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MEMORANDUM

August 2, 1994

DECLASSIFIED

TO: DIVISION OF APPEALS
 DIVISION OF AUDITING AND FINANCIAL ANALYSIS
 DIVISION OF COMMUNICATIONS
 DIVISION OF ELECTRIC AND GAS
 DIVISION OF RESEARCH
 DIVISION OF WATER AND WASTEWATER
 DIVISION OF LEGAL SERVICES

FROM: DIVISION OF RECORDS AND REPORTING (FLYNN)

RE: CONFIDENTIALITY OF CERTAIN INFORMATION

DOCUMENT NO. 07857-94 *declassified 6/30/96*

DESCRIPTION: Material in FPL's CIS II Audit workpapers

SOURCE: Florida Power and Light

DOCKET NO.: ~~Undocketed~~ 940852-EI

The above material was received with a request for confidentiality (attached). Please prepare a recommendation for the attorney assigned to the case by completing the section below and forwarding a copy of this memorandum, together with a brief memorandum supporting your recommendation, to the attorney. Copies of your recommendation should also be provided to the Division of Records and Reporting and to the Division of Appeals.

Please read each of the following and check if applicable.

The document(s) is (are), in fact, what the utility asserts it (them) to be.

The utility has provided enough details to perform a

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

JULY 1, 1994

DECLASSIFIED

Field Work Completed
July 1, 1994

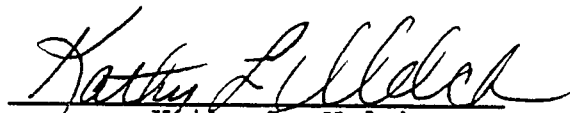
FLORIDA POWER AND LIGHT

Miami, Florida
Dade County

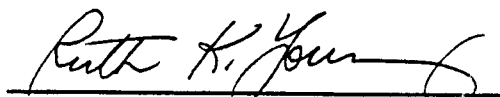
CIS II REVIEW

Undocketed

AFAD #94-161-4-1


Kathy L. Welch
Audit Manager

WKP
1


Ruth K. Young
Regulatory Analyst

①

Workpaper 1
DOCUMENT NUMBER-DATE
07857 AUG-28
FPSC-RECORDS/REPORTING

I. Executive Summary

Audit Purpose: We have applied the procedures described in Section II of this report to determine the validity of a customer complaint.

Scope Limitation: The audit exit conference was held July 14, 1994. This report is based on confidential information which is filed separately with the Commission Clerk.

Disclaim Public Use: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

II. Audit Scope

The opinions contained in this report are based on the audit work described below:

Read internal audit reports and workpapers related to Customer Information System II (CIS II).

LINE #

1 III. Audit Disclosures

2 Audit Disclosure No. 1

3 SUBJECT: Problems in CIS II Management

4 STATEMENT OF FACT: An internal audit report was issued 9/17/90
5 which covered CIS II from 6/83 to 8/90.

6 [REDACTED]

7 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

26 [REDACTED]

27 [REDACTED]

28 [REDACTED]

29 [REDACTED]

30 [REDACTED]

31 [REDACTED]

(3)

workpaper
1-3

1 EDP Auditing CISA Audit 11/91 - 2 volumes - 30 staff days
 2 follow up to 1990 audit

3 Objectives:

4 Determine if DATABASE 2 (DB2), IBM's relational
 5 Base Product, Security & application security
 6 implementation is sufficient to protect data
 7 from unauthorized access or modification

8 Determine if application performance is in
 9 accordance w/ stated objectives

10 Make recommendations for improving or
 11 enhancing the installation's control of DB2's
 12 Mgmt. system

13 Determine that project's development methodology
 14 defines adequate standards for documentation,
 15 testing, & implementation of application
 16 software.

17 D Findings:

18 ~~It was determined that the system design review process~~
 19 ~~being employed by the CTS II project development~~
 20 ~~team is adequate, effective & provides for the~~
 21 ~~review & approval of system design Technical~~
 22 ~~Specifications by the appropriate designated parties.~~
 23 In fact, based on review of the sample design
 24 program packets, the auditor determined that
 25 100% of the packets were in compliance with
 26 the established packet standards & guidelines"

27 ~~It was also determined that although project~~
 28 ~~development standards have not yet been developed~~
 29 ~~for either operations or user documentation,~~
 30 ~~through standards have been established &~~
 31 ~~implemented for the development of both system~~
 32 ~~& program documentation. The auditor further~~
 33 ~~noted that several vehicles are utilized to~~
 34 ~~communicate these standards to all staff, &~~
 35 ~~review processes are in place to ensure adherence~~
 36 ~~to said standards."~~

Work paper notes:

① [redacted] formal evaluations of project development strategies identified in 1985 work paper

[redacted] list and compare some of alternate vendors with qualifications comparable to those of Anderson Consulting although some investigations were conducted

② [redacted] Anderson Consulting was not on the project until prior to a 190 contract being outlarga. The approval was supposed to be a verbal authorization by executive mgmt in Sept. 88

[redacted] 1985 SDC did not review the proposed significant additional involvement of Anderson on the CI S II project - verbally discussed in minutes of the SDC meeting of 7/26/90.

[redacted] approved by 1990 Budget for system development projects which include CI S II was not in compliance w/co. procedure

[redacted] long term was supposed to be done Budget of 1990

[redacted] weaknesses of program changed to the cost

[redacted] documentation of mgmt committee meetings

③ [redacted] formal 1987 project 3390

Notes on 9/17/90 Memo - Dennis Grumaner
CIS II Second Interim Audit.

Scope

- Determine if adequate analysis to support decisions made & that analysis of alternatives was documented.
- Review CIS II Mgmt reports to determine if significant events were communicated to mgmt
- Assess reasonableness of system & user mgmt participation development
- Evaluate cost/benefit for all cost consideration
- Review utility variance reports to determine if correct work orders are being charged
- Determine if development requirements are completed and accurate
- Determine if in compliance w/ FPL policy on capitalizing software

- 0 ~~_____~~ determine that any formal evaluations were conducted w/ respect to the following options:
1. The purchase of packages to replace all or a portion of the system
 2. Joint development of all or portions of the system with other utilities or package vendors
 3. Renovation of portions of the system
 4. Total in-house development of a new customer system

~~_____~~ - project manager:

Several attempts were made by the CIS II team, IS management, & executive management to identify candidates for joint development &/or purchased package solutions. Although many surveys, interviews, presentations, & trips were conducted, no serious contenders surfaced & no particular alternative warranted further review. Consequently, a formal analysis regarding these alternatives was not done & therefore no formal documentation was prepared other than meeting minutes, status reports & SDP presentation materials.

10

includes procurement procedure 8100
Services not to be performed without a PO
\$8165 - cannot perform beyond original
contract w/o a C/O unless an emergency
(M/M)

11

cost of contract 1981-85
(33.3 FPLS contractor, \$42.2 consulting, plus
depreciation on computer, 34 other, 10 AFUC)

12

1981-85 total project cost was only
estimated for phase I of the project according
to Mr. Klose. It was to include
interim implementation of a new phase to
work w/ existing system.
Presentation materials indicated the
project would be Type but only Phase I was
estimated.

13

In 1988 project reevaluated & reestimated
1991

14

1991 increased over the 1970 estimate by
\$46 mil due to Anderson
Of the \$85.2 mil, \$42.2 mil or 50% are Anderson
costs.

15

1992 people used instead of Anderson
1992, and this estimated a \$62 mil
savings based on 1991 hours.

16

CIS II should have been approved by
Mr. Co. Pres or VP of Mgmt Services per
procedure 861 24205. It was not,
it was approved by Mr. Baldwin (?)

17

1991-92 project through extensive cost
scope reviewers since 1985 w/ no new
cost benefit analysis. Scheduled for 1990

18

CIS II project team should reconcile the
monthly total man hours charged to the
project per BWC's "EAC Performance Report Detail
#4" to the MANAGE/1 total hours for the month
to provide assurance that only CIS II employees are
charging hours to the project.

1 CTSF Audit 10/82 - Eight volumes (464 Staff days)

2
3 Scope: To ensure that

- 4 1. An adequate conversion plan was developed
- 5 & implemented for converting the system from
- 6 development to production
- 7 2. A comprehensive system test plan was developed
- 8 & executed accordingly

9 Findings:

10 [Redacted] for successful conversion was obtained

11 [Redacted] and no more changes or

12 [Redacted] would be approved to mitigate

13 costs & risks of CTS unless emergency -

14 12 were done one not approved or authorized

15 4 approved not authorized

16 5 approved & authorized were initiated &

17 approved by same person - no separation of duties

18 1 authorized, initiated & approved by same party

19 [Redacted] was initiated by VP other not in accordance/practice

20 [Redacted] program packets examined

21 by I/B had no evidence of formal review &

22 approval/authorization

23 [Redacted] prepared

24 w/ guidelines because form (FO) 7930

25 was omitted or not complete

26 [Redacted] conversion plan was adequate

27 system test plan - no exception

28 Change Management system - was exceptional

29 [Redacted] should closely monitor the

30 development status of all system control reports

31 & ensure those deemed critical be certified or

32 a timely basis

33

0 [REDACTED]
1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]

Audit on C.I.S.II Storm Service Restoration Charges
1993 7 volumes
To audit Charges of C.I.S.II team members
from 8/24/92 to 10/30/92 for appropriateness
Per Brenda Buchanan this was not relevant to
the issue requested

Audit of Customer Accounting Field Controls 10/93
4 volumes
Per Brenda Buchanan this was not relevant
to the issue requested.

CONFIDENTIAL

CTS II - Storm Services Restoration Charges
March 1993 - 342 hours 4 vendors

Reviewed by J. Andra
For Brenda Buchanan (not applicable)

CTS II Second Interim - see pgs 9 for report notes
Period audited 6/83 - 8/90
Audit Days 118 Issued 9/17/90

~~Completed, computing the development costs through 12/88, reviewing future methodology to be used.~~

~~the comparison of actual to the original schedule~~
Also unable to review Method 11, Arthur Andersen's methodology since implementation had just began

~~on remaining 2 of the following items:~~

~~Report updates needed to be reviewed by Project Supervisor~~

~~Develop a new quarterly Status Report Period~~

~~Cost estimates will have a reconciliation of charges between estimates~~

~~budget will be loaded into BUCS~~
Old BUCS work orders 90-12105 1145 are to be deactivated
Only CTS II costs will go to the new WO
CTS II QIDW control charts & indicators will be monitored

~~from 7-90 from Joe Bellone~~
Noted that Nancy Kline continued to make policy for IA - Finance able to rerout audits & reviews

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THIS CONTRACT is made and entered into as of the 14th day of August, 1988 ("Contract") by and between Florida Power & Light Company ("FPL"), a corporation organized and existing under the laws of the State of Florida, and Andersen Consulting Arthur Andersen & Co. ("Andersen"), a partnership with offices at One Biscayne Tower, Suite 2100, Miami, Florida, and qualified to do business in the State of Florida, referenced jointly herein as the "Parties" or singularly as the "Party."

WITNESSETH:

WHEREAS, Andersen is engaged in the business of providing professional systems development consulting services;

WHEREAS, FPL desires to have Andersen provide professional systems development consulting services for a customer information computer system; and

WHEREAS, Andersen desires to provide such services for FPL.

NOW, THEREFORE, in consideration of the premises and the covenants and agreements of the Parties hereinafter set forth, the Parties agree as follows:

1.0 SCOPE OF SERVICES

1.1 The term "Services" shall include all activities of Andersen necessary for its performance of the work as set forth in Appendix A, SCOPE OF SERVICES, attached hereto and hereby made a part of this Contract.

1.2 FPL shall have the right, from time to time, by written instruction to Andersen, to request changes in or additions to the Services. If such changes would cause an increase or decrease in Andersen's cost or in the time for performance of this Contract, Andersen

shall respond in writing and give its best estimate of the cost and schedule impact. When authorized by FPL's representative in writing, Andersen shall perform such changes or additions to the Services and this Contract shall be amended to reflect such change in or addition to the Services as required. Changes in or additions to Services performed prior to receipt of FPL's written authorization shall be at Andersen's risk.

1.3 Any claims for recovery of costs which are not clearly set forth herein or by amendment must be asserted by Andersen in writing within sixty days after the cause of such claim has occurred or within thirty days from notification of a disputed invoice by FPL. If FPL determines that such claim is not justified, it shall be under no obligation to reimburse Andersen any costs associated with the claim. Andersen shall have the option to suspend the portion of Services in dispute.

1.4 It is the intent of the Parties that FPL shall have overall project management responsibilities and accordingly Andersen's role is to provide assistance, however this shall in no way relieve Andersen of its obligations hereunder including, but not limited to, Section 3.0, WARRANTY.

2.0 INVOICING AND VERIFICATION OF COSTS

2.1 Andersen shall submit invoices to FPL and FPL shall pay Andersen for its performance of the Services in accordance with the terms set forth in Appendix B, COMPENSATION, attached hereto and hereby made a part of this Contract.

2.2 Andersen shall maintain books and records supporting costs for the Services hereunder, which shall be accessible during Andersen's normal business hours for the duration of this Contract, and for a period of two years thereafter. FPL shall have access to all such documents relating to this Contract defined as time reports, expense reports, and Manage/1 documents. Any access to books and records other than those specified, including but not limited to original receipts, shall be granted after notification in writing by FPL at least two weeks prior to the desired inspection and such notification shall include a statement of the nature of the inquiry and why existing support is not adequate.

3.0 WARRANTY

3.1 Andersen shall perform the Services under this Contract in accordance with standards of care, skill and diligence consistent with (i) recognized and sound consulting practices, procedures and techniques contained in the AICPA Professional Standards, Volume B, in force at the time of the Services; (ii) all applicable laws and regulations; (iii) the specifications, documents and procedures applicable to the Services; and (iv) the degree of knowledge, skill and judgment normally exercised by professional firms with respect to services of a similar nature.

3.2 If any failure to meet the foregoing warranty occurs or is discovered within one year after the Services are accepted by FPL, Andersen shall reperform the Services affected by such failure at Andersen's sole cost and expense. Services so reperformed shall

be warranted for an additional period of one year following completion of reperformance.

3.3 The foregoing warranties are in lieu of all other warranties made by Andersen concerning any product or service furnished under this Contract, including but not limited to, all implied warranties of merchantability and fitness for a particular purpose.

4.0 PROPRIETARY MATERIAL AND CONFIDENTIALITY

4.1 Any materials belonging to or in the possession of FPL, whether written, printed or otherwise recorded, as well as all work products resulting from this Contract, shall be used by Andersen only in the performance of its duties hereunder and Andersen shall not record, reference, reproduce or use such materials for any other purpose without the express written consent of FPL. All rights, title to and interest in such material shall remain with FPL, and all such material shall be surrendered to FPL immediately upon termination of this Contract, or any time prior thereto, upon the request of FPL.

4.2 Notwithstanding the above, Andersen shall have the right to retain copies of any documentation relevant to the Services.

4.3 Andersen and its agents and employees shall not disclose or use, other than as may be required in the performance of this Contract, such information including, without limitation, any information relating to (i) FPL, its parent, subsidiaries or affiliates, or (ii) any person or organization dealing with FPL, both during the period of performance of this Contract and thereafter. Andersen shall protect the confidentiality of FPL confidential information

in the same fashion as it does its own confidential information of like kind. The Parties acknowledge that the terms and conditions of this Contract are confidential and each agrees not to disclose the same to any third party, except as may be requested by governmental authorities or by FPL's external auditors, without the prior written consent of the other which shall not be unreasonably withheld.

- 4.4 This restriction does not apply to any information which (i) is known to Andersen prior to the disclosures hereunder, (ii) currently exists in, or subsequently enters, the public domain through no fault of Andersen, (iii) is developed or communicated independent of this Contract, or (iv) is developed or communicated by a third party which Andersen does not know (and reasonably should not know) is under a similar obligation of confidentiality to FPL, provided that if Andersen subsequently learns that information provided by third parties is confidential to FPL, Andersen shall treat such information as described in Section 4.3.
- 4.5 In the course of providing the Services, Andersen shall be using Andersen proprietary products and procedures including but not limited to Method/1 and Manage/1 and shall be making such materials available to FPL. FPL's only claim to these products and procedures shall be pursuant to a written agreement between FPL and Andersen for the lease or purchase of such products and procedures.

5.0 OWNERSHIP

- 5.1 Andersen shall disclose to FPL promptly and fully, without limitation, systems and all documentation and materials, including input and output formats, narrative descriptions, flowcharts, operating instructions, job control language, object code, source code and source code listings, user manuals and operating manuals, reports, work papers, and the like, (hereinafter collectively referred to as "Discoveries") developed by Andersen as a result of its performance of this Contract.
- 5.2 Andersen shall assign to FPL or FPL's assignees all of its rights, title to and interest in any and all such Discoveries. If so requested by FPL, Andersen shall execute any and all documents and assist in every reasonable way to maintain the rights of FPL or FPL's assignees to and in Discoveries including assistance in obtaining letters patent, copyrights or any other applicable formal means of recognition of exclusive rights, both during the term of this Contract and for a period of seven years thereafter. Andersen shall be reimbursed for any costs incurred in executing any such documents or for any assistance provided pursuant to this Section 5.2.
- 5.3 Andersen may include Discoveries in its Customer/1 materials upon payment to FPL for use of such Discoveries. Such payment shall be based on a mutually agreeable amount for development costs and potential market value.

6.0 LIMITATIONS OF LIABILITY

6.1 In no event shall Andersen be liable (in contract or in tort, including negligence, or otherwise) to FPL for indirect, incidental or consequential damages, resulting from Andersen's performance, nonperformance or delay in performance of its obligations under this Contract.

6.2 In no event shall FPL, its parent, subsidiaries, or affiliates and their respective officers, directors, agents and employees ("FPL Entities") be liable (in contract or in tort, including negligence, or otherwise) to Andersen or its subcontractors for indirect, incidental or consequential damages, resulting from FPL's performance, nonperformance or delay in performance of its obligations under this Contract, or from FPL's delay, termination (with or without cause) or suspension of the Services under this Contract.

6.3 The limitation of liability contained in Section 6.1 shall not apply to the extent that Andersen is insured under policies of insurance maintained by Andersen under this Contract.

6.4 The provisions of this Section 6.0 and any other provision of this Contract providing for limitation of, or protection against, liability shall apply to the full extent permitted by law and shall survive termination of this Contract and completion of the Services hereunder.

7.0 INDEMNITY

7.1 Andersen agrees to furnish the Services as an independent contractor and not as an agent or employee of FPL Entities.

7.2. Andersen agrees to protect, defend and hold FPL Entities free and unharmed against any personal injury or property damage claims including court costs and attorneys' fees related to any claim, pretrial, trial or appellate proceeding ("Claim"), resulting from or in connection with the performance of Services by Andersen or its employees to the extent such Claim is occasioned by the negligence of Andersen or its employees.

7.3 In the event that any Claim as set forth in Section 7.2 is determined to have been occasioned at least fifteen percent (15%) by the negligence of Andersen or its employees, Andersen shall hold FPL Entities free and unharmed from the first Three Hundred Thousand Dollars (\$300,000) for injuries to or death of person(s) arising out of a single occurrence and Twenty-five Thousand Dollars (\$25,000) for damage to property arising out of a single occurrence, whether or not any such Claim within the scope of this Section 7.3 is due to or is caused by FPL Entities. In addition, any amount of such claim remaining over such limits shall be borne by Andersen to the extent of the negligence of Andersen or its employees.

8.0 PATENT INFRINGEMENT

8.1 Andersen shall, at its own expense, defend, indemnify and hold FPL Entities harmless from any loss, liability, damage, claim, suit, or proceeding ("Suit") based on a claim that any systems or documentation and materials, including input and output formats, narrative descriptions, flowcharts, operating instructions, job control language, object code, source code and source code

listings, user manuals and operating manuals, reports, work papers, and the like ("Materials") furnished by Andersen under this Contract and used within the scope of this Contract constitute an infringement of any U.S. patent or copyright or the trade secret rights of others, provided that Andersen is notified promptly in writing by FPL of the action and provided further that FPL Entities shall exert no control of the defense or any negotiations for its settlement or compromise. At Andersen's request, FPL Entities shall provide Andersen with information and assistance (at Andersen's expense) for the defense of the Suit.

- 8.2 If the Materials provided hereunder by Andersen to FPL Entities are held to constitute infringement as a result of any Suit so defended and their use by FPL is enjoined, Andersen shall, at its option and its sole expense, procure for FPL the right to continue using the Materials, all parts thereof and all processes used therein, or if Andersen is unable to secure such continued use within a reasonable time, Andersen shall at its own expense, either replace them with substantially equivalent non-infringing Materials or modify the Materials so they become non-infringing.
- 8.3 If, in any such Suit, a temporary restraining order or preliminary injunction is granted, Andersen shall exert its best efforts to secure the lifting of the injunction by giving a satisfactory bond, or otherwise.
- 8.4 Andersen shall not be liable to FPL Entities under any provision of this Section 8.0 if any Suit is based on (i) the use of the Materials by FPL in any manner inconsistent with the design of the

Materials, (ii) the use of the Materials in connection with any software not provided by Andersen, if such Materials would not constitute an infringement except for use in connection with such software, or (iii) modification of the Materials by FPL Entities in a manner causing it to become infringing.

9.0 INSURANCE

Upon execution of the Contract, Andersen shall procure and maintain the following minimums of insurance in forms and with insurance companies acceptable to FPL (acceptance by FPL shall not be unreasonably withheld):

9.1 Workers' Compensation Insurance for statutory obligations imposed by Workers' Compensation or Occupational Disease Laws, including, where applicable, the United States Longshoremen's and Harbor Workers' Act, the Federal Employers' Liability Act and the Jones Act. Employers' Liability Insurance shall be provided with a minimum limit of One Hundred Thousand Dollars (\$100,000) per accident.

9.2 General Liability and Contractual Liability Insurance covering all operations required to complete the service, with the following minimum limits of liability, which shall insure the performance of the contractual obligations assumed by Andersen under this Contract:

9.2.1 Bodily Injury Liability - Three Hundred Thousand Dollars (\$300,000) each occurrence.

9.2.2 Property Damage Liability - Twenty-five Thousand Dollars (\$25,000) each occurrence.

- 9.3 Comprehensive Automotive Liability Insurance with the following minimum limits of liability, which shall apply to all owned, non-owned, leased and hired automobiles used by Andersen in the performance of the Services:
- 9.3.1 Bodily Injury Liability - Three Hundred Thousand Dollars (\$300,000) each occurrence.
- 9.3.2 Property Damage Liability - Twenty-five Thousand Dollars (\$25,000) each occurrence.
- 9.4 For any policy furnished by Andersen, FPL Entities shall be named as an Additional Insured and such policy shall be endorsed to be primary to any insurance which may be maintained by or on behalf of FPL Entities.
- 9.5 In the event that any policy furnished by Andersen provides for coverage on a "claims made" basis, the retroactive date of the policy shall be the same as the effective date of this Contract or such other date as to protect the interest of FPL Entities. Furthermore, for all policies furnished on a "claims made" basis, Andersen's providing of such coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort; if coverage is on an "occurrence" basis, such insurance shall be maintained by Andersen during the entire term of this Contract.
- 9.6 In addition to the minimum coverages outlined in this Section 9.0, the provisions of the various policies are subject to FPL's approval in the event of a dispute regarding a claim and, upon

request, Andersen will provide certified copies of the various policies to FPL's Risk Management Department for inspection. Andersen shall provide evidence of the minimum coverages above by providing FPL the completed FPL Form 1364-20, Certificate of Insurance, before any Services under this Contract begin.

9.7 Insurance specified in this Section 9.0 shall not be cancelled or materially changed without ten days advance written notification to FPL's Risk Management Department.

10.0 SUSPENSION OF SERVICES

10.1 In the event FPL elects to suspend the Services under this Contract, FPL shall notify Andersen, in writing, at least thirty days in advance of the suspension date; which notification shall indicate the anticipated suspension period. Andersen shall advise FPL of the costs to be incurred from the planned suspension of the Services. Any reimbursement shall be limited to Andersen's reasonable costs incurred as a direct result of the suspension and start-up and shall be subject to verification. In the event of suspension of the Services, Andersen shall resume performance of the Services within thirty days of when requested by FPL in accordance with the terms of this Contract, if such request is made within eighteen months after suspension. FPL understands that in the event it elects to suspend the Services, Andersen cannot guarantee that those of its personnel performing Services hereunder at the time of the suspension will be assigned to the project when the Services are resumed.

10.2 If the time of suspension reaches a duration of ninety days (as measured from the suspension date), then FPL shall refund to Andersen any unearned discount, calculated in the manner set forth in Sections 12.4 and 12.5, TERM AND TERMINATION. In the event that FPL refunds unearned discounts to Andersen pursuant to the terms of this Section 10.2, and, subsequently, FPL directs Andersen to resume the suspended Services, then Andersen shall credit FPL with the appropriate refunded unearned discounts.

11.0 FORCE MAJEURE

11.1 Performance of this Contract by each Party shall be pursued with due diligence in all requirements hereof; however, neither Party shall be liable to the other for any loss or damage for delay or for nonperformance due to causes not reasonably within its control. The Party affected shall promptly notify the other in writing of the nature, cause, date of commencement thereof, the anticipated extent of such delay and whether it is anticipated that any completion dates will be affected thereby, and shall exercise due diligence to mitigate the impact of the delay.

11.2 In the event of any delay resulting from such causes and provided the affected Party has promptly notified the other and exercised due diligence as provided in Section 11.1, the time of performance of each of the Parties hereunder (including the payment of monies) shall be extended for a time period equal to the period of such delay.

12.0 TERM AND TERMINATION

- 12.1 The term of this Contract shall be for a period of approximately seventeen months, the scheduled termination date being set to occur December 31, 1989, at midnight, provided this Contract has not been otherwise terminated. However, the termination date of this Contract may be extended through a written instrument authorized and executed with the same formality as this Contract.
- 12.2 FPL shall have the right to terminate this Contract for its convenience, in whole or in part, at any time upon at least one week's notice to Andersen. In the event of such termination, Andersen shall promptly comply with the directions contained in such notice, if any, and shall, subject to direction by FPL, take action as may be necessary to terminate the Services and minimize its costs and liability with respect to terminated Services.
- 12.3 Termination charges, if any, shall include costs incurred only on the Services performed prior to the effective date of termination and shall reflect the actual Services performed and actual costs resulting from termination. Andersen shall take all reasonable steps to minimize termination charges. At its option, FPL may conduct an audit of Andersen's records pursuant to Section 2.2, INVOICING AND VERIFICATION OF COSTS, to verify that termination charges are reasonable and proper. Payment of such termination charges shall be FPL's sole obligation and Andersen's exclusive remedy for termination pursuant to Section 12.2.
- 12.4 In the event of termination for convenience under Section 12.2 herein, FPL shall refund to Andersen any unearned discount which

Line #

1 was credited to FPL by Andersen as part of the volume discount
2 pursuant to Section B.2.3 of Appendix B, COMPENSATION. For
3 purposes of this Section 12.4, discount shall be deemed to have
4 been earned in tiers as follows:

		Total Hourly Rates Billed under this Contract for Sections A.1 and A.2 Services	Discount Rate
5			
6			
7			
8			
9			
10	First	[REDACTED]	[REDACTED]
11	Next	[REDACTED]	[REDACTED]
12	Next	[REDACTED]	[REDACTED]
13	All remaining	[REDACTED]	[REDACTED]
14	billing up to	[REDACTED]	[REDACTED]

The difference between the total discount credited by Andersen and discounts earned pursuant to the above schedule shall be deemed unearned discounts for purposes of this Section 12.4.

12.5 The refundability of discount set forth in Section 12.4 shall apply only to discounts originally credited to FPL by Andersen against billings for the phases of Services set forth in Sections A.1 and A.2 of Appendix A, SCOPE OF SERVICES.

12.6 In addition to FPL's right to terminate for its convenience, FPL may terminate the whole or any part of this Contract for cause in the event:

12.6.1 Andersen fails to perform the Services as required under this Contract; or

12.6.2 Reasonable grounds for insecurity arise with respect to Andersen's expected performance and Andersen fails to furnish adequate assurance of due performance within

44-15

thirty days after a written request by FPL for such adequate assurance.

12.7 In the event of termination for cause under Section 12.6 herein, FPL shall have no liability to Andersen for costs incurred by Andersen as a result of such termination nor for any costs incurred by Andersen following its receipt of a termination notice.

12.8 The rights and remedies of FPL regarding termination for cause shall not be exclusive and are in addition to any other rights and remedies provided by law.

13.0 REVIEW OF PERSONNEL

13.1 Andersen shall provide a resume for each person it proposes to assign to perform the Services. When possible, Andersen shall use qualified personnel available in its Miami office. Andersen and FPL shall agree upon assignment of personnel and on all changes in such personnel. Andersen shall provide alternate personnel as required until such agreement can be reached, which agreement shall not be unreasonably withheld by either Party. FPL shall have the right to periodically review the staffing level, qualifications and performance of personnel assigned to the Services by Andersen and may require appropriate changes. Andersen shall periodically submit a Services staffing and qualifications report as requested by FPL.

13.2 Andersen warrants that its personnel shall perform the Services as warranted by their qualifications and experience as specified in the resumes required in Section 13.1. If at any time during the performance of the Services, FPL believes that a particular

Andersen employee is not performing the Services warranted by his or her qualifications and experience, FPL shall promptly make such discrepancy known to Andersen's authorized representative and shall enter into good faith negotiations. In no event shall such discussions take longer than five working days. With respect to any valid claims of breach of the foregoing warranty, Andersen agrees to replace the concerned employee at Andersen's expense. The Parties shall negotiate the appropriate refund or credit that FPL shall receive for compensation and reimbursable expenses related to such employee. Such refund or credit shall not exceed the last twenty working days' compensation plus reimbursable expenses for such employee.

13.3 In the event FPL consents to a reassignment or change in personnel requested by Andersen and such reassignment does not occur at the logical conclusion of a segment of Services, Andersen shall provide an overlap of personnel for a time period sufficient to insure that no impact to the Services occurs. The Parties shall mutually agree on such time period. All costs of the overlap shall be borne by Andersen and shall not be reimbursable under this Contract.

14.0 VISITS AND INSPECTIONS

Representatives of FPL shall have the right to visit the facilities of Andersen and witness the Services being performed provided they make arrangements at reasonable times, in advance of such visits. Representatives from FPL shall comply with pertinent safety and security regulations.

15.0 / TAXES

Line #

2 15.1 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

15.2 In no event shall FPL be required to pay any tax levied on or determined by Andersen's income, taxes expressly designed to be paid solely by Andersen or licenses and permits required for Andersen to carry on business.

15.3 FPL shall not be obligated to pay, and shall be promptly reimbursed by Andersen if FPL does pay, any taxes, penalties or interest charges levied or assessed by reason of any failure of Andersen to comply with applicable laws or governmental regulations, and Andersen shall indemnify and save FPL harmless from the payment of any and all such taxes, penalty and interest.

16.0 COMPLIANCE WITH LAWS, RULES AND REGULATIONS

16.1 Andersen shall perform all Services in accordance with all applicable codes, laws, rules, regulations, orders and standards of federal, state, regional, local and municipal governmental agencies, including, but not limited to, the Occupational Safety and Health Act of 1970 (OSHA), and all standards, rules, regulations and orders issued by such agencies.

16.2 Andersen shall, at its own expense, defend, indemnify and save harmless FPL Entities from and against all liability, loss or damages (including attorneys' fees and other defense costs),

assessed against or suffered by FPL Entities as a result of noncompliance by Andersen with this Section 16.0.

17.0 ASSIGNMENT

- 17.1 Neither this Contract, nor the duties to be performed hereunder, shall be assigned, delegated or otherwise disposed of by either Party without the prior written consent of the other Party. However, FPL may at any time and at its sole and unrestrained discretion assign this Contract to one of its subsidiaries or affiliates by notice to Andersen. However, Andersen may at any time and at its sole and unrestricted discretion assign this Contract to any Member Firm or any entity which is a part of the Arthur Andersen Worldwide Organization with at least one week's notice to FPL. For purposes of this Contract, a "Member Firm" shall mean an entity having a Member Firm Interfirm Agreement with Arthur Andersen & Co. S.C. or any entity controlling, controlled by or under common control with such an entity.
- 17.2 Without limiting the foregoing provisions of this Section 17.0, assignment of this Contract shall not relieve either Party of any of its obligations hereunder until such obligations have been assumed by the assignee.
- 17.3 If this Contract should be permitted to be assigned by either Party it shall be binding upon and shall inure to the benefit of the permitted assignee.
- 17.4 AA&Co's Services shall not be subcontracted without an executed authorizing amendment.

18.0 EQUAL EMPLOYMENT OPPORTUNITY AND CIVIL RIGHTS

Andersen shall conform to the requirements of the Equal Employment Opportunity clause in Section 202, Paragraphs 1 through 7 of Executive Order 11246, as amended, and applicable portions of Executive Orders 11701 and 11758, relative to Equal Employment Opportunity and the Implementing Rules and Regulations of the Office of Federal Contracts Compliance.

19.0 NON-WAIVER

Failure by either Party to insist upon strict performance of any of the provisions hereof, either Party's failure or delay in exercising any rights or remedies provided herein or by law, FPL's approval of, acceptance of or payment for the Services or any part or combination thereof, or any purported oral modification or rescission of this Contract by an employee or agent of either Party shall not release the other Party from any of its obligations under this Contract, shall not be deemed a waiver of any rights of either Party to insist upon strict performance hereof or of any of either Party's rights or remedies under this Contract or law, and shall not operate as a waiver of any of the provisions hereof.

20.0 APPLICABLE LAW

The rights, obligations and remedies of the Parties as specified under this Contract shall be interpreted and governed in all respects by the laws of the State of Florida.

21.0 SEVERABILITY OF PROVISIONS

Should any provision, portion or application thereof, of this Contract be determined by a court of competent jurisdiction to be illegal, unenforceable or in conflict with any applicable law, the Parties shall negotiate an equitable adjustment in the affected provisions of this

Contract with a view toward effecting the purpose of this Contract and the validity and enforceability of the remaining provisions, portions or applications thereof, shall not be impaired.

22.0 EFFECT OF SECTION HEADINGS

Section headings appearing in this Contract are inserted for convenience of reference only and shall in no way be construed to be interpretations of the text.

23.0 COMPLETE AGREEMENT

This Contract is intended as the complete and exclusive statement of the agreement between the Parties. Parol or extrinsic evidence shall not be used to vary or contradict the express terms of this Contract, and recourse may not be had to alleged prior dealings, usage of trade, course of dealing, or course of performance to explain or supplement the express terms of this Contract. This Contract shall not be amended or modified, and no waiver of any provision hereof shall be effective, unless set forth in a written instrument authorized and executed with the same formality as this Contract.

24.0 OFFICE SUPPORT

As FPL deems reasonable, FPL shall provide such services as adequate work space, telephone service, duplication equipment, workstations, secretarial

services and other such commonly available office services at no cost to Andersen.

IN WITNESS WHEREOF, the Parties have caused this Contract to be signed by their duly authorized officers or representatives effective as of the date first above written.

ANDERSEN CONSULTING
ARTHUR ANDERSEN & CO.

FLORIDA POWER & LIGHT COMPANY

By: Roy E. Schoen 2/2/89
Roy E. Schoen Date
Consulting Managing Director

By: D. K. Baldwin 1/25/89
D. K. Baldwin Date
Group Vice President

Line #
1

APPENDIX A

SCOPE OF SERVICES

CONFIDENTIAL

3 A.1 PROJECT DEFINITION AND PLANNING PHASE

4 Architectural Report

5 Andersen shall assist FPL in preparing a CIS II Architectural
6 Report which shall include a description of CIS II system
7 components and the sequence for development of such components.

8 Design Plan

9 Andersen shall assist FPL in preparing a plan to carry out the
10 preliminary design phase. Such plan shall include a detailed
11 schedule of activities for CIS II project personnel for the first
12 three months of the project and milestones for the remaining twelve
13 months.

14 A.2 PRELIMINARY DESIGN PHASE FOR THE CIS II BASE BUSINESS REQUIREMENTS

15 Andersen shall assist FPL, during 1988 and 1989, in the development of
16 a design for the CIS II base business requirements, including, but not
17 limited to, account maintenance, customer maintenance, deposit
18 maintenance, location maintenance, billing and statements, credit and
19 collections, auditing and compliance reporting, utilities maintenance,
20 recording payments, consolidation and reconciliation, interfaces, order
21 entry and complaint system.

A.3 OPTIONAL SERVICES

At FPL's request, and subject to agreement on the scope and level of effort required to complete such scope, Andersen shall perform additional services for subsequent phases related to the CIS II project. Such

optional additional services shall be authorized by an amendment to this Contract. Additional services performed by Andersen without an executed authorizing amendment shall be performed at Andersen's sole risk and expense. All optional services which are authorized shall be subject to the twelve percent (12%) volume discount set forth in Section B.2.3 of Appendix B, COMPENSATION.

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2

CONFIDENTIAL

APPENDIX B

COMPENSATION

3 B.1 SCHEDULED SERVICES

4 Andersen's compensation for scheduled Services shall be based on the
 5 following Hourly Rate Schedule per hour of Services rendered. The hourly
 6 rates include profit and all direct and indirect costs except reimbursable
 7 expenses specified in Section B.4. Andersen shall complete the Services
 8 in Appendix A, SCOPE OF SERVICES, and shall invoice FPL for the actual
 9 man hours expended to perform the Services multiplied by the applicable
 10 hourly rate plus travel costs and out-of-pocket expenses directly related
 11 to the Services up to the Stipulated Maximum Cost of Services outlined
 12 below. Andersen shall notify FPL if it anticipates that its total costs
 13 to complete the Services may exceed the Stipulated Maximum Cost of
 14 Services. Andersen shall not continue to perform the Services beyond such
 15 Stipulated Maximum Cost. IF FPL desires additional Services, this
 16 contract shall be amended to adjust such Stipulated Maximum Cost.

17 B.2 HOURLY RATES

18 B.2.1 Hourly Rate Schedule

Personnel Category	Hourly Rate Before Discount
Partner *	\$250
Senior Manager	\$218 - \$241
Experienced Manager *	\$196 - \$208
Manager	\$173 - \$184
Experienced Senior	\$147 - \$127
Senior	\$106 - \$116
STAFF *	\$66 - \$79

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 28 B.2.2 The hourly rates set forth in Section B.2.1 may be adjusted for
 29 inflation on April 1 and September 1 of each year, provided such

44 - B1

Line #

1

Adjustments shall not increase the maximum cost for each personnel

2

category by more than three and one-half percent (3.5%) 17

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and FPL shall provide a volume discount on services based on the

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total hours billed under this Contract. Andersen shall provide FPL

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with a discount of 10% of the total of Section B.2 hourly rates.

6

B.3 COST OF SERVICES

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Project Initiation and Planning Phase

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Estimated Maximum Cost of Services

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for Project Initiation and Planning Phase \$ 380,000

10

Estimated Maximum Cost of Services for O&M Base

11

and Contingencies

12

Estimated Maximum Cost of Services

13

for Preliminary Design Phase \$ 1,300,000

14

Estimated Maximum Cost of Services

15

for Project Initiation and Planning

16

Phase and Preliminary Design Phase

17

performed during 1988 and 1989 \$ 1,680,000

B.4 REIMBURSABLE EXPENSES

FPL shall reimburse Andersen for normal and reasonable expenses incurred by Andersen in connection with the Services. Such expenses are:

B.4.1 Moderate and reasonable traveling and living expenses, including transportation, lodging, meals and other similar expenses required in the performance of the Services at actual cost or per diem rate as detailed below.

B.4.1.1 Andersen shall utilize FPL corporate rates at FPL preapproved hotels for personnel scheduled for periods of short duration. Out-of-town personnel performing Services for an extended duration shall share two-bedroom furnished apartments, except in the case of managers and

44-B2

partners or when members of the opposite sex would have to share an apartment. In these cases, one-bedroom furnished apartments shall be reimbursable. Also, up to a Two Hundred Fifty Dollar (\$250) one-time allowance per rental unit shall be granted for initial set-up costs. FPL shall preapprove all lease agreements.

B.4.1.2 Out-of-town personnel shall be paid a per diem allowance to cover meals and incidentals in the amount of Nineteen Dollars (\$19) if such personnel are housed in apartments or Twenty-four Dollars (\$24) if housed in a hotel and provided the expenses are incurred prior to January 1, 1989. Effective January 1, 1989, out-of-town personnel housed in apartments shall be paid a per diem allowance to cover meals and incidentals in the amount of Twenty-four Dollars (\$24). Also effective January 1, 1989, out-of-town personnel housed in a hotel shall be paid an amount at actual cost but not to exceed Twenty-four Dollars (\$24) to cover meals and incidentals. The above per diem and meal and incidental allowances shall be subject to change upon written notice from Andersen, based on changes in its corporate policy, but cannot change more than the Consumer Price Index, measured from January 1, 1989 until the effective date of the change.

B.4.1.3 Out-of-town personnel shall be provided rental cars at Andersen's corporate rate for economy cars. Unless FPL gives prior written approval, Andersen shall be allowed

one car per two employees. Mileage shall not be charged for rental cars.

- B.4.1.4 Out-of-town personnel assigned to the project for at least two months shall be allowed a trip home every week utilizing the least cost economy air fare. During such trips home, no allowance shall be allowed for meals, incidentals, or other miscellaneous expenses.
- B.4.1.5 Where directly applicable, Andersen shall be reimbursed for normal parking, taxi fare, airport tips, and other similar expenses.
- B.4.1.6 Personnel not classified as "out-of-town personnel" shall be paid a meal allowance as follows:
 - B.4.1.6.1 For personnel who work ten or more hours on any weekday, an amount at actual cost but not to exceed Thirteen Dollars (\$13).
 - B.4.1.6.2 For personnel who work at least five hours on a Saturday, Sunday or an FPL observed holiday, an amount at actual cost but not to exceed Six Dollars and Fifty Cents (\$6.50) for a lunch allowance.
 - B.4.1.6.3 In addition to the meal allowance provided in Section B.4.1.6.2, for personnel who work ten or more hours on a Saturday, Sunday or an FPL observed holiday, an amount at actual cost but not to exceed Thirteen Dollars (\$13) for an additional dinner allowance.

Such meal allowance shall be subject to change upon written notice from Andersen, based on changes in its corporate policy, but cannot change more than the Consumer Price Index, measured from the effective date of the Contract until the effective date of the change.

- B.4.2 Project-related long-distance telephone and other such expenses at actual cost.
- B.4.3 Other project-related direct expenses at actual cost which have been incurred following submission of a written request justifying the need for such direct expenses and receipt of FPL's written authorization to incur such direct expenses.

B.5 INVOICING

- B.5.1 Andersen shall submit a monthly invoice in duplicate for the cost of the Services provided during the previous monthly period within the specified scope of work, with sufficient detail to verify invoiced amount.
- B.5.2 Each invoice shall include:
 - B.5.2.1 Title identifying the project;
 - B.5.2.2 FPL's purchase order number;
 - B.5.2.3 Hours of the Services performed by each individual, the individual's respective personnel category and rate per hour after discount and the resulting total cost for each such individual for the invoicing period;
 - B.5.2.4 Total hours of Services billed in the invoice and the total hours billed to date;

B.5.2.5 Categorization of all reimbursable expenses into the following categories: (i) airfare, (ii) lodging, (iii) per diem or meal and incidental allowances for out-of-town personnel and meal allowances for personnel not classified as out-of-town, (iv) car rental and (v) "other", listing the total amount billed for each employee within each category.

B.5.2.6 Itemization of all reimbursable expenses in the "other" category identified in Section B.5.2.5 over Twenty-five Dollars (\$25);

B.5.2.7 Total amount of current invoice;

B.5.2.8 Total amount previously invoiced; and

B.5.2.9 Total amount invoiced to date including current invoice.

B.5.3 Supporting documentation as defined in Section 2.2, INVOICING AND VERIFICATION OF COSTS, shall be maintained at FPL's offices for the duration of the Contract and shall be made available to FPL upon request.

B.6 TERMS OF PAYMENT

FPL shall use reasonable efforts to pay invoices, if correct and properly documented, within thirty days after receipt. If FPL does not pay amounts owed to Andersen within forty-five days after receipt of a correct and properly documented invoice, Andersen may impose a late payment charge of one percent (1%) per month.



Florida Power & Light Company
 CONTRACT CHANGE ORDER NO. 17892
 Form 953 (Stocked) Rev. 1/88

CONFIDENTIAL 46

Contractor Andersen Consulting Contract Title _____ Date 11/30/89
Arthur Andersen & Co.

Purchase Order No. B89915-90124 Project CIS II

WO NUMBER	BLKT ER	LOC CODE
3138	90	040

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CONTRACT CHANGE: (Detail)	AMOUNT (Circle Credits)
To continue use of Andersen Consulting service on Customer Information System II (CIS II) Project through 12/31/90.	
RE: Contract for Systems Development Consulting Services between Florida Power and Light Company and Andersen Consulting Arthur Andersen & Co.	
New PO Completion Date: <u>12/31/90</u>	

NET CHANGE TO MANHOURS THIS CCO _____ Total Authorized Amount This Change Order \$ _____

Work Service Start Date _____ Work/Service Completion Date _____ (Check , if continued)

Schedule of Prices: _____ (Check , if continued)

It is hereby understood that, upon acceptance of this Contract Change Order, the Contractor shall implement the above-referenced change(s). Florida Power & Light Company shall adjust the Contract price, if applicable, to reflect the above-referenced change(s). The above price adjustment will constitute a full and complete settlement for the change(s).

PURCHASING DEPARTMENT/CORPORATE CONTRACTS

PURPOSE AND NECESSITY

Accounting purposes only to continue to provide for invoicing and payment for Systems Development Consulting Services.

46-1

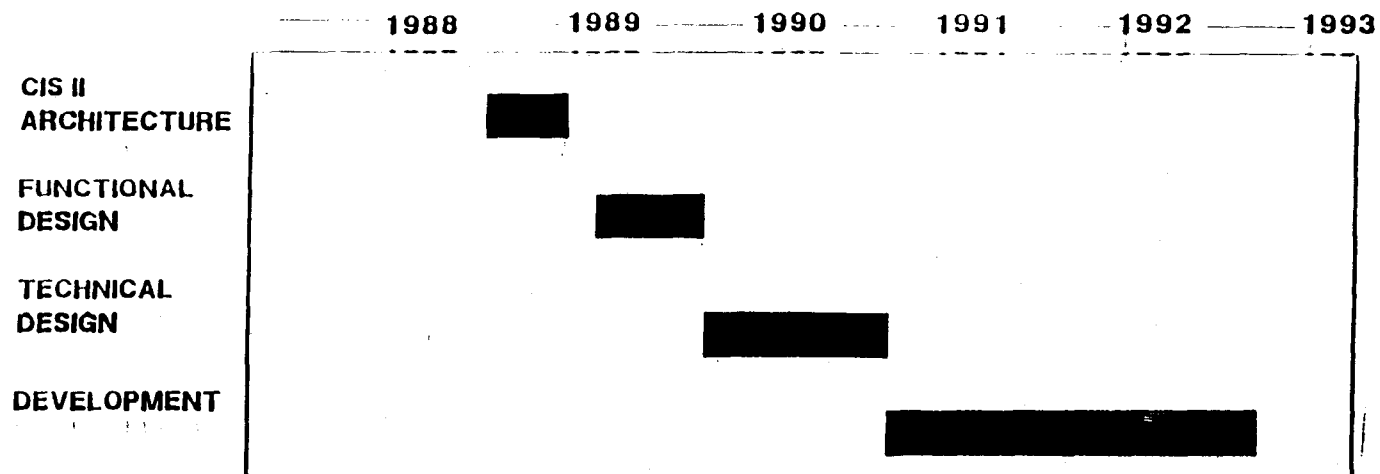
The total estimated cost (savings) of this change (considering the billing for this change, direct FPL costs, project schedule impact, effects on other contractors, etc.) is \$ _____ (Check , if continued)

COST HISTORY		PRIMARY CAUSE OF CHANGE (Check One)		SCHEDULE
Original Contract Commitment	\$ _____	<input type="checkbox"/> Variance from Quantity Est.	<input checked="" type="checkbox"/> Other (specify) _____	<input type="checkbox"/> Change Does Not Affect PO Completion Date
Total of Previous Changes Authorized	\$ _____	<input type="checkbox"/> Regulatory Requirements	Continuation of project	<input checked="" type="checkbox"/> Change Will Affect PO Completion Date By _____ Additional Days
This Change (Net Amount) <input type="checkbox"/> Firm <input type="checkbox"/> Est.	\$ _____	<input type="checkbox"/> Construction Changes		(Use Form 953A to Explain Additional Requirements)
Total Commitment to Date (Incl. this change)	\$ _____	<input type="checkbox"/> Engineering Changes		
Pending Change Orders - Total	\$ _____	<input type="checkbox"/> Other Department Request		
Can this Change Order Impact Other Contracts? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		<input type="checkbox"/> Vendor Caused (Identify back charges in Purpose & Necessity)		
Check <input type="checkbox"/> , if continued		<input type="checkbox"/> Constructability		

ROUTE FOR APPROVAL & AUTHORIZATION

ORIGINATED BY	DATE	APPROVED BY	DATE	APPROVED BY	DATE
Nancy A. Klose	11/11/89	D.F. Borgschulte	12/12/89	R.E. Tallon	12/21/89
TITLE Project Manager		TITLE Director, SPD		TITLE President, FPL	
		S.K. Baldwin	12/22/89	J.P. Broadhead	
		TITLE Group V.P. - CFO		TITLE President, FPL Group	

**FLORIDA POWER & LIGHT
CIS II - BASE REQUIREMENTS
SUMMARY BAR CHART**



FUNCTIONAL DESIGN
USER REQUIREMENTS
USER DESIGN

TECHNICAL DESIGN
TECHNICAL ARCHITECTURE
DATA BASE DESIGN
SYSTEM PROCESSES DESIGN
TESTING/CONVERSION PROCEDURES
COST/BENEFIT ANALYSIS

DEVELOPMENT
PROGRAMMING
USER PROCEDURES DEVELOPMENT
TESTING
CONVERSION

(2)




The attached Contract Change Order will enable us to retain the use of Andersen Consulting through 1990, as originally planned and as included in our 1990 Capital Budget. Please contact me at 552-4324 if you have any questions or concerns.

D. F. Borgschulte

D. F. Borgschulte,
Director Systems and Programming

Approved:

(1)

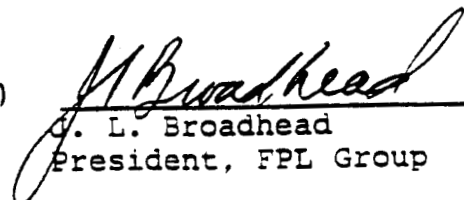


D. K. Baldwin,
Group VP - CFO

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R. E. Tallon
President, FPL

(3)



J. L. Broadhead
President, FPL Group

(4)

FLORIDA POWER AND LIGHT COMPANY
CIS II
BRIEFING FOR D. K. BALDWIN

RECEIVED
DEC 21 1989
D. K. BALDWIN
GROUP VICE PRESIDENT

I. INTRODUCTION

- * Prior to 1988, CIS II project did not have a clear definition of scope and objectives
- * This time last year, project underwent many changes
 - Full-time Project Manager assigned to project
 - Executive Steering Committee and Project Management Committee formed
 - Limited Andersen Consulting (AC) resources added to project
 - Customer/1 Design Guide purchased
 - Method/1 (development process) and Design/1 (design tool) implemented
- * Results indicate that these decisions and current direction are positive
 - Project team understands what needs to be done and has solidified the scope of that effort
 1. Project Scope redefined in September, 1988
 2. Refocused from products back to services necessary to do business in 1992
 - Project team has a roadmap in place with mechanisms for tracking progress
 1. Productivity on the team has doubled
 2. Focus is now on deliverables needed to implement
 3. Detailed plan exists for next 12 months effort
 - Significant momentum of the project team has been attained
 1. Daily progress is evident
 2. Short-term milestones are being met on a timely basis
 3. Issues bubbled up and addressed routinely
 - Overall result was the completion of Functional Design on August 31, 1989 as originally scheduled (despite active participation in Deming Challenge)
 1. 300 screens and 550 reports identified
 2. 25 high volume or new business functions prototyped
 3. Requirements approved by users through workshop forums

5

II. QUALIFICATIONS OF ANDERSEN CONSULTING

- * Leader in Customer Information Systems for Utilities
- * Experience in large scale project development
- * Experience in Utility industry
- * Experience with leading-edge technology
- * Experience in commercial systems
- * Able to increase our productivity, thus reducing overall development effort
- * Able to provide broad customer/commercial viewpoint with proven concepts
- * Able to reduce risk and increase likelihood of success

III. ANDERSEN CONSULTING PARTICIPATION

- * Participate in completion of project deliverables
- * Provide large project management skills
- * Provide functional experience - utility and commercial
- * Provide current knowledge of latest technology (DB2, Intelligent Workstations, Development Architecture, etc.)
- * Participation level is at approximately 20% of overall project team
 - Plan to continue at same level of participation
 - High quality personnel

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- 1 IV. VALUE ADDED BY ANDERSEN CONSULTING
- 2 * Improved effectiveness of FPL project team members
- 3 * Provided a focused direction
- 4 * Successfully implemented a development process
- 5 (methodology) and productivity tools
- 6 * Assisted in identification of resource requirements,
- 7 project segmentation, and scope boundaries
- 8 * Reduced risk through identification and management of
- 9 issues
- 10 * Utilized outside experts and external Design Reviews to
- 11 validate the quality of deliverables and to identify
- 12 potential problems before they arise
- 13 * Provided a non-regulatory perspective to enhance the
- 14 flexibility of the system
- 15 * Provided on-going support to the Project Management team
- 16 and to users of the development process and tools
- 17 * Optimized quality of deliverables within time and resource
- 18 constraints

19 V. 3 ALTERNATIVES FOR USING ANDERSEN CONSULTING

- 20 * ALTERNATIVE 1: Co-Management
- 21 - Increase staffing to 40%-50% of project team.
- 22 - Share responsibility for project's successful completion
- 23 - 1990 Cost = \$8,000,000
- 24 - This alternative not chosen due to:
- 25 1. Effectiveness of FPL Project Manager to date
- 26 2. FPL ability to provide sufficient resources to date
- 27 3. Ability to manage FPL/AC mix to date
- 28 4. BG&E and Brooklyn Union are using this alternative
- 29 and AC supported Wisconsin Public Service at this
- 30 level during their implementation

- 31 * ALTERNATIVE 2: Resource Provider
- 32 - Continue staffing at 20% of project team
- 33 - Share responsibility for timely completion of assigned
- 34 deliverables (proactive mode)
- 35 - 1990 Cost = [REDACTED]

- This alternative was chosen due to:
 1. Successful progress on FPL's CIS II project since engaging AC
 2. AC provides resources with the following skills:
 - + project management skills
 - + utility/commercial experience
 - + technical skills
 - + customer application experience
 - + methodology/tool skills
 3. FPL is resource constrained in some of the areas in which AC can provide resources:
 - + FPL has limited experience in managing DP projects of this magnitude
 - + FPL has solid technical experience in existing technology, but can benefit from AC's ability to quickly provide expertise in new technologies as FPL/CIS II employs them (i.e. DB2, intelligent workstations, etc.)
 - + FPL has limited experience in the use of structured system development methodologies and tools. AC provides that experience through team participation and on-site training and support as needed
 - + FPL's knowledge of CIS II efforts at other utilities is facilitated through AC's involvement or exposure to customer system development activities throughout the utility industry
 4. Ongoing participation will help ensure continued progress (progress doubled in last 9 months) This level allows for participation on individual teams which facilitates:
 - increased productivity
 - quicker identification of issues
 - implementation of methodology
 - risk assessment

* ALTERNATIVE 3: Consult, as needed

- Decrease staffing to less than 20% of project team
- Provide only review of functional, technical, and project management issues, rather than actively participate and share ownership (reactive mode)
- 1990 Cost = \$3,000,000
- This alternative was not chosen due to:
 1. Potential difficulty in obtaining key resources from AC due to their limited involvement, risk, and exposure
 2. Reduced effectiveness due to inability to leverage skills
 3. Ability to quickly address risk areas is negatively impacted due to limited involvement in team work
 4. Reduced acceptance by FPL team members due to critical review nature of consulting

CONFIDENTIAL

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5. Review mode has not succeeded to date on the CIS II project at FPL. This approach has been tried in the Technical area on two occasions, using AC experienced managers, but had limited success.

VI. ANDERSEN CONSULTING COST (ALTERNATIVE 2) - 20% PARTICIPATION

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- * 1989: [REDACTED] (actual)
 - * 1990: [REDACTED] (proposed)
 - * 1991: [REDACTED] (proposed)
 - * 1992: [REDACTED] (to be determined)

- Current plan estimates system implementation in late 1992
- Reestimation of project, including Cost/Benefit analysis is scheduled for the third quarter, 1990
- Conversion is still a major unknown and could affect 1992 timeframe. No utility of similar size has yet experienced conversion effort. We will be watching other utilities over the next year to learn from them (Brooklyn Union Gas and Baltimore Gas and Electric are scheduled to implement in 1990).

VII. MANAGING ANDERSEN CONSULTING

- * Work assigned according to work plan with assigned tasks and deliverables
- * Teamed with FPL personnel
- * Automated tools used to track productivity
- * Detailed hours and expenses are submitted by AC personnel and audited against project time control
- * Status meetings are conducted with both FPL and Andersen project leaders
- * Rapport developed to facilitate immediate resolution of problems
- * Require trained resources with predefined skills

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VIII. ANDERSEN CONSULTING INVOLVEMENT AT BG&E

* High level of AC participation is tied to contractual financial incentives based on meeting schedule/budget

* Cost of effort at BG&E

- BG&E decision to capitalize their new CIS required retroactive inclusion of all costs since Day 1 of the project

- Original estimate done by BG&E did not include cost of user involvement which has since been retroactively included (our estimate includes users, but does not include full cost of end user involvement in training)

- BG&E's new CIS required a new CPU (IBM 3090) and the project is paying for the entire machine, although it is not fully utilizing all machine capacity

(Note: FPL anticipates that an additional CPU will be needed for CIS II and will need this CPU in the late 1991 timeframe to begin system testing.)

- Original estimates were low due to:

1. overestimated productivity
2. high number of issues existed after Functional and Technical Design - AC participation was less than 10% during those phases (we are facing problems and resolving issues early, so as to avoid this problem)
3. first large new CIS project estimated in the industry

* Scope of effort at BG&E

- Related projects worked under umbrella of new CIS (Collections, New Bill, Credit/Name System, etc.)

- Technical decision in 1986 to shift from IMS to DB2 required redesign, training, and new benchmarking (we selected DB2 originally, but will face different technical decisions, such as intelligent workstations)

- During Functional and Technical Design, only a small number of the necessary 21 interfaces were identified (we identified 22 during Functional Design)

• Organizational Impacts at BG&E

- Users originally assigned to the project were not given the authority to speak for the end user community. When end user approval was solicited, a great deal of rework took place (users on our project have approval authority and our user workshops have proven to be a good forum for confirming requirements with the end users)

Subsequent reassignment of the right users to the project caused rework (our user involvement is strong and our user workshops have confirmed accuracy with end users)

- Corporate organizational changes moved the project from its own entity to reporting to a department, which gave responsibility to a new VP and a new Manager
- Sponsoring VP retired in 1986 and replacement VP needed time to understand and make commitment to the new CIS project
- Key functional supervisor responsible for "architecting" the system was promoted out of the department, causing lost productivity for new supervisor to come up to speed
- BG&E's Customer Accounting group has never been committed to the new CIS project (ours is on the project team)

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IX. KEY BENEFITS OF CIS II

- * Strategic positioning
 - will provide for sale of electricity as well as other products and services
 - will support multiple, customizable rate structures
 - will provide information for Marketing strategy formulation
- * Improved customer service
 - will make information available to customer service representative regarding the customer and account history
 - will offer ability to consolidate/summary bill all accounts for one customer (ex: all Publix stores billed on one statement)
 - will provide automatic generation of letters to customer under various situations
- * Operational efficiencies
 - will automate "work in process" and eliminate many manual procedures and files
 - will improve security and controls
- * System flexibility and maintainability
 - new technology facilitates easier, faster maintenance
 - will easily support addition of rates, districts, etc.
- * Revenue enhancements
 - will decrease accounts receivable write-offs through the ability to positively identify the customer and through the availability of additional customer information
 - will support sales of additional products, services
 - will reduce regulatory compliance problems

X. OVERALL COST/BENEFITS OF CIS II

- * Total project cost estimated at ~~8,000,000~~
- * Preliminary estimated manpower reduction is between six and ten percent
- * Preliminary annual savings estimated to be between \$4,000,000 and \$8,000,000
- * A detailed cost/benefit analysis will be done in the third quarter, 1990

46-12

(12)

XI. CIS II - CUSTOMIZED DEVELOPMENT VERSUS PACKAGE PURCHASE

* Packages evaluated

- Wilson Group (Iowa Public Service and Madison Gas and Electric)
- Actron (Northwest Public Service)
- Kniffer, Nanrick, & Evans (Formerly TRES)

• Findings

- All packages currently available were designed for specific companies with unique business needs
 1. Today's CIS provides more functionality
 2. Packages for companies automating for this first time
- No relational database technologies utilized (DB2) and none have the flexibility to support changing technologies such as incorporating the use of intelligent workstations
- No package supports a company even half the size of FPL
- At some utilities, the effort required to modify the package exceeded estimates to develop a custom solution
- Package solution may save programming effort but the programming is not the most significant factor of system development today. The other three significant factors are:
 1. Management support
 2. Project team experience and skills
 3. Size and complexity of the business

On CIS II, we have addressed these significant factors by:

1. Adding a full-time project manager
 2. Adding AC personnel with large project development skills, utility and customer information system experience, and DB2 technical expertise
 3. Purchasing the Customer/1 Design Guide, which provides a starting positions based on over 6000 days of work and incorporates knowledge and insight gained from more than 30 previous CIS engagements
 4. Identifying specific pieces of the application within CIS II as candidates for packaged software
- We will continue to monitor BG&E's progress and evaluate feasibility of using resulting software

XII. CIS II FUTURE PLANS

* 1990 - Design Phase to complete by September

- Technical Design

1. Functional specifications will be transferred into system processes
2. Includes identification of all programs

- Technical Architecture

1. Design and implementation of the development environment
2. Design of execution environment

- Technical Support

1. Define testing and conversion processes
2. Determine hardware/software/personnel required to run CIS II

- Cost/Benefit Analysis

1. Identify tangible/intangible costs/benefits of CIS II
2. Develop detailed work plan for the next phase to help identify development costs

* 1990 - Initiate Development Phase beginning in September

- Develop program specifications

- Begin programming, developing user procedures, and plan for system testing and conversion

* 1991

- Focus on programming

- Begin system testing

- Develop user procedures and training

* 1992

- Complete system testing

- Conduct user training

- Convert to new system and monitor new system

P.O. EFFECTIVE DATE		
Month	Day	Year
08	14	88

FLORIDA POWER & LIGHT COMPANY
CORPORATE CONTRACTS DEPARTMENT
P. O. Box 029100, Miami, FL 33102

Purchase Order	
No.:	B89915 - 90124
Vendor No.:	VO 15711

P.O. EXPIRATION DATE		
Month	Day	Year
12	31	90

V003554
V015711
50

TYPE OF PURCHASE ORDER DOCUMENT/P.O. SUPPLEMENT NO.
Accounting Purposes Only P.O. Supplement No.1

INVOICES: shall be submitted in duplicate to the address shown below. Invoices shall show the PO, Purchase Order Number and the Project Name.

Andersen Consulting Arthur
Andersen & Co.
One Biscayne Tower Suite 2100
Miami, FL 33131
Attn: Mr. Roy Schoen

SHIP TO: N/A

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INVOICE TO: Florida Power & Light Company
Attn: Ms. Nancy Klose - CIS II-GO
P.O. Box 029100
Miami, FL 33102

TAX INSTRUCTIONS: 1. FPL Accrue Tax
 2. Vendor Bill Tax
 3. No Tax Applies

TEXT

1 This supplement is issued to the above referenced purchase order for accounting purposes only
2 to acknowledge the incorporation of Amendment No. 1 to the Contract for Systems Development
3 Consulting Services between Florida Power & Light Company and Andersen Consulting Arthur
4 Andersen & Co., effective August 14, 1988.

5 This supplement is also issued to increase the dollar amount of the order by [REDACTED] for a
6 new total amount not to exceed [REDACTED] and to extend the expiration date of the order to
7 December 31, 1990.

8 All other instructions of the order remain the same.

- 9 cc: R. M. Conway
- 10 N. H. Klose
- 11 D. Borgschulte
- 12 Risk Management
- 13 CCT PO File
- 14 Documentary Files - w/orig.
- 15 RPA/CCO Originator

CONTROLLED CONTRACT

AUTHORIZED SIGNATURE <i>Rita M. Conway</i> 2/22/90		ORDER NOT TO EXCEED [REDACTED]	If further information is required call: AGENT R. M. Posso PHONE (305) 552-4697				
RPA/CCO NUMBER	RPA/CCO BY	RPA/CCO DATE	WO-ER	BLK-ER	ACCOUNT	LOC	EAC
CCO # 17892	N. H. Klose	12/22/89	1210	90	000 021	040	692
ACCOUNT DISTRIBUTION FROM RPA							

RAT 2/22/90



Inter-Office Correspondence

To: SEE DISTRIBUTION BELOW Date: February 26, 1990
From: Corporate Contracts Department: Corporate Contracts
Subject: Contract for Systems Development
 Consulting Services between
 Florida Power & Light Company ("FPL") and
 Andersen Consulting Arthur Andersen & Co. ("Andersen")
 effective August 14, 1988 ("Contract")
 Amendment No.1. (P.O.B89915-90124)

Enclosed for your reference is a controlled copy of the subject Amendment No. 1 to the above referenced Contract. This Amendment No. 1 provides for continuation of services by Andersen through 1990.

Should you determine that your requirement for controlled copies of the Contract and its associated amendments has changed, now or in the future, please contact me. This Contract and its associated amendments are considered a classified and proprietary document and must be maintained in accordance with FPL's procedure #RM 20007.

The Contract and its associated amendments must be safeguarded against loss or misuse, including unauthorized duplication in whole or in part, and must not be released or made available to third parties, including vendors. This restriction also applies to vendors functioning as FPL loaned employees unless pre-approved by Corporate Contracts. If such employees require the Contract and its associated amendments to perform their FPL duties, they will be required to execute a confidentiality agreement. If you require such an agreement, please contact me.

Please acknowledge receipt of this document by signing and returning the enclosed form to me by March 5, 1990.

Should you have any questions please contact me at (305)552-4697.

A handwritten signature in black ink, appearing to read 'R. M. Posso', with a long, sweeping flourish extending to the right.

R. M. Posso
Contracts Coordinator

Enclosure

cc: L. S. Atwood
 J. D. Erwin
 K. A. Larnard

②

DISTRIBUTION:

<u>Name or Title, as appropriate</u>	<u>LOC/BLDG</u>	<u>Controlled copy #</u>
R. M. Conway	CCT/GO	1
N. Klose	CIS/GO	5
Risk Management - Contracts	GRF/GO	6
CCT P.O. File	CCT/GO	2

Date Received: _____ Name: _____

If your job function has changed, please indicate the individual who has assumed your former responsibility and to whom you have forwarded the Contract and its associated amendment(s).

Individual's name: _____

RETURN TO: R. M. Posso CCT/GO

SUBJECT: Contract for Systems Development
Consulting Services between
Florida Power & Light Company ("FPL") and
Andersen Consulting Arthur Andersen ("Andersen")
effective August 14, 1988 ("Contract")
Amendment No.1. (P.O.B89915-90124)

3

CONTROLLED COPY
5 of 10

PROPRIETARY!
DO NOT COPY
DO NOT CIRCULATE

AMENDMENT NO.1

TO

CONTRACT FOR SYSTEMS DEVELOPMENT CONSULTING SERVICES

CLASSIFIED <small>Form 3020 (Stocked) Rev. 3/86</small>
CLASSIFIED BY: <u>R.M. Post</u>
DEPARTMENT: <u>CCT</u>
DATE: <u>12/30/89</u>
ACCESS TO: <u>FPL department with need to know</u>
DECLASSIFY ON: <u>Termination plus 3 years</u>
OR REVIEW FOR DECLASSIFICATION: _____

THIS AMENDMENT NO. 1, effective December 30, 1989 hereby amends the Contract for Systems Development Consulting Services between Florida Power & Light Company ("FPL") and Andersen Consulting Arthur Andersen & Co. ("Andersen") effective August 14, 1988 ("Contract").

W I T N E S S E T H:

WHEREAS, FPL desires to extend the participation of Andersen in the CIS II development project; and

WHEREAS, Andersen desires to continue its involvement for such extended duration.

NOW, THEREFORE, in consideration of the premises and the covenants and agreements of the Parties hereinafter set forth, the Parties agree as follows:

1. Section 12.0, TERM AND TERMINATION, is amended by deleting Section 12.1 in its entirety and replacing it with the following:

"12.1 The term of this Contract shall be for a period of approximately twenty-nine months, the scheduled termination date being set to occur December 31, 1990, at midnight, provided this Contract has not been otherwise terminated. However, the termination date of this Contract may be extended through a written instrument authorized and executed with the same formality as this Contract."

(4)

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LINE #

1 2.

Appendix A, SCOPE OF SERVICES, is amended by deleting Section A.2 in its entirety and replacing it with the following:

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"A.2 DESIGN PHASE FOR THE CIS II BASE BUSINESS REQUIREMENTS - 1988 & 1989

4

During 1988 & 1989, Andersen shall assist FPL in the preliminary development of a design for the CIS II base business requirements, including, but not limited to, account maintenance, customer maintenance, deposit maintenance, location maintenance, billing and statements, credit and collections, auditing and compliance reporting, rate/price maintenance, recording payments, consolidation and reconciliation, interfaces, order entry and complaint system."

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11 3.

Appendix A, SCOPE OF SERVICES, is amended by adding Section A.4 after Section A.3 as follows:

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"A.4 DESIGN PHASE FOR THE CIS II BASE BUSINESS REQUIREMENTS - 1990

14

During 1990, Andersen shall assist FPL in the development of a technical and preliminary detailed design for the CIS II System architecture, databases and base business requirements, including, but not limited to, account maintenance, customer maintenance, deposit maintenance, location maintenance, billing statements, credit and collections, auditing and compliance reporting, rate/price maintenance, recording payments, consolidation and reconciliation, interfaces, order entry and complaint system."

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22 4.

Appendix B, COMPENSATION, is amended by deleting Section B.3 in its entirety and replacing it with the following:

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"B.3 COST OF SERVICES

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B.3.1 Services Performed Through 1989

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Estimated Cost of Services for
Project Definition and Planning Phase

130,000

47-5 (5)

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23
4567
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10

Estimated Maximum Cost of Services
for Design Phase for CIS II Base
Business Requirement - 1988 & 1989

[REDACTED]

Stipulated Maximum Cost of Services
for Project Definition and Planning
Phase and Design Phase performed during
1988 and 1989

[REDACTED]

ROS

B.3.2 Services Performed in 1990

Stipulated Maximum Cost of Services
for Design Phase performed during 1990

[REDACTED]

5. All other terms and conditions of the Contract shall remain unchanged.

IN WITNESS WHEREOF, the Parties have caused this Amendment No.1 to be signed by their duly authorized officers or representatives effective as of the date first above written.

ANDERSEN CONSULTING
ARTHUR ANDERSEN & CO.

FLORIDA POWER & LIGHT COMPANY

By: *Roy E. Schoen* 2/8/90
Roy E. Schoen Date
Consulting Managing Director

By: *[Signature]* 2/5/90
D. K. Baldwin Date
Group Vice President

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LINE#

III. Audit Disclosures

2 Audit Disclosure No. 1

3 If management agreed to formally document the [redacted] and
4 [redacted] involving future alternatives.

5 Andersen Consulting worked on the project six months [redacted] and [redacted]
6 [redacted] contract being authorized. All back bills were submitted [redacted]
7 [redacted] work continued after reaching the 3/3/89 [redacted] [redacted]
8 [redacted] reaching the maximum were not submitted until a change [redacted]
9 [redacted] Internal audit found this was in violation of FPL [redacted]
10 [redacted] which requires purchase orders before work is started.

11 FPL Comments (at time of the internal audit):

12 [redacted] During the period from August 1988 through January 1989 [redacted] the
13 [redacted] contract with Andersen Consulting. The negotiation [redacted]
14 [redacted] determine the value of Andersen Consulting, but was in [redacted] services
15 [redacted] in the most cost effective and beneficial manner for FPL.

16 [redacted] process for reviewing the Andersen billings and assessing the [redacted] changes
17 [redacted] currently being developed.

18 [redacted] The approval of the 1990 budget item for system development [redacted] CIS
19 [redacted] was not signed by the appropriate level of management [redacted] in
20 [redacted] compliance with company procedures.

21 FPL Comments (at time of the internal audit):

22 [redacted] The Director of IS stated that CIS II and other IS capital [redacted] development
23 [redacted] projects will follow the appropriate budget item approval [redacted].

24 [redacted] A cost benefit analysis was done in 1985 before many of the [redacted] and
25 [redacted] not performed since even though one was scheduled to be [redacted] in
26 [redacted] 1990.

27 FPL Comments:

28 [redacted] Currently, a Business Case is prepared for each system development proposal which
29 [redacted] includes costs/benefit analysis.

FPL 1-2