

MEMORANDUM

June 20, 1994

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 940001-EI -- FLORIDA POWER AND LIGHT COMPANY  
CAPACITY COST RECOVERY AUDIT REPORT - PERIOD ENDED MARCH 31, 1994  
AUDIT CONTROL NO. 93-270-4-1

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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 was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Florida Power and Light Company  
Bill Walker  
810 First Florida Bank Building  
215 South Monroe Street  
Tallahassee, FL 32301-1859

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)  
Miami District Office (Welch)

Office of Public Counsel

DOCUMENT NUMBER-DATE  
06049 JUN 21 1994  
FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION  
AUDIT REPORT  
FOR THE 12 MONTHS ENDED MARCH 31, 1994

FIELD WORK COMPLETED

JUNE 6, 1994

FLORIDA POWER AND LIGHT

MIAMI, FLORIDA

DADE COUNTY

CAPACITY COST RECOVERY CLAUSE

*940001*  
DOCKET NUMBER ~~930001~~-E1

AUDIT CONTROL NUMBER J3-270-4-1

*Iliana H. Piedra*

ILIANA H. PIEDRA  
AUDIT MANAGER

*Kathy Welch*

KATHY WELCH  
REGULATORY ANALYST SUPERVISOR  
MIAMI DISTRICT OFFICE

DOCUMENT NUMBER-DATE

06049 JUN 21 94

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 the appended Capacity Cost Recovery Exhibits filed by Florida Power and Light Company in support of Docket 930001-EI for the twelve months ended March 31, 1994 to determine that exhibits represent utility books, that those records are maintained in compliance with Commission directives; and that facts which may influence the Commission decision process are disclosed.

**SCOPE LIMITATION:** The exit conference was held on June 10, 1994. This audit includes confidential information filed separately with the Commission Clerk.

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

**OPINION:** Subject to Audit Exception 1, Audit Disclosure 1 and the procedures described in Section II, the appended Capacity Cost Recovery Schedules for the twelve month period ended March 31, 1994, represent utility books and records maintained in substantial compliance with Commission directives.

## II. AUDIT SCOPE

This report is based on the audit work described below. When used in this section of the report COMPILED and EXAMINED defines completed audit work as:

**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 noted performed no other audit work.

**EXAMINED:** means that the audit staff reconciled exhibit amounts with the general ledger; traced general ledger ~~\_\_\_\_\_~~ \_\_\_\_\_ ledgers; applied selective analytical review procedures; tested account balances to the extent further described; and disclosed any error, irregularity, or inconsistency observed.

**COST RECOVERY REVENUES:** Compiled Revenues from the Revenue and Rate Report and reconciled to company's filing. Verified that the company is billing the proper recovery factor per related Commission Order.

**CAPACITY CHARGES:** Compiled all types of capacity charges from the general ledger and reconciled to the filing.

### Unit Power Capacity -

Reconciled to the Southern Company Invoices and Jacksonville Electric Association invoice. Examined the month of December 1993.

### Southern Company Invoice -

traced the capacity purchased to company's entitlement worksheet and to the related contract sections. Traced the capacity production and transmission rate calculations to documentation provided by Southern Company to FPL, and to related contract sections explaining methodology. Recalculated the prior months true-up amount. Reconciled previous months adjustments and interest to summary schedule provided by Southern Company to FPL. Obtained company's verification checklist for the Southern Company payment process.

Jacksonville Electric Association Invoice - Traced recovery amount to invoice, traced megawatts to company's commitment schedule and traced the transmission rates to the related agreement.

Qualifying Facilities Capacity --

The Qualifying Facility (QF) amounts in the CCR-2 exhibit were traced to the Distribution Trial Balance. The amounts in the CCR-2 exhibit and Distribution Trial Balance were reconciled to the Company billing summary and all QF bill amounts for the ten months ending January, 1994. Reconciling items were traced to appropriate source documentation. Traced credits to the Capacity Charge Account to the contract requirements for BioEnergy, Wheelabrator North Broward and Wheelabrator South Broward.

Staff selected and read the Qualifying Facility Contract with Florida Crushed Stone.

Recalculated all capacity factors associated with the calculation of a monthly capacity payment for the Florida Crushed Stone Contract. These factors include actual amount of hours that are in a particular month, total megawatt hours (MWH) of committed capacity provided to FPI during the month, the maximum allowed amount of MWH that can be provided according to the contract, the monthly capacity factor, and the yearly capacity factor.

These factors were recalculated and traced to appropriate source documents according to the specifications of the contract. Once the annual capacity factor is determined to be correct, it is compared to the criteria that are stated in the contract. This determines the equation to use to figure the monthly capacity payment. The monthly capacity payment is then recalculated and agreed to invoice.

Traced a judgmental sample of billing statements and check vouchers to original cancelled checks or wire transfers where appropriate.

Agreed payee, dollar amounts from billing statements and check vouchers to cancelled checks. Determined that the payee and endorsee were the same, and that the date the check was endorsed was close to the issue date.

Agreed the amounts on the wire transfer tapes and original bank statements to billing statements and check vouchers. Determined that the date on the wire transfer tapes agreed with the dates on the bank statements. Compared sequence numbers from the wire transfers to the bank statements. (Sequence numbers denote the name of the company the dollars are transferred to.)

St. John River Power Park Capacity --

Reconciled charges per the filing to monthly Purchased Power Accruals, Carrying cost of inventories, bond amortization expenses and fixed cost of operations. Read contract sections related to the above.

Examined the months of October 1993 and March 1994. Traced all components of the Purchased Power Accrual to company's schedules and applicable source documentation for payment. Recalculated the Carrying cost of Inventory and Bond amortization expenses. Traced the Fixed Cost of Operations to company's worksheets and recalculated FPL's portion.

Revenues from Capacity Sales --

Traced all amounts to monthly Power Billing Summaries and to actual bills.

CAPACITY IN BASE RATES:

Traced the Capacity related amounts included in Base Rates to approved Commission Order and to related accounts in company's ledger. Reviewed the adjustment made in August and recalculated the revised amount.

JURISDICTIONAL SEPARATION FACTOR:

Traced the demand factor to company's testimony. Read Commission Order 25773.

TOTAL NET TRUE-UP CALCULATION: Recalculated true-up and interest provision; traced the Beginning true-up to prior filing and the Prior Period True-up to Commission Order. Traced interest rates to the Wall Street Journal 30-day commercial rate.



EXCEPTION NO. 1

SUBJECT: ST. JOHN RIVER POWER PLANT (SJRPP) CAPACITY CHARGE  
OVERSTATEMENT

STATEMENT OF FACTS:

The company included \$342,577.49 in the October 1993 SJRPP Capacity charge total on the "Calculation of Final True up Amount" filing. This amount represents payment to Jacksonville Electric Authority for FPL's portion of the Cumulative Capital Recovery Amount.

The company accrues a monthly amount for the capital recovery amount.

AUDIT OPINION:

Since the company accrues a monthly amount for this item, the recording of the payment overstates capacity charges. The payment should have been recorded as a debit to the payable instead of the expense.

The company has prepared a journal entry to make the correction. This correction, along with the interest calculation, will be reflected in May 1994. The interest was calculated retroactively to October 1993 and was reviewed by staff.

Since the above correction will be reflected in staff's next period of audit, no additional adjustments are necessary.



DISCLOSURE NO. 1

SUBJECT: CAPACITY RELATED AMOUNTS INCLUDED IN BASE RATES

STATEMENT OF FACTS:

Per Order 92-1334-FOF-EI, dated 11/18/92, \$63,975,761 of Capacity Costs associated with the St. John River Power Plant (SJRPP) contract were deemed inappropriate for recovery through the Capacity Cost Recovery Clause because the amount was included in the Operating and Maintenance expenses used in the calculation of the rate reduction ordered in the Tax Savings Case (Docket no. 890319).

The company revised this amount and made a retroactive adjustment in the month of August 1993. The revised amount is \$56,945,592.

ACCOUNT 555.240 - PURCHASED POWER - NON RECOVERABLE: SJRPP (\$5,331,314 monthly)	\$63,975,761
REVISED AMOUNT (\$4,745,466 monthly)	\$56,945,592
DIFFERENCE	----- \$7,030,169 =====
ACCOUNT 555.210 - PURCHASED POWER - NON RECOVERABLE	(\$425,982)
ACCOUNT 555.220 - NON RECOVERABLE TAMPA BIG BEND	(\$661,966)
ACCOUNT 447.215 - INTERCHANGE SALES NON RECOVERABLE	(\$5,942,227)
DIFFERENCE	----- (\$7,030,175) =====

Per the company's testimony dated 7/7/93, Account 447.215 relates to capacity sales related revenues and accounts 555.210 and 555.220 relate to credits for prior period overpayments to SJAPP and Tampa Electric Company. The company explained these revenues and credits were also included in the 1988 Tax Savings case.

**AUDIT OPINION:**

The above revision appears to be reasonable.  
All amounts were traced to the company's books.

V. EXHIBITS

FLORIDA & LIGHT COMPANY  
CAPACITY RECOVERY CLAUSE  
CALCULATION OF FINAL TRUE-UP AMOUNT  
FOR THE PERIOD APRIL 1993 THROUGH SEPTEMBER 1993

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	TOTAL
1. Unit Power (UPS) Capacity Charges	\$26,055,888	\$26,852,143	\$19,675,285	\$20,289,786	\$20,287,783	\$17,786,624	\$130,947,509
2. SJRPP Capacity Charges	7,877,086	6,896,159	6,973,237	6,885,847	7,478,080	7,669,317	43,779,726
3. Qualifying Facilities (QF) Capacity Charges	4,833,754	5,306,137	5,120,404	5,080,164	5,174,829	5,074,115	30,589,402
4. Short-term Capacity Purchases	0	11,240	0	0	0	0	11,240
5. Revenues from Capacity Sales	(223,775)	(205,583)	(139,977)	(1,299,311)	(966,544)	(258,541)	(3,093,730)
6. Total Company Capacity Charges	<u>38,542,953</u>	<u>38,860,096</u>	<u>31,628,949</u>	<u>30,956,486</u>	<u>31,974,147</u>	<u>30,271,515</u>	<u>202,234,147</u>
7. Jurisdictional Separation Factor (a)	98.53070%	98.53070%	98.53070%	98.53070%	98.53070%	98.53070%	n/a
8. Jurisdictional Capacity Charges	37,976,641	38,289,125	31,164,225	30,501,643	31,504,351	29,826,736	199,262,721
9. Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(5,331,314)	(5,331,314)	(5,331,314)	(5,331,314)	1,113,014	(4,745,466)	(24,957,708)
10. Jurisdictional Capacity Charges Authorized for Recovery through CCR Clause	<u>\$32,645,327</u>	<u>\$32,957,811</u>	<u>\$25,832,911</u>	<u>\$25,170,329</u>	<u>\$32,617,365</u>	<u>\$25,081,270</u>	<u>\$174,305,013</u>
11. Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$21,847,452	\$20,089,162	\$24,488,365	\$27,427,312	\$29,039,842	\$28,048,111	\$150,940,244
12. Prior Period True-up Provision	3,870,864	3,870,864	3,870,864	3,870,863	3,870,863	3,870,863	23,225,181
13. Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	<u>\$25,718,316</u>	<u>\$23,960,026</u>	<u>\$28,359,229</u>	<u>\$31,298,175</u>	<u>\$32,910,705</u>	<u>\$31,918,974</u>	<u>\$174,165,425</u>
14. True-up Provision for Month - Over/(Under) Recovery (Line 12 - Line 9)	(\$6,927,011)	(\$8,997,785)	\$2,526,318	\$6,127,846	\$293,340	\$6,837,704	(\$139,588)
15. Interest Provision for Month	31,719	835	(17,981)	(16,793)	(18,409)	(19,380)	(40,010)
16. True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	23,225,181	12,459,025	(408,789)	(1,771,316)	468,873	(3,127,058)	23,225,181
17. Deferred True-up - Over/(Under) Recovery	(5,704,243)	(5,704,243)	(5,704,243)	(5,704,243)	(5,704,243)	(5,704,243)	(5,704,243)
18. Prior Period True-up Provision - Collected/(Refunded) this Month	(3,870,864)	(3,870,864)	(3,870,864)	(3,870,863)	(3,870,863)	(3,870,863)	(23,225,181)
19. End of Period True-up - Over/(Under) Recovery (Sum of Lines 12 through 18)	<u>\$6,754,782</u>	<u>(\$6,113,032)</u>	<u>(\$7,475,559)</u>	<u>(\$5,235,370)</u>	<u>(\$8,831,301)</u>	<u>(\$5,883,840)</u>	<u>(\$5,883,840)</u>

Notes: (a) Per B. T. Birkett's Testimony Document No.1, Docket No. 920001-E1, filed July 7, 1992.  
(b) Per FPSC Order No. PSC-92-1334-FOF-E1, issued November 18, 1992, Docket No. 920887-E1, adjusted in August per E. L. Hoffman's Testimony Appendix IV, Docket No. 930001-E1, filed July 8, 1993.

FLORIDA POWER LIGHT COMPANY  
 CAPACITY COST RECOVERY CLAUSE  
 CALCULATION OF INTEREST PROVISION  
 FOR THE PERIOD APRIL THROUGH SEPTEMBER 1993

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	TOTAL
1. Beginning True-up Amount	\$17,520,938	\$6,754,782	(\$6,113,032)	(\$7,475,559)	(\$5,235,370)	(\$8,831,301)	n/a
2. Ending True-up Amount Before Interest	6,723,063	(6,113,866)	(7,457,578)	(5,218,577)	(8,812,892)	(5,864,460)	n/a
3. Total Beginning & Ending True-up Amount (Lines 1+2)	24,244,001	640,916	(13,570,610)	(12,694,136)	(14,048,262)	(14,695,762)	n/a
4. Average True-up Amount ( 50 % of Line 3 )	\$12,122,001	\$320,458	(\$6,785,305)	(\$6,347,068)	(\$7,024,131)	(\$7,347,881)	n/a
5. Interest Rate - First day of Reporting Business Month	0.03190	0.03090	0.03160	0.03200	0.03150	0.03140	n/a
6. Interest Rate - First day of Subsequent Business Month	0.03090	0.03160	0.03200	0.03150	0.03140	0.03190	n/a
7. Total Interest Rate ( Lines 5+6 )	0.06280000	0.06250000	0.06360000	0.06350000	0.06290000	0.06330000	n/a
8. Average Interest Rate ( 50 % of Line 7 )	0.03140000	0.03125000	0.03180000	0.03175000	0.03145000	0.03165000	n/a
9. Monthly Average Interest Rate ( 1/12 of Line 8 )	0.00261667	0.00260417	0.00265000	0.00264583	0.00262083	0.00263750	n/a
10. Interest Provision for the Month (Line 4 X Line 9 )	\$31,719	\$835	(\$17,981)	(\$16,793)	(\$18,409)	(\$19,380)	(\$40,010)

NOTE: Columns and rows may not add due to rounding.

**FLORIDA POWER & LIGHT COMPANY**  
**CAPACITY COST RECOVERY CLAUSE**  
**CALCULATION OF FINAL TRUE-UP AMOUNT**  
**FOR THE PERIOD OCTOBER 1993 THROUGH MARCH 1994**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	ACTUAL JANUARY (c)	ACTUAL FEBRUARY	ACTUAL MARCH	TOTAL
1. Unit Power (UPS) Capacity Charges	\$19,735,534	\$19,920,843	\$20,004,715	\$18,975,499	\$18,278,456	\$19,325,499	\$116,240,546
2. SJRPP Capacity Charges	7,129,516	5,438,084	8,048,770	7,036,785	4,396,707	9,983,590	42,033,453
3. Qualifying Facilities (QF) Capacity Charges	5,046,121	5,077,527	5,078,291	5,352,078	11,475,417	11,738,238	43,767,672
4. Short-term Capacity Purchases	0	0	0	0	0	0	0
5. Revenues from Capacity Sales	(107,853)	(129,156)	(117,517)	(741,360)	72,208	(92,003)	(1,115,681)
6. Total Company Capacity Charges	31,803,318	30,307,297	33,014,260	30,623,002	34,222,789	40,955,324	200,925,990
7. Jurisdictional Separation Factor (a)	98.59840%	98.59840%	98.59840%	98.59840%	98.59840%	98.59840%	n/a
8. Jurisdictional Capacity Charges	31,357,563	29,882,510	32,551,532	30,193,790	33,743,122	40,381,294	198,109,811
9. Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(28,472,796)
10. Jurisdictional Capacity Charges Authorized for Recovery through CCR Clause	\$26,612,097	\$25,137,044	\$27,806,066	\$25,448,324	\$28,997,656	\$35,635,828	\$169,637,015
11. Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$32,307,291	\$29,992,020	\$28,510,778	\$28,064,672	\$27,337,727	\$26,984,977	\$173,197,266
12. Prior Period True-up Provision	(2,029,292)	(2,029,292)	(2,029,292)	(2,029,291)	(2,029,291)	(2,029,291)	(12,175,749)
13. Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$30,277,999	\$27,962,728	\$26,481,486	\$26,035,381	\$25,308,436	\$24,955,686	\$161,021,517
14. True-up Provision for Month - Over/(Under) Recovery (Line 13 - Line 10)	\$3,665,902	\$2,825,684	(\$1,324,580)	\$586,857	(\$3,689,220)	(\$10,680,142)	(\$8,615,498)
15. Interest Provision for Month	(8,008)	5,847	13,566	24,887	19,842	6,182	62,316
16. True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	(12,175,749)	(6,488,563)	(1,627,740)	(909,463)	1,731,573	91,486	(12,175,749)
17. Deferred True-up - Over/(Under) Recovery	6,291,909	6,291,909	6,291,909	6,291,909	6,291,909	6,291,909	6,291,909
18. Prior Period True-up Provision - Collected/(Refunded) this Month	2,029,292	2,029,292	2,029,292	2,029,291	2,029,291	2,029,291	12,175,749
19. End of Period True-up - Over/(Under) Recovery (Sum of Lines 14 through 18)	(\$196,654)	\$4,664,169	\$5,382,446	\$8,023,482	\$6,383,395	(\$2,261,273)	(\$2,261,273)

- Notes: (a) Per B. T. Birkett's Testimony Appendix IV, Page 6, Docket No. 940001-E1, filed January 18, 1994.  
(b) Per FPSC Order No. PSC-92-1334-FOF-E1, issued November 18, 1992, Docket No. 920887-E1, adjusted in August per E. L. Hoffman's Testimony Appendix IV, Docket No. 930001-E1, filed July 8, 1993.  
(c) Interest Provision (Line 15) has been increased by \$6,935, to reflect the applicable interest for an adjustment made to Revenues from Capacity Sales made in August 1993, retroactive to October 1992.

FLORIDA POWER & LIGHT COMPANY  
CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF INTEREST PROVISION  
FOR THE PERIOD OCTOBER 1993 THROUGH MARCH 1994

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	TOTAL
1. Beginning True-up Amount	(\$5,883,840)	(\$196,654)	\$4,664,169	\$5,382,446	\$8,023,482	\$6,383,395	n/a
2. Ending True-up Amount Before Interest	(188,646)	4,658,322	5,368,880	7,918,594	6,363,553	(2,267,455)	n/a
3. Total Beginning & Ending True-up Amount (Lines 1+2)	(6,072,486)	4,461,668	10,033,049	13,301,040	14,387,035	4,115,940	n/a
4. Average True-up Amount ( 50 % of Line 3 )	(\$3,036,243)	\$2,230,834	\$5,016,525	\$6,690,520	\$7,193,518	\$2,057,970	n/a
5. Interest Rate - First day of Reporting Business Month	0.03190	0.03140	0.03150	0.03340	0.03100	0.03520	n/a
6. Interest Rate - First day of Subsequent Business Month	0.03140	0.03150	0.03340	0.03100	0.03520	0.03690	n/a
7. Total Interest Rate ( Lines 5+6 )	0.06330000	0.06290000	0.06490000	0.06440000	0.06620000	0.07210000	n/a
8. Average Interest Rate ( 50 % of Line 7 )	0.03165000	0.03145000	0.03245000	0.03220000	0.03310000	0.03605000	n/a
9. Monthly Average Interest Rate ( 1/12 of Line 8 )	0.00263750	0.00262083	0.00270417	0.00268333	0.00275833	0.00300417	n/a
10. Interest Provision for the Month (Line 4 X Line 9 )	(\$8,008)	\$5,847	\$13,566	\$17,953	\$19,842	\$6,182	\$55,382

NOTE: Columns and rows may not add due to rounding.



State of Florida

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



DIVISION OF RECORDS &  
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DIRECTOR  
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**Public Service Commission**

June 21, 1994

Mr. Bill Walker  
Florida Power and Light Company  
810 First Florida Bank Building  
215 South Monroe Street  
Tallahassee, FL 32301-1859

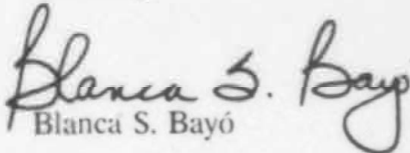
Dear Mr. Walker:

RE: Docket No. 940001-EI - Florida Power & Light Company  
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  
Matthew Childs