

**FLORIDA PUBLIC SERVICE COMMISSION**

**AUDIT REPORT**

FOR THE 12 MONTHS ENDED MARCH 31, 1997

**FIELD WORK COMPLETED**

**JUNE 12, 1997**

**FLORIDA POWER AND LIGHT  
MIAMI, FLORIDA**


**CAPACITY COST RECOVERY CLAUSE  
DOCKET NUMBER 970001-EI  
AUDIT CONTROL NUMBER 97-076-4-1**

  
\_\_\_\_\_  
**RAYMOND GRANT  
AUDIT MANAGER**

**MINORITY OPINION**

**YEN NGO**

**YES \_ NO YN**

  
\_\_\_\_\_  
**KATHY WELCH  
REGULATORY ANALYST SUPERVISOR  
MIAMI DISTRICT OFFICE**

DOCUMENT NUMBER-DATE

06141 JUN 18 97

FPSC-RECORDS/REPORTING

## INDEX

I.	EXECUTIVE SUMMARY	
	Audit Purpose .....	1
	Disclaim Public Use .....	1
	Scope Limitation .....	1
	Opinion .....	1
II.	AUDIT SCOPE	
	Scope of work performed .....	2
	.....	3
III.	EXHIBITS .....	4
	Capacity Clause - 4/96 - 9/96	
	Capacity Clause - 10/96 - 3/97	

## I. EXECUTIVE SUMMARY

**AUDIT PURPOSE:** We have applied the procedures described in Section II of this report to audit the Capacity Cost Recovery Exhibits filed by Florida Power and Light Company in for the twelve month period ending March 31, 1997 for Florida Power and Light Company in support of Docket 97000 -EI. The audit exit conference was held on the June 13, 1997. This report is based on confidential information which is separately filed with the Commission Clerk.

**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. Substantial additional work would have to be performed to satisfy generally accepted auditing standards which and produce audited financial statements for public use.

**OPINION:** The Capacity Cost Recovery Schedules for the twelve month period ended March 31, 1997, represent Florida Power and Light Company 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:** 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.

**CAPACITY CHARGES:** Compiled all types of capacity charges from the general ledger and reconciled to the filing.

### **Unit Power Capacity**

Reconciled the Unit Power Sales-Capacity Charges from Southern Company Services invoices to the FPL filing. Judgementally selected and recalculated the invoices for June 1996. Agreed the monthly capacity rate on the invoice to documentation provided by Southern Company to FPL.

The Qualifying Facility (QF) amounts on the company's filing were reconciled to the Actual Interchange & Purchased Power Billing Summary. The invoices of all QF billed amounts for the twelve months ended March 1997 were agreed to the billing summary.

Staff selected and read the contract between Florida Power and Light Company and Indiantown Cogenerator L.P. Staff auditor judgementally selected the month of August 1996 and recalculated all the capacity factors associated with the calculation of the monthly capacity payment for the Indiantown Cogenerators L.P. These factors include actual amounts of hours that are in a particular month, total megawatt hours (MWH) of committed capacity provided to FPL during the month, the maximum allowed amount of MWH that can be provided according to the contract, the monthly capacity factor and the yearly capacity factor.

These factors were recalculated and traced to the appropriate source documents according to the specifications of the contract. Once the annual capacity factor is determined to be correct, it is compared to the criteria that are stated in the contract. This determines the equation to use to figure the monthly capacity payment. The monthly capacity payment is then recalculated and agreed to the invoice.

**St John River Power Plant**

Reconciled charges per the filing to the monthly Purchased Power Accrual, Carrying cost of inventories, bond resolutions expenses and fixed cost of operations.

Selected the month of January 1997. Traced all components of the Purchased Power Accrual to the company's schedules and applicable source documentation for payment. Recalculated the Carrying cost of inventory and Bond resolution expenses. Traced the monthly payments to Jacksonville Electric Authority (JEA) for the Fixed Cost of Operations to the company's worksheet and recalculated FPL's portion. Read contract sections related to the sale of electric capability to FPL from JEA.

**CAPACITY IN BASE RATES:** Traced the capacity related amounts included in base rates to prior audit and commission order.

**JURISDICTIONAL SEPARATION FACTOR:** Traced the demand factor to company's testimony.

**TOTAL NET TRUE-UP CALCULATION:** Recalculated true-up and interest provision; traced the beginning true-up to prior filing and the prior period true-up to commission order. Traced interest rates to the Wall Street Journal 30-day commercial rate.

### **III. EXHIBITS**

FLORIDA POWER & LIGHT COMPANY  
CAPACITY COST RECOVERY CLAUSE  
SUMMARY OF NET TRUE-UP AMOUNT FOR THE  
SIX MONTH PERIOD APRIL THROUGH SEPTEMBER 1996

1.	True-up Amount for the six month period ended September 30, 1996	\$ 28,456,324
2.	Less: Estimated/Actual Over/(Under) Recovery for the same six month period (a)	13,378,068
3.	Net True-up: Over/(Under) Recovery	\$15,078,256

Notes: (a) Approved at the August 1996 Hearing  
FPSC Order No. PSC-96-1172-FOF-EI.

( ) Denotes an underrecovery

FLORIDA POWER & LIGHT COMPANY  
CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF FINAL TRUE-UP AMOUNT  
FOR THE PERIOD APRIL 1996 THROUGH SEPTEMBER 1996

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	
	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
1 Unit Power (UPS) Capacity Charges	3,874,296 00	10,130,954 00	11,945,525 00	10,950,121 00	10,447,395 00	10,284,944 00	57,633,235 00
2 SJRPP Capacity Charges	6,320,425 49	6,341,737 46	6,492,132 15	6,306,833 25	6,433,962 32	6,277,733 69	38,172,844 36
3 Qualifying Facilities (QF) Capacity Charges	23,646,488 56	22,981,858 08	23,042,061 72	23,032,477 58	23,164,333 32	23,335,211 87	139,202,431 13
4 Cypress Settlement - Capacity	0 00	0 00	0 00	0 00	0 00	5,253,279 82	5,253,279 82
5 Revenues from Capacity Sales	(27,352 53)	(878,961 09)	(234,677 01)	(323,579 53)	(199,384 01)	(249,716 37)	(1,913,670 54)
6 Total Compar / Capacity Charges	33,813,857 52	38,575,588 45	41,245,041 86	39,965,852 30	39,848,328 63	44,901,453 01	238,348,119 77
7 Jurisdictional Separation Factor (a)	97.25530%	97.25530%	97.25530%	97.25530%	97.25530%	97.25530%	n/a
8 Jurisdictional Capacity Charges	32,865,769 00	37,516,804 00	40,112,989 00	38,868,910 00	38,752,665 00	43,669,043 00	231,806,180 00
9 Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466 00)	(4,745,466 00)	(4,745,466 00)	(4,745,466 00)	(4,745,466 00)	(4,745,466 00)	(28,472,796 00)
10 Jurisdictional Capacity Charges Authorized for Recovery through CCR Clause	28,140,303 00	32,771,338 00	35,367,523 00	34,123,444 00	34,007,199 00	38,923,577 00	203,333,384 00
11 Capacity Cost Recovery Revenues (Net of Revenue Taxes)	24,332,447 59	24,452,662 54	27,533,233 62	29,311,464 54	31,237,001 65	30,345,101 12	167,211,911 07
12 Prior Period True-up Provision	10,424,404 00	10,424,404 00	10,424,404 00	10,424,404 00	10,424,404 00	10,424,404 00	62,546,424 00
13 Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	34,758,851 59	34,877,066 54	37,957,637 62	39,735,868 54	41,661,405 65	40,769,505 12	229,758,335 07
14 True-up Provision for Month - Over/(Under) Recovery (Line 13 - Line 10)	6,616,548 59	2,105,728 54	2,590,114 62	5,612,424 54	7,654,206 65	1,045,928 12	26,424,951 07
15 Interest Provision for Month	406,795 17	377,608 99	346,774 77	321,045 62	301,846 25	277,302 30	2,031,373 10
16 True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	62,546,424 00	59,145,363 77	51,204,297 30	43,716,782 69	39,225,848 86	36,757,497 76	62,546,424 00
17 Deferred True-up - Over/(Under) Recovery	28,927,083 00	28,927,083 00	28,927,083 00	28,927,083 00	28,927,083 00	28,927,083 00	28,927,083 00
18 Prior Period True-up Provision - Collected/(Refunded) this Month	(10,424,404 00)	(10,424,404 00)	(10,424,404 00)	(10,424,404 00)	(10,424,404 00)	(10,424,404 00)	(62,546,424 00)
19 End of Period True-up - Over/(Under) Recovery (Sum of Lines 14 through 18)	88,072,446 77	80,131,380 30	72,643,865 69	68,152,931 86	65,684,580 76	57,383,407 17	57,383,407 17

Notes: (a) Per B. T. Birkett's Testimony Appendix IV, Page 3, Docket No. 950001-EI, filed June 20, 1995.  
(b) Per FPSC Order No. PSC-94-1092-FOF-EI, issued September 6, 1994, Docket No. 940001-EI, as adjusted in August 1993, per E. L. Hoffman's Testimony Appendix IV, Docket No. 930001-EI, filed July 8, 1993.



FLORIDA POWER & LIGHT COMPANY  
CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF INTEREST PROVISION  
FOR THE PERIOD APRIL 1996 THROUGH SEPTEMBER 1996

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	TOTAL
	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	
1. Beginning True-up Amount	\$91,473,507	\$88,072,447	\$80,131,380	\$72,643,866	\$68,152,932	\$65,684,581	n/a
2. Ending True-up Amount Before Interest	87,665,652	79,753,771	72,297,091	67,831,886	65,382,735	57,106,105	n/a
3. Total Beginning & Ending True-up Amount (Lines 1+2)	179,139,159	167,826,218	152,428,471	140,475,752	133,535,666	122,790,686	n/a
4. Average True-up Amount (50 % of Line 3)	\$89,589,579	\$83,913,109	\$76,214,236	\$70,237,876	\$66,767,833	\$61,395,343	n/a
5. Interest Rate - First day of Reporting Business Month	5.50000%	5.40000%	5.40000%	5.52000%	5.45000%	5.40000%	n/a
6. Interest Rate - First day of Subsequent Business Month	5.40000%	5.40000%	5.52000%	5.45000%	5.40000%	5.44000%	n/a
7. Total Interest Rate (Lines 5+6)	10.90000%	10.80000%	10.92000%	10.97000%	10.85000%	10.84000%	n/a
8. Average Interest Rate (50 % of Line 7)	5.45000%	5.40000%	5.46000%	5.48500%	5.42500%	5.42000%	n/a
9. Monthly Average Interest Rate (1/12 of Line 8)	0.45417%	0.45000%	0.45500%	0.45708%	0.45208%	0.45167%	n/a
10. Interest Provision for the Month (Line 4 X Line 9)	\$406,795	\$377,609	\$346,775	\$321,046	\$301,846	\$277,302	\$2,031,373

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

FLORIDA POWER & LIGHT COMPANY  
CAPACITY COST RECOVERY CLAUSE  
SUMMARY OF NET TRUE-UP AMOUNT FOR THE  
SIX MONTH PERIOD OCTOBER 1996 THROUGH MARCH 1997

1. True-up Amount (including interest) for the six month period ended March 31, 1997	\$ 17,922,988
2. Less: Midcourse Correction Over Recovery for the same six month period (a)	13,739,025
3. Net True-up: Over/(Under) Recovery to be carried forward to the October 1997 through September 1998 period	<u>\$ 4,183,963</u>

Notes: (a) Approved at the February 1997 Hearing  
FPSC Order No. PSC-97-0359-FOF-EI.

( ) Denotes an Underrecovery

DRAFT

FLORIDA POWER & LIGHT COMPANY  
CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF FINAL TRUE-UP AMOUNT  
FOR THE PERIOD OCTOBER 1996 THROUGH MARCH 1997

	(1) ACTUAL OCTOBER	(2) ACTUAL NOVEMBER	(3) ACTUAL DECEMBER	(4) ACTUAL JANUARY	(5) ACTUAL FEBRUARY	(6) ACTUAL MARCH	(7) TOTAL
1. Unit Power (UPS) Capacity Charges	10,260,358.00	10,286,122.00	9,624,855.00	10,256,627.00	11,290,053.00	10,637,313.00	62,355,328.00
2. SURPP Capacity Charges	6,558,406.62	6,424,119.19	6,402,358.88	6,640,370.55	6,432,255.16	7,174,990.60	39,632,501.00
3. Qualifying Facilities (QF) Capacity Charges	23,390,297.61	23,436,934.34	23,417,012.49	24,681,634.10	24,624,455.35	24,114,682.99	143,665,016.88
4. Cypress Settlement - Capacity	0.00	1,634,800.18	0.00	0.00	0.00	0.00	1,634,800.18
5. Revenues from Capacity Sales	(380,533.32)	(642,005.43)	(1,117,618.38)	(517,609.13)	(210,026.40)	(141,167.17)	(3,008,959.83)
6. Total Company Capacity Charges	<u>39,828,528.91</u>	<u>41,139,970.28</u>	<u>38,326,607.99</u>	<u>41,061,022.52</u>	<u>42,136,737.11</u>	<u>41,785,819.42</u>	<u>244,278,686.23</u>
7. Jurisdictional Separation Factor (a)	97.33111%	97.33111%	97.33111%	97.33111%	97.33111%	97.33111%	n/a
8. Jurisdictional Capacity Charges	38,765,549.00	40,041,990.00	37,303,713.00	39,965,149.00	41,012,154.00	40,670,602.00	237,759,157.00
9. Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(4,745,466.00)	(28,472,796.00)
10. Jurisdictional Capacity Charges Authorized for Recovery through CCR Clause	<u>34,020,083.00</u>	<u>35,296,524.00</u>	<u>32,558,247.00</u>	<u>35,219,683.00</u>	<u>36,266,688.00</u>	<u>35,925,136.00</u>	<u>209,286,361.00</u>
11. Capacity Cost Recovery Revenues (Net of Revenue Taxes)	38,149,277.22	34,034,895.15	31,876,938.73	33,819,438.87	33,468,815.24	33,274,682.13	204,424,047.34
12. Prior Period True-up Provision	3,525,429.00	3,525,429.00	3,525,429.00	3,525,429.00	3,525,429.00	3,525,429.00	21,152,574.00
13. Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	<u>41,674,706.22</u>	<u>37,560,324.15</u>	<u>35,402,367.73</u>	<u>37,144,867.87</u>	<u>36,994,244.24</u>	<u>36,800,111.13</u>	<u>225,576,621.34</u>
14. True-up Provision for Month - Over/(Under) Recovery (Line 13 - Line 10)	7,654,623.22	2,263,800.15	2,844,120.73	1,925,184.87	727,556.24	874,975.13	18,290,280.34
15. Interest Provision for Month	268,011.42	275,938.46	287,157.77	283,103.09	281,503.95	257,012.55	1,632,727.24
16. True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	42,305,151.00	48,702,356.64	45,716,686.26	45,322,515.76	44,005,374.71	41,469,005.90	42,305,151.00
17. Deferred True-up - Over/(Under) Recovery	15,078,256.00	15,078,256.00	15,078,256.00	15,078,256.00	15,078,256.00	15,078,256.00	15,078,256.00
18. Prior Period True-up Provision - Collected/(Refunded) this Month	(3,525,429.00)	(3,525,429.00)	(3,525,429.00)	(3,525,429.00)	(3,525,429.00)	(3,525,429.00)	(21,152,574.00)
19. End of Period True-up - Over/(Under) Recovery (Sum of Lines 14 through 18)	<u>61,780,612.64</u>	<u>60,794,922.26</u>	<u>60,400,771.76</u>	<u>59,083,630.71</u>	<u>56,547,261.90</u>	<u>54,153,820.58</u>	<u>54,153,820.58</u>

Notes: (a) Per R. Morley's Testimony Appendix III, Page 5, Docket No. 960001-EI, filed June 24, 1996.  
(b) Per FPSC Order No. PSC-84-1092-FOF-EI, issued September 6, 1994, Docket No. 940001-EI, as adjusted in August 1993, per E. L. Hoffman's Testimony Appendix IV, Docket No. 930001-EI, filed July 8, 1993.

**DRAFT**

FLORIDA POWER & LIGHT COMPANY  
CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF INTEREST PROVISION

FOR THE PERIOD OCTOBER 1986 THROUGH MARCH 1987

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	TOTAL
1. Beginning True-up Amount	\$57,383,407	\$61,780,613	\$60,794,922	\$60,400,772	\$59,083,631	\$58,547,262	n/a
2. Ending True-up Amount Before Interest	81,512,601	60,518,984	60,113,614	58,800,528	56,285,758	53,898,808	n/a
3. Total Beginning & Ending True-up Amount (Lines 1+2)	118,896,008	122,299,596	120,908,536	119,201,299	115,369,389	110,444,070	n/a
4. Average True-up Amount (50 % of Line 3)	\$59,448,004	\$61,149,798	\$60,454,268	\$59,600,650	\$57,684,694	\$55,222,035	n/a
5. Interest Rate - First day of Reporting Business Month	5.40000%	5.36000%	5.45000%	5.95000%	5.45000%	5.43000%	n/a
6. Interest Rate - First day of Subsequent Business Month	5.36000%	5.45000%	5.95000%	5.45000%	5.43000%	5.74000%	n/a
7. Total Interest Rate (Lines 5+6)	10.82000%	10.83000%	11.40000%	11.40000%	10.88000%	11.17000%	n/a
8. Average Interest Rate (50 % of Line 7)	5.41000%	5.41500%	5.70000%	5.70000%	5.44000%	5.58500%	n/a
9. Monthly Average Interest Rate (1/12 of Line 8)	0.45083%	0.45125%	0.47500%	0.47500%	0.45333%	0.46542%	n/a
10. Interest Provision for the Month (Line 4 X Line 9)	\$268,011	\$275,938	\$287,158	\$283,103	\$261,504	\$257,013	\$1,632,777

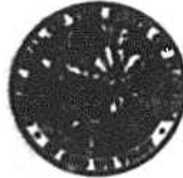
NOTE: Columns and rows may not add due to rounding.

DRAFT

State of Florida

Commissioners:

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



DIVISION OF RECORDS &  
REPORTING  
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  
Capacity Fuel Audit Report - Period Ended March 31, 1997  
Audit Control # 97-076-4-1

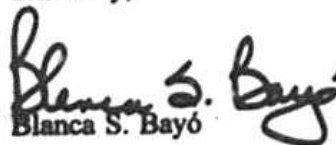
Dear Mr. Walker:

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.

The Division of Records and Reporting is holding the workpapers for which you requested confidential treatment. You have 21 days from the audit exit conference, or July 4, 1997 to file a formal request for Confidential Classification with the Division of Records and Reporting.

Thank you for your cooperation.

Sincerely,

  
Blanca S. Bayó

BSB/DNV/clc

Enclosure

cc: Public Counsel  
Steel Law Firm