

**FLORIDA PUBLIC SERVICE COMMISSION**

**AUDIT REPORT**

**FOR THE TWELVE MONTHS ENDED MARCH 31, 1997**

**Field Work Completed**

**May 16, 1997**

**FLORIDA POWER CORPORATION**

**St. Petersburg, Florida**

**Pinellas County**

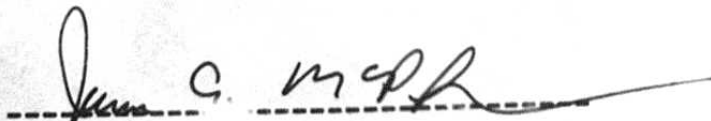
**Fuel Adjustment Clause**

**Docket Number 970001-EI**

**Audit Control Number 97-055-2-1**



**Thomas E. Stambaugh  
Audit Manager**



**James A. McPherson  
Regulatory Analyst Supervisor**

DOCUMENT NUMBER-DATE

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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 appended Fuel and Purchased Power Cost Recovery Filings, Schedule A-1, filed by Florida Power Corporation for the six month periods ended September 30, 1996 and March 31, 1997. The last day of field work was May 16, 1997. This report contains no confidential data and no exit conference was held.

**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 appended exhibits, Schedules A1, for the two six month periods ended September 30, 1996 and March 31, 1997 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.

## **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 audit work includes:

**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.

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### **NUCLEAR FUEL:**

Compiled nuclear fuel expense and ending inventory amounts for each of the two six month audited periods and traced amounts to journal entries.

Recomputed amortization of nuclear fuel.

Examined the invoices supporting the most recently added batch of nuclear fuel.

### **NATURAL GAS:**

Compiled natural gas expense and traced to journal entries.

Reconciled accruals, reversal, cash payments and adjustments to gas cost.

Analyzed utility adjustments for transportation and pipeline charges.

## **II Audit Scope (continued)**

### **COAL AND OIL**

Compiled recoverable fuel expense from journal entry detail. On a judgmental basis, agreed units burned to production reports.

Reconciled total recoverable fuel expense to General Ledger.

Noted and explained any errors, irregularities and inconsistencies in fuel inventory activity.

Determined that Company procedures to validate fuel measurement have not changed from previous audit period.

Verified that the inclusion of a coal inventory adjustment in the calculation of recoverable fuel expense was proper.

### **INTERCHANGE POWER:**

Traced Economy Energy purchases to FPC Energy Control Purchases and Sales Report and agreed to invoices.

Traced Economy Energy sales to FPC Energy Control Purchases and Sales Report and agreed to billings.

### **FUEL EXPENSE TRUE-UP:**

Compiled fuel true-up accounts and recomputed true-up.

### **OTHER:**

Performed analytical review of cost of generated power (oil, coal, gas and nuclear) and cost of purchases (oil and coal) for the purpose of determining level of audit risk and as an aid to determining the scope of the audit.

Determined that procedures to measure units of fossil fuel burned and fuel inventory measurements are consistent with prior periods.

Ascertained that accounts and amounts not previously included in the reconciliation of the FPC fuel filing to the General Ledger were properly included in recoverable costs.

Obtained and verified financial data supporting the plant investments required to convert the Intercession City peaking units from oil-burning to gas-burning electrical producers.

**AUDIT DISCLOSURE NO. 1**

**SUBJECT:** Five Hundred Thousand Dollar Fine.

**STATEMENT OF FACT:** The Utility was fined \$500,000 by the Nuclear Regulatory Commission (NRC) for having in place safety and operating procedures which the NRC deemed inadequate.

**AUDIT OPINION:** Auditor researched the payment and account classification of the fine. According to Utility records and general ledger, the fine has been paid and was recorded in general ledger account 426.30, Penalties.

**AUDIT CONCLUSION:** The fine was paid and is properly classified in the FPC general ledger.

**AUDIT DISCLOSURE NO. 2**

**SUBJECT:** Intercession City Peakers Gas Conversion Assets.

**STATEMENT OF FACT:** FPSC auditor verified the authenticity of plant additions for the conversion of Intercession City peaking units 7, 8, 9, and 10 from use of light oil to natural gas as a fuel. FPSC Order PSC-95-0353-FOF-EI authorizes utilities to amortize the dollars of plant over five years at a rate of 8.37% and to recover the costs through the fuel adjustment clause. FPSC Order PSC-95-1089-FOF-EI provided that recovery could begin on July 1, 1995.

**AUDIT OPINION AND CONCLUSION:** Utility records provided support for the addition of plant dollars as follows for the Intercession City units:

<u>Unit Numbers</u>	<u>Dollars</u>
7 & 9	\$2,304,875
8 & 10	\$1,631,350

Amortization of plant dollars through the Fuel Adjustment Clause is being calculated accurately. The dollars of plant are traceable to documents in an approved capital addition work order.

Prudence of the addition of the plant items stems from the associated fuel expense savings which are documented by the Utility and verified by the FPSC auditor.

**AUDIT DISCLOSURE NO. 3**

**SUBJECT:** Fuel True-up: Incorrect Interest Rates.

**STATEMENT OF FACT:** The Utility used incorrect interest rates which, when applied to the Fuel Adjustment Clause (FAC) true-up, produced an incorrect total of recoverable fuel expense.

**AUDIT OPINION AND CONCLUSION:** A difference in interest rates used in the FAC filing caused a difference in the interest dollars associated with the true-up for February and March.

Comparative interest rates:

<u>Month</u>	<u>Start Rate</u>	<u>End Rate</u>	<u>Total</u>	<u>Annual Average</u>	<u>Monthly Average</u>
<u>February</u>					
<u>Utility</u>	5.43%	5.95%	11.38%	5.69%	.475%
<u>Auditor</u>	5.45%	5.43%	10.88%	5.44%	.453%
<u>March</u>					
<u>Utility</u>	5.43%	5.75%	11.18%	5.590%	.466%
<u>Auditor</u>	5.43%	5.74%	11.17%	5.585%	.465%

Comparative interest dollars:

<u>Month</u>	<u>February</u>	<u>March</u>	<u>Total</u>
<u>Utility</u>	429,024	425,276	
<u>Auditor</u>	<u>410,326</u>	<u>424,668</u>	
<u>Difference</u>	<u>18,698</u>	<u>608</u>	<u>19,306</u>

The amount of difference, \$19,306, is not material when compared to a cumulative recoverable Total of Fuel and Net Power Transaction (FAC A1, p2, line 20) for the six months ended March 31, 1997 of \$330,150,286. Nevertheless, the Utility should carefully review the preparation of the FAC and similar filings to assure that a similar mis-application of interest or other rates does not result in a much larger difference in calculation of recoverable FAC dollars.



FUEL AND PURCHASED POWER  
COST RECOVERY CLAIM CALCULATION  
FOR MONTH PERIOD ENDING SEPTEMBER, 1998

LNNH

CENTSRWH

	ACTUAL		ESTIMATED		DIFFERENCE		%	ACTUAL		ESTIMATED		DIFFERENCE		%	ACTUAL		ESTIMATED		DIFFERENCE		%	
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT		AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT		AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT		AMOUNT
1 FUEL COST OF SYSTEM NET GENERATION (SCH AS)	262,874,428	222,623,646	40,250,782	18.0	13,278,724	13,901,829	(623,105)	(4.5)	1,977	1,607	0,370	23.6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
2 SPENT NUCLEAR FUEL DISPOSAL COST	1,687,626	2,800,162	(1,112,536)	(64.7)	1,686,232	3,004,462	(1,318,230)	(43.8)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
3 COAL CAA INVESTMENT	0	47,258	(47,258)	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
4 ADJUSTMENTS TO FUEL COST - MISCELLANEOUS	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
4a ADJUSTMENTS TO FUEL COST - PRIOR PERIOD	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
5 TOTAL COST OF GENERATED POWER	267,897,106	225,671,067	42,226,039	14.2	13,278,724	13,901,829	(623,105)	(4.5)	1,977	1,607	0,370	23.6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6 ENERGY COST OF PURCHASED POWER - FIRM (SCH A7)	23,329,477	19,823,930	3,505,547	17.8	1,200,491	1,972,216	(771,725)	(39.2)	2,0037	1,8008	0,1929	10.7	0.2968	0.3288	0.0320	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7 ENERGY COST OF SCH C X ECONOMY PURCH - BROKER (SCH A9)	12,163,292	8,781,900	3,381,392	24.3	412,349	416,000	(3,651)	(0.7)	2,2966	2,3671	(705)	(2.9)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
8 ENERGY COST OF ECONOMY PURCHASES - NON-BROKER (SCH A9)	10,728,688	1,141,301	9,587,387	84.9	383,498	68,406	315,092	89.7	2,7291	2,8294	(1,003)	(3.5)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
9 ENERGY COST OF SCH E PURCHASES (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
10 CAPACITY COST OF SCH E PURCHASES (SCH A9)	0	340,800	(340,800)	(100.0)	0	0	0	0.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
11 PAYMENTS TO QUALIFYING FACILITIES (SCH A9)	80,000,640	71,340,740	8,659,900	10.8	3,620,646	3,623,661	(3,015)	(0.3)	2,2770	1,8629	0,4141	21.4	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
12 TOTAL COST OF PURCHASED POWER	124,891,608	182,428,671	42,423,217	23.8	6,829,882	6,178,172	651,710	9.7	2,2948	1,8790	0,4158	21.9	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
13 TOTAL AVAILABLE RWH					19,803,688	19,878,001	(74,313)	(0.3)														
14 FUEL COST OF ECONOMY SALES (BROKER) (SCH A8)	(2,882,627)	(7,888,289)	4,005,662	(68.8)	(112,349)	(290,007)	177,658	(80.5)	2,0037	1,8008	0,1929	10.7	0.2968	0.3288	0.0320	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
14a GAIN ON ECONOMY SALES (BROKER) - 60% (SCH A8)	(404,811)	(1,358,000)	953,189	(87.8)	(112,349)	(290,007)	177,658	(80.5)	0.2968	0.3288	0.0320	10.7	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
15 FUEL COST OF OTHER POWER SALES (SCH A8)	(2,068,177)	0	(2,068,177)	0.0	(78,081)	0	(78,081)	0.0	2,2713	0.0000	2,2713	0.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
15a GAIN ON OTHER POWER SALES - 100% (SCH A8)	(178,089)	0	(178,089)	0.0	(78,081)	0	(78,081)	0.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
16 FUEL COST OF SEMI-COAL BACK-UP SALES (SCH A8)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
17 FUEL COST OF SUPPLEMENTAL SALES	(10,380,918)	(18,721,379)	8,340,461	(58.2)	(382,810)	(288,644)	94,166	(17.9)	3,5833	4,2513	(668)	(1.1)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
18 TOTAL FUEL COST AND GAINS ON POWER SALES	(14,877,824)	(24,887,879)	10,010,055	(33.8)	(520,228)	(708,646)	188,418	(30.1)	2,8846	3,1680	(284)	(0.4)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
19 NET INADVERTENT INTERCHANGE					18,918	0	18,918	0.0														
20 TOTAL FUEL AND NET POWER TRANSACTIONS	268,017,872	204,220,888	64,800,404	21.3	18,292,288	18,318,817	(26,529)	0.4	2,0068	1,8807	0,1261	20.8	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
21 NET UNBILLED	6,086,288	10,788,316	(4,702,028)	(63.2)	(282,089)	(943,247)	661,159	(80.8)	0.0287	0.0482	(0.0195)	(44.5)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
22 COMPANY USE	1,860,328	1,871,838	(11,510)	0.4	(82,677)	(94,209)	11,532	(12.8)	0.0087	0.0086	0.0001	2.1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
23 T & D LOSSES	20,871,878	17,898,382	2,973,496	21.2	(1,028,181)	(1,024,208)	3,973	0.4	0.1211	0.1027	0.0184	17.9	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
24 ADJUSTED SYSTEM RWH SALES (SCH A2 PG 1 OF 4)	268,874,872	204,220,888	64,653,984	21.3	17,264,107	18,292,609	(1,028,502)	(2.9)	2,1694	1,8375	0,3319	17.9	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
25 WHOLESALE RWH SALES (EXCLUDING SUPPLEMENTAL SALES)	(14,783,131)	(8,882,877)	(5,900,254)	62.2	(878,489)	(628,012)	(250,477)	28.8	2,1744	1,8387	0,3357	18.6	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
26 JURISDICTIONAL RWH SALES (SCH A2 PG 3 OF 4)	284,187,841	284,637,801	(450,000)	(0.2)	18,381,618	18,920,600	(538,982)	(2.9)	2,1880	1,8378	0,3502	17.8	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
27 JURISDICTIONAL RWH SALES ADJUSTED FOR LINE LOSS - 1.001%	284,628,288	284,650,343	(22,055)	(0.0)	18,381,618	18,920,600	(538,982)	(2.9)	2,1886	1,8401	0,3485	17.8	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
28 PRIOR PERIOD TRUE-UP	6,916,826	0	6,916,826	0.0	18,251,868	(1,028,890)	19,280,758	2.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
28a MARKET PRICE TRUE-UP	0	0	0	0.0	18,251,868	18,028,890	222,978	2.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
29 TOTAL JURISDICTIONAL FUEL COST	280,644,284	200,888,278	79,755,986	19.8	18,251,868	18,028,890	222,978	2.0	2,2000	1,8779	0,3221	17.4	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
30 REVENUE TAX FACTOR					1,00083	1,00083	0.0000	0.0														
31 FUEL COST ADJUSTED FOR TAXES	1,488,198	1,281,828	206,370	13.9	18,261,036	18,028,890	232,146	2.0	2,2086	1,8789	0,3297	17.5	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
32 GPF	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
33 FUEL FACTOR ADJUSTED FOR TAXES INCLUDING GPF					0	0	0	0.0														
34 TOTAL FUEL COST FACTOR ROUNDED TO THE NEAREST .001 CENTS/RWH					2,218	1,887	0,331	17.4														



State of Florida

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J. TERRY DEASON  
JOE GARCIA  
DIANE K. KIESLING



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

**Public Service Commission**

June 19, 1997

Mr. Bill Walker  
Florida Power & Light Company  
215 South Monroe Street, Suite 810  
Tallahassee, Florida 32301-1859

Re: Docket No. 970001-EI -- Florida Power & Light Company  
Fuel Audit Report - Period Ended March 31, 1997  
Audit Control # 97-055-4-1

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.

Thank you for your cooperation.

Sincerely,

  
Blanca S. Bayó

BSB/DNV/cls  
Enclosure

cc: Public Counsel  
Steel Law Firm