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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June , 2009

TO: Jenny Wu , Economic Analyst - PSC, Division of Economic Regulation

FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DM*

RE: Docket No. 090007-EI - Company Name: Florida Power & Light Company
 Audit Purpose: Environmental Cost Recovery Clause; Company Code: EI802
 Audit Control No: 09-012-4-1

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.

DNM/ch

Attachment: Audit Report

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

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 COMMISSION
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Mr. Wade Litchfield
 Florida Power & Light Company
 215 South Monroe Street, Suite 810
 Tallahassee, FL 32301-1859

Mr. John T. Butler
 Florida Power & Light Company
 700 Universe Boulevard
 Juno Beach, FL 33408-0420

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING

Miami District Office

FLORIDA POWER AND LIGHT COMPANY

ENVIRONMENTAL COST RECOVERY CLAUSE

YEAR ENDED DECEMBER 31, 2008

DOCKET NO. 090007-EI
AUDIT CONTROL NO. 09-012-4-1

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Gabriela Leon
Audit Manager

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Bety Maitre
Regulatory Analyst

Handwritten signature of Kathy Welch in cursive script.

Kathy Welch
Public Utilities Supervisor

DOCUMENT NUMBER-DATE

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DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT
June 9, 2009

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 (FPL) in support of its filing for the Environmental Cost Recovery Clause, Docket No. 090007-EI.

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 and the report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES:

Objective: The objective of the audit was to verify all negative depreciation expense amounts reported by FPL for any of its Environmental Cost Recovery Clause (ECRC) projects regardless of whether the negative depreciation expense amount is shown or noted on the company filing of Form 42-8A. In addition, we were asked to review FPL's justification for each negative depreciation amount and include the applicable company workpapers.

Procedures: We reviewed Form 42-8A in order to determine if there was any negative depreciation expense. We obtained schedules from FPL that calculated depreciation and reconciled the balances to the filing. We found two entries where the rate did not agree with the depreciation study. We will follow up on these entries in the audit done later in the year. In addition, we asked the company to provide a schedule of any negative depreciation expense. FPL stated there was none.

Objective: The objective of the audit was to use sampling procedures to reconcile Plant in Service (line 2) to Depreciation Expense (line 8a) for the capital projects listed in Form 42-8A. An additional objective was to verify that the investment was recorded in the correct plant account(s).

Procedures: The analyst has agreed to postpone the testing to later in the year.

Objective: The objective of the audit was to verify that the most recent Commission approved depreciation rates or amortization periods were used in calculating the depreciation expense (line 8a, 8b). Also to verify that dismantlement expense (line 8c) was not included in depreciation/amortization expense (line 8a and line 8b).

Procedures: We recalculated the depreciation expense and the accumulated depreciation for the month of November 2008, and traced it to the general ledger. The depreciation rates were traced to the company's last depreciation study. We tested to determine if dismantlement expense was recorded in the depreciation expense when the recalculation of depreciation expense was performed. No errors were found.

We reconciled Plant in Service from the filing to the general ledger.

Objective: The objective of the audit was to verify that where an ECRC project involves the replacement of existing plant assets, the company is retiring the installed costs of replaced units of property according to Rule 25-6.0142(4)(b), F.A.C.

Procedures: We obtained source documentation for the largest retirement in the month of May 2008. We determined how the company made the retirement to

ensure it was made in compliance with the above stated rule. No errors were found.

Objective: The objective of the audit was to verify calculations of the monthly depreciation expense offsets required by Order No. PSC-99-2513-FOF-EI to adjust ECRC costs for retirements and replacements recovered through base rates.

Procedures: The analyst agreed to defer this testing to later in the year.

Objective: The objective of the audit was to reconcile a sample of actual Operation and Maintenance project costs to the Operation and Maintenance projects listed in Form 42-4 A.

Procedures: The expenses in the filing were traced to the general ledger. A judgmental sample of expenses over \$25,000 was chosen for testing.

The source documentation for these items was reviewed to ensure the expense was related to the Environmental Cost Recovery Clause and that the expense was charged to the correct account. No errors were found.

Objective: The objective of the audit was to report the monthly SO₂ allowance expenses and NOX allowance expenses for 2008 including revenues, inventory amounts (tonnages and dollars), expensed amounts (tonnages and dollars), and the amount included in working capital.

Procedures: The Emission Allowances accounts 254.900 and 411.800 were traced to the general ledger. The proceeds from the largest sales were traced to invoices. Amortization of proceeds from one plant location was recalculated. The treatment of the Emission Allowances was made in accordance with Commission Order PSC-94-0353-FOF-EI.

Objective: The objective of the audit was to report any deferred accounting treatment that FPL may have implemented for expenses incurred for approved ECRC projects.

Procedures: The analyst agreed to defer this testing to later in the year.

Objective: The objective of the audit was to verify the ECRC project-related plant additions, retirements, and adjustments for the period January 1, 2008 through December 31, 2008.

Procedures: The analyst agreed to defer this testing to later in the year.

Objective: The objective of the audit was to verify FPL's calculations of the Return on Capital Investments, Depreciation and Taxes for its three solar

projects (DeSoto Next Generation Solar Energy Center, Space Coast Next Generation Solar Energy Center and Martin Next Generation Solar Energy Center).

Procedures: The analyst agreed to defer this testing to later in the year.

Objective: The objective of this audit was to determine if the company applied the Commission approved cost recovery factor to actual KWH sales.

Procedures: We obtained the monthly Revenue and Rate Reports, which are an output of the billing system. We prepared a schedule of revenues for the month of November 2008 and reconciled this schedule to the filing and traced the factors charged to the last order. No errors were found.

III. EXHIBITS

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up for the Period
January through December 2008

Line
No.

1	Over/(Under) Recovery for the Current Period (Form 42-2A Page 2 of 2, Line 5)	(\$3,141,513)
2	Interest Provision (Form 42-2A Page 2 of 2, Line 6)	\$107,061
3	Total	<hr/> (\$3,034,452)
4	Estimated/Actual Over/(Under) Recovery for the Same Period *	(\$5,816,598)
5	Interest Provision	\$88,022
6	Total	<hr/> (\$5,728,576)
7	Net True-Up for the period	<hr/> <hr/> <u>\$2,694,124</u>

* Per Order No. PSC-08-0775-FOF-EI dated November 24, 2008.

Florida Power & Light Company
 Environmental Cost Recovery Clause
 Calculation of the Final True-up Amount for the Period
 January through December 2008

Form 42-2A
 Page 1 of 2

Line No.	January	February	March	April	May	June
1 ECRC Revenues (net of Revenue Taxes)	\$3,100,841	\$2,884,144	\$2,853,259	\$2,856,273	\$3,236,589	\$3,705,330
2 True-up Provision (Order No. PSC-07-0822-FOF-EI)	81,502	81,502	81,502	81,502	81,502	81,502
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	3,182,343	2,965,646	2,934,761	3,037,775	3,318,091	3,876,841
4 Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-5A, Line 9)	902,508	428,125	949,072	631,259	771,264	1,437,813
b - Capital Investment Projects (Form 42-7A, Line 9)	2,157,893	2,202,282	2,264,842	2,312,532	2,396,490	2,496,952
c - Total Jurisdictional ECRC Costs	3,060,201	2,630,407	3,204,015	2,943,791	3,167,753	3,934,765
5 Over/(Under) Recovery (Line 3 - Line 4c)	122,141	335,239	(269,253)	93,983	150,337	(57,924)
6 Interest Provision (Form 42-3A, Line 10)	14,013	11,142	10,240	9,430	9,196	8,482
7 Prior Periods True-Up to be (Collected)/Refunded in 2008	978,023	1,032,676	1,297,555	957,040	978,952	1,056,983
a - Deferred True-Up from 2007 (Form 42-1A, Line 7)	3,174,379	3,174,379	3,174,379	3,174,379	3,174,379	3,174,379
8 True-Up Collected /(Refunded) (See Line 2)	(81,502)	(81,502)	(81,502)	(81,502)	(81,502)	(81,502)
9 End of Period True-Up (Lines 5+6+7+7a+8)	4,207,055	4,471,934	4,131,419	4,153,331	4,231,382	4,100,398
10 Adjustments to Period Total True-Up Including Interest						
11 End of Period Total Net True-Up (Lines 9+10)	\$4,207,055	\$4,471,934	\$4,131,419	\$4,153,331	\$4,231,382	\$4,100,398

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January through December 2008

Line No.	July	August	September	October	November	December	End of Period Amount
1	\$3,795,206	\$3,765,541	\$3,984,614	\$3,533,673	\$2,926,814	\$2,965,034	\$39,797,325
2	81,502	81,502	81,502	81,502	81,502	81,502	978,023
3	3,876,708	3,847,043	4,066,116	3,615,175	3,008,316	3,046,535	40,775,348
4	Jurisdictional ECRC Costs						
a - O&M Activities (Form 42-5A, Line 9)	1,499,685	1,209,396	737,612	1,571,289	1,142,260	1,311,562	12,591,845
b - Capital Investment Projects (Form 42-7A, Line 9)	2,806,964	2,727,077	2,834,991	2,936,623	3,051,530	3,346,941	31,325,017
c - Total Jurisdictional ECRC Costs	4,106,648	3,936,473	3,572,604	4,507,912	4,193,791	4,658,503	43,916,862
5	(229,941)	(89,430)	493,512	(692,737)	(1,185,475)	(1,611,968)	(3,141,513)
6	8,037	7,562	11,839	11,752	4,554	834	107,061
7	928,019	822,814	459,244	883,093	(79,394)	(1,341,817)	978,023
a - Deferred True-Up from 2007 (Form 42-1A, Line 7)	3,174,379	3,174,379	3,174,379	3,174,379	3,174,379	3,174,379	
8	(81,502)	(81,502)	(81,502)	(81,502)	(81,502)	(81,502)	(978,023)
9	3,796,993	3,633,623	4,057,472	3,094,985	1,832,562	139,926	(3,034,452)
10	Adjustments to Period Total True-Up Including Interest						
11	\$3,796,993	\$3,633,623	\$4,057,472	\$3,094,985	\$1,832,562	\$139,926	(\$3,034,452)

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January 2008 - December 2008

Capital Investment Projects-Recoverable Costs
(in Dollars)

Line #/Project #	Actual JAN	Actual FEB	Actual MAR	Actual APR	Actual MAY	Actual JUN	6-Month Sub-Total
1 Description of Investment Projects (A)							
2 Low NOx Burner Technology-Capital	\$ 72,973	\$ 72,559	\$ 72,144	\$ 71,730	\$ 71,315	\$ 70,889	\$ 431,591
3b Continuous Emission Monitoring Systems-Capital	85,034	85,202	87,449	89,387	89,237	89,210	525,499
4b Clean Closure Equivalency-Capital	328	325	324	323	322	321	1,938
5b Maintenance of Stationary Above Ground Fuel Storage Tanks-Capital	143,912	143,504	143,097	142,890	142,282	141,875	857,359
7 Relocate Turbine Lube Oil Underground Piping to Above Ground-Capital	131	131	131	131	130	130	785
8b Oil Spill Cleanup/Response Equipment-Capital	7,094	7,123	7,051	7,007	6,963	7,039	42,277
10 Relocate Storm Water Runoff-Capital	804	802	801	800	799	797	4,803
NA SO2 Allowances-Negative Return on Investment	(21,895)	(21,523)	(21,351)	(21,179)	(23,954)	(26,562)	(136,266)
12. Soherer Discharge Pipeline-Capital	5,291	5,280	5,270	5,259	5,249	5,238	31,588
17b Disposal of Noncontainerized Liquid Waste-Capital	0	0	0	0	0	0	0
20 Wastewater Discharge Elimination & Reuse	20,266	20,232	20,199	20,165	20,131	20,097	121,090
21 St. Lucie Turtle Net	7,847	7,638	7,629	7,620	9,556	11,509	51,599
22 Pipeline Integrity Management	0	0	0	0	0	0	0
23 SPCC - Spill Prevention, Control & Countermeasures	173,891	173,504	173,119	172,733	172,348	171,959	1,037,552
24 Manatee Reburn	403,697	402,581	401,464	400,348	399,232	398,115	2,405,438
25 Ft. Everglades ESP Technology	973,786	972,153	971,222	970,480	969,187	968,769	6,823,586
26 UST Removal / Replacement	5,637	5,827	5,816	5,808	5,598	5,586	33,668
31 CAIR Compliance	257,519	303,271	343,703	389,502	470,279	567,843	2,331,917
33 CAMR Compliance	51,304	54,357	68,227	81,835	90,759	100,568	447,049
35 Martin Plant Drinking Water System Compliance	0	0	0	0	0	0	0
36 Low Level Radioactive Waste	0	0	0	0	0	0	0
37 De Soto Solar Project	0	0	0	0	0	0	0
38 Space Coast Solar Project	0	0	0	0	0	0	0
39 Martin Solar Project	0	0	0	0	0	0	0
2 Total Investment Projects - Recoverable Costs	\$ 2,187,615	\$ 2,232,766	\$ 2,286,095	\$ 2,344,415	\$ 2,429,428	\$ 2,531,154	\$ 14,011,473
3 Recoverable Costs Allocated to Energy	\$ 1,566,627	\$ 1,566,494	\$ 1,570,557	\$ 1,574,874	\$ 1,576,125	\$ 1,577,835	\$ 9,431,511
4 Recoverable Costs Allocated to Demand	\$ 621,988	\$ 666,272	\$ 715,538	\$ 769,541	\$ 853,303	\$ 953,319	\$ 4,579,961
5 Retail Energy Jurisdictional Factor	98.58121%	98.58121%	98.58121%	98.58121%	98.58121%	98.58121%	
6 Retail Demand Jurisdictional Factor	98.76048%	98.76048%	98.76048%	98.76048%	98.76048%	98.76048%	
7 Jurisdictional Energy Recoverable Costs (B)	\$ 1,543,414	\$ 1,544,289	\$ 1,548,274	\$ 1,552,530	\$ 1,553,763	\$ 1,555,449	\$ 9,297,699
8 Jurisdictional Demand Recoverable Costs (C)	\$ 614,279	\$ 658,013	\$ 706,668	\$ 760,002	\$ 842,726	\$ 941,503	\$ 4,523,191
9 Total Jurisdictional Recoverable Costs for Investment Projects (Lines 7 + 8)	\$ 2,157,693	\$ 2,202,282	\$ 2,254,942	\$ 2,312,532	\$ 2,396,489	\$ 2,496,952	\$ 13,820,890

Notes:

- (A) Each project's Total System Recoverable Expenses on Form 42-8A, Line 9
- (B) Line 3 x Line 5
- (C) Line 4 x Line 6

Florida Power & Light Company
Environmental Cost Recovery Clause
Calculation of the Final True-up Amount for the Period
January 2008 - December 2008

Capital Investment Projects-Recoverable Costs
(In Dollars)

Line #	Project #	Actual	Actual	Actual	Actual	Actual	Actual	6-Month	12-Month	Method of Classification	
		JUL	AUG	SEP	OCT	NOV	DEC	Sub-Total	Total	Demand	Energy
1 Description of Investment Projects (A)											
	2 Low NOx Burner Technology-Capital	\$ 70,424	\$ 70,010	\$ 69,596	\$ 69,182	\$ 68,768	\$ 68,484	\$ 416,464	\$ 848,055		\$ 848,055
	3b Continuous Emission Monitoring Systems-Capital	85,729	82,561	81,874	81,712	81,522	81,225	494,624	1,020,123		1,020,123
	4b Clean Closure Equivalency-Capital	319	318	317	316	315	314	1,902	3,840	3,545	295
	5b Maintenance of Stationary Above Ground Fuel Storage Tanks-Capital	141,468	141,060	140,653	140,245	139,838	139,431	842,695	1,700,054	1,569,281	130,773
	7 Relocate Turbine Lube Oil Underground Piping to Above Ground-Capital	130	129	129	129	129	128	774	1,559	1,439	120
	8b Oil Spill Cleanup/Response Equipment-Capital	7,115	7,089	7,340	7,760	7,863	7,522	44,669	86,946	80,258	6,888
	10 Relocate Storm Water Runoff-Capital	798	795	793	792	791	790	4,757	9,560	8,824	736
	NA SO2 Allowances-Negative Return on Investment	(25,897)	(25,130)	(24,423)	(23,716)	(23,010)	(22,303)	(144,478)	(280,744)		(280,744)
	12 Scherer Discharge Pipeline-Capital	5,228	5,217	5,207	5,198	5,188	5,175	31,209	62,797	57,968	4,831
	17b Disposal of Noncontainerized Liquid Waste-Capital	0	0	0	0	0	0	0	0	0	0
	20 Wastewater Discharge Elimination & Reuse	20,064	20,030	19,996	19,962	19,928	19,895	119,675	240,965	222,429	18,536
	21 St. Lucie Turtle Net	11,520	11,518	11,513	11,512	11,514	10,359	87,936	119,535	110,340	9,195
	22 Pipeline Integrity Management	0	0	0	0	0	0	0	0	0	0
	23 SPCC - Spill Prevention, Control & Countermeasures	171,572	175,421	178,509	181,173	182,911	204,156	1,094,742	2,132,293	1,968,271	164,022
	24 Manatee Return	396,999	395,883	394,766	393,650	392,533	391,417	2,365,247	4,770,685		4,770,685
	25 Ft. Everglades ESP Technology	964,087	961,191	955,982	950,389	947,840	945,290	5,724,758	11,548,344		11,548,344
	26 UST Removal / Replacement	5,575	5,565	5,555	5,545	5,534	5,524	33,298	66,965	61,814	5,151
	31 CAIR Compliance	676,027	791,352	883,552	968,892	1,063,176	1,156,178	5,639,177	7,871,095	7,265,626	605,469
	33 CAMR Compliance	111,396	121,187	141,110	163,621	187,882	299,626	1,024,822	1,471,871	1,358,650	113,221
	35 Martin Plant Drinking Water System Compliance	0	0	0	0	0	0	0	0	0	0
	36 Low Level Radioactive Waste	0	0	0	0	0	0	0	0	0	0
	37 De Soto Solar Project	0	0	0	0	0	12,546	12,546	12,546	11,581	965
	38 Space Coast Solar Project	0	0	0	0	0	32,419	32,419	32,419	29,926	2,494
	39 Martin Solar Project	0	0	0	0	0	33,697	33,697	33,697	31,105	2,592
2	Total Investment Projects - Recoverable Costs	\$2,642,551	\$2,764,177	\$2,873,450	\$2,976,380	\$3,082,720	\$3,391,875	\$17,741,133	\$31,752,606	\$12,781,054	\$18,971,552
3	Recoverable Costs Allocated to Energy	\$1,579,896	\$1,582,950	\$1,585,135	\$1,588,997	\$1,592,659	\$1,612,403	\$9,540,040	\$18,971,552		
4	Recoverable Costs Allocated to Demand	\$1,062,655	\$1,181,227	\$1,288,315	\$1,389,383	\$1,500,062	\$1,779,472	\$8,201,093	\$12,781,054		
5	Retail Energy Jurisdictional Factor	98.58121%	98.58121%	98.58121%	98.58121%	98.58121%	98.58121%				
6	Retail Demand Jurisdictional Factor	98.76048%	98.78048%	98.78048%	98.76048%	98.78048%	98.76048%				
7	Jurisdictional Energy Recoverable Costs (B)	\$1,557,481	\$1,560,491	\$1,562,845	\$1,564,481	\$1,570,062	\$1,589,526	\$9,404,866	\$18,702,385		
8	Jurisdictional Demand Recoverable Costs (C)	\$1,049,483	\$1,166,586	\$1,272,346	\$1,372,142	\$1,481,468	\$1,757,415	\$8,099,440	\$12,822,631		
9	Total Jurisdictional Recoverable Costs for Investment Projects (Lines 7 + 8)	\$2,606,964	\$2,727,077	\$2,834,991	\$2,936,623	\$3,051,530	\$3,346,941	\$17,504,126	\$31,325,017		

Notes:

(A) Each project's Total System Recoverable Expenses on Form 42-6A, Line 9

(B) Line 3 of Line 5