

MEMORANDUM

June 14, 1994

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*
RE: DOCKET NO. 940001-EI -- FLORIDA POWER CORPORATION
CAPACITY COST RECOVERY AUDIT REPORT - PERIOD ENDED 03/31/94
AUDIT CONTROL NO. 93-270-2-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Florida Power Corporation
Richard W. Neiser
Post Office Box 14042
St. Petersburg, FL 33733-4042

DNV/sp
Attachment

cc: Chairman Deason
Commissioner Clark
Commissioner Johnson
Commissioner Laredo
Commissioner Kiesling
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Mailhot/Causseaux/
File Folder)
Division of Electric and Gas (Dudley)
Tampa District Office (Bouckaert)

Office of Public Counsel

DOCUMENT NUMBER-DATE

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FPDC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

TWELVE MONTHS ENDED MARCH 31, 1994

Field Work Completed

June 3, 1994

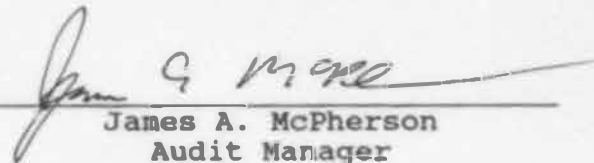
FLORIDA POWER CORPORATION

St. Petersburg, Florida

Pinellas County

Capacity Cost Recovery Clause

Audit Control Number 93-270-2-1

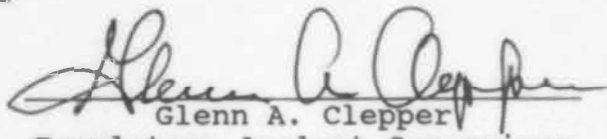

James A. McPherson
Audit Manager

Audit Staff

Rebecca J. Turner

Minority Opinion

Yes _____ No nt


Glenn A. Clepper
Regulatory Analyst Supervisor
Tampa

DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

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I. Executive Summary

Audit Purpose: We have applied the procedures described in Section II of this report to audit the appended Capacity Cost Recovery Clause Filing, Schedules KHW-2, filed by Florida Power Corporation in support of Docket 940001-EI for the six months ended September 30, 1993, and the six months ended March 31, 1994.

Scope Limitation: The last day of field work was June 3, 1994. The audit exit conference was waived by the Company. The report is not based on any confidential information.

Disclaim Public Use: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

Opinion: The appended exhibits, Schedules KHW-2, for the six months ended September 30, 1993, and the six months ended March 31, 1994, represent utility books and records maintained in substantial compliance with Commission directives. The expressed opinions extend only to the scope of work described in Section II of this report.

Summary Findings: Florida Power Corporation understated capacity cost revenues during the six months ended September 30, 1993, and in October 1993 for a total of \$116,985. The Company corrected this understatement in their filing for the six months ended March 31, 1994.

Florida Power Corporation overstated capacity costs for the six months ended March 31, 1993, and understated capacity costs for the six months ended September 30, 1993, resulting in a net understatement of \$4,218. An adjustment was made to the filing true-up for the six months ended March 31, 1994, to correct this net understatement.

II Audit Scope:

The opinions contained in this report are based on the audit work described below. When used in this report, COMPILED means that audit work includes:

COMPILED - Means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity or inconsistency; and, except as otherwise noted, performed no other audit work.

CAPACITY COST RECOVERY REVENUES: Recalculated capacity revenues using authorized rates and reconciled to the filing for both six month periods.

CAPACITY COST RECOVERY EXPENSES: Compiled capacity cost recovery expense for each of the two six month audited periods and traced to journal entries. Agreed reconcilable differences on Company schedules to supporting Company records. Vouched Purchase Capacity and Unit Power Capacity invoices and Billing Statements to Company filing for first six months. Reconciled Company filing to books and records of Company using Cogeneration Purchase Power Report for second six months. Summarized audited costs for both six-month periods and agreed to Filing.

CAPACITY COST RECOVERY GENERAL LEDGER: Reconciled recoverable capacity cost expense per the general ledger to Company filing.

CAPACITY COST RECOVERY TRUE-UP: Recalculated the CCRC true-up using audit-determined revenues and expenses.

AUDIT DISCLOSURE NO. 1

Subject: Adjustments to Revenue

Statement of Fact:

Florida Power Corporation reported in their filings, capacity cost revenues of \$14,561,756 for the six months ending March 31, 1993, and \$33,043,933 for the six months ending September 30, 1993.

Audit Opinion and Conclusion:

Florida Public Service Commission auditors recalculated revenues generated from the capacity clause rate factors. Based on our recalculation, we believe Florida Power Corporation's reported revenues were understated \$67,340 for the period April 1993 through September 1993 and understated \$7,764 in October 1993. The Company also recalculated capacity cost recovery clause revenues for the period October 1992 through March 1993, which was not covered by this audit, and determined that revenues should be increased \$41,881. This resulted in a total adjustment of \$116,985 to the capacity cost filing for all three periods. This adjustment was booked in November 1993 and is reflected in the true-up for the six months ending March 31, 1994.

Florida Power Corporation has corrected the reporting of capacity cost revenues and we have noted no further problems of this nature since October 1993.

Company Resonse - Verbatim:

The Company concurs with the facts and conclusion as presented. In November 1993, the Company changed its method of quantifying Capacity revenues.

AUDIT DISCLOSURE NO. 2

Subject: Capacity Cost Adjustments

Statement of Fact:

Florida Power Corporation reported in their filings, capacity costs of \$16,231,117 for the six months ending March 31, 1993, and \$29,032,470 for the six months ending September 30, 1993. Based on Florida Power Corporation's interchange letters, capacity costs were \$16,150,475 for the six months ending March 31, 1993, and \$29,117,330 for the six months ending September 30, 1993.

Audit Opinion and Conclusion:

We believe capacity costs were overstated in the amount of \$80,642 for the six months ending March 31, 1993, and were understated in the amount of \$84,860 for the six months ending September 30, 1993, resulting in a net understatement of \$4,218.

These differences occurred because of errors made in accounting for capacity payments made to cogenerators and other qualifying facilities. In some instances, Florida Power Corporation failed to reverse estimated capacity payments accrued from the previous month and in two instances payments were made but not recorded in the filing.

An adjustment for the net understatement of \$4,218 for the two periods ending March 31, 1993, and September 30, 1993, was booked by the Company in January 1994 and is reflected in the true-up for the six months ending March 31, 1994.

Since bringing these errors to the attention of Florida Power Corporation, they have corrected the reporting of capacity payments and we have noted no further problems of this nature since September 1993.

Company Response - Verbatim:

The Company concurs with the facts and conclusion as presented.

**CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD APRIL THROUGH SEPTEMBER 1993**

(a) Description	(b)	(c)	(d)	(e)	(f)	(g)	
	April	May	June	July	August	September	6 MONTHS Cumulative
Base Production Level Capacity Charges:							
1. Schedule E (82 MW)	\$650,740	\$650,740	\$650,740	\$650,740	\$650,740	\$650,740	\$3,904,440
2. Seminole Fertilizer Qualifying Facility	263,055	243,672	243,672	265,824	271,362	276,900	1,564,485
3. Schedule F Capacity Sales	0	0	0	0	0	0	0
4. Subtotal - Base Level Capacity Charges	\$913,795	\$894,412	\$894,412	\$916,564	\$922,102	\$927,640	\$5,468,925
5. Base Production Jurisdictional Responsibility	93.005%	93.005%	93.005%	93.005%	93.005%	93.005%	93.005%
6. Base Level Jurisdictional Capacity Charges	\$849,875	\$831,848	\$831,848	\$852,450	\$857,601	\$862,752	\$5,086,374
Intermediate Production Level Capacity Charges:							
7. Schedule E (318 MW)	\$2,523,613	\$2,523,613	\$2,523,613	\$2,523,613	\$2,523,613	\$2,523,613	\$15,141,678
8. Schedule F Capacity Charges	0	0	0	0	0	0	\$0
9. TECO Power Purchase	\$268,291	\$301,204	\$376,065	\$394,387	\$395,903	\$371,600	\$2,107,450
10. Bay County Qualifying Facility	0	76,230	76,230	76,230	76,230	76,230	\$381,150
11. Dade County Qualifying Facility	519,010	519,010	519,010	519,010	519,010	519,010	\$3,114,060
12. Timber Energy Qualifying Facility	237,174	249,939	249,939	249,939	249,939	249,939	\$1,486,869
13. Lake Cogen Qualifying Facility	0	0	0	1,386,480	1,257,917	1,386,480	\$4,030,877
14. Pasco Cogen Qualifying Facility	0	0	0	1,386,480	1,329,631	1,386,480	\$4,102,591
15. Other Capacity Sales (Sch H)	(58,749)	(28,208)	(29,002)	(28,361)	(28,361)	(34,426)	(\$207,107)
16. Subtotal - Intermediate Level Capacity Charges	\$3,489,339	\$3,641,788	\$3,715,855	\$6,507,778	\$6,323,882	\$6,478,926	\$30,157,568
17. Intermediate Production Jurisdictional Responsibility	85.163%	85.163%	85.163%	85.163%	85.163%	85.163%	85.163%
18. Intermediate Level Jurisdictional Capacity Charges	\$2,971,626	\$3,101,456	\$3,164,534	\$5,542,219	\$5,385,608	\$5,517,647	\$25,683,090
19. Sabring Base Rate Credit	203,500	242,659	283,360	303,690	359,552	344,233	\$1,736,994
20. Jurisdictional Capacity Charges (line 6 + 18 - 19)	\$3,618,001	\$3,690,645	\$3,713,022	\$6,090,979	\$5,883,657	\$6,036,166	\$29,032,470
21. Capacity Cost Recovery Revenues (net of tax)	\$4,264,483	\$4,222,649	\$5,312,639	\$6,053,312	\$6,834,748	\$6,356,102	\$33,043,933
21a. Gross Receipts Tax Adjustment (thru Mar 93)	0	0	0	0	0	0	0
22. Prior Period True-Up Provision	(277,140)	(277,140)	(277,140)	(277,140)	(277,140)	(277,138)	(1,662,838)
23. Current Period Capacity Cost Recovery Revenues (net of tax) (sum of lines 21 through 22)	\$3,987,343	\$3,945,509	\$5,035,499	\$5,776,172	\$6,557,608	\$6,078,964	\$31,381,095
24. True-Up Provision - Over/(Under) Recovery (line 23 - line 20)	\$369,342	\$254,864	\$1,322,477	(\$314,807)	\$673,951	\$42,798	\$2,348,625
25. Interest Provision (from sheet 2)	(2,940)	(1,396)	1,397	3,471	4,637	6,362	11,531
26. Current Cycle Balance (line 24 + line 25)	366,402	619,870	1,943,744	1,632,408	2,310,996	2,360,156	2,360,156
26. Prior Period Ending Balance	(1,446,627)	(1,446,627)	(1,446,627)	(1,446,627)	(1,446,627)	(1,446,627)	(1,446,627)
27. Prior Period True-Up Provision Cumulative	277,140	554,280	831,420	1,108,560	1,385,700	1,662,838	1,662,838
28. Other:	0	0	0	0	0	0	0
29. End of Period True-Up (lines 24 through 28)	(\$803,085)	(\$272,477)	\$1,328,537	\$1,294,341	\$2,250,069	\$2,576,367	\$2,576,367

FLORIDA POWER CORPORATION
 CAPACITY COST RECOVERY CLAUSE
 TRUE-UP CALCULATION
 FOR THE PERIOD OCTOBER 1993 THROUGH MARCH 1994

Florida Power Corporation
 Docket #40001-E1
 Witness: K.H. Wistard (DOW-2)
 Exhibit No.
 Sheet 2 of 3

Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	October	November	December	January	February	March	6 Months Cumulative
Production Level Capacity Charges:							
1. UPS Purchase (200 MW)	\$0	\$0	\$0	\$2,412,726	\$2,381,063	\$2,401,581	\$7,195,370
2. Schedule E (B2/200 MW) for March 8 is 100%	650,740	650,740	650,740	0	0	1,597,303	3,549,523
3. Mulberry Energy - OF	0	0	0	0	0	0	0
4. Royalty Phosphate - OF	0	0	0	0	0	0	0
5. Seminole Fertilizer Qualifying Facility	277,200	277,200	266,410	266,846	281,076	278,797	1,647,529
6. Schedule F Capacity Sales	0	0	0	0	0	0	0
7. Subtotal - Base Level Capacity Charges	\$927,940	\$927,940	\$917,150	\$2,679,572	\$2,662,139	\$4,277,681	\$12,392,422
8. Base Production Jurisdictional Responsibility	93.005%	93.005%	93.005%	93.005%	93.005%	93.547%	93.192%
9. Base Level Jurisdictional Capacity Charges	\$863,031	\$863,031	\$852,995	\$2,492,136	\$2,475,922	\$4,001,642	\$11,548,757
Intermediate Production Level Capacity Charges:							
10. UPS Purchase (0 MW)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11. Schedule E (D18/0 MW)	2,523,613	2,523,613	2,523,613	1,597,303	1,597,303	0	10,765,445
12. Schedule F Capacity Charges	0	0	0	0	0	0	0
13. TECO Power Purchase	\$471,367	\$471,367	\$471,367	\$471,367	\$471,367	\$471,367	2,828,202
14. Bay County Qualifying Facility	76,230	76,230	76,230	76,230	86,060	81,290	472,270
15. Dade County Qualifying Facility	519,010	479,010	439,010	479,010	571,230	505,240	2,992,510
16. Timber Energy Qualifying Facility	249,939	249,939	249,939	249,939	251,000	249,939	1,500,695
17. Lake Cogan Qualifying Facility	1,278,172	1,334,971	1,334,971	1,334,971	1,324,467	1,402,438	8,209,941
18. Peace Cogan Qualifying Facility	1,334,971	1,334,971	1,334,971	1,334,971	1,524,467	1,402,438	8,266,790
19. Orlando Cogan Qualifying Facility	1,273,594	1,071,118	1,076,995	1,071,118	1,168,808	1,119,624	6,781,258
20. Auburnville Qualifying Facility	0	0	0	0	0	0	0
21. Ridge Generating Station Qualifying Facility	0	0	0	0	0	0	0
22. Schedule H Capacity Sales	(\$6,333)	(\$6,617)	(\$11,009)	(\$11,311)	(\$1,957)	(\$9,556)	(\$55,783)
23. Subtotal - Intermediate Level Capacity Charges	\$7,670,513	\$7,475,602	\$7,496,088	\$6,603,598	\$7,192,745	\$5,222,782	\$41,661,328
24. Intermediate Production Jurisdictional Responsibility	85.163%	85.163%	85.163%	85.163%	85.163%	84.348%	85.061%
25. Intermediate Level Jurisdictional Capacity Charges	\$6,532,439	\$6,366,447	\$6,383,893	\$5,623,872	\$6,125,557	\$4,405,312	\$35,437,470
26. Base Rate Credits	\$287,486	\$286,896	\$292,037	\$325,673	\$304,481	\$271,344	\$1,767,917
26a. Amount for Prior Cap Exp (jurisdictionalized)				4,218			\$4,218
27. Jurisdictional Capacity Charges (line 9 - 25 - 26 - 26a)	\$7,107,984	\$6,942,582	\$6,944,851	\$7,794,503	\$8,296,998	\$8,135,610	\$45,222,528
28. Capacity Cost Recovery Revenues (net of tax)	\$5,608,924	\$7,579,920	\$7,796,755	\$8,772,896	\$7,956,252	\$7,035,436	\$44,800,183
28a. Capacity Cost Revenues Adjustment (Net of Tax)	0	116,985	0	0	0	0	116,985
29. Prior Period True-Up Provision	13,245	13,245	13,245	13,245	13,245	13,244	79,469
30. Current Period Capacity Cost Recovery Revenues (net of tax) (sum of lines 28 through 29)	\$5,622,169	\$7,760,150	\$7,810,000	\$8,786,141	\$7,969,497	\$7,048,680	\$44,996,637
31. True-Up Provision - Over/(Under) Recovery (line 30 - line 27)	(\$1,485,815)	\$817,568	\$865,149	\$991,638	(\$327,501)	(\$1,086,930)	(\$225,891)
32. Interest Provision for the Month	4,819	3,889	6,254	8,677	9,840	6,564	42,043
33. Current Cycle Balance (line 31 + line 32) Cumulative	(\$1,480,996)	(\$69,539)	211,864	1,212,179	894,518	(\$183,848)	(\$183,848)
34. True-Up & Interest Provision (beginning)	2,576,367	2,576,367	2,476,317	2,476,317	2,476,317	2,576,367	2,576,367
35. Prior Period True-Up Collected/(Refunded) Cumulative	(\$13,245)	(\$26,490)	(\$39,735)	(\$52,980)	(\$66,225)	(\$79,469)	(\$79,469)
36. Other	0	0	0	0	0	0	0
37. End of Period Net True-Up (lines 33 through 36)	\$1,082,126	\$1,852,228	\$2,748,495	\$3,735,565	\$3,404,660	\$2,313,050	\$2,313,050

State of Florida

Commissioners:

J. TERRY DEASON, CHAIRMAN
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 488-8371

Public Service Commission

June 15, 1994

Mr. Richard W. Neiser
Florida Power Corporation
Post Office Box 14042
St. Petersburg, FL 33733-4042

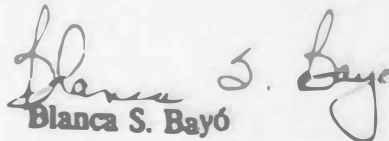
Dear Mr. Neiser:

RE: Docket No. 940001-EI - Florida Power Corporation
Capacity Cost Recovery Audit Report - Period Ended 3/31/94

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/kes

Enclosure

cc: Public Counsel