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TALLAHASSEE, FLORIDA 32399-0850

COMMISSION CLERK

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

DATE:

May 12, 2008

TO:

Peter H. Lester, Economic Analyst, Division of Economic Regulation

FROM:

Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance &

Consumer Assistance ()

RE:

Docket No: 080001-EI; Company Name: Florida Power & Light Company;

Audit Purpose: Capacity Audit; Company Code: EI802;

Audit Control No: 08-003-4-3;

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of Commission Clerk. There are confidential work papers associated with this audit.

DNV:sbj Attachments

Copy: Division of Regulatory Compliance and Consumer

Assistance (Hoppe, District Offices, File Folder)

Division of Commission Clerk (2)

Division of Competitive Markets and Enforcement (Harvey)

General Counsel

Office of Public Counsel

0130

Mr. Wade Litchfield

Florida Power & Light Company

215 S. Monroe St., Suite 810

Tallahassee, FL 32301-1859

John T. Butler

Florida Power & Light Company

700 Universe Boulevard

Juno Beach, FL 33408-0420

Ms. Natalie smith

Florida Power & Light Company

215 S. Monroe St., Suite 810

Tallahassee, FL 32301-1859

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

Miami District Office

FLORIDA POWER AND LIGHT

CAPACITY COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2007

DOCKET NO. 080001-EI AUDIT CONTROL NO. 08-003-4-3

> Iliana Piedra Audit Manager

Kathy Welch

Public Utilities Supervisor

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DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE AUDITOR'S REPORT

June 5, 2008

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied the procedures to the attached schedules prepared by Florida Power and Light Company in support of its filling for Capacity Cost Recovery Docket 080001-El.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Objective: The objective was to determine if capacity revenue and kilowatt hours sold were accurately reported.

Procedures: We prepared a schedule of revenues from FPL's Revenue and Rate Reports which summarize FPL's billing. We computed the factors by rate code and compared them to the last Commission order for capacity. We selected some customer bills from various rate classes to verify that the proper capacity rate factors were used. No errors were found.

Objective: The objective was to verify that the true-up was calculated correctly.

Procedures: The true-up was recalculated and the interest rates were traced to the approved interest rates established by the Commission. We traced the prior period true up to the last audit work papers. No errors were found.

Objective: The objective was to verify that the costs agree to the general ledger and can be substantiated with source documentation. The objective was also to trace specific payments to a contract.

Procedures: We reconciled the filing to the general ledger. We tested one month of Unit Power Sales (UPS) charges by tracing the schedule to invoices.

For qualifying facilities, we traced the general ledger amount to the Estimated Purchase Power Sales Billing Summary and reviewed the true-up of the prior month's estimate. We traced the charge for the capacity payment to two qualifying facilities contracts.

Objective: The objective was to verify that transmission revenues derived from non-separated wholesale energy sales are credited to the clause pursuant to Order PSC-99-2512-FOF-EI.

Procedures: We verified that transmission revenues from non-separated sales are credited to the capacity clause by reviewing the deal journal and the transmission service billing summaries.

Objective: The objective was to determine if the Nuclear Regulatory Commission fee and the recoverable portion of the incremental fee increase amount are consistent with the percentage approved for recovery through the clause according to Commission Order PSC-03-1461-FOF-EI.

Procedures: We obtained and traced the invoices and reviewed the Order. We determined the recoverable expense and compared it to the Order guidelines.

Objective: The objective was to verify that security charges included in the capacity filing are incremental to security charges in base rates.

Procedures: We determined total security costs, removed base costs established in prior audits and verified that the costs included were incremental. We also selected a sample of charges to the security cost accounts included in the filing and traced them to invoices. The accruals made through journal entries were also reviewed. We determined the total dollars paid to The Wackenhut Corporation for 2004 – 2007.

Objective: The objective was to determine the utility's costs related to the inattentive security officers incident and to determine the costs charged to the Capacity clause.

Procedures: We read the utility's information regarding the incident and determined if any fines were imposed for this incident. We obtained the payroll amounts for the alleged inattentive security officers from the date of incident to the date of separation and determined what account this payroll was charged to. We determined if the utility has requested or received any refunds related to this incident. Audit Finding No. 1 discusses this objective.

Objective: The objective was to determine the utility's costs related to the failure to properly equip armed responders, by removing or breaking firing pins and also for failure to make a one hour report to the Nuclear Regulatory Commission and providing it with incomplete and inaccurate information. The objective was also to determine the costs charged to the Capacity Clause.

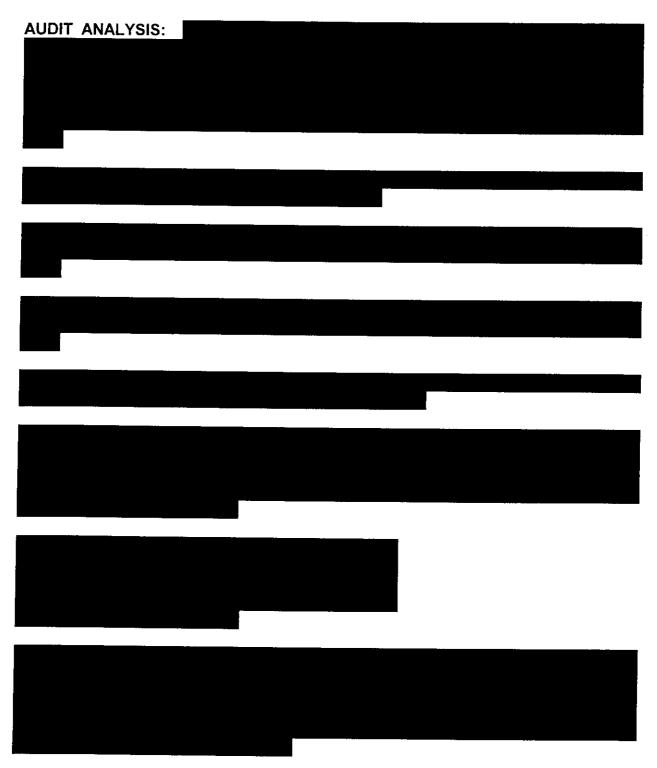
Procedures: We read the utility's information regarding the incident and determined if any fines were imposed for this incident. We obtained the payroll amounts for the alleged individuals from the date of incident to the date of separation and determined what accounts this payroll was charged to. We obtained the utility's costs related to this incident. We determined if the utility has requested or received any refunds related to this incident. Audit Finding No. 2 discusses this objective.

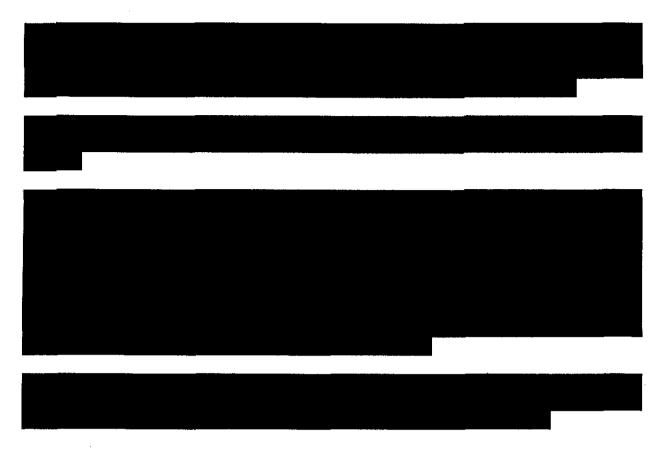
Objective: The objective was to determine the utility's costs related to the damage to the Turkey Point Unit 3 Pressurizer Power Operated Relief Valve piping, to determine the utility's policy on requiring contractors to post performance or payment bonds and to determine the costs charged to the Capacity clause.

Procedures: We read the utility's information regarding the incident and obtained the costs related to the investigation. We determined if the utility has requested or received any recourse from the contractor. We also obtained the company's policy on requiring contractors to post performance or payment bonds. Audit Finding No. 3 discusses this objective.

AUDIT FINDING NO. 1

SUBJECT: SECURITY OFFICERS



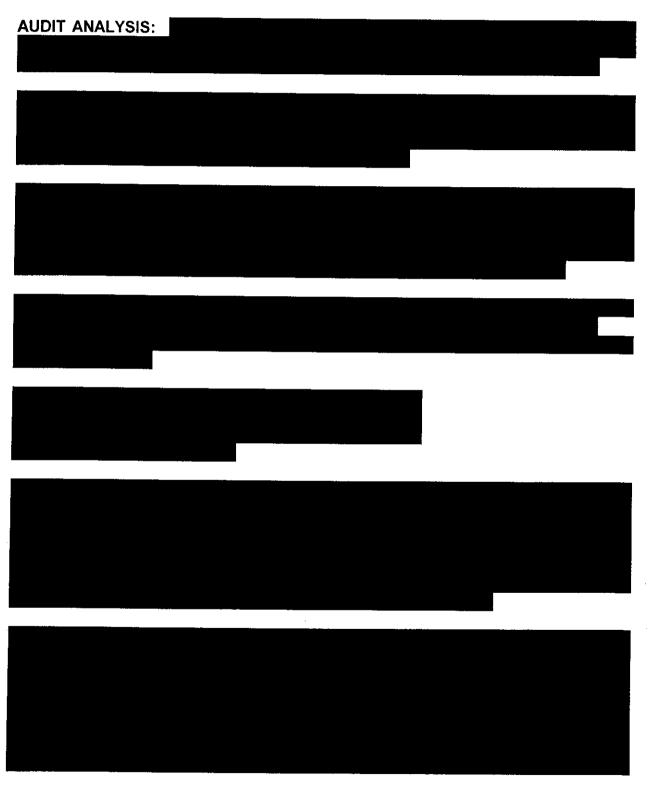


EFFECT ON THE GENERAL LEDGER: This finding is for informational purposes only.

EFFECT ON THE FILING: This finding is for informational purposes only.

AUDIT FINDING NO. 2

SUBJECT: SECURITY VIOLATIONS



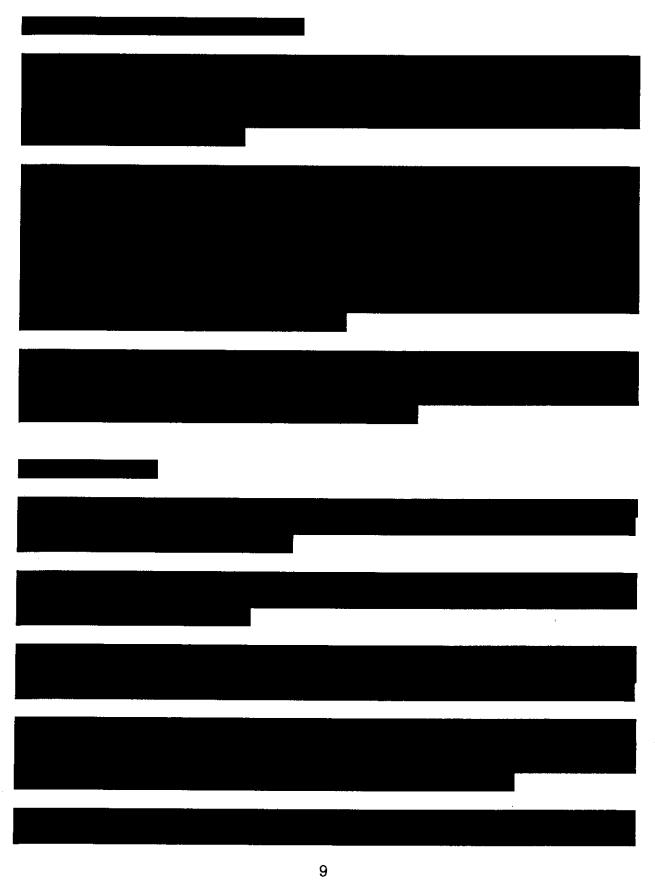
EFFECT ON THE GENERAL LEDGER: This finding is for informational purposes only.

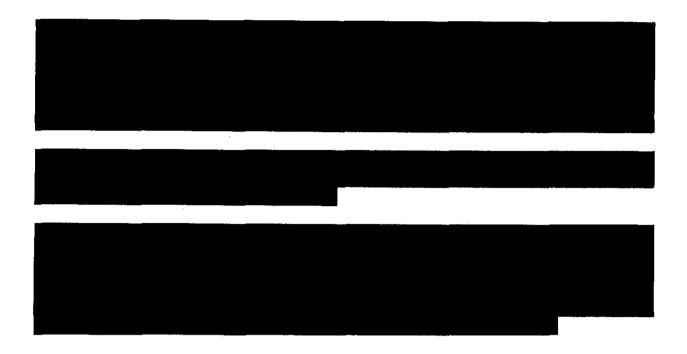
EFFECT ON THE FILING: This finding is for informational purposes only.

AUDIT FINDING NO. 3

SUBJECT: DAMAGE TO THE TURKEY POINT UNIT 3 PRESSURIZER POWER OPERATED RELIEF VALVE PIPING







EFFECT ON THE GENERAL LEDGER: This finding is for informational purposes only. **EFFECT ON THE FILING:** This finding is for informational purposes only.

EXHIBITS

	T			,			
CARAC	ITY COST RECOVERY CLAUSE						
	LATION OF FINAL TRUE-UP AMOUNT				ļ <u></u>		
BOR TI	E PERIOD JANUARY THROUGH DECEMBER 2007			 			
19K 11	TENOD INTOART THROUGH DECEMBER 201	 					
_		 	- M	473			L
LINE		(1) JAN	(2)	(3)	(4)	(5)	(6)
NO.			PEB	MAR	APR	MAY	JUN
140.		2007	2007	2007	2007	2007	2007
 [Particular to Management of The A. Carpan						
	Payments to Non-cogenerators (UPS & SJRPP)	\$16,383,756	\$17,018,383	\$17,030,951	\$16,722,795	\$13,815,314	\$15,877,507
1	Short Term Capacity Purchases CCR						
 	AMOUNT AND CORPORTY PROGRAMMS CALK	\$7,021,345	\$7,021,345	\$4,249,275	\$4,152,555	\$4,350,955	\$4,475,730
3.	OP O the Other	474 477 179	444 (444 (77				
	QF Capacity Charges	\$26,843,422	\$26,186,844	\$26,596,356	\$26,564,029	\$26,849,668	\$26,815,949
 							
4	SJRPP Suspension Approsi	\$294,744	\$294,744	\$294,744	\$294,744	\$294,744	\$794,744
							
5	Return on SJRPP Buspension Liability	(\$409,392)	(3412,118)	(\$414,843)	(\$417,569)	(\$420,295)	(\$423,021)
	·						
6.	Incremental Plant Scourity Costs-Order No. PSC-02-1761	\$2,433,624	\$1,534,657	\$1,346,516	\$1,876,545	\$1,594,392	\$1,783,662
7	Transmission of Electricity by Others	\$421,249	\$990,593	1291,996	\$268,353	\$502,666	\$477,100
0.	Transmission Revenues from Capacity Sales	(\$332,904)	(\$584,810)	(\$359,555)	(\$303,874)	(\$271,113)	(\$258,391)
9.	Total (Lines 1 through 8)	\$52,655,840	\$52,049,638	\$49,035,440	\$49,157,578	\$46,716,330	\$49,043,281
10.	Jurisdictional Separation Factor	98,68536%	98.68536%	98,68536%	98.68536%	98.68536%	98.68536%
		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				77.432.47	/2/22277
11.	Juris dictional Capacity Charges	51,963,605	51,365,373	48,390,200	48,511,333	46,102,179	48,398,539
		34,540,043	21,240,272	40,370,000	10,512,50	40.102.172	ددداهدداس
22	Capacity related amounts included in Base	 					
	Rates (FPSC Portion Only)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)
	rous (FIDO Factori Only)	(4,740,400)	[4,745,400)	(3,73,300)	(4,745,460)	(4,740,400)	(4,745,400)
13.	Jurisdictional Capacity Charges Authorized	47,218,139	46,619,907	43,645,334	43,765,867	41,356,713	43,653,073
	Talparame Capacity Cital a Fadings II	47,422,427	74017,707		45,765,467	71,330,723	43,403,073
14.	Capacity Cost Recovery Reventes	41,977,411	37,923,420	37,558,510	37,852,639	41,380,033	45 11 4 24 6
-14	(Net of Revenue Texas)	41,2//,411	37,723,420	010,000	37,832,035	41,380,033	45,114,346
	(Net of Revenue Texas)	 					
L.,	<u></u>						
15.	Prior Period True-up Provision	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,480)
		ļ					
	Capacity Cost Recovery Revenues Applicable						
·	to Cuzzent Period (Net of Revenue Texes)	40,734,931	36,680,940	36,316,030	36,610,159	40,137,553	43,871,866
17.	Tree-up Provision for Month - Over/(Under)						
	Recovery (Line 16 - Line 13)	(6,483,208)	(9,938,967)	(7,329,304)	(7,155,708)	(1,219,159)	218,794
		1					
18.	Interest Provision for Month	(94,596)	(125,467)	(158,417)	(185,411)	(199,133)	(197,126)
- 72.		1					
19.	True-up & Interest Provision Beginning of	(14,909,758)	(20,245,082)	(29,067,036)	(35,312,278)	(41,410,917)	(41,586,729)
	Month - Over/(Under) Recovery	1-1-5,3/					, , , , , , , , , , , , , , , , , , ,
		 					
20.	Deferred Tree-up - Over/(Under) Recovery	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)
		(7,27,403/)	13-55	17,555,7		13777	اردسداده ا
21.	Prior Period True-wo Provision	 					
	- Collected/(Refunded) this Month	1,242,480	1,242,480	1,242,480	1,242,480	1,242,480	1,242,480
	- Communa (Vertational) and Market	1,474,460	1,273,460	********	-1,1,400	4,000,400	1,272,700
22	And of Books of Borne on Constitution	 			 		
	Red of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	(24,275,365)	(33,097,319)	(39,342,561)	(45,441,200)	(45,617,012)	(44,352,865)
	CHOOVERY (CHIR OF LINES 17 INTONESS 21)	(20,212,30))	[32,051,215]	(105,244,301)	[70,771,200)]	(47,017,012)	(77,274,000)
		 					
		 					
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		1] ""= "	1		"		,	
CAPAC	ITY COST RECOVERY CLAUSE		 				 	+	
CALCU	LATION OF FINAL TRUE-UP AMOUNT		 	 -				 	
	R PERIOD JANUARY THROUGH DECEMBER 2007		 	 		 			
		+	 	 					T
	 		 	 	<u> </u>				
LINE			(8)	(9)	(10)	(11)	(12)	(13)	
NO.	 	JUL.	AUG	SEP	OCT	VOV	DEC		LINE
NO.		2007	2007	2007	2007	2007	2007	TOTAL	NO.
<u> </u>				1				 	-1.00
1.	Payments to Non-cogenerators (UPS & SJRPP)	\$15,880,349	\$16,273,913	\$15,353,604	\$16,074,898	\$16,167,987	\$17,219,771	\$193,819,228	+
						=======================================	227,223,772	3173,013,220	1.
2	Short Term Capacity Purchases CCR	34,318,980	\$4,318,980	\$4,338,230	\$3,386,940	\$3,385,130	\$3,833,490	464 050 054	 - -
			7 1-71		53,300,340	93,343,130	43,033,490	\$54,852,955	2
3.	QF Capacity Charges	\$26,844,696	\$26,811,574	\$26,811,198	\$26,866,284	\$26,860,439	994 774 191	 	
\Box			920,012,574	320,811,130	320,800,254	320,800,439	\$26,775,174	\$320,825,632	3.
4	SJRPP Suspension Accrusi	\$294,744	\$294,744	2004 744	9004.044		 	 	
		9277,777	3227,744	\$294,744	\$294,744	\$294,744	\$294,744	\$3,536,928	48.
5	Return on SJRPP Suspension Liability	(3425,747)	44.000.000			ļ			<u>L</u> . "
	Joseph Gr. C. 101 Compared to Laboraty	(3423,747)	(3428,472)	(1431,198)	(\$433,924)	(\$436,650	(\$439,376)	(\$5,092,605)	4b.
6.	Incremental Plant Security Costs-Order No. PSC-02-1761	21 222 222							[
 % -	Distribution First Security Columnities No. PSC-02-1761	\$1,888,267	\$1,983,245	\$2,543,080	\$1,800,530	\$1,719,934	\$2,759,372	\$23,263,824	6c.
		· · · · · · · · · · · · · · · · · · ·					L	i	
7.	Transmission of Electricity by Others	\$441,724	\$437,234	\$465,006	\$209,407	\$277,081	\$260,464	\$5,042,873	7.
L									<u> </u>
8.	Transmission Revenues from Capacity Sales	(\$321,199)	(\$413,204)	(\$209,235)	(\$116,290)	(\$160,712)	(\$215,607)	(\$3,546,899)	B.
Ĺ							1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	(00)5 (4000)	
9.	Total (Lines I through 8)	\$48,921,815	\$49,278,013	\$49,165,428	\$48,082,588	\$48,107,953	\$50,488,032	\$592,701,936	9.
			5-7-12-19-19-23	547,205,425	9-10,002,300	9-0,107,553	330,466,032	3392,701,936	<u> </u>
10.	Jurisdictional Separation Factor	98.68536%	98.68536%	98.68536%	98.68536%	98.68536%	00.00000		
		90.0033070	74.08.73078	74.063307*	70.053,1676	78,0833076	98.68536%	N/A	10.
11.	Farisdictional Capacity Charges	40 000 660	40.400.444	10.0		·		<u> </u>	<u> </u>
	PERSONAL CAPACITY CRIEGES	48,278,669	48,630,185	48,519,080	47,450,476	47,475,506	49,824,296	584,910,040	11.
12.									
	Capacity related amounts included in Bese	——————————————————————————————————————							12.
	Rates (FPSC Portion Only)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(56,945,592)	i
13.	Jurisdictional Capacity Charges Authorized	43,533,203	43,884,719	43,773,614	42,705,010	42,730,040	45,078,830	527,964,448	13.
_14,	Capacity Cost Recovery Revenues	50,160,132	51,018,270	52,740,151	47,514,133	42,312,165	39,700,112	525,251,323	14.
	(Not of Revenue Taxes)	1							
15.	Prior Period True-up Provision	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,480)	(1,242,478)	(14,909,758)	15.
		(1,2-12,100)	(1,242,400)	(1,242,460)	(1,245,400)	(1,242,400)	[42444/0]	(14,303,738)	13.
16.	Capacity Cost Recovery Revenues Applicable	 							
	to Current Period (Not of Revenue Taxes)	48,917,652	49,775,790	51,497,671	46,271,653	41.000.000	20 405 60 4		
	Content 1 and (1101 of Poweller 1 bits)	46,317,034	49,773,790 [31,497,571	40,271,033	41,069,685	38,457,634	510,341,565	16.
		·							
	Trus-up Provision for Month - Over/(Under)	 -							
	Recovery (Line 16 - Line 13)	5,384,449	5,891,071	7,724,057	3,566,644	(1,660,355)	(6,621,196)	(17,622,883)	17.
18.	Interest Provision for Month	(179,889)	(155,384)	(117,567)	(80,090)	(69,283)	(83,217)	(1,645,581)	18.
T									
19.	Prus-up & Interest Provision Beginning of	(40,322,582)	(33,875,542)	(26,897,375)	(18,048,405)	(13,319,371)	(13,806,530)	(14,909,758)	19.
	Month - Over/(Under) Recovery			,				127,700,730)	
 		 							
20.	Deferred True-up - Over/(Under) Recovery	(4 070 007)	// 000 0031	(4 000 000)	((200 200)	// 556 566	44.000.000		
- 24.	Paratter Tink sh . Overl climit Recovers.	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	(4,030,283)	20.
- : {.		 							
	Prior Period True-up Provision								
	Collected/(Refunded) this Month	1,242,480	1,242,480	1,242,480	1,242,480	1,242,480	1,242,478	14,909,758	21.
	and of Period True-up - Over/(Undet)								
	Recovery (Sum of Lines 17 through 21)	(37,905,825)	(30,927,658)	(22,078,688)	(17,349,654)	(17,836,813)	(23,298,747)	(23,298,747)	27.
									
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