

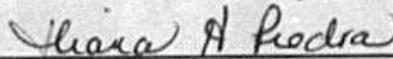
FLORIDA PUBLIC SERVICE COMMISSION

**AUDIT REPORT
TWELVE MONTHS ENDED SEPTEMBER 30, 1996**

**FIELD WORK COMPLETED
DECEMBER 19, 1996**

**FLORIDA POWER AND LIGHT
MIAMI, FLORIDA
DADE COUNTY**

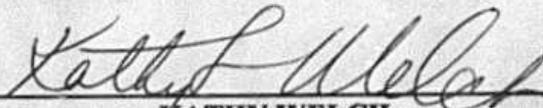
**ENERGY CONSERVATION COST RECOVERY CLAUSE
DOCKET NUMBER 960002-EG
AUDIT CONTROL NUMBER 96-214-4-1**



**ILIANA H. PIEDRA
AUDIT MANAGER**

**AUDIT STAFF
YEN NGO**

**MINORITY OPINION
YES_ NO X yl**



**KATHY WELCH
REGULATORY AUDIT SUPERVISOR
MIAMI DISTRICT OFFICE**

DOCUMENT NUMBER-DATE
13785 DEC 30 96
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 Energy Conservation Cost Recovery schedules for the twelve months ended September 30, 1996 prepared by Florida Power & Light Company in support of Docket 960002-EG. The audit exit conference was held on December 19, 1996. This report is based on confidential information which is separately filed 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. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

OPINION: The conservation cost recovery schedules for the twelve months ended September 30, 1996 represent Florida Power & Light's books and records maintained in substantial compliance with Commission Directives; The expressed opinions extend only to the scope of work as described in Section II of this report.

II. AUDIT SCOPE

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

COMPILED: 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.

REVIEWED: The audit staff reconciled exhibit amounts to the general ledger, traced general ledger account balances to subsidiary ledgers, applied selective analytical review procedures, and disclosed any unresolved error, irregularity, or inconsistency observed.

EXAMINED: The audit staff reconciled exhibit amounts to the general ledger, traced general ledger account balances to subsidiary ledgers, applied selective analytical review procedures, tested account balances to the extent further described and disclosed any error, irregularity, or inconsistency observed.

REVENUES: Compiled revenues from the general ledger and reconciled to the revenue and rate report. Traced the revenue and rate report to filed schedules. Recalculated the ECC factor charged for the month of May and June and reconciled to FPSC Order.

EXPENSES: Compiled expenses from the general ledger and reconciled to the filing. Reconciled conservation expenses per the audit analyzer tape to the filing. Prepared analytical review; examined expenses related to the Commercial/Industrial Lighting and the new Residential Air Conditioning Program, and overall advertising expenses.

Compiled and analyzed information related to assigned jobs.

Compiled Commercial/Industrial payroll information, reconciled to filing and categorized by exempt, non-exempt.

Compiled proformas/reversals and pension and welfare amounts.

Recalculated selected months of the Depreciation and Return calculations for the Residential Load Management, Commercial/Industrial Load control, Monitoring Equipment and Common Equipment. Also, examined additions to the capital accounts for the above and reconciled capital balances to the books.

Read selected internal audits.

TRUE-UP CALCULATION: Recalculated the true up calculation. Traced beginning true-up and deferred true-up to prior period. Traced interest rates to Wall Street Journal - 30 day Commercial rate.

OTHER: Read rule 25-17.15 FAC to determine compliance with the required accounting and reporting requirements presented in the Company's CT schedules and the books and records supporting these schedules.

III. AUDIT EXCEPTIONS

AUDIT EXCEPTION NO 1

SUBJECT: MISSING DOCUMENTATION

STATEMENT OF FACTS:

Staff selected a random sample of 50 vouchers from accounts 908.170 - Commercial/Industrial Lighting and 908.410 - Residential Air Conditioning.

The company was not able to provide source documentation for the following items:

ACCOUNT	DATE	AMOUNT	VOUCHER NUMBER
908.410	10/95	250.00	00069
908.410	3/96	584.00	00071
908.410	6/96	88.00	00070
908.410	7/96	88.00	00070
908.410	8/96	42.00	00070

AUDIT OPINION:

The number of missing items represents 10% of the total number being tested.

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V. FILED EXHIBITS

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION PROGRAM C
 OCTOBER 1995 THROUGH MARCH 1996

	OCTOBER	NOVEMBER	DECEMBER	ACTUALS JANUARY	FEBRUARY	MARCH	TOTAL
B. CONSERVATION PROGRAM REVENUES							
1. a. RESIDENTIAL LOAD CONTROL CREDIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. C/I ENERGY ANALYSIS FEE							0
c. C/I - PENALTIES							0
d. BUSINESS ENERGY EXPO							0
2. CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	16,572,309	14,759,885	12,815,176	14,825,011	13,116,753	12,673,604	84,762,737
3. TOTAL REVENUES	16,572,309	14,759,885	12,815,176	14,825,011	13,116,753	12,673,604	84,762,737
4. ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	203,334	203,334	203,334	203,334	203,334	203,334	1,220,004
5. CONSERVATION REVENUES APPLICABLE TO PERIOD (Line B3 + B4)	16,775,643	14,963,219	13,018,510	15,028,345	13,320,087	12,876,938	85,982,741
6. CONSERVATION EXPENSES (From CT-3, Page 1, Line 33)	14,043,783	12,856,478	14,803,124	10,993,858	13,517,639	13,307,868	79,522,750
7. TRUE-UP THIS PERIOD (Line B5 - Line B6)	2,731,860	2,106,741	(1,784,614)	4,034,487	(197,552)	(430,930)	6,459,991
8. INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	38,602	49,049	49,081	51,924	57,601	56,063	302,320
9. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH (A)	1,220,004	3,787,132	5,739,588	3,800,721	7,663,798	7,340,554	1,220,045
a. DEFERRED TRUE-UP BEGINNING OF PERIOD	5,400,404	5,400,404	5,400,404	5,400,404	5,400,404	5,400,404	5,400,404
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(203,334)	(203,334)	(203,334)	(203,334)	(203,334)	(203,334)	(1,220,004)
11. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (Line B7+B8+B9+B9a+B10)	\$9,187,536	\$11,139,992	\$9,201,125	\$13,084,202	\$12,740,917	\$12,162,757	\$12,162,757

NOTES: () Reflects Underrecovery

(A) Amount for March and the Total has been increased by \$41 to reflect GRT refund amounts related to adjustments in customers' bills for periods prior to April 1994.

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION PROGRAM COSTS
 OCTOBER 1995 THROUGH MARCH 1996

	OCTOBER	NOVEMBER	DECEMBER	ACTUALS JANUARY	FEBRUARY	MARCH	TOTAL
C. INTEREST PROVISION							
1. BEGINNING TRUE-UP AMOUNT (Line B9+B9a)	\$6,620,408	\$9,187,536	\$11,139,992	\$9,201,125	\$13,084,202	\$12,740,958	\$61,974,221
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST (Line B7+B9+B9a+B10)	9,148,934	11,090,943	9,152,044	13,032,278	12,683,316	12,106,694	67,214,209
3. TOTAL OF BEGINNING & ENDING TRUE-UP (Line C1+C2)	\$15,769,342	\$20,278,479	\$20,292,036	\$22,233,403	\$25,767,518	\$24,847,652	\$129,188,430
4. AVERAGE TRUE-UP AMOUNT (50% of Line C3)	\$7,884,671	\$10,139,240	\$10,146,018	\$11,116,702	\$12,883,759	\$12,423,826	\$64,594,215
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.94000%	5.81000%	5.80000%	5.81000%	5.40000%	5.33000%	N/A
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.81000%	5.80000%	5.81000%	5.40000%	5.33000%	5.50000%	N/A
7. TOTAL (Line C5+C6)	11.75000%	11.61000%	11.61000%	11.21000%	10.73000%	10.83000%	N/A
8. AVERAGE INTEREST RATE (50% of Line C7)	5.87500%	5.80500%	5.80500%	5.60500%	5.36500%	5.41500%	N/A
9. MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.48958%	0.48375%	0.48375%	0.46708%	0.44708%	0.45125%	N/A
10. INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	\$38,602	\$49,045	\$49,081	\$51,924	\$57,601	\$56,083	\$302,320

NOTES: () Reflects Underrecovery
 N/A = Not Applicable

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION PROGRAM COSTS
 APRIL 1996 THROUGH SEPTEMBER 1996

	APRIL	MAY	JUNE	ACTUALS JULY	AUGUST	SEPTEMBER	TOTAL
C. INTEREST PROVISION							
1. BEGINNING TRUE-UP AMOUNT (Line B9+B9a)	\$12,162,756	\$5,443,748	\$1,609,379	(\$3,275,238)	(\$7,722,344)	(\$9,146,606)	(\$928,305)
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST (Line B7+B9+B9a+B10)	5,404,857	1,593,545	(3,271,457)	(7,697,267)	(9,108,561)	(9,380,568)	(22,460,451)
3. TOTAL OF BEGINNING & ENDING TRUE-UP (Line C1+C2)	\$17,566,613	\$7,037,293	(\$1,662,078)	(\$10,972,505)	(\$16,830,905)	(\$18,527,174)	(\$23,388,756)
4. AVERAGE TRUE-UP AMOUNT (50% of Line C3)	\$8,783,307	\$3,518,647	(\$831,039)	(\$5,486,253)	(\$8,415,453)	(\$9,263,587)	(\$11,694,378)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.50000%	5.40000%	5.40000%	5.52000%	5.45000%	5.40000%	N/A
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.40000%	5.40000%	5.52000%	5.45000%	5.40000%	5.44000%	N/A
7. TOTAL (Line C5+C6)	10.90000%	10.80000%	10.92000%	10.97000%	10.85000%	10.84000%	N/A
8. AVERAGE INTEREST RATE (50% of Line C7)	5.45000%	5.40000%	5.46000%	5.48500%	5.42500%	5.42000%	N/A
9. MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.45417%	0.45000%	0.45500%	0.45708%	0.45208%	0.45167%	N/A
10. INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	\$39,891	\$15,834	(\$3,781)	(\$25,077)	(\$38,045)	(\$41,841)	(\$53,019)

NOTES: () Reflects Underrecovery
 N/A = Not Applicable

State of Florida

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

Public Service Commission

December 31, 1996

Mr. Bill Walker
Florida Power & Light Company
215 South Monroe Street, Suite 810
Tallahassee, Florida 32301

RE: Docket No. 960002-EG -- Florida Power & Light Company
Conservation Audit Report - Period Ended September 30, 1996
Audit Control # 96-214-4-1

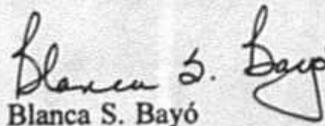
Dear Mr. Walker:

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.

The Division of Records and Reporting is holding the work papers for which you requested confidential treatment. You have 21 days from the audit exit conference, or January 10, 1997 to file a formal request for Confidential Classification with the Division of Records and Reporting.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/cls
Enclosure
cc: Public Counsel
Steel Law Firm