

MEMORANDUM

April 29, 1998

ORIGINAL

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 980002-EG -- FLORIDA POWER & LIGHT COMPANY
AUDIT REPORT - CONSERVATION COST RECOVERY SUPPLEMENTAL
AUDIT CONTROL NO. 98-068-4-1

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 working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of the audit report to:

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

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/
File Folder)
Division of Electric and Gas (Colson)
Miami District Office (Welch)

Research and Regulatory Review (Harvey)
Office of Public Counsel

DOCUMENT NUMBER-DATE

04802 APR 29 88

FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING*

Miami District Office

FLORIDA POWER AND LIGHT COMPANY

CONSERVATION COST RECOVERY-SUPPLEMENT AUDIT

DOCKETED NO. 980002-EG

AUDIT CONTROL NO. 98-068-4-1

Handwritten signature of Gabriela Leon in cursive script.

Gabriela Leon, Audit Manager

Handwritten signature of Kathy L. Welch in cursive script.

Kathy L. Welch, Audit Supervisor

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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

APRIL 21, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedules of the Conservation Cost Recovery Audit for the twelve month period ending September 30, 1997.

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 schedules referred to above present 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

Electric Heat Pump promotion expenses and legal fees related to the Aquatherm lawsuit were not found in the Conservation expenses.

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 or accounts were read quickly looking for obvious errors.

Compiled- The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

Confirmed- Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

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

OPERATING EXPENSES- Requested from the company all the account numbers for which the promotion of electric heat pumps and the legal fees related to the lawsuit with Aquatherm Industries Inc. were booked to. Verified if these accounts were part of the last period Conservation Cost Recovery Audit.

Scanned all cash vouchers and journal vouchers charged to Conservation for possible charges related to the promotion of electric heat pumps and legal fees from the lawsuit with Aquatherm Industries Inc.

In addition to scanning all the cash vouchers, staff wrote a program using audit analyzer to select all items on the cash vouchers that included a description of "electric heat pumps", "Steel Hector and Davis", and "Legal Fees".

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
 APRIL THROUGH SEPTEMBER 1997

	APRIL	MAY	JUNE	ACTUALS JULY	AUGUST	SEPTEMBER	TOTAL
C. INTEREST PROVISION							
1. BEGINNING TRUE-UP AMOUNT (Line B9+B9a)	(\$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)	(19,062,471)	(19,524,723)	(17,638,696)	(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)	(\$84,985)	(\$87,624)	(\$90,402)	(\$88,921)	(\$76,362)	(\$61,617)	(\$487,911)

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

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

	ACTUALS						TOTAL
	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	
3. CONSERVATION PROGRAM REVENUES							
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	18,650,997	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>18,650,997</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)	14,350,824	14,957,725	17,295,287	16,141,461	15,893,075	14,814,921	93,551,294
7. TRUE-UP THIS PERIOD (Line B5 - Line B6)	<u>(2,182,554)</u>	<u>(2,060,425)</u>	<u>(1,706,498)</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)	(84,865)	(87,524)	(80,402)	(88,921)	(78,362)	(81,817)	(487,911)
9. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	(17,062,446)	(17,916,114)	(18,642,294)	(19,107,324)	(17,215,816)	(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+B10)	<u>(18,423,915)</u>	<u>(19,150,095)</u>	<u>(19,615,125)</u>	<u>(17,723,817)</u>	<u>(15,255,803)</u>	<u>(11,475,154)</u>	<u>(11,475,154)</u>

NOTES: () Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION 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)	(\$9,751,568)	(\$12,210,544)	(\$14,878,729)	(\$14,842,343)	(\$14,168,434)	(\$75,272,027)
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)	(17,496,562)	(83,053,411)
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)	(\$31,664,996)	(\$158,325,438)
4. AVERAGE TRUE-UP AMOUNT (50% of Line C3)	(\$9,565,427)	(\$10,956,336)	(\$13,511,547)	(\$14,824,328)	(\$14,472,584)	(\$15,132,498)	(\$78,162,719)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.44000%	5.38000%	5.45000%	5.95000%	5.45000%	5.45000%	N/A
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.98000%	5.45000%	5.95000%	5.45000%	5.40000%	5.74000%	N/A
7. TOTAL (Line C5+C6)	10.82000%	10.83000%	11.40000%	11.40000%	10.86000%	11.17000%	N/A
8. AVERAGE INTEREST RATE (50% of Line C7)	5.41000%	5.41500%	5.70000%	5.70000%	5.44000%	5.58500%	N/A
9. MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.45083%	0.45125%	0.47500%	0.47500%	0.45333%	0.46542%	N/A
10. INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	(\$43,124)	(\$49,440)	(\$64,180)	(\$70,416)	(\$65,609)	(\$73,617)	(\$366,456)

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

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

Docket No. 970002-EG
 Exhibit No. _____
 Florida Power & Light Co.
 (LMB-1)
 Schedule CT-3
 Page 3 of 6

	ACTUALS					TOTAL
	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
B. CONSERVATION PROGRAM REVENUES						
1. a. RESIDENTIAL LOAD CONTROL CREDIT	\$0	\$0	\$0	\$0	\$0	\$0
b. CA - PENALTIES						0
c. BUSINESS ENERGY EXPO						0
2. CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	13,557,466	11,671,943	10,873,456	11,432,506	11,292,432	11,415,723
3. TOTAL REVENUES	13,557,466	11,671,943	10,873,456	11,432,506	11,292,432	11,415,723
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
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
6. CONSERVATION EXPENSES (From CT-3, Page 1, Line 30)	13,843,501	14,081,479	13,475,461	11,327,704	10,552,914	14,743,851
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)
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)
9. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	7,640,855	7,311,696	4,852,720	2,186,535	2,220,921	2,814,830
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)
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(1,273,476)	(1,273,476)	(1,273,476)	(1,273,476)	(1,273,476)	(1,273,476)
11. END OF PERIOD TRUE-UP - OVER(U)NDER RECOVERY (Line B7-B9-B9a-B10)	(\$9,751,566)	(\$12,210,544)	(\$14,878,726)	(\$14,842,343)	(\$14,169,434)	(\$17,570,247)

NOTES: () Reflects Underrecovery