

MEMORANDUM

May 24, 1996

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 9<sup>6</sup>0001-EI -- FLORIDA POWER AND LIGHT COMPANY  
OIL BACKOUT AUDIT REPORT - PERIOD ENDED SEPTEMBER 30, 1995  
AUDIT CONTROL NO. 95-298-4-2

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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:

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

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/  
File Folder)  
Division of Electric and Gas (Dudley)  
Miami District Office (Welch)

Research and Regulatory Review (Harvey)  
Office of Public Counsel

DOCUMENT NUMBER-DATE  
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FPSC-RECORDS/REPORTING

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FINANCIAL ANALYSIS DIV

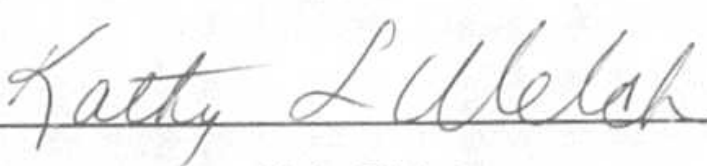
**FLORIDA PUBLIC SERVICE COMMISSION**  
**AUDIT REPORT**  
**FLORIDA POWER & LIGHT**  
**OIL BACKOUT RECOVERY CLAUSE**

**Field Work Completed**  
**As of May 2, 1996**

**Docket Number 950001-EI**

**Audit Control Number 95-298-4-2**

  
\_\_\_\_\_  
**Yen Ngo**  
**AUDIT MANAGER**

  
\_\_\_\_\_  
**Kathy Welch**  
**District Audit Supervisor**  
**Miami**

**DOCUMENT NUMBER-DATE**  
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**I. EXECUTIVE SUMMARY**

**AUDIT PURPOSE:** We have applied the procedures described in Section II of this report to the appended Oil Backout and Cost Recovery Exhibits filed by Florida Power and Light Company in support of Docket 950001-EI for the six months ended September 30, 1995 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 waived by the company.

**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 the procedures described in Section II, the appended Oil Backout Cost Recovery Schedules for the six month period ended September 30, 1995, 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 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.

**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.

**REVENUE REQUIREMENTS:** Recomputed Return on Investment, Income Taxes Current and Deferred Income Taxes. Compiled Taxes other than Income Taxes. Reconciled Operating and Maintenance Expenses to the General Ledger by use of Audit Analyzer.

**JURISDICTIONAL FACTOR:**  
Recalculated the jurisdictional portion of total KWH sales by using the Revenue and Rate Report.

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

**III. EXHIBITS**

FLORIDA POWER & LIGHT COMPANY  
 OIL BACKOUT COST RECOVERY CLAUSE  
 CALCULATION OF JURISDICTIONAL KWH SALES  
 ACTUAL FOR APRIL - SEPTEMBER 1995

		<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>Total</u>
1.	Jurisdictional Sales	kWh 5,382,598,681	6,278,411,059	7,280,533,482	7,218,227,586	7,129,767,301	7,417,398,929	40,706,937,038
2.	Sales for Resale	kWh 90,163,507	100,832,183	151,533,571	138,233,745	159,611,820	161,844,307	802,219,133
3.	Total Sales	kWh 5,472,762,188	6,379,243,242	7,432,067,053	7,356,461,331	7,289,379,121	7,579,243,236	41,509,156,171
4.	Jurisdictional Portion of Total kWh Sales (Line 1 / Line 3)	0.98352505	0.98419371	0.97981084	0.98120921	0.97810351	0.97864838	-

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

FLORIDA POWER & LIGHT COMPANY  
OIL BACKOUT COST RECOVERY CLAUSE  
REVENUE REQUIREMENTS  
ACTUAL FOR APRIL - SEPTEMBER 1995

		April	May	June	July	August	September	Total
1.	Straight Line Depreciation (a)	\$ 0	0	0	0	0	0	0
2.	Return on Investment (b)	\$ 326,015	321,440	316,868	312,275	307,689	303,088	1,887,374
3.	Taxes Other Than Income Taxes	\$ 273,083	273,083	318,083	318,083	318,083	318,083	1,818,499
4.	Income Taxes - Current	\$ (417,840)	(418,944)	(422,840)	(423,451)	(426,573)	(427,749)	(2,537,398)
5.	Deferred Income Taxes	\$ 501,240	500,900	503,244	502,424	504,019	503,740	3,015,567
6.	O & M Expenses	\$ 19,443	35,737	33,169	23,872	21,101	100,340	233,662
7.	Total Revenue Requirements (Lines 1+2+3+4+5+6)	\$ <u>701,941</u>	<u>712,216</u>	<u>748,523</u>	<u>733,203</u>	<u>724,319</u>	<u>797,503</u>	<u>4,417,705</u>

**DO NOT KEYPUNCH**



FLORIDA POWER & LIGHT COMPANY  
OIL BACKOUT COST RECOVERY CLAUSE  
TRUE-UP CALCULATION  
ACTUAL FOR APRIL - SEPTEMBER 1995

		April	May	June	July	August	September	Total
1.	Oil-Backout Cost Recovery Revenue (Net of Revenue Taxes)	\$ 633,370	741,497	859,071	852,827	841,974	876,073	4,804,811
2.	Adjustment not Applicable to this Period (Prior True-up)	\$ (85,988)	(85,988)	(85,988)	(85,988)	(85,988)	(85,989)	(515,929)
3.	Oil-Backout Revenue Applicable to this Period	\$ 547,382	655,509	773,083	766,839	755,986	790,084	4,288,682
4.	Oil-Backout Cost Recovery Authorized	\$ 701,941	712,216	748,523	733,203	724,319	797,503	4,417,705
5.	Jurisdictional Portion of Total kWh Sales	0.96352505	0.96419371	0.97961084	0.98120921	0.97810351	0.97864638	-
6.	Jurisdictional Oil-Backout Cost Recovery Authorized (Line 4X5)	\$ 690,377	700,958	733,261	719,426	708,459	780,473	4,332,954
7.	True-up Provision for Month Over/(Under) Collection (Lines 3-6)	\$ (142,995)	(45,449)	39,822	47,413	47,527	9,611	(44,072)
8.	Interest Provision for Month	\$ (2,799)	(2,843)	(2,443)	(1,767)	(1,087)	(537)	(11,477)
9.	True-up & Interest Provision Beginning of Month	\$ (515,929)	(575,735)	(538,039)	(414,672)	(283,038)	(150,610)	(515,929)
10.	Deferred True-up Beginning of Period	\$ (6,647)	(6,647)	(6,647)	(6,647)	(6,647)	(6,647)	(6,647)
11.	Prior Period True-up Provision - Collected/(Refunded)	\$ 85,988	85,988	85,988	85,988	85,988	85,989	515,929
12.	End of period Net True-up - Over/(Under) Recovery (Lines 7+8+9+10+11)	\$ (582,382)	(544,686)	(421,319)	(289,685)	(157,257)	(62,194)	(62,194)

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

**DO NOT KEYPUNCH**

FLORIDA POWER & LIGHT COMPANY  
OIL BACKOUT COST RECOVERY CLAUSE  
CALCULATION OF INTEREST PROVISION  
ACTUAL FOR APRIL - SEPTEMBER 1995

		April	May	June	July	August	September	Total
1.	Beginning True-up Amount	\$ (522,576)	(582,382)	(544,686)	(421,319)	(289,685)	(157,257)	(2,517,905)
2.	Ending True-up Amount Before Interest	\$ (579,533)	(541,843)	(418,876)	(287,918)	(158,170)	(61,657)	(2,046,047)
3.	Total Beginning & Ending True-up Amount (Lines 1+2)	\$ (1,102,159)	(1,124,225)	(963,562)	(709,237)	(445,855)	(218,914)	(4,563,952)
4.	Average True-up Amount (50 % of Line 3)	\$ (551,080)	(562,113)	(481,781)	(354,619)	(222,928)	(109,457)	(2,281,976)
5.	Interest Rate - First day of Reporting Business Month	0.06120	0.06070	0.06070	0.06100	0.05860	0.05840	-
6.	Interest Rate - First day of Subsequent Business Month	0.06070	0.06070	0.06100	0.05860	0.05840	0.05940	-
7.	Total Interest Rate (Lines 5+6)	0.1219	0.1214	0.1217	0.1196	0.1170	0.1178	-
8.	Average Interest Rate (50 % of Line 7)	0.06095000	0.06070000	0.06085000	0.05980000	0.05850000	0.05890000	-
9.	Monthly Average Interest Rate (1/12 of Line 8)	0.00507917	0.00505833	0.00507083	0.00498333	0.00487500	0.00490833	-
10.	Interest Provision (Line 4 X Line 9)	\$ (2,799)	(2,843)	(2,443)	(1,767)	(1,087)	(537)	(11,477)

**DO NOT KEYPUNCH**

Florida Power & Light Company  
Oil Backout Cost Recovery Clause  
Reconciliation of Monthly True-up Calculations  
ACTUAL FOR APRIL - SEPTEMBER 1995

	April	May	June	July	August	September	TOTALS
<b>REVENUES</b>							
1. Operating Revenues-OBO	643,559	753,426	872,891	866,547	855,519	890,167	4,882,109
2. Deferred Revenues - Acct. 458.950	0	0	0	0	0	0	0
2a. Deferred RAF Revenues	0	0	0	0	0	0	0
3. Total Revenues for the Period	643,559	753,426	872,891	866,547	855,519	890,167	4,882,109
<b>OPERATING EXPENSES</b>							
4. Adjmt. to Current Income Tax Expense							0
5. Operating & Maintenance	19,443	35,737	33,169	23,872	21,101	100,340	233,662
6. Real & Personal Property Taxes	273,083	273,083	318,083	318,083	318,003	318,083	1,818,409
7. Total Company Operating Expenses	292,526	308,820	351,252	341,956	339,184	418,423	2,052,162
8. Jurisdictional Factor	0.98352505	0.98419371	0.97981084	0.98120921	0.97810351	0.97864538	0
9. Jurisdictional Operating Expenses	287,707	303,939	344,060	335,530	331,758	409,489	2,012,512
10. Deferred Expenses - Acct. 566.950	(59,806)	37,896	123,367	131,634	132,428	95,063	460,382
<b>REVENUE TAXES</b>							
11. Gross Receipts Tax on Gross Rev(Ln. 1 * .015)	9,653	11,301	13,093	12,998	12,833	13,353	73,232
12. Reg. Assessment Fee on Net Rev(Ln 3 * .000833)	538	628	727	722	713	742	4,067
13. Deferred Gross Receipts Tax (Line 2 * .015)	n/a	n/a	n/a	n/a	n/a	n/a	0
14. Total Revenue Taxes	10,191	11,929	13,820	13,720	13,546	14,094	77,299
<b>INCOME TAXES</b>							
15. Income Taxes - Current & Deferred	95,486	94,137	92,086	90,551	88,549	86,956	547,764
15a. Excess Deferred Income Taxes	(12,380)	(12,380)	(12,380)	(12,380)	(12,380)	(12,380)	(74,280)
16. Net Operating Income	322,363	318,105	311,908	307,492	301,818	296,946	1,858,433
17. Interest Expense	157,937	155,826	152,894	150,924	148,237	146,102	911,919
18. Net Income (Loss) Available to Group	164,427	162,279	159,013	156,568	153,382	150,844	946,514
<b>NET INCOME RECONCILIATION</b>							
Return per OBO Schedules	162,707	160,533	157,513	155,483	152,715	150,515	939,465
Interest, net of taxes	1,719	1,746	1,501	1,085	668	330	7,049
Deferred GRT							0
RAF on Deferred Revenues							0
Prior Period Adjustment							0
Net Income (Loss) Available to Group	164,427	162,279	159,013	156,568	153,382	150,845	946,514
CHECK (Difference should be < 2)	0	0	(0)	0	(0)	(1)	(1)

**DO NOT KEYPUNCH**