

MEMORANDUM

March 5, 1996

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 960002-EG -- FLORIDA POWER CORPORATION  
RESIDENTIAL REVENUE DECOUPLING AUDIT REPORT  
AUDIT CONTROL NO. 96-033-2-1

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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 no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

James P. Fama  
Florida Power Corporation  
3201 Thirty-fourth Street South  
St. Petersburg, FL 33711-3897

DNV/sp

Attachment

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

Research and Regulatory Review (Harvey)  
Office of Public Counsel

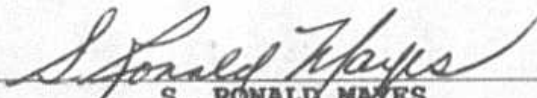
DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

RECEIVED  
FLORIDA PUBLIC  
COMMISSION  
95 FEB 30 PM 3:24  
REGULATING &  
FINANCIAL ANALYSIS DIV

FLORIDA PUBLIC SERVICE COMMISSION  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 1995  
FIELD WORK COMPLETED  
FEBRUARY 23, 1996  
FLORIDA POWER CORPORATION  
ST. PETERSBURG, FLORIDA  
PINELLAS COUNTY  
RESIDENTIAL REVENUE DECOUPLING AUDIT  
DOCKET NUMBER 960002-EG  
AUDIT CONTROL NUMBER  
96-033-2-1


  
S. RONALD MYLES  
AUDIT MANAGER

AUDIT STAFF

A. LAWLER

MINORITY OPINION

YES  NO  *al*

  
ANN BOUCKAERT  
PUBLIC UTILITIES SUPERVISOR  
TAMPA DISTRICT OFFICE

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## I. EXECUTIVE SUMMARY

We have applied the procedures described in Section II of this report to audit selected items of Exhibit 1 of Florida Power Corporation in support of Docket 960002-EG for the year ended December 31, 1995.

**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. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

**OPINION:** Florida Power Corporation's records represents 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.

## II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below.

### SCOPE OF WORK PERFORMED:

Investigated adjustments made to residential billed customers.  
Investigated adjustments made to residential active meters.  
Investigated the monthly fluctuations in the number of customers reported for the period.

For each month of the test period:

- Recomputed residential base revenues.
- Traced residential active meters to Company's records.
- Traced residential billed customers to Company's records.
- Traced residential kilowatt hours billed to Company's records.
- Verified interest rates used for the interest provision.
- Recomputed the interest provision.

**AUDIT DISCLOSURE NUMBER 1**

**SUBJECT: Customer billing changes**

**STATEMENT OF FACTS:** In March 1995 the company converted to a new billing system. (Customer service systems, CSS). Under the old system when the customer's meter was read the billing was not processed until a given cycle. Customers were billed on a basis that resulted in a customer's bill being issued at basically the same date each month. Under the new system the customer is billed the day following the reading of the meter. This has resulted in Customer bills having inconsistent recording patterns. Plotting the data shows a gain of customers in one month followed by a loss of customers in the next month in a manner that is not consistent with prior periods. Statistically, this makes the data not comparable to prior years. To determine the target base revenues for the decoupling the Company used the actual customers from CSS since its conversion.

**OPINION:** Although the customer billing data does not track prior periods, the amounts as computed for the revenue decoupling are representative of the Company's books. As the Company is using the same basis, actual customers, to calculate both the actual base revenue and the target base revenue, the true up provision appears to be an accurate representation of the costs related to decoupling.

Florida Power Corporation

Residential Revenue Decoupling Calculation - Actual Calculation  
1998

FLORIDA POWER CORPORATION

Contract No. 900002-E

Witness: E. H. Wilson

Exhibit No. \_\_\_\_\_

Sheet 1 of 2

Revenue per Customer computed by multiplying Adjusted RPC by monthly factor

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Adjusted Year-to-Date
Adjustment for Saverasy														
1 Coefficient for Real Personal Income	N/A													
2 Personal Income - Forecast	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
3 Personal Income - Actual	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
4 Use per Customer - Base Value	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	12,898.0	12,898.8
5 Adjustment for Personal Income	N/A	N/A	N/A											N/A
6 Use per Customer adj for Pers Inc	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	1,074.8	12,898.0	12,898.8
7 Adjusted Revenue per Customer:	\$2.08	\$2.08	\$2.08	\$2.08	\$2.08	\$2.08	\$2.08	\$2.08	\$2.08	\$2.08	\$2.08	\$2.08	\$24.74	\$24.74
8 Monthly Rev Adj Factor	0.9905	0.9476	0.9008	0.8182	0.835	1.0452	1.2025	1.2835	1.244	1.0471	0.9533	0.8847	1.0010	1.0010
9 Monthly Use per Customer Target	1,083	1,007	894	840	891	1,133	1,337	1,418	1,381	1,182	885	828	12,815	12,815
10 Monthly RPC Target	\$1.87	\$4.33	\$4.80	\$2.80	\$3.47	\$4.41	\$2.80	\$5.78	\$4.78	\$6.55	\$4.42	\$6.08	\$25.37	\$25.37
11														
12 Actual Customers	1,128,348	1,132,775	1,114,383	1,134,817	1,082,207	1,112,836	1,088,818	1,083,118	1,130,886	1,113,838	1,167,538	1,124,707	1,122,148	1,122,148
13 Actual Meters	1,128,951	1,134,483	1,115,847	1,175,853	1,082,352	1,112,879	1,089,881	1,089,359	1,131,838	1,113,887	1,167,678	1,124,847	1,122,853	1,122,853
14 Actual Sales - Cash	1,105,851,344	1,244,385,151	898,388,738	871,424,587	1,142,882,881	1,470,085,708	1,484,484,714	1,810,884,732	1,581,325,577	1,287,788,751	1,081,110,838	1,002,445,478	14,818,050,183	14,818,050,183
15 Actual Use per Customer	880	1,088	888	827	1,048	1,321	1,343	1,382	1,407	1,248	917	882	13,285	13,228
16 Actual Base Revenue	\$4,458,310	\$8,094,458	\$4,882,813	\$4,458,881	\$5,814,427	\$8,844,828	\$8,527,882	\$7,404,384	\$7,880,874	\$6,845,880	\$2,802,088	\$8,282,404	\$18,871,528	\$18,871,528
17 Actual Revenue per Customer	\$3.98	\$7.02	\$4.39	\$3.98	\$5.82	\$7.87	\$7.82	\$6.41	\$6.42	\$6.85	\$4.70	\$4.72	\$16.71	\$16.71
18														
19														
20 Year-By Calculation:														
20 Actual Base Revenue	\$4,458,310	\$8,094,458	\$4,882,813	\$4,458,881	\$5,814,427	\$8,844,828	\$8,527,882	\$7,404,384	\$7,880,874	\$6,845,880	\$2,802,088	\$8,282,404	\$18,871,528	\$18,871,528
21 Target Base Revenue	\$9,188,958	\$5,879,791	\$9,824,358	\$8,251,484	\$7,478,328	\$8,833,028	\$8,285,082	\$7,805,388	\$7,238,780	\$1,856,825	\$1,417,828	\$2,888,828	\$8,757,347	\$8,757,347
22 True-up Provision - Over (Under) Recovery	(\$4,730,648)	2,214,667	(4,941,545)	(3,792,603)	1,336,189	1,411,808	242,810	(1,401,004)	642,094	5,009,055	1,484,260	(2,706,424)	10,114,181	10,114,181
is to be collected														
23														10,114,181
24 Interest Provision	(\$425)	(\$337)	(\$28)	(\$808)	13,444	\$5,501	78,383	72,027	71,016	\$2,278	\$4,450	\$1,850	\$32,748	\$32,748
25 True-Up and Interest Provision	(\$4,730,673)	2,214,330	(4,941,573)	(3,793,411)	1,349,633	1,416,309	242,623	(1,428,277)	613,033	5,010,333	1,528,710	(2,814,574)	10,146,929	10,146,929
26 General True-up Beginning of Period														
27 True-up Collected (Rebilled)														
28 End of Period Net True-up Amount Over (Under) Rec.	(\$4,730,673)	2,214,330	(4,941,573)	(3,793,411)	1,349,633	1,416,309	242,623	(1,428,277)	613,033	5,010,333	1,528,710	(2,814,574)	10,146,929	10,146,929
29														
30														
31 True-up Balance Without Interest - Over (Under) Rec	(\$4,730,648)	2,214,667	(4,941,545)	(3,792,603)	1,336,189	1,411,808	242,810	(1,401,004)	642,094	5,009,055	1,484,260	(2,706,424)	10,114,181	10,114,181
32														
33 INTEREST PROVISION:														
34 1. Beginning Balance	0	(\$425)	(\$337)	(\$28)	(\$808)	13,444	\$5,501	78,383	72,027	71,016	\$2,278	\$4,450	\$1,850	\$32,748
35 2. Current Month True-up	(\$4,730,648)	2,214,667	(4,941,545)	(3,792,603)	1,336,189	1,411,808	242,810	(1,401,004)	642,094	5,009,055	1,484,260	(2,706,424)	10,114,181	10,114,181
36 3. Ending Balance	(\$4,730,648)	2,214,330	(4,941,573)	(3,793,411)	1,349,633	1,416,309	242,623	(1,428,277)	613,033	5,010,333	1,528,710	(2,814,574)	10,146,929	10,146,929
37 4. Total of Beginning and Ending (Line 1 + Line 3)	(\$4,730,648)	2,214,330	(4,941,573)	(3,793,411)	1,349,633	1,416,309	242,623	(1,428,277)	613,033	5,010,333	1,528,710	(2,814,574)	10,146,929	10,146,929
38 5. Average Balance (Line 4/2)	(\$1,894,824)	1,107,165	(2,470,886)	(1,596,705)	674,816	708,154	121,311	(714,138)	250,516	2,505,166	764,355	(1,407,287)	5,073,464	5,073,464
39 6. Interest Rate - First Day of Reporting Period	8.00%	8.10%	8.20%	8.10%	8.20%	8.20%	8.10%	8.10%	8.10%	8.10%	8.10%	8.10%	8.10%	8.10%
40 7. Interest rate - First Day of Subsequent Period	8.10%	8.20%	8.10%	8.20%	8.20%	8.10%	8.10%	8.10%	8.10%	8.10%	8.10%	8.10%	8.10%	8.10%
41 8. Total (Line 6 + Line 7)	12.10%	12.30%	12.30%	12.30%	12.40%	12.30%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%	12.20%
42 9. Average Interest Rate (Line 6/2)	8.08%	8.07%	8.08%	8.08%	8.07%	8.08%	8.08%	8.08%	8.08%	8.08%	8.08%	8.08%	8.08%	8.08%
43 10 Monthly Average Interest Rate (Line 8/12)	8.08%	8.07%	8.08%	8.08%	8.07%	8.08%	8.08%	8.08%	8.08%	8.08%	8.08%	8.08%	8.08%	8.08%
44 11. Interest Provision (Line 5 * Line 10)	(\$425)	(\$337)	(\$28)	(\$808)	13,444	\$5,501	78,383	72,027	71,016	\$2,278	\$4,450	\$1,850	\$32,748	\$32,748

State of Florida

Commissioners:

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



DIVISION OF RECORDS &  
REPORTING  
BLANCA S. BAYO  
DIRECTOR  
(904) 413-6770

**Public Service Commission**

March 7, 1996

James P. Fama  
Florida Power Corporation  
Post Office Box 14042  
St. Petersburg, Florida 33733-4042

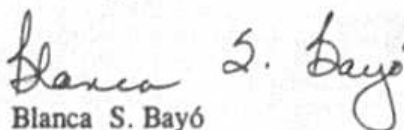
Dear Mr. Fama:

RE: Docket No. 960002-EG -- Florida Power Corporation  
Residential Revenue Decoupling Audit Report  
Audit Control #96-033-2-1

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/mas  
Enclosure  
cc: Public Counsel