

MEMORANDUM

February 3, 1998

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 980002-EI -- FLORIDA POWER CORPORATION
AUDIT REPORT - RESIDENTIAL REVENUE DECOUPLING
AUDIT CONTROL NO. 98-014-2-2

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 audit report to:

James A. McGee
Florida Power Corporation
Post Office Box 14042
St. Petersburg, FL 33733-4042

DNV/sp

Attachment

cc: Chairman Johnson
Commissioner Clark
Commissioner Deason
Commissioner Garcia
Commissioner Jacobs
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
Stallcup/File Folder)
Division of Electric and Gas (Jenkins)
Tampa District Office (McPherson)

Research and Regulatory Review (Harvey)
Office of Public Counsel



FLORIDA PUBLIC SERVICE COMMISSION

***DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING***

Tampa District Office

FLORIDA POWER CORPORATION

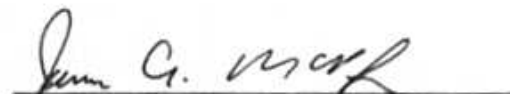
RESIDENTIAL REVENUE DECOUPLING AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1997

DOCKET NO. 980002-EI

AUDIT CONTROL NO. 98-014-2-2


Thomas E. Stambaugh, Audit Manager


James A. McPherson, Audit Supervisor

DOCUMENT NUMBER-DATE
01730 FEB-3 88
FPSC-RECORDS/REPORTING

TABLE OF CONTENTS

	Page
I AUDITOR'S REPORT	
PURPOSE.....	1
DISCLAIM PUBLIC USE.....	1
OPINION.....	1
SUMMARY OF SIGNIFICANT FINDINGS.....	2
SUMMARY OF SIGNIFICANT PROCEDURES.....	2
II DISCLOSURES	
1. DIFFERENCE IN INTEREST RATES.....	3
III EXHIBITS	
RESIDENTIAL REVENUE DECOUPLING CALCULATION.....	4

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

JANUARY 23, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Residential Revenue Decoupling true-up schedule for the twelve months ended December 31, 1997 for Florida Power Corporation. This schedule was prepared by the Utility as part of its petition for cost recovery in Docket 980002-EI. There is no confidential information associated with this audit, and there are no audit staff minority opinions.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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.

In our opinion, the schedule referred to above presents fairly, in all material respects, the utility's books and records maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and other matters which were noted during our examination.

SUMMARY OF SIGNIFICANT FINDINGS

The Utility used an incorrect interest rate in its true-up calculation. The use of the incorrect rate caused a \$690 error in the total true-up.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned - The documents were read quickly looking for obvious errors.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

TRUE-UP SCHEDULE:

For the test period, the auditor scanned the filing for any obvious error or inconsistency. Residential base revenues were recomputed using FPSC approved tariff rates. To verify residential revenue accuracy, the auditor traced residential active meters, billed customers and kilowatt hours to supporting records. Customer charges and non-fuel energy charges were traced to tariff sheets. The auditor verified interest rates and recomputed the true-up.

DISCLOSURE NO. 1

SUBJECT: Difference in Interest Rates

STATEMENT OF FACT: For the end of November, 1997, the Utility used an interest rate of 5.56% in its calculation of interest on recoverable true-up for residential revenue decoupling. The schedule of thirty-day commercial paper interest rates provided to FPSC auditor by Staff in Tallahassee indicated a rate of 5.60% at end of November.

RECOMMENDATION: The Utility retrieved its thirty-day commercial paper interest rate for November, 1997 on an instrument titled "Federal Reserve Release". The FPSC schedule was based on interest rates extracted from the Wall Street Journal. The difference of .04% in the interest rates causes a difference in the calculation of interest for November of \$334 and a difference in total true-up for the twelve months ended December 31, 1997 of \$690. In the future, the Utility should draw its interest rates from the Thirty-Day Commercial Paper section of "Money Rates" in the Wall Street Journal to ensure consistency.

Florida Power Corporation

Statistical Information Emerging Calculation - Actual Calculation
1987 Revised 11/98

Florida Power Corporation
Docket No. 900002 LG
Witness E. H. Winstead
Exhibit No. _____
Sheet 3 of 5

Revenue per Customer computed by multiplying Adjusted BPC by monthly factor

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Annual
1	0.901730000													
2	N/A													
3	251,740	254,008	254,037	254,008	255,242	255,898	254,853	251,212	251,871	254,823	254,298	258,893	2,548,225	254.2
4	281,774	282,478	283,087	284,294	285,285	286,288	287,053	287,028	288,217	288,782	288,203	278,058	2,848,188	286.1
5	1,107.4	1,107.4	1,107.4	1,107.4	1,107.4	1,107.4	1,107.4	1,107.4	1,107.4	1,107.4	1,107.4	1,107.4	12,288.8	12.288
6	15.7	15.8	15.8	15.8	17.4	17.8	18.8	17.8	17.8	17.8	17.4	17.5	205.8	205.8
7	N/A													
8	1,123.1	1,123.8	1,123.8	1,124.8	1,125.2	1,125.2	1,125.4	1,125.2	1,125.2	1,125.8	1,124.8	1,125.1	12,484	12.484
9	54.88	54.88	54.88	54.88	54.87	54.88	54.88	54.88	54.88	54.88	54.87	54.88	648.88	648.88
10	0.82828	0.82788	0.82788	0.82788	0.82788	0.82788	0.82788	0.82788	0.82788	0.82788	0.82788	0.82788	9,942.22	9.94222
11	1,882	1,882	1,882	1,882	1,882	1,882	1,882	1,882	1,882	1,882	1,882	1,882	22,584	22.584
12	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	22,500	22.5
13	52.85	48.57	48.04	44.28	47.87	48.22	48.82	47.77	48.84	48.81	45.85	48.28	648.88	648.88
14														
15	1,182,420	1,182,720	1,174,240	1,188,880	1,197,158	1,182,288	1,178,788	1,172,811	1,172,811	1,182,172	1,188,412	1,182,448	12,484	12.484
16	1,182,420	1,182,720	1,174,240	1,188,880	1,197,158	1,182,288	1,178,788	1,172,811	1,172,811	1,182,172	1,188,412	1,182,448	12,484	12.484
17	1,221,888,524	1,221,888,524	1,221,888,524	1,221,888,524	1,221,888,524	1,221,888,524	1,221,888,524	1,221,888,524	1,221,888,524	1,221,888,524	1,221,888,524	1,221,888,524	12,288,888	12,288.888
18	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	12,600	12.6
19	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	652,896	652.896
20	51.88	48.43	47.46	43.85	44.28	44.88	45.82	44.78	45.78	45.81	42.85	45.28	628.88	628.88
21														
22	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	54,408,152	652,896	652.896
23	82,558,280	82,558,280	82,558,280	82,558,280	82,558,280	82,558,280	82,558,280	82,558,280	82,558,280	82,558,280	82,558,280	82,558,280	990,700	990.7
24	1,158,138	1,158,138	1,158,138	1,158,138	1,158,138	1,158,138	1,158,138	1,158,138	1,158,138	1,158,138	1,158,138	1,158,138	13,898.56	13.89856
25	1,864,081													
26	22,488	11,582	18,378	28,428	48,288	58,842	87,888	177,881	88,141	88,888	85,824	198,782	1,864,081	1,864.081
27	587,288	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	7,527,378	7,527.378
28	587,288	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	7,527,378	7,527.378
29	587,288	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	7,527,378	7,527.378
30	542,852	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	7,527,378	7,527.378
31														
32	542,852	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	628,182	7,527,378	7,527.378
33														
34														
35														
36														
37														
38														
39														
40														
41														
42														
43														
44														
45														
46														
47														
48														
49														
50														
51														
52														
53														

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.



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

Public Service Commission

February 4, 1998

Florida Power Corporation
Mr. James A. McGee
Post Office Box 14042
St. Petersburg, Florida 33733-4042

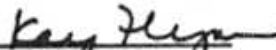
Re: Docket No. 980002 - EI - Florida Power Corporation.
Audit Report - Residential Revenue Decoupling
Audit Control # 98-014-2-2

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,


Kay Flynn, Chief
Bureau of Records

KF/cis
Enclosure
cc: Public Counsel