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Exhibit A

CONFIDENTIAL DOCUMENTS

(SUBMITTED SEPARATELY)

Confidential WP 9 pages 1 thru 7

COMPANY: FPL
TITLE: REVIEW OF INTERNAL AUDITS
PERIOD: 1996 AND PART OF 1997
DATE: MAY 14, 1997
AUDITOR; RKY
WP NO.

Staff selected seven internal audits to review in connection with fuel.

These internal audits were selected in connection with the audit of the Fuel Adjustment Clause. However, since the Environmental Clause and Capacity Clauses are being audited at the same time, we will report here any items that also pertain to them. Also, since it is our understanding that we will be asked to review the surveillance report after these audits, we will note here anything from these audits that pertain to base rates.

1. PUTNAM PLANT ADMINISTRATION AUDIT

Part of the audit focused on two areas within procurement: procurement/purchase orders (PPO's) issued by the Putnam Plant Material Specialist and contract administration/receipt verification (CAR's). Test were performed to make sure vendor selection/procurement of goods and services were properly bid and followed FPL procedures and management criteria; and also tests to make sure CAR's were properly documented and FPL procedures and management criteria followed.

Internal audit reviewed a sample of 14 purchase orders generated by the Putnam Plant Material Specialist.

I. There was a lack of segregation of duties between the procurement function and the requisition and contract adm functions.

A. Ten of the 14 Purchase orders (PO) were authorized by the procurement agent who also authorized the corresponding Requisition and Purchase Authorization (RPA).

B. Eleven of 78 invoices were authorized by the procurement agent who also authorized the PO and Delivery of Work Authorization (DWA).

C. Eight of 14 bids were solicited, received and reviewed by the user groups prior to preparation of the RPA. The procurement agent was not involved in the bid evaluation process until after the completion of the initial bid review was performed by the user groups.

Recommendation:
Internal audit emphasized the need to maintain proper segregation of duties within the procurement, requisition and contract adm areas. They stated that the roles should be clearly defined and communicated to the procurement agent and user groups.

Roles of the procurement agent should be redefined to make sure of the agent's involvement in the bid solicitation and evaluation process. Part of this role should include independent solicitation and evaluation of bids to make sure competitive bids are obtained.

There is only one procurement agent whose responsibilities sometimes overlap between procurement and contract adm. When this is identified the RPA, PO and related DWA should be authorized by proper management level.

The company has concurred with Internal Audit's recommendations and has segregated the duties of procurement and contract adm. Also the procurement process has been revised so that the Procurement Plat Leader is responsible for soliciting and evaluating bids

PSC staff follow up: For Surveillance audit request revised procurement procedures at Putnam to review.

II. Requisition and Purchase Authorization (RPA) - Twelve of the 14 RPS reviewed were prepared after estimates/bids were received and evaluated. Three of 14 PO's did not have proper procurement bid documentation or sole source justification.

Recommendation: The process should be reevaluated. An RPA should be prepared and authorized before any bids are solicited. The user group may be involved in evaluation process especially where technical components are being considered. The role of the agent is to ensure commercial terms are appropriate and competitive bids are obtained.

Company agrees with recommendation and revised the process where the originator prepares and authorizes the RPA and the Procurement Plant Leader is responsible for soliciting and evaluating bids.

Recommendation: The files should contain the proper bid documentation or sole source justification. Management concurs and has developed a checklist to make sure proper documentation is kept in the file.

PSC staff follow up. For surveillance report audit request revised process of processing RPA's and soliciting and evaluating bids at Putnam.

III. PO's with environmental risks. As of July 1994 the Risk Management department issued new guidelines to be included in contracts with environmental risks. All future contracts with environmental risks should include these clauses.

PSC staff follow up. If any contract audit done in connection with the environmental clause audit than the contracts should be reviewed to determine if the July1994 guidelines are included.

IV. Inventory Turnover. Approximately $1,006,914 of $2,521,177 of the M&S inventory had not been issued in the past five years. Site management is aware of this and have significantly reduced the amount of obsolete or excess inventory over the past three years.

The inventory reduction process and technical review or ordering levels is an on going process at Putnam.

PSC staff follow up for Surveillance. Possible issue is overstatement of inventory can overstate rate base. Find out what adjustments have been made for the surveillance report.

V. Repairable Policy. Per FERC reusable materials consisting of large individual items shall be included in Account 154 at original cost, estimate if now known. Reusable material consisting of relatively small items, should be included in the account at current prices which has been defined as "fair market value". The company current policy to return rebuilt items to inventory at 50% of last purchase price or the cost to rebuild, whichever is greater. No documentation could be provided to show that 50% was fair market value for the rebuilt items in the audit. Also no documentation could be provided for the company's policy of 50% of last purchase price or the cost to rebuild, whichever is greater. The company says that analysis of certain parts has been made and another analysis is currently underway of hot end components to determine fair market value on these relatively small rebuilt items.

Recommendation; The company should follow FERC for pricing repairable items. Also, a time frame should be established for the completion of the analysis of all items. Management concurs and says a representative sample will be performed to determine fair market value and that the analysis need to be expanded to include a representative sample. It will be completed by July 31, 1996. Right now, it is being determine whether a fair market value could be assigned. If so, individual fair market value percentages will be used. If not, a common fair market value percent will be used for all parts.

PSC staff follow up. When doing surveillance report, check to see is the analysis is complete for 96 and if an adjustment was made or should be made to the surveillance report.

2. PSL PROCUREMENT AND CONTRACT ADMINISTRATION AUDIT - AUGUST 16, 1996. (Port St. Lucie Units 1 & 2 Nuclear)

The objective of the audit was to assess the adequacy of internal controls over various contract administration and procurement processes. The responsibilities of the site procurement agents, company reps and contract administrators were focused on.

Tests were performed to make sure that purchase orders were awarded, bids solicited, received and evaluated per FPL policies and procedures. Also, supplier's billings were reviewed to make sure that agreed with the PO terms and conditions.

Contract Administration- A. Sample of transactions with eight suppliers who were billing FPL on a hourly basis. A comparison was made of the hours billed for each of the supplier's employees to FPL gate logs for seven suppliers for October and November 1995. One was not done because it was a lump sum contract.

Other various tests were performed.

Significant discrepancies were noted for three of the seven suppliers.

Recommendation:

Site contract administrators should make sure the hours reported on the suppliers' billings and time reports are accurate. In the future all supplier employees should identify all time spent off site on the time reports. Suppliers should be made to justify any significant variances. If justification is not reasonable, FPL should consider using other suppliers.

Management responded that the suppliers would be required to explain the variances and demand reimbursement for any variances supplier could not explain. Site employees administering supplier contracts will be required to maintain their own records of hours worked by suppliers to be used in the future to determine whether the hours billed by suppliers are correct. One of the contractors already agreed to reimburse FPL for some variance.

B. Late and Excessive DWA and CCO Authorizations.

A sample of 73 CCO's issued to 25 supplier was reviewed. Nine were prepared and authorized 11-63 days after work was performed. Four the 58 DWA's reviewed were prepared 18 to 68 days after work performed. Internal audit noted that site personnel often obtain 5 -- 9 signatures on each DWA and CCO approved, and that this number significantly exceeded the amount obtained by other FPL business units. This would contribute to the delays.

Recommendation: The CCO' and DWAs should be prepared in a timely manner. If an emergency arises, forms should be filled out as soon as possible after the work starts. The number of approvals necessary should be evaluated.

Management issued a letter reminding employees that written authorization must be obtained prior to work and the only on site employee who can give a verbal authorization is the VP. Deviations from policy will not be tolerated and will result in disciplinary action up to and including discharge. Management will evaluate the number of approvals required.

C. Procurement. 25 POs were sampled. Of the many tests, one item stood out. A purchase order was awarded to a sole source supplier with reasons justifying the sole source PO. Internal audit felt the reasons were not sufficient and that without reviewing and comparing prices and experience of other suppliers, they do not know if the amounts paid were reasonable.

The Manager of Materials Management said his approval had not been obtained for the single source justification. The agents acted independently. Two agents involved no longer work for nuclear division and one of the agents no longer works for FPL.

Recommendation: Additional bids should be required and approval from the Materials Manager should be obtained on sole source justification

Management said his approval would be needed on all sole source justifications.

PSC audit follow up. This does not affect the clauses. When doing surveillance report, review new procedures to audit suppliers hours worked. Review new procedures or letters to on site employees to filling out DWA AND RPAS.

3. SANFORD PLANT ADMINISTRATION AUDIT- DECEMBER 31, 1996
Purchase Order and Contract Administration.

Procurement Activities - Six PO were reviewed to determine that the policies of FPL were being followed for procurement. Two PO's were dated subsequent to the start of the work and one PO had a CCO which was not prepared in a timely manner.

Management is aware of the importance of proper and timely document, and will reemphasize this fact to those employees involved.

Materials and Supplies (M&S) and Capital Inventory

Inventory Turnover. A review of the M&S onsite in which no activity was reported in the past five years was performed. Approximately $1.3 million of $3.5 million had not been issued in the past five years. Management was aware of this concern and has significantly reduced the amount of obsolete or excess inventory over the past three years.

A review is being made of the 1.3 million in inventory. Currently all items greater than $200 have been evaluated. Plant personnel is in the process of evaluating items under $200 to determine whether it is necessary to maintain these inventory items.

PSC follow up: For surveillance report purposes determine if any adj made.

4. SUPPLIER DIVERSITY - SUBCONTRACTING PLAN - July 31, 1996

In 1995 the Company entered into a ten year Area wide Public Utilities Contract (Area wide Agreement) with the U.S. General Service Administration (GSA). The advantages of this agreement are :(1) the Company could contract with federal agencies for Demand Side Management Services. The Agreement classifies the Co as a federal contractor. Because the Co is classified as a federal contractor, they must be in compliance with various Federal Acquisition Regulations and implement a Subcontracting Plan (Plan) for small businesses, which includes disadvantaged businesses (SDB).

Internal audit reviewed the adequacy and effectiveness of the Plan's development and implementation to make sure it complied with the ''plan' provisions, governing fed requirements and management policies.

Internal audit stated that the sample selection and detail testing of the supplier data base, bids, bid summaries, and awarded Pos for compliance with the plan and regulatory requirements were precluded. This could not be effectively performed until the supplier database is surveyed and reclassified with focus on small business aspects, Buyer Workstation is implemented and there is sufficient data for sampling. Prior to 95 the data base focused on minority and women business enterprises (MWBE).

Results: There is no documentation of the Company's small business program except for the plan. The supplier data base needs to be refocused to the small business rather than the MWBE. Not all FPL procurement groups were trained regarding the requirements of the Plan. The plan for 1996 was submitted to the GSA late. The expenditure report due to the GSA was filed late. Internal audit made recommendations for all of these items and management will follow up.

PSC staff follow up: This is a new program and not complete. It does not effect the clauses, but could effect the rules and regs the co has to follow for bidding, evaluation and awarding. If we do a contract audit, we should be aware of this.

5. FUEL RISK MANAGEMENT PROCESS AUDIT - JULY 15, 1996

Before reviewing this internal audit, PSC staff asked the company the provide a description of the fuel risk management process. The Company provided attachment on wp no 9-1. The description of the process appears to agree with what is in the internal audit.

Conversation with Sam Waters and Dave Wasalewski. FPL has a contract with Citrus Trading to purchase a certain volume of natural gas. The contract provides for FPL to be able to buy up to 50% of the volume of the contract on a forward looking basis, out to 13 months. That is on the futures market. Mr. Waters says that per the contract FPL can purchase from citrus for the coming month at the average last 3 trading days of the prior month. Prior to the last three days, FPL can purchase for the coming month up to 50% of the volume agreed upon with Citrus from the futures market.

As explained by Mr. Waters there are control mechanisms that control the exposure limits on volume and price. If buy futures and price falls far enough will sell out and take loss. There is a limit as to how much loss could be taken. The opposite also works. If they purchase very low and prices go higher, can see future and take the profit which goes through the fuel adjustment.

SCOPE AND OBJECTIVE

Make sure there is a clear strategy that controls the risk associated with this process, are there adequate management approvals in place and adhered to, are policies, procedures and valuation techniques adequate, is there adequate segregation of duties to safeguard assets, are risks understood and within the guidelines, are transactions properly disclosed and accounted for in accord with FPL procedure, are regulatory considerations researched and understood.

The dates of this audit is transactions January 1996 through May 1996.

FINDINGS:

Mark to Market Valuation Spreadsheet - Segregation of Duties

The valuations are an important part of the program. The FPL trader performs these mark to market valuations on a daily basis to report the current value for all open positions. This allows the trader to monitor open positions and to determine when to settle or close out a position. The valuation spreadsheet is sent to the risk mgmt board on a daily basis. The trader is authorized to initiate transactions with on the mark to market valuation spreadsheet. There is a segregation of duty issue here.

Internal audit says the mark to market spreadsheet should be reconciled by an independent of the fuel risk management process. Should be performed and documented on a monthly basis.

Co management says there is a segregation of duties now. An independent reconciliation is being done by someone else besides the trader and that there were going to formalize the process.

Risk Limits. The procedures do not say whether gains realized on closed out positions should be added to the exposure limit increasing it, or the exposure limit stays the same even if gains were realized.

Management says the risk management board understands clearly that the maximum annual exposure is net of any realized gains at this point, but will put this in writing.

These [illegible] part of the fuel [illegible]

See 9-2 for followup.

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NATURAL GAS COST - DOLLARS

MONTH	A3 SCHEDULE GAS TOTAL (1)	CITRUS INVOICE TOTAL (2)	SPOT MARKET GAS COST ESTIMATE (3)	TOTAL MINUS CITRUS MINUS SPOT* (4)
Apr-96	$ 56,569,143	$ 24,316,178	$ 16,883,917	$ 15,369,048
May-96	$ 70,363,558	$ 31,493,209	$ 19,010,552	$ 19,859,797
Jun-96	$ 63,740,887	$ 31,965,644	$ 15,616,401	$ 16,158,842
Jul-96	$ 72,034,862	$ 37,097,917	$ 17,495,415	$ 17,441,530
Aug-96	$ 75,358,772	$ 33,746,605	$ 18,040,510	$ 23,571,658
Sep-96	$ 59,787,536	$ 25,316,355	$ 15,765,676	$ 18,705,506
Oct-96	$ 53,416,173	$ 18,096,870	$ 14,984,684	$ 20,334,619
Nov-96	$ 45,923,566	$ 24,681,241	$ 11,111,749	$ 10,130,576
Dec-96	$ 48,994,225	$ 37,059,002	$ 7,302,679	$ 4,632,544
Jan-97	$ 44,665,493	$ 27,200,961	$ 9,440,670	$ 8,023,862
Feb-97	$ 50,010,807	$ 17,194,716	$ 23,192,022	$ 9,624,069
Mar-97	$ 54,974,740	$ 18,722,142	$ 19,220,840	$ 17,031,757
TOTAL	$ 695,839,764	$ 326,890,840	$ 188,065,116	$ 180,883,808

NATURAL GAS VOLUMES - MMBTU

MONTH	A3 SCHEDULE GAS TOTAL (1)	(NET OF FUEL) CITRUS INVOICE TOTAL (2)	SPOT MARKET GAS VOLUME ESTIMATE (3)	TOTAL MINUS CITRUS MINUS SPOT** (4)
Apr-96	17,322,391	9,000,000	6,657,977	1,664,414
May-96	23,328,584	13,330,000	8,163,035	1,835,549
Jun-96	22,328,581	12,900,000	6,472,691	2,955,890
Jul-96	21,053,751	13,330,000	6,571,523	1,152,228
Aug-96	25,133,213	13,330,000	7,537,821	4,265,392
Sep-96	24,870,789	12,900,000	7,796,826	4,173,963
Oct-96	22,299,163	9,300,000	7,552,596	5,446,567
Nov-96	14,370,537	9,000,000	4,298,876	1,071,661
Dec-96	11,295,707	9,300,000	1,995,707	0
Jan-97	8,691,369	6,200,000	2,491,369	0
Feb-97	15,153,867	5,600,000	9,194,204	359,663
Mar-97	22,050,084	9,300,000	9,959,104	2,790,980
TOTAL	227,898,036	123,490,000	78,691,730	25,716,306

* - COST OF SPOT GAS TRANSPORTATION, REBUNDLED GAS SUPPLY AND MISC. ITEMS

** - REBUNDLED GAS VOLUME

Citrus is 46.97% of total gas purchased
(326,890,840 ÷ 695,839,764)

Avg Spot purchase 2.3898 (188,065,116 ÷ 78,691,730 [illegible]

Avg Citrus purchase 2.6471 (326,890,840 ÷ 123,490,000) [illegible]

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CITRUS TRADING CONTRACT - "FUTURES" MARKET RELATED PURCHASES

MONTH		CITRUS INVOICE TOTAL		CITRUS FUTURES TRANSACTIONS COST (DOLLARS) (INCLUDED IN COL. 1)	VOLUME (MMBTU)		UNIT PRICE ($/MMBTU)
		(1)		(2)	(3)		(4)
Apr-96	$	24,316,178	$	-	-	$	-
May-96	$	31,493,209	$	9,136,035.51	3,990,000	$	2.2897
Jun-96	$	31,965,644	$	-	-	$	-
Jul-96	$	37,097,917	$	-	-	$	-
Aug-96	$	33,746,605	$	-	-	$	-
Sep-96	$	25,316,355	$	6,378,586.45	3,230,000	$	1.9748
Oct-96	$	18,096,870	$	1,749,678.67	930,000	$	1.8814
Nov-96	$	24,681,241	$	1,160,633.69	450,000	$	2.5792
Dec-96	$	37,059,002	$	4,817,765.00	1,410,000	$	3.4169
Jan-97	$	27,200,961	$	3,943,958.16	930,000	$	4.2408
Feb-97	$	17,194,716	$	5,360,087.31	1,890,000	$	2.8360
Mar-97	$	18,722,142	$	9,451,760.42	4,650,000	$	2.0326
TOTAL	$	326,890,840	$	41,998,505.21	17,480,000	$	2.4027

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THERMAL UPRATE PROJECT
ANALYSIS OF TEMPORARY PAYROLL COSTS

Name	SS Number (1)	1995 ST	1995 OT	1996 (A) ST	1996 (A) OT	Totals ST	Totals OT	Total Temp Payroll
Andy Tituskin	[redacted]	$0.00	$0.00	$32,800.00 46-5/1 p2	$3,462.50 46-5/1 p3	$32,800.00	$3,462.50	$36,262.50
Dick Berks	[redacted]	$0.00	$0.00	$15,428.00 46-5/1 p5	$0.00	$15,428.00	$0.00	$15,428.00
John Guy	[redacted]	$21,194.00	$0.00	$350.00 46-5/1 p10	$0.00	$21,544.00	$0.00	$21,544.00
Ralph Campenella	[redacted]	$35,532.00	$784.00	$25,004.00 46-5/1 p16	$252.00	$60,536.00	$1,036.00	$61,572.00
Larry Coogan	[redacted]	$18,560.00	$96.00	$13,824.00 46-5/1 p23	$0.00	$32,384.00	$96.00	$32,480.00
Alan Dunston	[redacted]	$44,532.00	$576.00	$42,624.00	$0.00	$87,156.00	$576.00	$87,732.00
Totals		**$119,818.00**	**$1,456.00**	**$130,030.00**	**$3,714.50**	**$249,848.00**	**$5,170.50**	**$255,018.50**

46-5/1 p30

Total 1995 **$121,274.00**

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Total 1996 **$133,744.50**

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Note: 1994 data not available in PRA

(A) 1996 ST + OT traced to Detail Transaction Report 46-5
For each Temp Employee Listed above (1) the pay periods on the transaction report were agreed to employment dates on Confidential employee profile data (no exceptions) (2) The employee ID # on the transaction report were agreed w/ the confidential employee profile data + the employee names on the profile were checked to make sure they agreed w/ the list here (no exceptions) (3) the hourly rate on the transaction report was agree to the base salary on the confidential employee profile (no exceptions).
(4) Hours were traced to employee time sheets for 3 employees (Tituskin, Campanella, Dunston)
See WP 46-5 p2 for finding.

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