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# Public Service Commission

June 11, 1999

Mr. James A. McGee  
Florida Power Corporation  
P. O. Box 14042  
St. Petersburg, FL 33733-4042

**Re: Docket No. 990002-EG - Florida Power Corporation  
Conservation Audit Report - Period Ended December 31, 1998**

Mr. McGee:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

*Denise N. Vandiver*  
Denise N. Vandiver  
Bureau Chief - Auditing Services

DNV: sp

- cc:  Division of Records and Reporting
- Division of Auditing and Financial Analysis (Devlin/Causseaux/File Folder)
- Division of Electric and Gas (Colson)
- Tampa District Office (McPherson)
- Division of Legal Services
- Office of Public Counsel
- Research and Regulatory Review (Harvey)

- IFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
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- EAG \_\_\_\_\_
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- MAS \_\_\_\_\_
- OPC \_\_\_\_\_
- RRR \_\_\_\_\_
- SEC \_\_\_\_\_
- WAM \_\_\_\_\_
- OTH \_\_\_\_\_



**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
BUREAU OF AUDITING SERVICES*

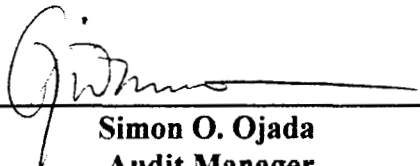
*TAMPA DISTRICT OFFICE*

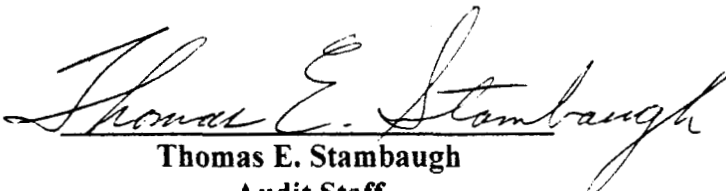
**FLORIDA POWER CORPORATION**

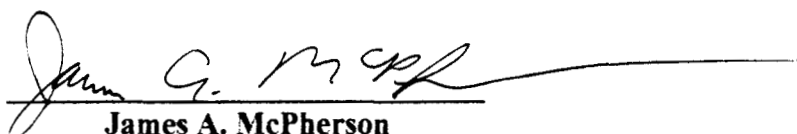
**ENERGY CONSERVATION COST RECOVERY AUDIT**

**FOR THE 9 MONTH PERIOD ENDED DECEMBER 31, 1998**

**Docket No. 990002-EG  
Audit Control Number 99-062-2-1**

  
**Simon O. Ojada  
Audit Manager**

  
**Thomas E. Stambaugh  
Audit Staff**

  
**James A. McPherson  
Tampa District Supervisor**

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
AUDIT REPORT**

**JUNE 2, 1999**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the Energy Conservation Cost Recovery (ECCR) schedules for the nine month period ended December 31, 1998 prepared by Florida Power Corporation in support of Docket No. 990002-EG. There is no confidential information associated with this audit and there are no audit staff minority opinions.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and other matters which were noted during our examination.

## **SUMMARY OF SIGNIFICANT FINDINGS:**

Advertising costs allocated to ECCR conservation programs were not properly allocated in proportion to the amount of conservation information contained in the brochures.

## **SUMMARY OF SIGNIFICANT PROCEDURES:**

Our audit was performed by examining on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

**Compiled** - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Verify** - The item was tested for accuracy, and substantiating documentation was examined.

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**REVENUES:** Compiled Energy Conservation Cost Recovery (ECCR) revenue and agreed to the filing. Recomputed revenues using approved FPSC rate factors and company provided KWH sales.

**EXPENSES:** Compiled ECCR expenses and agreed to the filing. Scheduled expenses by program and by categories of expense. Judgmentally tested advertising charges to verify that they were properly recoverable through the ECCR and did not compare electric vs. gas technologies. Also, tested interruptible services and commercial load management customer bills for proper ECCR credit.

**TRUE-UP:** Recomputed ECCR true-up and interest calculation using FPSC approved amounts and interest rates.

**Other:** Ascertained that the utility is in compliance with Rule 25-17.015, F.A.C., pertaining to Energy Conservation Cost Recovery. Identified conservation programs that exceeded the budgeted amount. Verified that expenditures associated with the Commercial Load Management and Interruptible Service programs were in compliance with program requirements.

## DISCLOSURE NO. 1

**Subject:** Advertising Expense

**Statement of Fact:** The utility included \$606,698 of advertising costs in its ECCR filing for the nine month period ending December 31, 1998.

**Audit Opinion:** Florida Power Corporation (FPC) allocated 31 percent of the cost of Senior Privileges brochures to recoverable ECCR expense in account 909.25. However, page count of the brochure indicated 26 percent of the pages and inserts pertained to ECCR and only one of the four pages (25%) of the Senior Privileges Mailer pertained to ECCR.

There were six categories of activities listed on the coupon for the Southern Women's Show; however, only one activity pertained to ECCR. Therefore, only one sixth of the total cost should be allocated to ECCR programs.

The utility provided dry-erase note boards and refrigerator magnets which included the FPC Customer Service telephone numbers. More than fifty percent of the total costs were allocated to ECCR. The dry-erase boards and the magnets do not provide any information about any conservation program and should not be allocated to the ECCR clause.

Below are details of all adjustments to ECCR programs.

|                              | <u>Invoice<br/>Amount</u> | <u>Allocated<br/>To ECCR</u> | <u>Audited<br/>Amt to ECCR</u> | <u>Dif.</u>     |
|------------------------------|---------------------------|------------------------------|--------------------------------|-----------------|
| Senior Privileges Brochure   | \$ 6,410                  | \$ 3,205                     | \$1,672                        | \$ 1,533        |
| Senior Privileges Newsletter | 8,528                     | 2,644                        | 2,132                          | 512             |
| Senior Privileges-Envelopes  | 8,442                     | 4,221                        | 2,195                          | 2,026           |
| Wrapping Costs-Brochure      | 1,926                     | 1,926                        | 501                            | 1,425           |
| Southern Women Show          | 3,070                     | 2,000                        | 548                            | 1,452           |
| Dry-Erase Board              | 19,562                    | 9,780                        | 0                              | 9,780           |
| Magnets                      | <u>17,192</u>             | <u>11,716</u>                | <u>0</u>                       | <u>11,716</u>   |
|                              | <u>\$ 65,130</u>          | <u>\$35,492</u>              | <u>\$7,048</u>                 | <u>\$28,444</u> |

**Conclusion:** ECCR advertising expense should be reduced by \$28,444.

FLORIDA POWER CORPORATION

ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS  
 ACTUAL VS. ESTIMATED  
 FOR THE PERIOD APRIL 1998 THROUGH DECEMBER 1998

| LINE NO. | PROGRAM                           | ACTUAL            | ESTIMATED         | DIFFERENCE         |
|----------|-----------------------------------|-------------------|-------------------|--------------------|
| 1        | DEPRECIATION AMORT. & RETURN      | 4,171,643         | 4,182,963         | (11,320)           |
| 2        | PAYROLL AND BENEFITS              | 3,944,104         | 3,845,238         | 98,866             |
| 3        | MATERIALS AND SUPPLIES            | 178,207           | 153,262           | 24,945             |
| 4        | OUTSIDE SERVICES                  | 2,750,736         | 2,880,097         | (129,361)          |
| 5        | ADVERTISING                       | 606,699           | 1,312,175         | (705,476)          |
| 6        | INCENTIVES                        | 43,630,722        | 45,715,609        | (2,084,887)        |
| 7        | VEHICLES                          | 224,052           | 287,663           | (63,611)           |
| 8        | OTHER                             | 1,327,162         | 1,828,941         | (501,779)          |
| 9        | PROGRAM REVENUES                  | <u>(200)</u>      | <u>0</u>          | <u>(200)</u>       |
| 10       | TOTAL PROGRAM COSTS               | 56,833,125        | 60,205,948        | (3,372,823)        |
| 11       | LESS:                             |                   |                   |                    |
| 12       | CONSERVATION CLAUSE REVENUES      | 65,115,800        | 61,488,598        | 3,627,202          |
| 13       | PRIOR TRUE-UP                     | <u>12,735,283</u> | <u>11,158,760</u> | <u>1,576,523</u>   |
| 14       | TRUE-UP BEFORE INTEREST           | (21,017,958)      | (12,441,410)      | (8,576,548)        |
| 15       | AUDIT & REV DECOUPLING ADJUSTMENT | 22,143,540        | 22,167,795        | (24,255)           |
| 16       | INTEREST PROVISION                | <u>234,020</u>    | <u>473,793</u>    | <u>(239,773)</u>   |
| 17       | END OF PERIOD TRUE-UP             | <u>1,359,603</u>  | <u>10,200,178</u> | <u>(8,840,575)</u> |

( ) REFLECTS OVERRECOVERY