

MEMORANDUM

December 29, 1997

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 970002-EG -- FLORIDA POWER & LIGHT COMPANY
CONSERVATION AUDIT REPORT - PERIOD ENDED SEPTEMBER 30, 1997
AUDIT CONTROL NO. 97-269-4-1

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 two diskettes. The diskettes may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

Florida Power & Light Company
Bill Walker
215 South Monroe Street, Suite 810
Tallahassee, FL 21301-1859

DNV/sp

Attachment

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Kiesling
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causeaux/
File Folder)
Division of Electric and Gas (Colson)
Miami District Office (Welch)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

13258 DEC 29 5

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED SEPTEMBER 30, 1997

Field Work Completed

December 15, 1997

FLORIDA POWER AND LIGHT, INC.

Miami, Florida

Miami Dade County

Conservation Cost Recovery Audit

Docket Number 970002-EG

Audit Control Number 97-269-4-1



Gabriela Leon

Audit Manager

Audit Staff

Yen Ngo

Raymond Grant

Minority Opinion

Yes No

Yes No



Kathy Welch

District Audit Supervisor

Miami

DOCUMENT NUMBER-DATE

13258 DEC 29 97

FPSC-RECORDS/REPORTING

INDEX

I. Executive Summary	1
Audit Purpose	
Scope Limitation	
Disclaim Public Use	
Opinion	
Summary Findings	
ii. Audit Scope	2
Scope of Work Performed	
III. Audit Disclosure	3
Expenses	
V. Exhibits	5

I. Executive Summary

Audit Purpose: We have applied the procedures described in Section II of this report to audit the schedules of Energy Conservation for the twelve month period ending September 30, 1997 prepared by Florida Power and Light Company for the Conservation Cost Recovery Clause, Docket 970002-EG. The exit conference was held on December 18, 1997.

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: Subject to audit disclosure No. 1 in Section III, the schedules of Energy Conservation for the twelve month period ending September 30, 1997 represent Florida Power and Light Company's 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, the following definitions shall apply.

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.

EXAMINED- The audit staff reconciled exhibit amounts with the general ledger, traced general ledger account balances to subsidiary ledgers, applied selective analytical review procedures, tested account balances to the extent further described, and disclosed any error, irregularity, or inconsistency observed.

REVENUES AND EXPENSES:

Compiled CT-3 Schedules. The schedules were recalculated, traced to supporting schedules and reconciled to the books. Interest rates used to recalculate the interest provision were traced to the Wall Street Journal 30 day commercial rate. Verified the beginning true-up to the last order.

Examined revenues. Revenues were recalculated by obtaining the kilowatt usage from the Revenue and Rate Report and multiplying it by the rates billed per the order.

Examined Expenses. Reviewed expenses for variances since the last audit. Asked the Company to provide reasons for these variances. Selected a sample of expenses using the audit analyzer. The sample items were traced to supporting documentation and verified that they related to a specific conservation program. A judgmental sample of Advertising Expenses was taken, traced to the invoices and to the actual ads. Reviewed company proforma adjustments and recomputed load control incentives using the program guidelines.

CONFIDENTIAL

CONFIDENTIAL

V. EXHIBITS

ENERGY CONSERVATION COST RECOVERY
FINAL NET TRUE-UP FOR THE TWELVE
MONTHS ENDED SEPTEMBER 30, 1997

LINE
NO.

1	Final net true-up for period October 1996 through March 1997 per CT-1, Page 1	(\$507,803)
2	Actual true-up for the period April 1997 through September 1997 per CT-1, Page 2	(2,436,130)
3	Adjusted Net True-up for the period October 1996 through September 1997 (to be carried over to the April 1998 through March 1999 period)	<u>(\$2,943,933)</u>

() Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION TRUE-UP & INTEREST CALCULATION
 OCTOBER 1996 THROUGH MARCH 1997

	OCTOBER	NOVEMBER	DECEMBER	ACTUALS JANUARY	FEBRUARY	MARCH	TOTAL
B. CONSERVATION PROGRAM REVENUES							
1. a. RESIDENTIAL LOAD CONTROL CREDIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. C/I - PENALTIES							0
c. BUSINESS ENERGY EXPO							0
2. CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	13,557,468	11,671,943	10,873,456	11,432,506	11,292,432	11,415,723	70,243,526
3. TOTAL REVENUES	13,557,468	11,671,943	10,873,456	11,432,506	11,292,432	11,415,723	70,243,526
4. ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	1,273,476	1,273,476	1,273,476	1,273,476	1,273,476	1,273,476	7,640,855
5. CONSERVATION REVENUES APPLICABLE TO PERIOD (Line B3 + B4)	14,830,942	12,945,419	12,146,932	12,705,982	12,565,908	12,689,199	77,884,381
6. CONSERVATION EXPENSES (From CT-3, Page 1, Line 33)	13,643,501	14,081,479	13,475,461	11,327,704	10,552,914	14,743,851	76,024,900
7. TRUE-UP THIS PERIOD (Line B5 - Line B6)	987,441	(1,136,060)	(1,328,529)	1,378,278	2,012,994	(2,054,652)	(140,528)
8. INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	(43,124)	(49,440)	(64,180)	(70,416)	(65,609)	(73,687)	(368,456)
9. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	7,640,855	7,311,696	4,652,720	2,196,535	2,220,521	2,894,830	7,640,855
a. DEFERRED TRUE-UP BEGINNING OF PERIOD	(17,063,264)	(17,063,264)	(17,063,264)	(17,063,264)	(17,063,264)	(17,063,264)	(17,063,264)
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(1,273,476)	(1,273,476)	(1,273,476)	(1,273,476)	(1,273,476)	(1,273,476)	(7,640,855)
11. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (Line B7+B8+B9+B9a+D10)	(\$9,751,568)	(\$12,210,544)	(\$14,876,729)	(\$14,842,343)	(\$14,168,434)	(\$17,570,247)	(\$17,570,247)

NOTES: () Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY
 CONSERVATIC™ TRUE-UP & INTEREST CALCULATION
 OCTOBER 1996 THROUGH MARCH 1997

	ACTUALS					TOTAL
	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
C. INTEREST PROVISION						
1. BEGINNING TRUE-UP AMOUNT (Line B9+B9a)	(\$9,422,409)	(\$9,751,569)	(\$12,210,544)	(\$14,876,729)	(\$14,842,343)	(\$14,168,434)
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST (Line B7+B9+B9a+B10)	(9,708,444)	(12,161,104)	(14,812,549)	(14,771,927)	(14,102,825)	(17,498,582)
3. TOTAL OF BEGINNING & ENDING TRUE-UP (Line C1+C2)	(\$19,130,853)	(\$21,912,672)	(\$27,023,093)	(\$29,648,656)	(\$28,945,168)	(\$31,664,966)
4. AVERAGE TRUE-UP AMOUNT (50% of Line C3)	(\$9,565,427)	(\$10,956,336)	(\$13,511,547)	(\$14,824,328)	(\$14,472,584)	(\$15,832,468)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.440000%	5.380000%	5.460000%	5.950000%	5.450000%	5.430000%
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.380000%	5.450000%	5.950000%	5.450000%	5.430000%	5.740000%
7. TOTAL (Line C5+C6)	10.820000%	10.830000%	11.400000%	11.400000%	10.880000%	11.170000%
8. AVERAGE INTEREST RATE (50% of Line C7)	5.410000%	5.415000%	5.700000%	5.700000%	5.440000%	5.585000%
9. MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.450833%	0.45125%	0.475000%	0.475000%	0.453333%	0.46542%
10. INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	(\$43,124)	(\$49,440)	(\$64,180)	(\$70,416)	(\$65,809)	(\$73,687)
						(\$368,458)

NOTES: () Reflects Underrecovery
 N/A = Not Applicable

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION TRUE-UP & INTEREST CALCULATION
 APRIL THROUGH SEPTEMBER 1997

	APRIL	MAY	JUNE	ACTUALS JULY	AUGUST	SEPTEMBER	TOTAL
3. CONSERVATION PROGRAM REVENUES							
1. a. RESIDENTIAL LOAD CONTROL CREDIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. C1 - PENALTIES							0
c. BUSINESS ENERGY EXPO							0
2. CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	13,590,141	14,319,170	17,010,659	18,119,890	18,437,451	18,656,987	100,134,298
3. TOTAL REVENUES	<u>13,590,141</u>	<u>14,319,170</u>	<u>17,010,659</u>	<u>18,119,890</u>	<u>18,437,451</u>	<u>18,656,987</u>	<u>100,134,298</u>
4. ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	(1,421,871)	(1,421,871)	(1,421,871)	(1,421,871)	(1,421,871)	(1,421,871)	(8,531,223)
5. CONSERVATION REVENUES APPLICABLE TO PERIOD (Line B3 + B4)	<u>12,168,271</u>	<u>12,897,300</u>	<u>15,588,789</u>	<u>16,698,020</u>	<u>17,015,581</u>	<u>17,235,117</u>	<u>91,603,075</u>
6. CONSERVATION EXPENSES (From CT-3, Page 1, Line 33)	14,358,824	14,957,728	17,385,287	16,141,461	15,893,075	14,814,921	83,551,294
7. TRUE-UP THIS PERIOD (Line B5 - Line B6)	<u>(2,190,554)</u>	<u>(2,060,428)</u>	<u>(1,796,498)</u>	<u>558,558</u>	<u>1,122,505</u>	<u>2,420,195</u>	<u>(1,948,219)</u>
8. INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	(84,985)	(87,824)	(90,402)	(88,921)	(78,382)	(61,617)	(467,911)
9. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	(17,062,446)	(17,916,114)	(18,642,294)	(19,107,324)	(17,215,815)	(14,747,802)	(17,062,446)
a. DEFERRED TRUE-UP BEGINNING OF PERIOD	(507,801)	(507,801)	(507,801)	(507,801)	(507,801)	(507,801)	(507,801)
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	1,421,871	1,421,871	1,421,871	1,421,871	1,421,871	1,421,871	8,531,223
11. END OF PERIOD TRUE-UP - OVER/UNDER RECOVERY (Line B7+B8+B9+B9a+B10)	<u>(\$18,423,915)</u>	<u>(\$19,150,095)</u>	<u>(\$19,615,125)</u>	<u>(\$17,723,617)</u>	<u>(\$15,255,605)</u>	<u>(\$11,475,154)</u>	<u>(\$11,475,154)</u>

NOTES: () Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION TRUE-UP & INTEREST CALCULATION
 APRIL THROUGH SEPTEMBER 1997

	APRIL	MAY	JUNE	ACTUALS JULY	AUGUST	SEPTEMBER	TOTAL
C. INTEREST PROVISION							
1. BEGINNING TRUE-UP AMOUNT (Line B9+E9a)	(\$17,570,247)	(\$18,423,915)	(\$19,150,095)	(\$19,615,125)	(\$17,723,617)	(\$15,255,603)	(\$107,738,602)
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST (Line B7+B9+B9a+B10)	(18,338,930)	(19,082,471)	(19,524,723)	(17,636,696)	(15,179,241)	(11,413,537)	(101,155,598)
3. TOTAL OF BEGINNING & ENDING TRUE-UP (Line C1+C2)	(\$35,909,177)	(\$37,486,386)	(\$38,674,818)	(\$37,251,821)	(\$32,902,858)	(\$26,669,140)	(\$208,894,200)
4. AVERAGE TRUE-UP AMOUNT (50% of Line C3)	(\$17,954,589)	(\$18,743,193)	(\$19,337,409)	(\$18,625,911)	(\$16,451,429)	(\$13,334,570)	(\$104,447,100)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.74000%	5.62000%	5.60000%	5.62000%	5.58000%	5.56000%	N/A
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.62000%	5.60000%	5.62000%	5.58000%	5.56000%	5.53000%	N/A
7. TOTAL (Line C5+C6)	11.36000%	11.22000%	11.22000%	11.20000%	11.14000%	11.09000%	N/A
8. AVERAGE INTEREST RATE (50% of Line C7)	5.68000%	5.61000%	5.61000%	5.60000%	5.57000%	5.54500%	N/A
9. MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.47333%	0.46750%	0.46750%	0.46667%	0.46417%	0.46208%	N/A
10. INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	(\$84,965)	(\$87,624)	(\$90,492)	(\$85,921)	(\$76,382)	(\$81,617)	(\$487,911)

NOTES: () Reflects Underrecovery.
 N/A = Not Applicable

STATE OF FLORIDA

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



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYÓ
DIRECTOR
(850) 413-6770

Public Service Commission

December 30, 1997

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

Re: Docket No. 970002 - EG - Florida Power & Light Company
Conservation Audit Report - Period Ended September 30, 1997
Audit Control # 97-269-4-1

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 January 8, 1998 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/clis
Enclosure
cc: Public Counsel
Steel Law Firm