

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1996

Field Work Completed

December 13, 1996

FLORIDA POWER CORPORATION

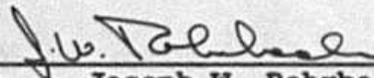
St. Petersburg, Florida

Pinellas County

Energy Conservation Audit

Docket No. 960002-EG

Audit Control Number
96-214-2-1



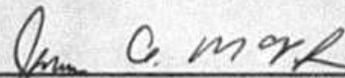
Joseph W. Rohrbacher
Audit Manager

Audit Staff

Anne Lawler
S.R. Mayes

Minority Opinion

Yes _____ No AL/WR
Yes _____ No SM



James A. McPherson
District Audit Supervisor
Tampa

DOCUMENT NUMBER-DATE
13786 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 Energy Conservation Cost Recovery (ECCR) schedules CT-2, p. 1 of 3, for the six month periods ended March 31, 1996 and September 30, 1996, prepared by Florida Power Corporation for Energy Conservation Cost Recovery, FPSC Docket No. 960002-EG.

Scope Limitation: The last day of field work was December 13, 1996. The Utility has not requested confidential treatment for any records or documents provided to the auditor.

Disclaim Public Use: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must 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.

Opinion: The actual amounts reported in the appended ECCR schedules CT-2, p. 1 of 3, filed by Florida Power Corporation for the six month periods ended March 31, 1996 and September 30, 1996 in support of Docket Number 960002-EG represent 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.

Summary Findings:

1. The Utility made an adjustment of \$18,481,665 to the true-up calculation representing an over recovery of revenue decoupling.
2. The Utility made an adjustment in November 1995 to reflect the understating of payroll loading factors for the period July 1994 through September 1995.
3. Costs of maintaining personal computers and telephones previously borne by the Information Technology and Telecommunications Departments were charged to the ECCR programs. For the nine months January - September 1996 the charges were \$233,104.

Summary Findings: (cont)

4. An analysis of the payroll and benefits costs by program indicated a number of programs had no charges for a program manager and benefit cost percentiles were not in a range consistent with the loading percentages of the Company.

II Audit Scope:

The opinions contained in this report are based on the audit work described below. When used in this report, **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 otherwise noted, performed no other audit work.

ECCR Revenues: Recomputed energy conservation revenues. Verified that utility used authorized rates. Reconciled ECCR program revenues to the general ledger.

ECCR Program Expenses: Performed analytical review for ECCR expenses as part of determining the level of audit risk and as a means of identifying any areas of audit investigation not previously anticipated. Tested advertising expenses 100% to verify all expenditures pertained to energy conservation. Judgementally tested selected outside services and incentive payments.

ECCR True-up: Recalculated the ECCR true-up using audit determined revenues and expenses.

Other: Ascertained that the utility is in compliance with FPSC Rule 25-17.015. Verified any expenditures associated with commercial DSM audit contracts which were performed by FPC or its agents and then assigned to an affiliate. Determined salaries and benefits for DSM employees. Verified advertising costs charged to ECCR that compared electric vs gas technologies.

AUDIT DISCLOSURE NO. 1

SUBJECT: REVENUE DECOUPLING

STATEMENT OF FACT:

In Order No. PSC-96-0352-FOF-EG \$17,746,351 was deemed the "appropriate amount of over-recovery for the Revenue Decoupling true-up balance for 1995 . . . FPC shall be allowed to defer refunds of the final 1995 decoupling overrecovery, with accrued interest,"

Order No. PSC-96-0908-FOF-EI gives approval for \$18,413,224 revenue decoupling adjustment. This amount is the revenue decoupling balance for the period 1/1/96 through 5/30/96 including interest. "This amount would be credited to customer billings through the Energy Conservation Cost Recovery clause . . . effective with cycle 1 billings for the month of July 1996."

In the ECCR filing for the period ending September 30, 1996, on schedule CT-3, pg. 2, the Utility made an adjustment of \$18,481.665 to the true-up calculation. The difference of \$68,441 between the ordered amount and the actual amount is interest accumulated from May 30 until the actual pass through of the approved amount.

No audit work was performed verifying the \$18,481,655 amount.

FOR INFORMATION ONLY

AUDIT DISCLOSURE NO. 2

SUBJECT: PAYROLL ADJUSTMENT

STATEMENT OF FACT:

From July 1994 through September 1995, ECCR payroll dollars were substantially understated (i.e., \$524,791 for 1995 and \$387,730 for 1994, totaling \$912,521) because payroll loading factors (EAC 819) were not entered. This affected the following ECCR programs:

<u>PROGRAM</u>	<u>AMOUNT</u>
Qualifying Facility	\$ 113,759
Standby Generation	20,262
Interrupt Load Management	13,277
Curtail Load Management	3,102
Load Management Administration	484,544
Load Management Equipment Service	<u>277,577</u>
	<u>\$ 912,521</u>

A journal entry was prepared by the Company in November 1995 charging the payroll loadings to the current years ECCR programs under the "other" expense category.

The auditor analyzed the Energy Conservation Charges/Credits - Detail report for randomly selected programs for the July 1994 through September 1995 period to verify if the payroll loading factors (EAC 819) were charged to the ECCR programs. No charges to EAC 819 were noted. Charges were noted prior to July 1994 and after September 1995.

FOR INFORMATION ONLY.

AUDIT DISCLOSURE NO. 3

SUBJECT: NEW ECCR CHARGES (COMPUTER/TELEPHONE)

STATEMENT OF FACT:

In response to Audit Document/Record requests the Company stated "Previous to 1996 costs of maintaining personal computers and telephones was borne by the Information Technology and Telecommunications Departments respectively." From January 1996 on these costs were charged to various ECCR programs.

The Company stated each program is charged \$180 a month for each personal computer. Each program is charged \$80 each month for each telephone used by the programs employees. Charges may also include \$10 per month for radios and \$80 per month for FAX lines. Included are charges for small non-routine maintenance type services. The charges are directly assigned to each program through the IT charge back process on Journal Entry 44.

For the nine months January - September 1996 the charges were \$233,104.

FOR INFORMATION ONLY

AUDIT DISCLOSURE NO. 4

SUBJECT: PAYROLL AND BENEFIT COST BY PROGRAM

STATEMENT OF FACT:

An analysis of cost of the payroll and benefits by program indicated the following:

1. A number of programs had no charges for a program manager.
2. Benefit cost percentiles were not in a range consistent with the loading percentages . . . provided by the Company.

The Company's response to the above was:

1. "The associated cost with supervision and management of these programs was charged to the Conservation Administration program. The program managers worked on several programs at a time, sometimes consecutively. This occurred because one program was beginning and one was ending, or the individual programs did not have a great management demand, or the programs were merged, or they had the same issue to resolve, etc. please note that the program managers will be charged to the individual programs beginning in 1997."

2. The Company also stated that: The payroll accrual does not have loading in the ECCR programs. Overtime and shift differential does not have payroll loading. Temporary employees payroll does not have payroll loading. Payroll transfers were not distributed precisely between types of employees but are correct in total for programs.

Also, the Company charges staff to the Conservation Program Administration program, the Qualifying Facility program and the Efficiency Program Development program.

FOR INFORMATION ONLY

FLORIDA POWER CORPORATION

ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
 ACTUAL VS. ESTIMATED
 FOR THE PERIOD OCTOBER, 1995 THROUGH MARCH, 1996

LINE NO.	PROGRAM	ACTUAL	ESTIMATED	DIFFERENCE
1	DEPRECIATION AMORT. & RETURN	5,950,393	5,944,595	5,798
2	PAYROLL AND BENEFITS	3,059,382	3,287,030	(227,648)
3	MATERIALS AND SUPPLIES	(21,064)	20,135	(41,199)
4	OUTSIDE SERVICES	1,190,624	1,761,240	(570,616)
5	ADVERTISING	89,537	311,735	(222,198)
6	INCENTIVES	30,430,510	28,515,790	1,914,720
7	VEHICLES	127,229	137,671	(10,442)
8	OTHER	2,016,948	2,137,988	(121,040)
9	PROGRAM REVENUES	0	0	0
10	TOTAL PROGRAM COSTS	42,843,559	42,116,184	727,375
11	LESS:	26,452	24,353	2,099
12	AMOUNT INCLUDED IN BASE RATES	0	0	0
13	CONSERVATION CLAUSE REVENUES	41,066,854	39,267,713	1,779,141
14	PRIOR TRUE-UP	9,044,353	9,044,353	0
14a	ADJUSTMENTS			
15	GRT REFUND	0	0	0
16	TRUE-UP BEFORE INTEREST	(7,241,197)	(6,191,529)	(1,049,668)
17	INTEREST PROVISION	(248,122)	(252,496)	4,374
18	END OF PERIOD TRUE-UP	(7,489,319)	(6,444,025)	(1,045,294)

() REFLECTS OVERRECOVERY

FLORIDA POWER CORPORATION
 ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
 ACTUAL VS. ESTIMATED
 FOR THE PERIOD APRIL, 1996 THROUGH SEPTEMBER, 1996

LINE NO.	PROGRAM	ACTUAL	ESTIMATED	DIFFERENCE
1	DEPRECIATION AMORT. & RETURN	5,415,403	5,502,093	(86,690)
2	PAYROLL AND BENEFITS	2,850,151	3,143,890	(293,739)
3	MATERIALS AND SUPPLIES	63,059	138,876	(75,817)
4	OUTSIDE SERVICES	919,220	1,993,482	(1,074,262)
5	ADVERTISING	62,094	569,586	(507,492)
6	INCENTIVES	29,071,320	28,803,641	267,679
7	VEHICLES	135,415	110,022	25,393
8	OTHER	1,066,801	1,219,106	(152,305)
9	PROGRAM REVENUES	(1,665)	0	(1,665)
10	TOTAL PROGRAM COSTS	39,581,798	41,480,696	(1,898,898)
11	LESS:			
12	CONSERVATION CLAUSE REVENUES	33,397,951	40,049,034	(6,651,083)
13	PRIOR TRUE-UP	7,489,319	6,444,025	1,045,294
14	TRUE-UP BEFORE INTEREST	(1,305,472)	(5,012,363)	3,706,891
15	AUDIT & REV DECOUPLING ADJUSTMENT	(18,470,814)	(18,470,814)	0
16	INTEREST PROVISION	(397,372)	0	(397,372)
17	END OF PERIOD TRUE-UP	(20,173,657)	(23,483,177)	3,309,520

() REFLECTS OVERRECOVERY

State of Florida

Commissioners:
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JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
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BLANCA S. BAYO
DIRECTOR
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Public Service Commission

December 31, 1996

James A. McGee
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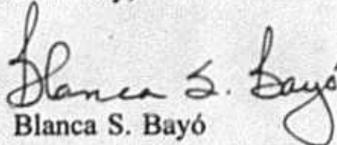
RE: Docket No. 960002-EG -- Florida Power Corporation
Conservation Audit Report - Period Ended September 30, 1996
Audit Control # 96-214-2-1

Dear Mr. McGee:

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/cls
Enclosure
cc: Public Counsel
Mr. James P. Fama