

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request for approval of) DOCKET NO. 931231-EI
change in depreciation rates by) ORDER NO. PSC-95-0863-FOF-EI
FLORIDA POWER & LIGHT COMPANY .) ISSUED: July 17, 1995
_____)

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER RESOLVING ACCOUNTING ISSUES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On December 23, 1993, Florida Power & Light Company (FPL or Company) filed a depreciation study covering its production, transmission, distribution and general plant. During the review of the study, our staff performed an operational audit of the Company's Continuing Property Records (CPRs). The audit revealed that FPL needed to strengthen its work order monitoring procedure for Account 107, Construction Work In Progress, and the Company was not fully complying with Rule 25-6.0142 (11), Florida Administrative Code, which requires that general plant items costing less than \$500 be expensed instead of capitalized. In addition, the audit revealed that FPL needed to provide additional information in the CPRs so that property units at its locations can be readily identified.

The accounting issues raised in the audit were addressed in Order No. PSC-94-1173-FOF-EI issued on September 26, 1994. On October 17, 1994, FPL filed a protest to the Order and requested a hearing. As a result of discussions involving the Commission staff, FPL personnel and the Office of Public Counsel and

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additional information provided by FPL, the accounting issues have been resolved. This Order addresses the resolution of those issues.

Work Order Monitoring Procedure for Account 107, Construction Work In Progress

FPL's Property Accounting section prepares and sends each business unit a report every other month listing work orders that have received no charges for two months or more. The Company, however, did not have an aggressive follow-up procedure in place that required the business units to respond within a given period of time. The lack of a follow-up procedure could result in unauthorized charges to work orders being undetected and added to the volume of open work orders that needed to be monitored.

The Company has recently developed procedures whereby Property Accounting will issue "No Response" letters in addition to the existing bi-monthly reports. We believe the revised monitoring procedure is sufficient to assure that the FPL business units timely review the bi-monthly work order reports and notify Property Accounting of inappropriate charges to work orders.

Compliance with Rule 25-6.0142 (11), Florida Administrative Code

Rule 25-6.0142 (11), Florida Administrative Code, sets a capitalization criteria of \$500 for general plant items. FPL uses a blanket work order to authorize the purchase of general plant assets that are estimated to cost \$500 or more. In some instances, however, our staff found that the actual cost of the asset is less than the estimated cost. As a result, some general plant items costing less than \$500 are inadvertently capitalized. Capitalizing these items results in an overstatement of the Company's rate base.

FPL has now corrected those items costing less than \$500 found to be improperly capitalized. The Company indicates that Property Accounting spends approximately 32 hours each month monitoring and reviewing blanket work order charges, including reviewing charges for items under \$500 which have been capitalized, in order to ensure the identified errors are corrected in a timely manner.

Given that the amount improperly capitalized is relatively small, and that occasional errors are inevitable, our staff believes the Company's current procedures are sufficient to ensure errors will be promptly detected and corrected. We agree with our

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staff that FPL has made a good faith effort to substantially comply with Rule 25-6.0142 (11) and monitor its work orders to ensure, as far as practicable, that items costing less than \$500 are expensed.

Additional Information Concerning Continuing Property Records

During the field verification of property units at FPL locations, our staff could not readily identify several units using the information on FPL's CPRs. Our staff performed additional audits at the Cortez and Ringling substations to determine whether the descriptions recorded in the CPRs and additional records provided by FPL were sufficient to readily identify the retirement units booked. With the available records and Company personnel on hand, 13% of the CPR entries at Cortez and 18% at Ringling could not be verified; 52% of the entries at Cortez and 73% at Ringling could not be identified by year of installation.

FPL maintains it is in full compliance with the Federal Energy Regulatory Commission (FERC) requirements for CPRs and that the FERC rules make no mention of model number or serial number. While this is true, Rule 25-6.014 (4), Florida Administrative Code, states that utilities shall maintain CPRs or supplemental records in such a manner as to permit their ready identification and verification. We believe the identifying information should also include the location of each unit within the CPR site.

The Company now agrees that more identifying information on CPR entries would enhance the physical verification process of the booked retirement units. FPL has proposed that, on a prospective basis, any item installed in a substation that is labeled and tracked by Substation Engineering for its own internal use, will be tagged and uniquely identified within the CPR. This should capture approximately 75% of the investment in the substations and will provide for ready identification and verification of the booked retirement units. This investment includes such items as transformers, regulators, capacitor banks, breakers, automatic throw over panels, meter panels, and A/C load center panels. The remaining investment represents mass asset type items such as pipe structures, foundations and conduit systems, which are difficult for the Company to tag. For these assets, it will be the responsibility of the Company to provide the required documents, such as work orders and/or drawings, and any other information necessary to complete a physical verification.

Upon review, we believe FPL's proposal is reasonable and will enhance the verification process of the Company's investment in its

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substations. To assure implementation of the proposal, our staff will perform a follow-up audit within one year from the date of this Order.

We believe the procedures implemented by FPL resolve the concerns addressed in Order No. PSC-94-1173-FOF-EI and obviate the need for an evidentiary hearing. Accordingly, the hearing dates and procedural schedule set forth in the Order Establishing Procedure, PSC-95-0443-PCO-EI, are no longer necessary and should be cancelled.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company shall not be required to adopt follow-up procedures to the existing work order monitoring for Account 107, Construction Work In Progress, beyond the procedures described in the body of this Order. It is further

ORDERED that Florida Power & Light Company is not required to perform further action to comply with Rule 25-6.0142 (11), Florida Administrative Code. It is further

ORDERED that Florida Power & Light Company's proposal, as described in the body of this Order, to uniquely identify certain information within the Continuing Property Records, is approved. It is further

ORDERED that within one year from the date of this Order, a follow-up audit shall be performed to assure the implementation of the proposal. It is further

ORDERED that the hearing dates and procedural schedule set forth in Order No. PSC-95-0443-PCO-EI are hereby cancelled. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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ORDERED that in the event this Order becomes final, this Docket should be closed.

By ORDER of the Florida Public Service Commission, this 17th day of July, 1995.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Ferguson
Chief, Bureau of Records

(S E A L)

VDJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 7, 1995.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.