-COMMISSION CLERK

Florida Power and Light  
Confidential Index  
Test year Ended 12/31/2009  
B Maitre

**Confidential Index**

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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  
Energy Conservation Cost Recovery

**Year Ended December 31, 2010**

Docket No. 110002-EG  
Audit Control No. 11-005-4-4

**June 14, 2011**

*Bety Maitre*

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Bety Maitre  
Audit Manager

*Kathy Welch*

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Kathy Welch  
Reviewer

DOCUMENT NUMBER-DATE

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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 6, 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 Energy Conservation Cost Recovery Clause (ECCR) in Docket No. 110002-EG.

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**

#### Definitions

The term “Company” refers to Florida Power & Light Company.

#### Utility Books and Records

**Objectives:** Our objectives were to verify that the Company’s filing agreed to the general ledger and that the Company maintains its accounts and records in conformity with the Code of Federal Regulations (C.F.R.).

**Procedures:** We reconciled the filing to the general ledger and verified that the costs incurred were proper and expensed to the appropriate account.

### **True-up**

**Objective:** The objective was to verify that the true-up and interest provision amount at December 30, 2010 was properly calculated.

**Procedure:** 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 Energy Conservation Cost Recovery Revenues and Costs.

### **Revenue**

**Objective:** Our objective was to verify that the Company’s ECCR revenues are proper and accurately reflected in the filing.

**Procedures:** We reconciled the monthly revenues in the filing to the Company’s monthly Revenue and Rate Reports. For the month of March we calculated the estimated conservation factors charge to customers and traced the rates to Order PSC-09-0794-FOF-EG.<sup>1</sup> In the same Order, the Commission approved FPL’s recovery of conservation costs on a demand basis beginning the first billing cycle of April 2010. To test revenues after April 2010, we sampled and recomputed customer bills for both demand and non-demand rate classes using the revised tariff rates filed by the Company

### **Program Cost**

**Objective:** Our objective was to verify that the Company’s ECCR costs are proper, accurately reflected in the filing, and in compliance with Rule 25-17, F.A.C.

**Procedures:** Using Audit Analyzer software, we sorted and extracted a statistical sample of *conservation expenses for the year ended December 31, 2010*. We verified that each transaction

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<sup>1</sup> See Order No. PSC-09-0794-FOF-EG, issued December 1, 2009, Docket No.090002-EG, In Re: Energy conservation cost recovery clause.

was conservation related and properly supported. Customer incentives were traced to the conservation program standards and customer invoices. Advertisements were reviewed and determined to meet criteria stated in Commission rules<sup>2</sup>. Cash Vouchers were traced to invoices and contracts. Support for accruals and other journal vouchers were examined, recomputed, and determined to be reasonable. Payroll entries were traced to timesheets, recalculated, and examined for proper payroll distribution. Pension and welfare charges were traced to supporting schedules and recalculated.

We tested and recalculated the depreciation and return on investment charged to the ECCR clause. We verified that selected additions and retirements were properly supported and recorded. The rate of return used by the Company's was traced to the approved capital structure schedule.

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<sup>2</sup> Rule 25-17.015(5), F.A.C.

## Audit Findings

None

## Exhibits

### Exhibit 1: True-Up Schedule-CT3

FLORIDA POWER & LIGHT COMPANY  
CONSERVATION TRUE-UP & INTEREST CALCULATION  
JANUARY THROUGH DECEMBER 2010

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. RESIDENTIAL LOAD CONTROL CREDIT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2. CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	16,314,658	13,325,954	12,815,733	12,695,739	15,030,272	17,598,239	18,409,884	18,295,828	17,888,105	15,918,643	14,234,949	14,468,404	186,996,409
3. TOTAL REVENUES	\$ 16,314,658	\$ 13,325,954	\$ 12,815,733	\$ 12,695,739	\$ 15,030,272	\$ 17,598,239	\$ 18,409,884	\$ 18,295,828	\$ 17,888,105	\$ 15,918,643	\$ 14,234,949	\$ 14,468,404	\$ 186,996,409
4. ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	(745,965)	(745,965)	(745,965)	(745,965)	(745,965)	(745,965)	(745,965)	(745,965)	(745,965)	(745,965)	(745,965)	(745,965)	(8,951,582)
5. CONSERVATION REVENUES APPLICABLE TO PERIOD (Line 3 + 4)	\$ 15,568,693	\$ 12,579,989	\$ 12,069,767	\$ 11,949,774	\$ 14,284,307	\$ 16,852,274	\$ 17,663,919	\$ 17,549,863	\$ 17,142,140	\$ 15,172,678	\$ 13,488,984	\$ 13,722,439	\$ 178,044,827
6. CONSERVATION EXPENSES (From CT-3, Page 1, Line 23)	15,338,976	14,278,097	14,457,288	16,424,381	17,170,901	20,927,427	19,451,040	20,580,357	20,875,739	24,113,859	16,585,569	16,364,700	216,568,332
7. TRUE-UP THIS PERIOD (Line 5 - Line 6)	\$ 229,717	\$ (1,698,108)	\$ (2,387,520)	\$ (4,474,607)	\$ (2,886,593)	\$ (4,075,153)	\$ (1,787,121)	\$ (3,030,494)	\$ (3,733,600)	\$ (8,941,181)	\$ (3,096,585)	\$ (2,642,260)	\$ (38,523,505)
8. INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	(2,338)	(2,393)	(2,680)	(3,299)	(4,973)	(6,807)	(6,791)	(6,425)	(6,664)	(7,453)	(8,553)	(8,997)	(67,373)
9. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	(8,951,582)	(7,978,238)	(8,932,774)	(10,577,009)	(14,308,950)	(16,454,551)	(19,790,547)	(20,838,493)	(23,129,447)	(26,123,748)	(34,326,414)	(36,685,586)	(8,951,582)
a. DEFERRED TRUE-UP BEGINNING OF PERIOD	(5,558,900)	(5,558,900)	(5,558,900)	(5,558,900)	(5,558,900)	(5,558,900)	(5,558,900)	(5,558,900)	(5,558,900)	(5,558,900)	(5,558,900)	(5,558,900)	(5,558,900)
10. PRIOR TRUE-UP COLLECTED/(REFUNDED)	745,965	745,965	745,965	745,965	745,965	745,965	745,965	745,965	745,965	745,965	745,965	745,965	8,951,582
11. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (Line 7+8+9+10)	\$ (13,537,138)	\$ (14,491,674)	\$ (16,135,909)	\$ (19,867,850)	\$ (22,013,451)	\$ (25,349,447)	\$ (26,397,393)	\$ (28,698,347)	\$ (31,682,646)	\$ (39,885,314)	\$ (42,244,486)	\$ (44,149,779)	\$ (44,149,780)

NOTES: Totals may not add due to rounding

FLORIDA POWER & LIGHT COMPANY  
 CONSERVATION TRUE-UP & INTEREST CALCULATION  
 JANUARY THROUGH DECEMBER 2010

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	ACTUALS JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
INTEREST PROVISION													
1. BEGINNING TRUE-UP AMOUNT (Schedule CT-3, Line 9+9a)	(14,510,481)	(13,537,138)	(14,491,674)	(16,135,909)	(19,867,850)	(22,013,451)	(25,349,447)	(26,397,393)	(28,688,347)	(31,682,646)	(39,885,314)	(42,244,486)	(\$294,804,136)
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST (Schedule CT-3, Line 7+9+9a+10)	(13,534,800)	(14,489,281)	(16,133,229)	(19,864,551)	(22,008,478)	(25,342,639)	(26,390,603)	(28,681,922)	(31,675,981)	(39,877,861)	(42,235,934)	(44,140,782)	(\$324,376,060)
3. TOTAL OF BEGINNING & ENDING TRUE-UP (Line 1+2)	(\$28,045,281)	(\$28,026,418)	(\$30,624,903)	(\$36,000,459)	(\$41,876,328)	(\$47,356,090)	(\$51,740,049)	(\$55,079,315)	(\$60,364,328)	(\$71,560,507)	(\$82,121,248)	(\$86,385,268)	(\$619,180,195)
4. AVERAGE TRUE-UP AMOUNT (50% of Line C3)	(\$14,022,641)	(\$14,013,209)	(\$15,312,452)	(\$18,000,230)	(\$20,938,164)	(\$23,678,045)	(\$25,870,025)	(\$27,539,658)	(\$30,182,164)	(\$35,780,253)	(\$41,060,624)	(\$43,192,634)	(\$309,590,098)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.20000%	0.20000%	0.21000%	0.21000%	0.23000%	0.34000%	0.35000%	0.28000%	0.28000%	0.25000%	0.25000%	0.25000%	N/A
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.20000%	0.21000%	0.21000%	0.23000%	0.34000%	0.35000%	0.28000%	0.28000%	0.25000%	0.25000%	0.25000%	0.25000%	N/A
7. TOTAL (Line C5+C6)	0.40000%	0.41000%	0.42000%	0.44000%	0.57000%	0.69000%	0.63000%	0.56000%	0.53000%	0.50000%	0.50000%	0.50000%	N/A
8. AVERAGE INTEREST RATE (50% of Line C7)	0.20000%	0.20500%	0.21000%	0.22000%	0.28500%	0.34500%	0.31500%	0.28000%	0.26500%	0.25000%	0.25000%	0.25000%	N/A
9. MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.01667%	0.01708%	0.01750%	0.01833%	0.02375%	0.02875%	0.02625%	0.02333%	0.02208%	0.02083%	0.02083%	0.02083%	N/A
10. INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	(\$2,338)	(\$2,393)	(\$2,680)	(\$3,299)	(\$4,973)	(\$8,807)	(\$6,791)	(\$6,425)	(\$8,664)	(\$7,453)	(\$8,553)	(\$8,997)	(\$67,373)

NOTES: ( ) Reflects Underrecovery