

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: June 24, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*
RE: Docket No.: 110001-EI
Company Name: Florida Power & Light Company
Company Code: EI802
Audit Purpose: Capacity Cost Recovery Clause
Audit Control No: 11-006-4-1

Attached is the final audit report for the Utility stated above. Volumes 3 and 4 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: Audit Report
Confidential Document Index
Confidential Binder 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
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2010

Docket No. 110001-EI
Audit Control No. 11-006-4-1
June 21, 2011

Handwritten signature of Iliana H. Piedra in cursive script.

Iliana H. Piedra
Audit Manager

Handwritten signature of Bety Maitre in cursive script.

Bety Maitre
Audit Staff

Handwritten signature of Kathy Welch in cursive script.

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 10, 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 Capacity Cost Recovery in Docket No. 110001-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

Revenues

Objectives: The objective was to determine if FPL applied the Commission approved cost recovery factor to actual kilowatt hour sales.

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 Order No. PSC-09-0795-FOF-EI¹. We selected some customer bills to verify that the proper capacity rate factors were used.

Costs

Objectives: The objective was to verify that the costs in FPL's filing agree to the general ledger and that they are supported by source documentation.

Procedures: We reconciled all of the costs in the filing to the general ledger.

We traced the estimated amounts for the Qualifying Facilities charges to the Estimate Billing Summaries for two months. The actual amounts were agreed to the invoices and billing statements. We calculated the prior month's true-up. We verified the actual capacity payments from the billing statements by using the formula from the contracts.

We traced the Long Term Capacity payments to the invoices and purchase statements for one month. The price paid for each vendor was traced to the contracts.

We traced the amounts for the Unit Power Sales charges to the invoices for two months. We traced the true-up amounts, interest and administrative charges to documentation schedules.

We traced two months of the St. Johns River Power Plant (SJRPP) charges to the accrual documentation. We traced the components such as debt service and transmission costs to schedules provided by the Jacksonville Electric Authority (JEA). We reconciled the decommissioning costs to the Commission Order. The deferred interest for SJRPP was traced to the general ledger. We obtained a letter estimating property tax from JEA and used it to calculate the monthly accrual.

SJRPP Energy Suspension payments were traced to an accrual worksheet. The debt and equity component from that worksheet was traced to prior audits.

We reconciled the transmission revenues from capacity sales to the FPL invoice and to the related Deal Maintenance Forms to verify the megawatts and price. Other capacity sales were traced to the Transmission Service Billing Summaries. A vendor was selected from these summaries and specific transaction detail was traced to the Deal Checkout forms and to the Provider Rate Schedules.

Objective: The objective was to verify that the security costs recovered are incremental to the security costs included in base rates.

¹ See Order No. PSC-09-0795-FOF-EI, issued December 2, 2009, Docket No. 090001-EI, Re: Fuel and purchased power cost recovery clause.

Procedures: We computed total security costs and made a comparison to base costs established in Order No. PSC-03-1461-FOF-EI². We tested the incremental security accounts by agreeing charges to invoices and related source documentation.

Objectives: The objective was to determine if the Nuclear Regulatory Commission fee and the recoverable portion of the fee increase amount are consistent with the percentage approved for recovery through the clause.

Procedures: We obtained the invoices and determined that the amount of the fee that was allocated to the capacity clause is below the percentage approved for recovery in the Order No. PSC-03-1461-FOF-EI³.

True-up

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

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 2010 commercial paper rates, and the 2010 Capacity Clause revenues and costs.

² See Order No. PSC-03-1461-FOF-EI, issued December 22, 2003, Docket No. 030001-EI, Re: Fuel and purchased power cost recovery clause.

³ See Order No. PSC-03-1461-FOF-EI, issued December 22, 2003, Docket No. 030001-EI, Re: Fuel and purchased power cost recovery clause.

Audit Findings

None

Exhibits

Exhibit 1: Calculation of Final True-Up Amount

FLORIDA POWER & LIGHT COMPANY						
CAPACITY COST RECOVERY CLAUSE						
CALCULATION OF FINAL TRUE-UP AMOUNT						
FOR THE PERIOD JANUARY THROUGH DECEMBER 2010						
LINE NO.	(1) JAN 2010	(2) FEB 2010	(3) MAR 2010	(4) APR 2010	(5) MAY 2010	(6) JUN 2010
1. Payments to Non-cogenerators (UPS & SJRPP)	\$22,025,054	\$21,859,869	\$21,638,970	\$21,873,834	\$22,635,491	\$6,797,830
2. Short-Term Capacity Purchases CCR	613,800	613,800	286,440	286,440	286,440	8,561,020
3. QF Capacity Charges	26,440,047	27,333,692	27,247,711	24,947,038	25,051,318	25,097,317
4a. SJRPP Suspension Accrual	134,495	134,495	134,495	134,495	134,495	134,495
4b. Return on SJRPP Suspension Liability	(483,556)	(484,800)	(420,545)	(421,621)	(422,697)	(423,773)
5. Incremental Plant Security Costs-Order No. PSC-02-1761	3,099,362	3,418,397	3,792,765	2,074,049	2,781,813	2,180,832
6. Transmission of Electricity by Others	0	0	378	21	0	635,637
7. Transmission Revenues from Capacity Sales	(229,135)	(166,367)	(98,580)	(48,815)	(53,081)	33,367
8. Total (Lines 1 through 7)	\$ 51,600,067	\$ 52,709,085	\$ 52,581,634	\$ 48,845,442	\$ 50,413,779	\$ 43,016,723
9. Jurisdictional Separation Factor (a)	98.03105%	98.03105%	98.03105%	98.03105%	98.03105%	98.03105%
10. Jurisdictional Capacity Charges	50,584,087	51,671,270	51,546,328	47,883,699	49,421,157	42,169,747
11. Nuclear Cost Recovery Costs	5,376,780	2,810,247	3,697,663	4,470,512	5,019,959	4,145,679
12. Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466)	(4,745,466)	0	0	0	0
13. Jurisdictional Capacity Charges Authorized	\$ 51,215,401	\$ 49,736,051	\$ 55,243,991	\$ 52,354,211	\$ 54,441,116	\$ 46,315,426
14a. Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 53,556,600	\$ 44,803,546	\$ 43,326,374	\$ 40,527,864	\$ 48,188,481	\$ 56,628,272
14b. Prior Period True-up Provision	(5,923,087)	(5,923,087)	(5,923,087)	(5,923,087)	(5,923,087)	(5,923,087)
15. Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 47,633,513	\$ 38,880,459	\$ 37,403,287	\$ 34,604,777	\$ 42,265,394	\$ 50,705,185
16. True-up Provision for Month - Over/(Under) Recovery (Line 15 - Line 13)	(3,581,888)	(10,855,592)	(17,840,704)	(17,749,434)	(12,175,722)	4,389,759
17. Interest Provision for Month	(8,171)	(8,594)	(10,282)	(12,947)	(18,926)	(22,332)
18. True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	(71,077,044)	(68,744,016)	(73,685,116)	(85,613,014)	(97,452,309)	(103,723,869)
19. Deferred True-up - Over/(Under) Recovery	20,891,498	20,891,498	20,891,498	20,891,498	20,891,498	20,891,498
20. Prior Period True-up Provision - Collected/(Refunded) this Month	5,923,087	5,923,087	5,923,087	5,923,087	5,923,087	5,923,087
21. End of Period True-up - Over/(Under) Recovery (Sum of Lines 16 through 20)	\$ (47,852,518)	\$ (52,793,618)	\$ (64,721,516)	\$ (76,560,811)	\$ (82,832,371)	\$ (72,541,857)
Notes: (a) Per Order No PSC-10-0153-FOF-EL, Docket No 080677-EL.						
(b) Per FPSC Order No. PSC-94-1092-FOF-EL, Docket No. 940001-EL, as adjusted in August 1993, per E.L. Hoffman's Testimony, Appendix IV, Docket No. 930001-EL, filed July 8, 1993. Effective March 2010 this entry is no longer needed per Order No PSC-10-0153-FOF-EL, Docket No 080677-EL.						

FLORIDA POWER & LIGHT COMPANY								
CAPACITY COST RECOVERY CLAUSE								
CALCULATION OF FINAL TRUE-UP AMOUNT								
FOR THE PERIOD JANUARY THROUGH DECEMBER 2010								
LINE NO.	(7) JUL 2010	(8) AUG 2010	(9) SEP 2010	(10) OCT 2010	(11) NOV 2010	(12) DEC 2010	(13) TOTAL	
1. Payments to Non-cogenerators (UPS & SJRPP)	\$6,847,162	\$8,064,771	\$8,215,987	\$7,105,901	\$7,460,426	\$8,259,729	\$162,785,024	
2. Short-Term Capacity Purchases CCR	8,561,020	8,561,020	10,062,564	9,463,884	8,330,767	8,658,127	64,285,322	
3. OF Capacity Charges	25,053,885	24,880,970	24,831,767	24,789,974	24,808,637	24,807,594	305,289,952	
4a. SJRPP Suspension Accrual	134,495	134,495	134,495	134,495	134,495	134,495	1,613,940	
4b. Return on SJRPP Suspension Liability	(424,850)	(425,926)	(427,002)	(428,078)	(429,154)	(430,231)	(5,222,233)	
5. Incremental Plant Security Costs-Order No. PSC-02-1761	2,056,556	3,516,579	3,657,239	3,215,745	4,081,882	6,444,464	40,319,682	
6. Transmission of Electricity by Others	492,651	689,770	763,819	1,433,617	1,930,189	1,382,076	7,328,158	
7. Transmission Revenues from Capacity Sales	(25,805)	(7,851)	(13,848)	(9,819)	(179,250)	(251,498)	(1,050,681)	
8. Total (Lines 1 through 7)	\$ 42,695,115	\$ 45,413,828	\$ 47,225,021	\$ 45,705,719	\$ 46,137,992	\$ 49,004,757	\$ 575,349,165	
9. Jurisdictional Separation Factor (a)	98.03105%	98.03105%	98.03105%	98.03105%	98.03105%	98.03105%	N/A	
10. Jurisdictional Capacity Charges	41,854,469	44,519,653	46,295,184	44,805,797	45,229,558	48,039,878	564,020,828	
11. Nuclear Cost Recovery Costs	6,739,324	4,870,322	4,783,182	7,748,436	6,168,418	6,845,847	62,676,369	
12. Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	0	0	0	0	0	0	(9,490,932)	
13. Jurisdictional Capacity Charges Authorized	\$ 48,593,793	\$ 49,389,974	\$ 51,078,366	\$ 52,554,232	\$ 51,397,976	\$ 54,885,725	\$ 617,206,264	
14a. Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 59,308,798	\$ 58,907,840	\$ 57,587,272	\$ 51,080,210	\$ 45,569,018	\$ 46,385,074	\$ 605,869,349	
14b. Prior Period True-up Provision	(5,923,087)	(5,923,087)	(5,923,087)	(5,923,087)	(5,923,087)	(5,923,087)	(71,077,044)	
15. Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 53,385,711	\$ 52,984,753	\$ 51,664,185	\$ 45,157,123	\$ 39,645,931	\$ 40,461,987	\$ 534,792,305	
16. True-up Provision for Month - Over/(Under) Recovery (Line 15 - Line 13)	4,791,917	3,594,779	585,819	(7,397,109)	(11,752,045)	(14,423,738)	(82,413,959)	
17. Interest Provision for Month	(17,636)	(13,318)	(10,838)	(9,702)	(10,465)	(11,960)	(155,171)	
18. True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	(93,433,355)	(82,735,987)	(73,231,439)	(66,733,371)	(68,217,096)	(74,056,519)	(71,077,044)	
19. Deferred True-up - Over/(Under) Recovery	20,891,498	20,891,498	20,891,498	20,891,498	20,891,498	20,891,498	20,891,498	
20. Prior Period True-up Provision - Collected/(Refunded) this Month	5,923,087	5,923,087	5,923,087	5,923,087	5,923,087	5,923,087	71,077,044	
21. End of Period True-up - Over/(Under) Recovery (Sum of Lines 16 through 20)	\$ (61,844,489)	\$ (52,339,941)	\$ (45,841,873)	\$ (47,325,598)	\$ (53,165,021)	\$ (61,677,632)	\$ (61,677,632)	
Notes: (a) Per Order No PSC-10-0153-FOF-EI, Docket No 080677-EI.								
(b) Per FPSC Order No. PSC-94-1992-FOF-EI, Docket No. 940001-EI, as adjusted in August 1993, per E.L. Hoffman's Testimony, Appendix IV, Docket No. 930001-EI, filed July 8, 1993. Effective March 2010 this entry is no longer needed per Order No PSC-10-0153-FOF-EI, Docket No 080677-EI.								