ORIGINAL

State of Florida

Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: April 29, 2002
TO: Division of Economic Regulation (Brinkley)
FROM: Division of Auditing and Safety (Vandiver)
RE: Docket No. 001148-EI ; Florida Power & Light Company; Audit Purpose: Supplemental Audit to review the underlying financial information relevant to rate review; Audit Control No. 02-029-4-1

Attached is a redacted copy of the audit report issued by memo dated March 18, 2002. Many of the pages in that report were confidential pending an official request. This redacted copy releases the remainder of the non-confidential information in the audit report.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY

Miami District Office

FLORIDA POWER AND LIGHT COMPANY

AUDIT OF MINIMUM FILING REQUIREMENT'S
SUPPLEMENTAL AUDIT

FORECAST YEAR ENDED DECEMBER 31, 2002

MARCH 6, 2002

DOCKET NO. 001148-EI
AUDIT CONTROL NO. 02-029-4-1

Iliana H. Piedra, Audit Manager

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DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT
MARCH 10, 2002

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described in this report to audit the supplemental items requested related to the forecasted 12-month periods ended December 31, 2001 and 2002 for Florida Power and Light Company.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned- The documents or accounts were read quickly looking for obvious errors.

Compiled- The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

Verified- The item was tested for accuracy, and substantiating documentation was examined.

Net Operating Income -

Obtained actual expense and revenue balances for December 31, 2001. Scanned accounts that were materially different from October forecast for significant journal entries or adjustments.

Reviewed security costs incurred since September 11 and determined which accounts related to which component of the forecast.

Obtained more detailed information for the proposed nuclear budget.

Separated out the portion of uncollectibles related to the economic downturn.

Reviewed medical insurance forecast supporting documentation.

Reviewed Power Generation forecast increases and determined the effect of efficiencies because of repowering.

Reviewed workmen's compensation methodology and claim history.

Verified that additional customers were included in revenue and uncollectible forecast.

Verified that incentive plan is not duplicative.

Verified that a supplemental distribution from Nuclear Electric Insurance Limited (NEIL) is not applicable to 2002.

AUDIT DISCLOSURE NO. 1

SUBJECT: ANALYTICAL OF REVIEW OPERATING AND MAINTENANCE EXPENSE

STATEMENT OF FACT: Audit Disclosure 13 in the prior audit compared operating and maintenance expenses for the years 1996 to 2002 excluding clause and non-recoverable accounts. The percentages have been re-computed using actual 2001 amounts.

Lawsuit settlements, merger costs, and Grid Florida costs were removed since they are not recurring. The costs for the year 2001 were adjusted to the annualized ten months that were available during the first audit. The additional proformas of $22,640,000 requested for the year 2002 because of September 11 tragedies were included.

The schedule is attached. It shows that after removal of non-recurring items, the expenses trend as follows:

1997/1996	1.24%	increase
1998/1997	1.67%	increase
1999/1998	(5.58%)	decrease
2000/1999	(2.67%)	decrease
2001/2000	3.55%	increase
2002/2001	14.54%	increase

Audit Disclosure No. 11 in the prior audit compared revenues from the 2001 forecast to annualized actuals. The year end actuals are available now and show the following:

Per books, before adjustment	
Forecast 2001	$7,804,596,000
Actual 2001	$7,476,651,000
After clause adjustment and jurisdictionalized	
Forecast 2001	$3,504,858,000
Actual 2001	$3,506,036,000

OPINION: The forecast provided by Florida Power and Light for 2002 increases expenses over estimated 2001 without the merger and Grid Florida organization costs by $147,289,230 or 14.54%. Only $22,640,000 of this increase is attributed to the revisions made by the company. The increase is inconsistent with the prior years increases.

FLORIDA POWER AND LIGHT
CLAUSE AND NON-REGULATED ACCOUNTS
1996-2000

ACCOUNT NUMBER	YEAR 1996	YEAR 1997	YEAR 1998	YEAR 1999	YEAR 2000	YEAR 2001	YEAR 2002
CLAUSE EXPENSES	2,223,975,727.94	2,279,482,154.39	2,260,076,766.64	2,315,677,916.12			
NET	1,034,167,272.06	1,049,008,845.61	1,078,489,233.36	1,074,045,083.88	1,046,284,281.33	1,034,276,062.45	1,137,584,111.92
REMOVE NON-RECURRING:							
FMPA SETTLEMENT				(69,000,000.00)			
ORIMULSION PROJECT CANCELLATION			(13,998,011.00)				
MERGER COSTS(NOTE A)					(61,657,542.00)	(26,089,274.00)	
YEAR 2 K COSTS		(2,000,000.00)			(2,118,000.00)		
ONE TIME INSURANCE REFUND					12,000,000.00		
WRITE OFF OBSOLETE ACCOUNTS					(11,400,000.00)		
REMOVE GRID FLORIDA ORGANIZATION COSTS					(3,011,996.00)	(817,907.00)	
MERGER AND NON REG COSTS NOT INCLUDED BY CO.					(1,913,032.71)		
ADJUST TO 2001 ACTUAL						5,566,000.00	
INCREASE FOR NEW FILING ADJUSTMENTS							22,640,000.00
NET	1,034,167,272.06	1,047,008,845.61	1,064,491,222.36	1,005,045,083.88	978,183,710.62	1,012,934,881.45	1,160,224,111.92
INCREASE/(DECREASE)		1.24%	1.67%	-5.58%	-2.67%	3.55%	14.54%

AUDIT DISCLOSURE NO. 2

SUBJECT: INCREASES IN NUCLEAR DIVISION BUDGET

STATEMENT OF FACT: The Nuclear Division Budget increased by 13% from 2001 to 2002 or approximately $30,851,000 and by another $4,000,000 in the revised filing.
A meeting was requested in request number 6 (dated 1/31/02 and to be due 2/11/02) to discuss the following increases. The request also asked to provide all documentation to support each item. The meeting was held on 2/12/02 and no supporting documentation
was provided. As a result of this meeting, audit request 19 was written (dated 2/12/02 and to be due 2/15/02). The information for request 19 was received on 2/28/02 and there was
insufficient time to request additional information to clarify various responses.

The items reviewed as part of the increase follow:

1. Additional funding to more aggressively support the overhaul of safety related breakers of $2,125,000.
For St. Lucie, the estimate is for 60 of the 263 breakers, however, the company's schedules showing the years that breakers are expected to be replaced shows that 2002 is the highest year and that only 13 breakers are planned to be replaced in 2003, 45 in 2004, and 6 in 2005. For Turkey Point, the estimate is for 58 of the 219 breakers, or 26%. The company did not provide how many breakers would be replaced for other years in Turkey Point.

2. Additional funding for emergent matters affecting plant availability, performance or generating capability of $2,250,000.
The company was asked for documentation showing the short notice outages costs (with work orders). The utility provided a list of "O & M Base", which shows work order #12104 - PSL ($2,158) and work order #12111 - PTN ($1,706,435). These total $1,708,590. No explanation for the discrepancy between this number and the $2,250,000 was provided. The related work orders were not provided.

3. Additional funding for addressing equipment aging issues through replacement and overhaul including St. Lucie Incore Detectors, large motors, radiation monitors, transformer bushings and radiator replacements, and piping upgrades of $4,324,000.
Of this total, $1,450,000 relate to the replacement of the St. Lucie Unit 1 Incore detectors, $1,259,000 relates to better maintaining large motors and $1,120,000 relates to replacement of radiation monitors. Other minor items were not reviewed.

The company was asked for the basis for the estimate of the $1,450,000 and the number of detectors for each unit. [redacted]

[redacted] The contract was not provided.

For the $1,259,000 the company provided a schedule for Turkey Point for 2001 and 2002 motor overhauls and an upcoming motor overhead worksheet for St. Lucie which does not have amounts. The total $1,259,000 was not traceable to the information provided. However, it did appear that there were motors that were scheduled to be overhauled in
subsequent years. We could not determine if the activity would be at the same level as 2002.

The $1,120,000 relates to replacement of radiation monitors. The company provided a list which shows the amounts relate to St. Lucie units 1 and 2. Based on the information provided we can not determine if these are recurring items, or if they are inclusive of all radiation monitors.

4. Initiation of a plan to better maintain plant coatings and AC units, miscellaneous repairs, discharge well seal repair, and U1 turbine gantry crane of $3,030,000.

Of this total, $1,296,000 relates to the plant coatings. The company was asked for detail of the amount, the additional manpower needed and the salary per the contract. The company provided the above for both St. Lucie and Turkey Point, however, due to the time limits we were not able to inquire as to the covered manpower already in the base budget and the detail of the property this relates to. Other smaller items were not tested.

5. The $1,136,000 relates to addressing the legacy of radwaste issues while burial space is still available at Barnwell.

We asked for the radwaste inventory, the contract showing the cost to remove and the calculations. No quantities were provided. We could not reconcile the estimate to the contract and since no quantities were provided, we were not able to determine if this related to the total population or a portion and could not determine if amount is recurring.

6. Initiation of a plan to replace and upgrade outdated work management system of $4,256,000.

The company was asked if it will incur any costs in 2003 related to this project. The company explained that due to the changes in Information Management Technology, budget figures for 2003 have not been quantified.

7. The company included an increase in the outage reserve accrual of $5,600,000 based on Commission Order PSC-96-1421-FOF-EI and the assumption that the reserve would be $46,410,846.

We asked for outage costs for the last five years and accrual schedules. The increase in the net nuclear division budget was based on the assumption that 2001 outage cost would be $41,019,814. Actual outage reserve activity according to the company's schedules show $48,323,276. Therefore, the 2002 budget is less than the 2001 actual by $1,912,430. We requested supporting documentation for the forecast additions on 1/31/02. On 2/12/02 a meeting was provided to answer this request. At that time, we requested the reserve accruals schedules. We did not receive these until 2/28/02. We are including them as part of this disclosure. Because of the lateness of the answer, we were unable to review the accrual process or supporting documentation for the schedules and determine if the company was in compliance with the order. We did note however, that in the 2000 and 2001 expense sample, several outage related expenses were recorded in the expense accounts and not in the accrual accounts.

8. Estimated additional cost for Reactor Vessel Head Inspections required by NRC of $4,750,000.

This amount was changed to $8,750,000 in the revised filing for the additional $4,000,000 shown above. The company is required by the NRC to do these inspections every refueling. We requested the contract for the inspections. However, we could not reconcile this to the estimates because of the lateness of the response.

OPINION: The majority of the increases are for new projects or stepping up maintenance activity. These projects should be reviewed by an engineer to determine if the costs are necessary and would be recurring. The review of the overall operating and maintenance costs do not show any major increases from 1996 to 2000. We could not determine if Florida Power and Light would cut other costs to offset the costs of these projects.

1998 Nuclear Refueling Outage Actuals

	BA	SA	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Totals
OUTAGE EXPENDITURE ACTUALS															
PSL #1 Expenditure Actuals	12463		$1,670,637	($166,901)	$397,271	$353,426	($72,174)	$82,732	$147,007	$11,111	$1,189	($98,041)	$83,770	$29,621	$2,439,648
PSL #2 Expenditure Actuals	13351		($18,809)	($11,046)	$17,880	$21,049	$42,881	$58,717	$66,378	$1,976	$250,024	$2,205,099	$14,081,572	$3,654,434	$20,370,156
PTN #3 Expenditure Actuals	12308		$9,860	$100,370	$45,734	$26,635	$81,610	$47,876	$223,936	$853,967	$4,966,207	$13,254,959	$1,016,449	$85,621	$20,713,223
PTN #4 Expenditure Actuals	12309		$86,217	($171,818)	$41,822	($57,608)	($73,204)	($7,806)	$2,742	$2,649	$19,957	$10,101	($8,115)	($5,765)	($160,830)
Totals Expenditure Actuals			$1,747,904	($249,396)	$502,708	$343,502	($20,886)	$181,519	$440,062	$869,703	$5,237,376	$15,372,118	$15,173,676	$3,763,910	$43,362,196
MAINTENANCE RESERVE ACTUALS															
Maint Res PSL 1 Fall 99 Outage	13361	920069		$1,909,090	$954,545	$954,545	$954,545	$954,545	$954,545	$954,545	$954,545	$954,545	$954,545	$954,545	$11,454,540
Maint Res PSL 2 Fall 98 Outage	13361	920070	$1,055,533	$1,055,533	$1,055,533	$1,055,533	$1,055,533	$1,055,533	$1,055,533	$1,055,533	$1,055,533	$1,055,533	$1,055,533	$668,504	$12,279,367
Maint Res PTN 3 Fall 98 Outage	13361	920071	$1,026,184	$1,026,184	$1,026,184	$1,026,184	$1,026,184	$1,026,184	$1,026,184	$1,026,184	$1,026,184	$1,026,184	$239,443	$0	$10,501,283
Maint Res PTN 4 Spring 99 Outage	13361	920072	$1,151,253	$1,151,253	$1,151,253	$1,151,253	$1,151,253	$1,151,253	$1,151,253	$1,151,253	$1,151,253	$1,151,253	$1,151,253	$1,151,253	$13,815,036
Maint Res PSL 2 Spring 00 Outage	13361	921584												$445,946	$445,946
Maint Res PTN 3 Spring 00 Outage	13361	921585											$932,432	$1,216,216	$2,148,648
Maint Res Reversals - PSL #1	13361	920078													$0
Maint Res Reversals - PSL #2	13361	920078								($63,362)	($249,651)	($2,194,758)	($14,097,519)	($3,654,434)	($20,259,723)
Maint Res Reversals - PTN #3	13361	920078		($34,180)	$5,664	($33,988)	($198,800)	($61,115)	($230,593)	($836,196)	($4,819,355)	($13,796,696)	($1,177,536)	$533,920	($20,648,874)
Maint Res Reversals - PTN #4	13361	920078													$0
Cum Effect Amortization PSL 1	13361	920109	$243,467	$243,467	$243,467	$243,467	$243,467	$243,467	$243,467	$243,467	$243,467	$243,467	$3,373,356		$5,808,026
Cum Effect Amortization PTN 3	13361	920111	$55,733	$55,733	$55,733	$55,733	$55,733	$55,733	$55,733	$55,733	$55,733	$55,733	$772,203		$1,329,533
Cum Effect Amortization PTN 4	13361	920112	$295,167	$295,167	$295,167	$295,167	$295,167	$295,167	$295,167	$295,167	$295,167	$295,167	$4,089,589		$7,041,259
Total Maintenance Reserve Actuals (NBS Budget)			$3,827,337	$5,702,247	$4,787,546	$4,747,894	$4,583,082	$4,720,767	$4,551,289	$3,882,324	($287,123)	($11,209,572)	($2,706,700)	$1,315,950	$23,915,041
PSL #1 1997 RESERVE ACTIVITY (Chrgd to PSL Bdgt)															
Maint Res Reversals - PSL #1	13361	920078	($1,674,587)	$166,901	($397,271)	($353,426)	$76,124	($82,732)	($147,007)	($11,111)	$0	$0	$0	$0	($2,423,109)
PSL #1 97 Reserve Clearance	13361	920073								($421,018)					($421,018)
Net Nuclear Division Actuals			$3,900,655	$5,619,753	$4,892,984	$4,737,969	$4,638,319	$4,819,554	$4,844,345	$4,319,898	$4,950,253	$4,162,546	$12,466,975	$5,079,860	$64,433,110
1998 Actuals PTN Reserve (excl Cum Effect)			$2,177,437	$2,143,257	$2,183,101	$2,143,449	$1,978,637	$2,116,322	$1,946,844	$1,341,241	($2,641,918)	($11,619,259)	$1,145,592	$2,901,389	$5,816,093
1998 Actuals: PSL Reserve (excl Cum Effect)			$1,055,533	$2,964,623	$2,010,078	$2,010,078	$2,010,078	$2,010,078	$2,010,078	$1,946,716	$1,760,427	($184,680)	($12,087,441)	($1,585,439)	$3,920,130
Total Maintenance Reserve Actuals (excl Cum Effect)			$3,232,970	$5,107,880	$4,193,179	$4,153,527	$3,988,715	$4,126,400	$3,956,922	$3,287,957	($881,490)	($11,803,939)	($10,941,848)	$1,315,950	$9,736,223
1998 Actuals: PTN Reserve (incl Cum Effect)			$2,528,337	$2,494,157	$2,534,001	$2,494,349	$2,329,537	$2,467,222	$2,297,744	$1,692,141	($2,291,018)	($11,268,359)	$6,007,385	$2,901,389	$14,186,885
1998 Actuals: PSL Reserve (incl Cum Effect)			$1,299,000	$3,208,090	$2,253,545	$2,253,545	$2,253,545	$2,253,545	$2,253,545	$2,190,183	$2,003,894	$58,787	($8,714,085)	($1,585,439)	$9,728,156
Total Maintenance Reserve Actuals (incl Cum Effect)			$3,827,337	$5,702,247	$4,787,546	$4,747,894	$4,583,082	$4,720,767	$4,551,289	$3,882,324	($287,123)	($11,209,572)	($2,706,700)	$1,315,950	$23,915,041

Note:
Nov 98 - Maintenance Reversals over credited by Accounting & Engineering inappropriately charged Outage BA. Reserve reversal for Nov 98 does not include YTD Eng charges.

1999 Nuclear Refueling Outage Actuals

	BA	SA	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Totals
OUTAGE EXPENDITURE ACTUALS															
PSL #1 Expenditure Actual	12463		$42,902	$70,632	($25,363)	$36,923	$61,596	$36,903	$118,492	$914,259	$10,300,795	$5,897,587	$1,582,546	$127,446	$19,164,71
PSL #2 Expenditure Actual	13351		$121,581	($54,322)	$442,082	($133,628)	($287,665)	$10,986	($49,289)	$52,178	($1,172)	$4,323	$4,494	$18,923	$128,49
PTN #3 Expenditure Actual	12308		($157,148)	($57,650)	$268,935	($173,163)	$655	$31,792	$6,852	($26,202)	$15,825	($38,111)	$79,921	$26,351	($21,94
PTN #4 Expenditure Actual	12309		$146,136	$656,035	$8,755,612	$4,186,547	($410,338)	($52,341)	$510,460	($91,261)	$99,301	$35,838	($20,876)	$19,975	$13,835,08
Totals Expenditure Actual			$153,472	$614,695	$9,441,266	$3,916,680	($635,752)	$27,340	$586,516	$848,975	$10,414,749	$5,899,637	$1,646,084	$192,695	$33,106,35
MAINTENANCE RESERVE ACTUALS															
Maint Res PSL 1 Fall 99 Outage	13361	920069	$854,546	$854,546	$854,546	$854,546	$854,546	$854,546	$854,546	$854,546	$854,546	$854,546	($1,113,889)		$7,431,57
Maint Res PTN 4 Spring 99 Outage	13361	920072	$760,890	$760,890	$760,890	$608,712					($6,113,109)				($3,221,72
Maint Res PSL 2 Spring 00 Outage	13361	921584	$1,154,767	$1,154,767	$1,154,767	$1,154,767	$1,154,767	$1,154,767	$1,154,767	$1,154,767	$1,154,767	$1,154,767	$1,154,767	$1,154,767	$13,857,20
Maint Res PTN 3 Spring 00 Outage	13361	921585	$1,161,693	$1,161,693	$1,161,693	$1,161,693	$1,161,693	$1,161,693	$1,161,693	$1,161,693	$1,161,693	$1,161,693	$1,161,693	$1,161,693	$13,940,31
Maint Res PTN 4 Fall 00 Outage	13361	923935				$388,007	$1,058,201	$1,058,201	$1,058,201	$1,058,201	$1,058,201	$1,058,201	$1,058,201	$1,058,201	$8,853,61
Maint Res PSL 1 Spring 01 Outage	13361	923934										$662,021	$1,045,296	$1,045,296	$2,752,61
Maint Res Reversals - PSL #1	13361	920078					($67,388)	($48,539)	($116,126)	($876,879)	($10,262,712)	($5,856,442)	($1,658,026)		($18,886,11
Maint Res Reversals - PSL #2	13361	920078													$
Maint Res Reversals - PTN #3	13361	920078												($106,271)	($106,27
Maint Res Reversals - PTN #4	13361	920078	($82,561)	($570,778)	($7,886,311)	($5,016,950)	$237,094	$163,108	($510,452)	$51,797	($101,919)				($13,716,97
Total Maintenance Reserve			$3,849,335	$3,361,118	($3,954,415)	($849,225)	$4,398,913	$4,343,776	$3,602,629	$3,404,125	($12,248,532)	($965,214)	$1,648,042	$4,313,686	$10,904,23
PSL RESERVE REVERSAL ACTUALS															
Maint Res Reversals - PSL #2	13361	920078	($128,779)	$94,776	($295,277)	$0	$0	$0	$0	$0	$0	$0	$0	$0	($329,28
Net Nuclear Division Reserve			$3,874,028	$4,070,588	$5,191,575	$3,067,455	$3,763,161	$4,371,116	$4,189,145	$4,253,101	($1,833,784)	$4,934,423	$3,294,126	$4,506,380	$43,681,31
1999 Actual: PTN Reserve			$1,840,022	$1,351,805	($5,963,728)	($2,858,538)	$2,456,988	$2,383,002	$1,709,442	$2,271,691	($3,995,134)	$2,219,894	$2,219,894	$2,113,623	$5,748,96
1999 Actual: PSL Reserve			$1,880,534	$2,104,089	$1,714,036	$2,009,313	$1,941,925	$1,960,774	$1,893,187	$1,132,434	($8,253,399)	($3,185,108)	($571,852)	$2,200,063	$4,825,99
Total Maintenance Reserve Actual			$3,720,556	$3,455,893	($4,249,691)	($849,225)	$4,398,913	$4,343,776	$3,602,629	$3,404,125	($12,248,532)	($965,214)	$1,648,042	$4,313,686	$10,574,95

2000 Nuclear Refueling Outage Actuals

	BA	SA	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Totals
OUTAGE EXPENDITURE ACTUALS															
PSL #1 Expenditure Budget	12463		($65,503)	($36,226)	$121,728	$1,889	($41,277)	$2,293	$25,826	($26,465)	$19,718	$3,900	$208,830	($200,557)	$14,156
PSL #2 Expenditure Budget	13351		$112,961	($74,717)	$838,601	$10,193,559	$9,454,663	($91,777)	$228,141	($283,103)	($316,867)	($16,025)	($38,645)	($14,383)	$19,992,410
PTN #3 Expenditure Budget	12308		$208,632	$2,641,618	$13,133,005	($110,521)	$99,362	($49,641)	($53,834)	($10,167)	$230,187	($192,307)	($37,856)	($36,382)	$15,822,096
PTN #4 Expenditure Budget	12309		$3,336	($2,821)	$27,347	$42,731	$39,721	$54,169	$140,665	$475,151	$5,218,885	$13,229,052	$143,792	$117	$19,372,146
Totals Expenditure Budget			$259,426	$2,527,855	$14,120,682	$10,127,658	$9,552,469	($84,956)	$340,797	$155,416	$5,151,923	$13,024,621	$276,122	($251,205)	$55,200,807
MAINTENANCE RESERVE ACTUALS															
Maint Res PSL 2 Spring 00 Outage	13361	921584	$1,407,324	$1,407,324	$1,407,324	$1,407,324	$1,078,947	$0	$0	$0	$0	$0	$0	$0	$6,708,243
Maint Res PTN 3 Spring 00 Outage	13361	921585	$2,004	$2,004	$2,404	$0	$0	$0	$0	$0	$0	$0	$0	$0	$6,412
Maint Res PTN 4 Fall 00 Outage	13361	923935	$1,001,065	$1,001,063	$1,001,063	$1,001,063	$1,001,063	$1,001,063	$1,001,063	$1,001,063	$1,001,063	$1,134,538	$0	$0	$10,144,107
Maint Res PSL 1 Spring 01 Outage	13361	923934	$1,013,345	$1,013,351	$1,013,351	$1,013,351	$1,013,351	$1,013,351	$1,013,351	$1,013,351	$1,013,351	$1,013,351	$1,013,351	$1,013,351	$12,160,206
Maint Res PSL 2 Fall 01 Outage	13361	925051	$0	$0	$0	$0	$228,917	$981,067	$981,067	$981,067	$981,067	$981,067	$981,067	$981,067	$7,096,386
Maint Res PTN 3 Fall 01 Outage	13361	925052	$0	$0	$0	$660,928	$826,162	$826,162	$826,162	$826,162	$826,162	$826,162	$826,162	$826,162	$7,270,224
Maint Res PTN 4 Spring 02 Outage	13361	925053	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$857,143	$989,011	$1,846,154
Maint Res Reversals - PSL #1	13361	920078	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Maint Res Reversals - PSL #2	13361	920078	$0	$0	($820,814)	($10,188,106)	($10,002,473)	$0	$0	$0	$0	$0	$0	$0	($21,011,393)
Maint Res Reversals - PTN #3	13361	920078	($209,395)	($2,601,679)	($13,178,030)	$0	$0	$0	$0	$0	$0	$0	$0	$0	($15,989,105)
Maint Res Reversals - PTN #4	13361	920078	$0	$0	$0	($73,255)	($36,543)	($54,721)	($140,122)	($475,385)	($5,053,668)	($13,164,028)	$0	$0	($18,997,722)
Total Maintenance Reserve Budget			$3,214,343	$822,063	($10,574,702)	($6,178,695)	($5,890,576)	$3,766,922	$3,681,521	$3,346,258	($1,232,025)	($9,208,910)	$3,677,723	$3,809,591	($10,766,488)
SITE RESERVE REVERSAL ACTUALS															
Maint Res Reversals - Site			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Nuclear Division Budget			$3,473,769	$3,349,918	$3,545,979	$3,948,963	$3,661,893	$3,681,966	$4,022,318	$3,501,674	$3,919,898	$3,815,711	$3,953,845	$3,558,386	$44,434,319
2000 Budget: PTN Reserve			$793,674	($1,598,612)	($12,174,563)	$1,588,736	$1,790,682	$1,772,504	$1,687,103	$1,351,840	($3,226,443)	($11,203,328)	$1,683,305	$1,815,173	($15,719,930)
2000 Budget: PSL Reserve			$2,420,669	$2,420,675	$1,599,861	($7,767,431)	($7,681,258)	$1,994,418	$1,994,418	$1,994,418	$1,994,418	$1,994,418	$1,994,418	$1,994,418	$4,953,442
Total Maintenance Reserve Budget			$3,214,343	$822,063	($10,574,702)	($6,178,695)	($5,890,576)	$3,766,922	$3,681,521	$3,346,258	($1,232,025)	($9,208,910)	$3,677,723	$3,809,591	($10,766,488)

2001 Nuclear Refueling Outage Actuals

	BA	SA	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Totals
OUTAGE EXPENDITURE ACTUALS															
PSL #1 Expenditure Budget	12463		$358,050	$56,616	$2,277,125	$15,283,500	$631,830	$197,119	$61,047	($171,756)	$54,705	($193,035)	$195,711	($66,489)	$18,684,42
PSL #2 Expenditure Budget	13351		$4,274	$11,025	($12,226)	$6,190	($4,386)	($1,990)	$14,056	$70,682	$133,213	$565,516	$4,484,288	$13,385,381	$18,656,02
PTN #3 Expenditure Budget	12308		$1,122	$1,293	$39,944	$19,347	$108,731	($81,701)	$87,553	$259,502	$2,962,378	$15,854,056	($15,778)	($337,318)	$18,899,12
PTN #4 Expenditure Budget	12309		$22,226	($82,403)	$20,601	($4,491)	($36,274)	$2,923	($8,645)	$28,447	($31,702)	$5,002	($27,401)	$13,075	($98,64
Totals Expenditure Budget			$385,672	($13,470)	$2,325,444	$15,304,546	$699,901	$116,350	$154,011	$186,875	$3,118,594	$16,231,540	$4,636,820	$12,994,649	$56,140,93
MAINTENANCE RESERVE ACTUALS															
PSL 1 Fall 2002 Maintenance Reserve	13361	921643	$0	$0	$0	$162,749	$976,492	$976,492	$976,492	$976,492	$976,492	$976,492	$976,492	$976,492	$7,974,68
PSL 2 Spring 2003 Maintenance Reserve	13361	921657	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$403,475	$403,47
PTN 3 Spring 2003 Maintenance Reserve	13361	921658	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$984,556	$984,556	$1,969,11
PSL 1 Spring 2001 Maintenance Reserve	13361	923934	$367,342	$367,342	$367,342	$379,587	$0	$0	$0	$0	$0	$0	$0	$0	$1,481,61
PSL 2 Fall 2001 Maintenance Reserve	13361	925051	$818,771	$818,771	$818,771	$818,771	$818,771	$818,771	$818,771	$818,771	$818,771	$818,771	$818,771	$607,473	$9,613,95
PTN 3 Fall 2001 Maintenance Reserve	13361	925052	$825,709	$825,709	$825,709	$825,709	$825,709	$825,709	$825,709	$825,709	$825,709	$1,012,162	$0	$0	$8,443,54
PTN 4 Spring 2002 Maintenance Reserve	13361	925053	$927,786	$927,786	$927,786	$927,786	$927,786	$927,786	$927,786	$927,786	$927,786	$927,786	$927,786	$927,786	$11,133,43
Maint Res Reversals - PSL #1	13361	920078	$0	($415,678)	($2,297,496)	($13,681,258)	$0	$0	$0	$0	$0	$0	$0	$0	($16,394,43
Maint Res Reversals - PSL #2	13361	920078	$0	$0	$0	$0	$0	$0	$0	$0	($203,895)	($566,664)	($4,525,910)	($11,413,871)	($16,710,34
Maint Res Reversals - PTN #3	13361	920078	$0	$0	$0	$0	$0	$0	$0	($347,533)	($2,971,720)	($12,394,514)	$0	$0	($15,713,76
Maint Res Reversals - PTN #4	13361	920078	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($18,931)	($18,93
Total Maintenance Reserve Budget			$2,939,608	$2,523,930	$642,112	($10,566,656)	$3,548,758	$3,548,758	$3,548,758	$3,201,225	$373,143	($9,225,967)	($818,305)	($7,533,020)	($7,817,656
Maintenance Reserve Reversals			$0	($415,678)	($2,297,496)	($13,681,258)	$0	$0	$0	($347,533)	($3,175,615)	($12,961,178)	($4,525,910)	($11,432,802)	($48,837,47
SITE RESERVE REVERSAL ACTUALS															
Maint Res Reversals - Site			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Nuclear Division Budget			$3,325,280	$2,510,460	$2,967,556	$4,737,890	$4,248,659	$3,665,108	$3,702,769	$3,388,100	$3,491,737	$7,005,573	$3,818,515	$5,461,630	$48,323,27
2001 Budget: PTN Reserve			$1,753,495	$1,753,495	$1,753,495	$1,753,495	$1,753,495	$1,753,495	$1,753,495	$1,405,962	($1,218,225)	($10,454,566)	$1,912,342	$1,893,411	$5,813,389
2001 Budget: PSL Reserve			$1,186,113	$770,435	($1,111,383)	($12,320,151)	$1,795,263	$1,795,263	$1,795,263	$1,795,263	$1,591,368	$1,228,599	($2,730,647)	($9,426,431)	($13,631,045
Total Maintenance Reserve Budget			$2,939,608	$2,523,930	$642,112	($10,566,656)	$3,548,758	$3,548,758	$3,548,758	$3,201,225	$373,143	($9,225,967)	($818,305)	($7,533,020)	($7,817,656

2002 Nuclear Refueling Outage Budget

	BA	SA	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Totals
OUTAGE EXPENDITURE BUDGET															
PSL #1 Expenditure Budget	12463		$0	$0	$0	$0	$0	$0	$0	$0	$2,032,000	$13,636,000	$563,062	$0	$16,231,062
PSL #2 Expenditure Budget	13351		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
PTN #3 Expenditure Budget	12308		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$75,000	$125,000	$200,000
PTN #4 Expenditure Budget	12309		$95,495	$303,990	$2,703,031	$13,539,360	$250,000	$0	$0	$0	$0	$0	$0	$0	$16,891,876
Totals Expenditure Budget			$95,495	$303,990	$2,703,031	$13,539,360	$250,000	$0	$0	$0	$2,032,000	$13,636,000	$638,062	$125,000	$33,322,938
MAINTENANCE RESERVE BUDGET															
PSL 1 Fall 2002 Maintenance Reserve	13361	921643	$804,193	$804,193	$804,193	$804,193	$804,193	$804,193	$804,193	$804,193	$804,193	$804,193	$214,447	$0	$8,256,377
PSL 1 Spring 2004 Maintenance Reserve	13361	924872	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,269,134	$1,269,134	$2,538,268
PSL 2 Spring 2003 Maintenance Reserve	13361	921657	$1,041,407	$1,041,407	$1,041,407	$1,041,407	$1,041,407	$1,041,407	$1,041,407	$1,041,407	$1,041,407	$1,041,407	$1,041,407	$1,041,407	$12,496,884
PTN 3 Spring 2003 Maintenance Reserve	13361	921658	$919,054	$919,054	$919,054	$919,054	$919,054	$919,054	$919,054	$919,054	$919,054	$919,054	$919,054	$919,054	$11,028,648
PTN 4 Spring 2002 Maintenance Reserve	13361	925053	$1,043,889	$1,043,889	$1,043,889	$980,623	$0	$0	$0	$0	$0	$0	$0	$0	$4,112,290
PTN 4 Fall 2003 Maintenance Reserve	13361	924871	$0	$0	$0	$194,595	$972,973	$972,973	$972,973	$972,973	$972,973	$972,973	$972,973	$972,973	$7,978,379
Maint Res Reversals - PSL #1	13361	920078	$0	$0	$0	$0	$0	$0	$0	$0	($2,032,000)	($13,636,000)	($563,062)	$0	($16,231,062)
Maint Res Reversals - PSL #2	13361	920078	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Maint Res Reversals - PTN #3	13361	920078	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($75,000)	($125,000)	($200,000)
Maint Res Reversals - PTN #4	13361	920078	($95,495)	($303,990)	($2,703,031)	($13,539,360)	($250,000)	$0	$0	$0	$0	$0	$0	$0	($16,891,876)
Total Maintenance Reserve Budget			$3,713,048	$3,504,553	$1,105,512	($9,599,488)	$3,487,627	$3,737,627	$3,737,627	$3,737,627	$1,705,627	($9,898,373)	$3,778,953	$4,077,568	$13,087,908
SITE RESERVE REVERSAL BUDGET															
Maint Res Reversals - Site			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Nuclear Division Budget			$3,808,543	$3,808,543	$3,808,543	$3,939,872	$3,737,627	$3,737,627	$3,737,627	$3,737,627	$3,737,627	$3,737,627	$4,417,015	$4,202,568	$46,410,846
2002 Budget: PTN Reserve			$1,867,448	$1,658,953	($740,088)	($11,445,088)	$1,642,027	$1,892,027	$1,892,027	$1,892,027	$1,892,027	$1,892,027	$1,817,027	$1,767,027	$6,027,441
20021 Budget: PSL Reserve			$1,845,600	$1,845,600	$1,845,600	$1,845,600	$1,845,600	$1,845,600	$1,845,600	$1,845,600	($186,400)	($11,790,400)	$1,961,926	$2,310,541	$7,060,467
Total Maintenance Reserve Budget			$3,713,048	$3,504,553	$1,105,512	($9,599,488)	$3,487,627	$3,737,627	$3,737,627	$3,737,627	$1,705,627	($9,898,373)	$3,778,953	$4,077,568	$13,087,908

AUDIT DISCLOSURE NO. 3

SUBJECT: UNCOLLECTIBLE ACCOUNTS

STATEMENT OF FACT: An entry of $1,200,000 to Account 904.100 was made in December 2001 to record a provision for disputed amounts regarding Cable T V companies.

See the following page for the documentation for the entry.

OPINION: Even though the account balance was not used to forecast 2002 balances, the entry is probably not recurring and should be considered if comparing 2001 expenses to 2002 expenses.

Dave Bromley

01/08/02 06:43 PM

To: Jerry Sobel/FNR/FPL@FPL
cc: Kenneth J Gilbert/PS/FPL@FPL, Jean Howard/GC/FPL@FPL
Subject: Potential for Uncollectible 2001 Cable Billings

Consistent with our signed CATV attachment agreements, in late 2001, a number of CATV companies were billed $50 per attachment for 39,279 unauthorized attachments that were identified through attachment surveys, but did not go through FPL's required CATV attachment permitting process. However, several of these CATV companies have recently informed FPL that they are disputing the $50 "unauthorized attachment fee" based upon a fairly recent FCC ruling where the FCC held: A reasonable penalty for unauthorized attachments will not exceed an amount approximately equal to the annual pole attachment fee for the number of years since the most recently inventory or five years, whichever is less, plus interest at a rate set for that period by the IRS under section 6621 of the Internal Revenue Code for underpayments.Of the approximately $2.0M ($50 x 39,279) billed for unauthorized attachments, approximately $.2M has already been collected. The companies that have notified us of their intentions to dispute the unauthorized attachment billings, have billings outstanding of approximately $1.2 million. The remaining $.6M outstanding has been agreed to be paid by the respective local CATV offices. We have begun to work with our attorneys to resolve this issue and I will keep you informed as new information becomes available. If you need any additional information, please let me know.

AUDIT DISCLOSURE NO. 4

SUBJECT: MEDICAL COSTS

STATEMENT OF FACT: The main increase in insurance costs between 2001 and 2002 was for medical insurance.

The 2001 actual charge to account 926.600 (Group Medical) was $36,865,237.53. The company had forecast $36,553,000.

The company forecast $44,158,000 for 2002 for this expense. According to the Towers Perrin report, medical insurance was estimated at $40,093,000 less expenses related to Fibernet of $1,449,339 or $38,643,661.

According to the company's response to an audit request, the company increased the Towers Perrin forecast because claims as of June 30, 2001 were 46% higher than June 2000 and because they had a 2% increase in the number of employees.

The reserves that show actual costs for claims are not on FPL books but are maintained by an outside source. We were unable to obtain this documentation to substantiate the increase because the audit response providing the reasons for the increase was not received until 2/28/02. We requested documentation 3/1/02 but it was not received in time to include in this audit.

AUDIT DISCLOSURE NO. 5

SUBJECT: POWER GENERATION DIVISION
NON-MAJOR MAINTENANCE EXPENSE

STATEMENT OF FACTS: We averaged of the non-major maintenance for all plants for 1998 through 2001. The four year average is $103,786,596. The amount budgeted for 2002 is $109,597,330; a difference of $5,810,734. Two of the differences occur in the management budget for the employee "Performance Excellence Rewards Program" (PERP) and in the budget for structural maintenance.

Performance Excellence Rewards Program Budgets (PERP):

1998	1999	2000	2001	2002
$0	$0	$0	$2,642,584	$3,000,000

The PERP program is an annual incentive plan for exempt level employees, and is designed to reward outstanding performers who have contributed significantly to the success of the company. The company explained that PERP was started in 2000. However, in 2000 the awards were "...charged to the employee's home location (where the employee worked) so PERP expenses were part of payroll expense at individual locations, instead of a centralized location for Power Generation."

Structural Maintenance :

1998	1999	2000	2001	2002
$5,001,831	$3,491,338	$2,758,272	$5,163,780	$6,027,790

The structural maintenance average for the four years 1998 through 2001 is $4,108,905. The budget for 2002 is $6,027,790. Structural maintenance consists of painting, insulation and coating work performed at generating plants to maintain "...structural integrity of plant components and prevent structural failure..."

As explained by the company, structural maintenance activities are cyclical. The two cycles described by the company are multi-year periods of extensive, preventative efforts and then multi-year periods focused on narrow corrective action aimed at specific components.

The company explained that intensive and extensive preventative measures were performed in the 1980's. In the 1990's corrective maintenance activities were conducted. The company stated that in 2001 it resumed its program of extensive preventative activities. The extensive activity being performed now is related to pre-2000 generating units and expected to continue through at least 2004. The company further explained that "...structural maintenance activities in the future will remain at a higher-than-historical level indefinitely, as new units being placed in service in 2001, 2002, 2003 and 2005 will require painting and insulation work in the future, at the time when the level of work required for pre-2000 units decreases."

The company provided a detailed explanation and charts describing its structural maintenance activities. This is included following this disclosure.

OPINION: This information provided is for the engineering analysts to review to determine if normalization of the 2002 budget should be considered.

Q.
Re: PGD Structural Maintenance

A) Please explain in writing the PGD policy for structural maintenance (as explained by Rene Silva).

A.
Subpart A:
Structural Maintenance Overview

Structural Maintenance refers to painting, insulation and coating work performed at generating plants to maintain the structural integrity of plant components and prevent structural failure due to corrosion and other mechanisms that cause material degradation. The major factors that contribute to degradation of plant components include Florida's tropical coastal climate, the age of the plant components, and the "age" of the coatings applied to protect them.

Structural Maintenance activities are cyclical. There are multi-year periods of extensive, preventive effort to bring all plant components to optimal condition, followed by other multi-year periods where work is focused on narrow corrective action aimed at specific components, limited in surface area, as they begin to exhibit degradation, as part of a corrective maintenance program. In the 1980's FPL conducted a very intensive program aimed at the long-term preservation of all structures and components at all its plants. FPL's strategy for this effort was to hire a contractor who had the appropriate expertise, who employed large, cost-efficient crews, and who worked continuously to complete the preservation work at a few plant sites each year. This level of effort involved sandblasting, applying primer, and coating all surfaces.

In the 1990's, Structural Maintenance activities were conducted as corrective maintenance, aimed at identifying and correcting only observed degraded conditions of specific, limited area sections of plant components.

In 2001, FPL resumed its program of extensive, re-coating at all its plants. The observed condition of plant equipment and structures indicated that standard corrective maintenance activities alone would no longer be adequate to ensure structural integrity for the long term. In addition, the areas to be maintained including boiler surfaces, have become so extensive that continuing spot corrective maintenance alone would result in a costlier patchwork approach over time. This current level of intervention includes water pressure cleaning, brush blasting (as needed), and re-coating, applied to entire structures and components. This strategy will reduce coating failures and allows more efficient use of contractor mobilization. As a result, from 2000 to 2001, FPL increased expenditures for Structural Maintenance by about $2.4 million, from $2.8 million to about $5.2 million. This

higher level of Structural Maintenance activity related to the existing (pre-2000) generating units is projected to continue through at least 2004. As a point of comparison, during the five year period of 1985-1989, with fewer units than today, and in dollars of those years (unadjusted for inflation), structural maintenance expenditures averaged over $4.6 million per year. In 2002 dollars that would be $6.9 million per year. And, as stated below, the number of units will continue to increase.

As shown in **Table 1,** the level of Structural Maintenance expenditures increases by about $900,000 from 2001, to $6.1 million in 2002. The main reason for this increase is based on the number, extent and projected cost of the structural maintenance activities scheduled for 2002. Structural Maintenance expenditures are currently budgeted at $7.1 million in 2003, and $5.4 million in 2004. The projection on Structural Maintenance activity for 2005 will be made late in 2002, as part of the normal budget discussion process.

It should be noted that Structural Maintenance activities in the future will remain at a higher-than-historical level indefinitely, as new units being placed in service in 2001, 2002, 2003 and 2005 will require painting and insulation work in the future, at the time when the level of work required for pre-2000 units decreases. In addition, to the extent that Structural Maintenance expenditures may be lower in any one year, compared to what they were in the previous year, any funds that are not spent on Structural Maintenance work will be reallocated to our growing Major Maintenance budget, reflecting growing maintenance needs related to the approximately 2,750 MW's of new fossil-fuel generation that will be added to FPL's system between 2003 and 2005 (in addition to the 1,657 MW that are being added in 2000 - 2002).

Table 2 describes the painting activities in 2002. **Table 3** describes the insulation activities.

Power Generation 2001 Actual & 2002 Budget TABLE 1			YEAR	
EXP GROUP	BA/SA	SITE	2001	2002 BUDGET
BASE O&M	92003ASH - ASH DISPOSAL	BROWARD	5,636	28,000
		CAPE CANAVERAL	8,220	30,000
		CUTLER/TURKEY PT		15,000
		FT. MYERS		30,000
		MANATEE	17,794	35,000
		MARTIN	16,236	28,000
		RIVIERA	8,992	20,000
		SANFORD	(721)	25,000
	92003ASH - ASH DISPOSAL Total		56,158	211,000
	92003INSUL - SITE INSULATION	BROWARD	439,568	283,000
		CAPE CANAVERAL	58,083	65,000
		CUTLER/TURKEY PT	27,213	130,000
		FT. MYERS	6,897	
		MANATEE	261,619	500,000
		MARTIN	65,098	75,000
		PUTNAM	18,193	40,000
		RIVIERA	157,400	100,000
		SANFORD	58,013	31,996
	92003INSUL - SITE INSULATION Total		1,092,084	1,224,996
	92003PAINT - STRUCTURAL MAINTENANCE	BROWARD	856,856	1,257,000
		CAPE CANAVERAL	214,072	200,000
		CUTLER/TURKEY PT	1,190,382	1,400,000
		FT. MYERS		257,000
		MANATEE	600,706	740,000
		MARTIN		85,000
		PUTNAM	157,362	145,000
		RIVIERA	790,760	150,000
		SANFORD	205,400	157,794
		NON FPL GEN		200,000
	92003PAINT - STRUCTURAL MAINTENANCE Total		4,015,537	4,591,794
BASE O&M Total			5,163,780	6,027,790
Grand Total			5,163,780	6,027,790

TABLE 2 (Painting Activities for 2002)

During 2002 PGD-FPL will spend about $4.6 million painting boilers, steam and gas turbines and auxiliary equipment at our fossil steam, combined cycle and simple cycle gas turbine units throughout our system. This is about $0.6 million more than spent in 2001 and is due to an increase in the scope of painting throughout the system. Several locations will have exterior surfaces of the boiler painted from top to bottom, and some have more extensive painting of auxiliary equipment (Open Cooling Water Piping, Condenser Pit, Water Box Area, Control Room Exterior, Elevators, Turbine Crane and Lube Oil Areas).

Analysis of 2002 vs. 2001 Painting of Power Plants

SITE	2002 BUDGET	2001 ACTUAL	CHANGE	REASON FOR CHANGE
BROWARD	1,257,000	856,856	400,144	Complete painting of Unit 4 boiler from the top elevation to the ground floor.
CAPE CANAVERAL	200,000	214,072	(14,072)	Continued painting of the west and north side of Unit 1 boiler from the top elevation to the ground floor.
FT MYERS	257,000	0	257,000	No painting scheduled in 2001. 2002 scheduled painting of the gas turbine enclosures and Unit 1&2 intake structures.
MANATEE	740,000	600,707	139,293	Unit 1 boiler was repainted from the top elevation to the ground floor. Auxiliary equipment painting including stack painting, crane and turbine enclosure, dust collector area and salt water pump enclosures.
MARTIN	85,000	0	85,000	No painting scheduled in 2001. 2002 painting scheduled for north annex and service building.
SJRPP	200,000	0	200,000	Painting of boiler hand rails, conveyer system and boiler structure on 1&2.
PUTNAM	145,000	157,362	(12,362)	About same level of painting required in 2001. For 2002 areas of the cooling tower, waste water treatment plant, GT1&2 steam turbine roof and turbine gantry cranes as well as structural support of the gas and steam turbines.
RIVIERA	150,000	790,760	(640,760)	Reduced level of effort as a result of prior year painting effectiveness. In 2002 scheduled painting of the intake structure areas.
SANFORD	157,794	205,400	(47,606)	Sanford plant scheduled work includes the Unit 3 turbine house, and support structure for the turbine, boiler and control room areas. A stormwater lift station on Unit 4&5, and the unit 4&5 elevator. Some common areas include the water plant building and lab building.
CUTLER	600,000	406,000	194,000	Complete painting of Unit 6 boiler from the top elevation to the ground floor, and the turbine crane, stack and turbine enclosures. Condenser deck framing and salt water pump enclosure.
TURKEY PT	800,000	784,382	15,618	Complete painting of Unit 1 from the top of the boiler to the ground floor.
Grand Total	4,591,794	4,015,539	576,255	

TABLE 3 (Insulation Activities for 2002)

Re-insulation is performed to maintain unit efficiency and to prevent further degradation of boiler/turbine and auxiliary components including ducts and stacks. As the unit accumulates more run time insulating materials are subject to wear from high temperatures, chemicals and weather. Below is a table identifying the change from 2001 to 2002, by location, with an explanation for the change:

SITE	2002 BUDGET	2001 ACTUAL	CHANGE	REASON FOR CHANGE
BROWARD	283,000	439,568	(156,568)	During 2001 about $157k of additional insulation was performed on units 1&3. Unit 1 had additional stack duct work and unt 3 additional air preheater and exit gas duct work done during 2001. The effect of these repairs is seen by the reduced requirements in 2002.
MANATEE	500,000	261,619	238,381	Additional work will be performed in 2002 on unit 1&2 air preheater ducts and guide bearings, unit 1&2 GI fans, unit 1&2 IK steam lines, unit 1 upper spray lines & unit 1&2 boiler furnace walls.
CUTLER	65,000	0	65,000	Insulation of piping and valves and other miscellaneous insulation requirements in the plant in 2002. 2001 planned activities were deferred to 2002 as a result of more pressing issues on Turkey Pt Unit 1.
OTHER	376,996	390,897	(13,901)	At the remaining plant locations net insulation requirements for 2002 were reduced as a result of the effectiveness of insulation efforts in 2001.
	1,224,996	1,092,084	132,912	

AUDIT DISCLOSURE NO. 6

SUBJECT: POWER GENERATION DIVISION
MAJOR MAINTENANCE

STATEMENT OF FACTS: We reviewed the major maintenance budget for Ft. Myers, Sanford and Martin to determine if any of the items are related to the Ft. Myers and Sanford Repowering and Martin Simple Cycle capital additions. The major maintenance expense projects identified by the company relating to the repowering are below. The company stated that the other expense projects budgeted "...do not relate to the Ft. Myers or Sanford Repowering Projects or the Martin Simple Cycle Expansion."

Project No.	Project Name	Budget for 2002
Ft. Myers		
G02102	Combustor Overhaul	$ 78,000
G02202	Combustor Overhaul	$ 78,000
G02302	Combustor Overhaul	$ 78,000
Sanford		
E04102	Valves, Traveling Screen	$359,000
E05101	Electrical Upgrades	$241,000

Further documentation for project E04102 indicates that the budget was revised to $1,008,284 after the filing. The company explained that part of this revision is because inspections of Sanford Units 4 and 5 identified stator refurbishment requirements for both.

A description of each project is included following this disclosure.

OPINION: The descriptions should be reviewed by the engineering staff to determine whether these items should be included as part of the capital additions or an expense. The warranty information is included in the audit workpapers for the engineers review.

Q.

Re: Major Repair Budget for 2002 for PGD

Do any of the major projects budgeted for 2002 on the attached relate to Ft. Myers & Sanford Repowering and Martin Simple Cycle Expansion?

MFR#29supp.PDF

A.

Reference PGD-FPL Historical 2000-2001 Expense and 2002 Budget Report

2002 Major Maintenance Expenses at Fort Myers, Martin and Sanford Plant:

Fort Myers 2, Projects G02102, G02202, G02302

These projects reflect projected maintenance activities on equipment installed as part of the repowering project. This equipment is scheduled for service this summer and will required limited maintenance during the fall overhaul period. This work includes testing, maintenance and service of various valves related to the heat recovery steam generators and auxiliary equipment related to the combustion turbines. The need for this work was projected based on FPL's experience with similar combined cycle startups.

Sanford 4, Project E04102

Expenses for this project relate to existing plant equipment, which will remain in service after the repowering project is completed. Projected expenses include refurbishment of the turbine throttle valves, which control steam flow to the steam turbine. Also included are repairs to the intake traveling screens, which remove debris from the circulating water system and minor maintenance to the steam turbine generator. All components are critical to the reliability of the plant. This work is considered routine maintenance and would have occurred without the repowering project. The need to perform the work was identified by assessment of the condition of the equipment.

Sanford 5, Project E05101

Expenses for this project relate to existing plant equipment, which will remain in service after the repowering project is completed. Projected expenses include

repairs to the intake traveling screens, which remove the debris from the circulating water system. Also included in this work scope is a partial re-tubing of the steam turbine condenser. Both components are critical to the reliability of the plant. This work is considered routine maintenance and would have occurred without the repowering project. The need to perform the work was identified by assessment of the condition of the equipment.

The other projects on the list do not relate to the Ft. Myers or Sanford Repowering Projects or the Martin Simple Cycle Expansion.

AUDIT DISCLOSURE NO. 7

SUBJECT: INCREASE IN POWER GENERATION DIVISION BUDGET FROM 2001 -2002

STATEMENT OF FACTS: The company forecasted a $10.9 million dollar increase in the operation and maintenance budget for the power generation division from 2001 to 2002. Information provided by the company indicated that part of this change was $1.6 million for the addition of 46 employees in 2002. Documentation supplied showed that the $1.6 million relating to new employees was in error, and the amount relating to new employees was only $257,000.

The new explanation of what the $1.6 million consists of that was supplied by the company is:

6 new employees that impact the expense ratio for 2001 to 2002	$ 200,000
Incremental Expense for New Plant Technology (PFM and PSN5)	$1,000,000
Other (Net)	$ 400,000
	$1,600,000

The documentation for the payroll additions was reviewed. However, since this information was received on the last day of field work, time limits precluded us from requesting and reviewing documentation for the incremental expense for new plant technology, and determining if these were already included in other parts of the budget. The company prepared an explanation of the new technology and this is included following this disclosure. No documentation was provided by the company for Other (Net).

INCREMENTAL COSTS
Description prepared by the Company

"Incremental costs (six months) that are required to operate and maintain the new technology at Ft. Myers and Sanford plant in 2002 are due to the following:

Material & Supplies: $600,000
Incremental hydrogen gas and CO2 are required for 10 new CT's. Additional chemicals and water treatment services are required for the 30 new Heat Recovery Steam Generator (HRSG) steam drums.

Contractors: $400,000
Licensed contractors (labor and materials), are required by our insurance carriers, to test and maintain the wet and dry fire protection systems (CARDOX for 10 CT's and Deluge for balance of plant) imposed by new technology, as well as additional refrigeration units.

After 2002, these incremental O&M costs for Ft.Myers and Sanford Unit 5 will be greater, since they will be incurred for twelve months each year, instead of six."