

State of Florida



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## Public Service Commission

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**DATE:** December 9, 2008  
**TO:** Peter H. Lester, Public Utilities Supervisor, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance *W*  
**RE:** Docket No: 080001-EI; Company Name: Florida Power & Light Company;  
Audit Purpose: Affiliate Audit; Company Code: GU608;  
Audit Control No: 08-234-2-2;

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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 a response to the Office of the Commission Clerk. There are confidential work papers associated with this audit.

DNV/tbm

Attachment: Audit Report

CC: Division of Regulatory Compliance (Salak, Mailhot, Harvey,  
District Offices, File Folder)  
Office of Commission Clerk (2)  
General Counsel  
Office of Public Counsel

Mr. John T. Butler  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, FL 33408

Mr. Wade Litchfield  
Florida Power & Light Company  
215 South Monroe Street, Suite 810  
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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE*

*Miami District Office*

FLORIDA POWER AND LIGHT

AFFILIATE AUDIT

FOR THE PERIOD JULY 2007 THROUGH JUNE 2008

DOCKET NO. 080001-EI  
AUDIT CONTROL NO. 08-221-4-1

A handwritten signature in cursive script, reading "Iliana H. Piedra".

Iliana H. Piedra  
Audit Manager

A handwritten signature in cursive script, reading "Kathy L. Welch".

Kathy L. Welch  
Public Utilities Supervisor

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**DIVISION OF REGULATORY COMPLIANCE  
AUDITOR'S REPORT**

**NOVEMBER 18, 2008**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have performed the procedures described later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated August 15, 2008 regarding Docket 080001-EI. We have applied these procedures to various affiliate transactions for the period of July 2007 through June 2008, to determine if the affiliate receives any benefit from the utility.

This audit was 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:** Verify the utility's procedures regarding any relationship with FPL Energy and FPL Energy Services and any affiliates, regarding any fuel and purchased power transactions. Also, review any relevant internal audits and external audits.

**Procedures:** We obtained and reviewed various procedures. We also read and reviewed the report issued by the Florida Public Service Commission's Bureau of Performance Analysis on Hedging practices issued June 2008. We obtained a statement explaining that there were no relevant internal or external audits. We also reviewed our notes from prior audits regarding our review of internal and external audits and did not find any that related to affiliated fuel transactions.

**Objective:** Verify the utility's fuel and purchased power transactions with FPL Energy and any of its affiliates. Determine if FPL Energy gets a benefit from being an affiliate of the utility.

**Procedures:** We obtained a company statement explaining that the utility did not have any fuel and purchased power transactions with FPL Energy or its affiliates. We also obtained an explanation of how the utility determined that there were no fuel and purchased power transactions and reviewed it for reasonableness. We reviewed the FERC Annual Report and the utility's SEC Annual Report for the year ended December 31, 2007 and did not see any indication that these transactions exist. We also reviewed the utility's website.

**Objective:** Determine if the utility sells transportation rights to FPL Energy or any of its affiliates. Determine if appropriate separations were followed.

**Procedures:** We obtained a statement explaining that the utility did not sell any transportation rights. We reviewed the FERC Annual Report and the utility's SEC Annual Report for the year ended December 31, 2007 and did not see any indication that the utility sells transportation rights. Based on our prior fuel clause audits, we have no indication that these transactions exist.

**Objective:** Determine if the utility sells electric transmission rights to FPL Energy or any of its affiliates. Determine if appropriate separations were followed.

**Procedures:** We obtained a statement explaining that the utility did not sell any transmission rights. We reviewed the FERC Annual Report and the utility's SEC Annual Report for the year ended December 31, 2007 and did not see any indication that the utility sells transmission rights. Based on our prior fuel clause audits, we have no indication that these transactions exist.

**Objective:** Verify the utility's fuel and purchased power transactions with FPL Energy Services. Determine if FPL Energy Services receives any benefit, value or subsidy from the utility.

**Procedures:** We obtained an Excel file listing the transactions of natural gas that the utility purchases for FPL Energy Services. We also obtained a list by deal numbers for the selected months of July 2007 and January, April and June 2008. For the physical natural gas sales, we traced the amounts to utility invoices for the sale to FPL Energy Services and to invoices from

other counterparties when the utility purchased the gas. The price was traced to the deal forms, to confirmations and to the Platts Inside FERC'S Gas Market Report and the Gas Daily Reports. We read the contracts with FPL Energy Services and with the other counterparties. We reviewed the gas closing reports for the same months and compared the price sold to FPL Energy Services and to the other counterparties. We reviewed the source documentation for the sales to the counterparties. For the financial natural gas sales, the same type of source documentation was reviewed, and we also agreed the transaction amounts to the "FPL Derivative Settlements – All Instruments" report which is used as source documentation for the utility's hedging filing. Based on our review of these transactions, the prices charged by the utility to FPL Energy Services appear to be comparable to other outside sales.

**Objective:** Determine the energy-related products and services offered by FPL Energy and FPL Energy Services.

**Procedures:** We obtained a list from the utility detailing all of the products and services offered by these affiliates. We also obtained related information from the utility's website.