

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for change in) DOCKET NO. 931231-EI
Depreciation Rates by Florida) ORDER NO. PSC-94-1173-FOF-EI
Power & Light Company) ISSUED: September 26, 1994
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER REQUIRING COMPLIANCE WITH RULE 25-6.0142, F.A.C.,
AND MANDATING CERTAIN CHANGES TO ACCOUNTING PROCEDURES

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Case Background

In Docket Nos. 900794-EI, 901001-EI and 910081-EI by Order No. PSC-92-1303-FOF-EI issued on November 12, 1992, the Commission authorized continued use of the preliminary rates approved in Order No. 24161 for Florida Power & Light Company (FPL) for 1991 and 1992. This action was based on concerns over the catastrophic effects of Hurricane Andrew on FPL's operations and plant. FPL was directed to file an updated comprehensive depreciation study by June 1993 with an effective date of January 1, 1993.

Subsequently, as reflected in Order No. PSC-93-0211-FOF-EI, FPL agreed to file a comprehensive study covering production, transmission, distribution and general plant in December, 1993 with a January 1, 1994 implementation date. The same Order provides that dismantlement studies and decommissioning studies will be filed in December, 1994 with a January 1, 1995 implementation date. This schedule will facilitate a comprehensive review of depreciation parameters for all categories of plant at the same

DOCUMENT NUMBER-DATE

09850 SEP 26 1994

FPSC-RECORDS/REPORTING

time, while allowing the review of extraordinary removal costs (fossil dismantlement and nuclear decommissioning) at a later time.

On December 20, 1993, FPL filed a depreciation study in the current docket covering production, transmission, distribution and general plant, as required by Order No. PSC-93-0211-FOF-EI. At the February 15, 1994 Agenda, the Commission approved FPL's request to implement its proposed depreciation rates and recovery schedule on a preliminary basis effective, January 1, 1994. This Order addresses certain accounting issues raised during the review of that study. Commission action concerning the appropriate depreciation rates and recovery schedules will be addressed in a separate Order.

Work order monitoring procedure for Account 107, Construction Work In Progress

At the same time of the depreciation study review, the Commission's Division of Research and Regulatory Review performed an operational audit of the company's Continuing Property Records (CPRs).

FPL's Property Accounting section prepares and sends each business unit a report every other month listing work orders that have received no charges for two months or longer. However, there are no aggressive follow-up monitoring procedures in place that require the business unit to respond within a given period of time. This action permits work orders in Account 107, Construction Work In Progress, to remain open for months or years longer than may be necessary. Unauthorized charges could go undetected. Further, it adds to the volume of open work orders that need to be monitored, which is an inefficient use of resources.

Our review found that 1,252 work orders in Account 107, Construction Work in Progress as of January 1994, had received no charges for two months or longer. Of these, 34% had received no charges in over 12 months.

FPL believes that its existing monitoring procedure is effective, reflects strong internal controls and is a very effective use of resources and therefore does not need to be changed.

However, we believe that a follow-up procedure in connection with the existing bi-monthly monitoring is needed. Such a procedure would close work orders in a more timely fashion consequently reducing the time in Account 107, Construction Work In

Progress, and reduce the possibility of unauthorized charges. Therefore we find that a follow-up procedure shall be implemented to assure that the bi-monthly reports are reviewed and reported in a timely manner by the business units to the Property Accounting personnel.

Compliance with Rule 25-6.0142 (11), Florida Administrative Code

The Division of Research and Regulatory Review's operational audit also found that the Company was capitalizing general plant items that cost less than \$500. This results in an overstatement of rate base.

Rule 25-6.0142(11), Florida Administrative Code states:

A capitalization criteria of \$500 is imposed for each retirement unit as set forth in the List for the Office Furniture and Equipment, Stores Equipment, Tools, Shop and Garage Equipment, Laboratory Equipment, Power Operated Equipment, Communication Equipment, and Miscellaneous Equipment Accounts.

FPL uses a blanket work order to authorize the purchase of General Plant assets costing \$500 or more. Sometimes the actual cost of the asset is less than the estimated cost of \$500. Such costs are being capitalized even though they do not meet the capitalization criteria of Rule 25-6.0142. FPL Property Accounting personnel review most purchase blanket work orders on a monthly basis and makes necessary corrections. FPL believes that the amounts which evade this monthly review are insignificant and do not warrant additional resources to review every transaction to assure 100% compliance. We believe, and find that FPL should comply with Commission Rule 25-6.0142 (11) and all items costing less than \$500 should be expensed.

Additional Information concerning Continuing Property Records

As part of the Division of Research and Regulatory Review's operational audit of FPL's Continuing Property Records, a field verification of property units at FPL locations was conducted. Staff found that it could not readily identify the units using the information on FPL's continuing property records. For example, at one switchyard location, out of 166 entries 56 (over one-third) could not be identified. FPL's CPRs contain the description of "Air Conditioner Unit Portable." There is no manufacturer's name, no serial number or any other type of additional information that

would allow the Commission to physically locate the air conditioner or to verify that a located air conditioner was, in fact, the one shown on the CPR. Another example is a CPR item of plant in service shown as "Fence". There is no description to tell what type of fence (chain link, wooden), nor the size (6 feet tall, 5 1/2 feet, etc.). Even though the CPR does have a date of placing, without further information Staff has no assurance that the item located is the one shown on the CPR.

FPL maintains it is in full compliance with the Federal Energy Regulatory Commission (FERC) requirements for CPRs and that the rules make no mention of model number or serial number. While this is true, Rule 25-6.014 (4), Florida Administrative Code, states that the utility's continuing property "records or records supplemental thereto shall contain such detailed description and classification of property record units that will permit their ready identification and verification."

Therefore, we find that, on a going-forward basis, information such as the model name, model number, manufacturer, serial number or any other identification data shall be added to the continuing property record or a supplemental record to provide for the ready identification and verification of the units.

It is therefore,

ORDERED that a follow-up procedure shall be implemented to assure that the bi-monthly reports concerning work orders in Account 107, Construction Work In Progress, are reviewed and reported in a timely manner by the business units to the Property Accounting personnel. It is further

ORDERED that FPL shall comply with Commission Rule 25-6.0142 (11) and all items costing less than \$500 shall be expensed. It is further

ORDERED that, on a going-forward basis, information such as the model name, model number, manufacturer, serial number or any other identification data shall be added to the continuing property record or a supplemental record to provide for the ready identification and verification of the units, as required by Rule 25-6.014(4), Florida Administrative Code. It is further

ORDER NO. PSC-94-1173-FOF-EI
DOCKET NO. 931231-EI
PAGE 5

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 26th
day of September, 1994.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

RVE

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on October 15, 1994.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.