

ORIGINAL

MEMORANDUM

June 16, 1998

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 980001-EI -- FLORIDA POWER & LIGHT COMPANY
 AUDIT REPORT - CAPACITY COST - HISTORICAL YEAR ENDED MARCH 31, 1998
 AUDIT CONTROL NO. 98-094-4-1

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 one diskette. The diskette 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, 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 (Ging)
 Miami District Office (Welch)

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Research and Regulatory Review (Harvey)
 Office of Public Counsel

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DP&R RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING*

Miami District Office

FLORIDA POWER AND LIGHT COMPANY

CAPACITY COST RECOVERY CLAUSE

HISTORICAL YEAR END MARCH 31, 1998

**DOCKETED NO. 980001-EI
AUDIT CONTROL NO. 98-094-4-1**

Yen Ngo, Audit Manager

Gabriela Leon, Audit Staff

Kathy L. Welch, Audit Supervisor

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

JUNE 2, 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 Capacity Cost Recovery Clause for the historical 12-month period ended March 31, 1998, for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for rate relief in Docket No. 980001-EI . Confidential information associated with this audit has been filed with the Division of Records and Reporting. 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 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

The company made several errors in calculating the St. John River Power Plant (SJRPP) capacity charges accruals. The effect of these accruals on the true-up and interest calculation are (\$2,062,542).

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:

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

- **Cost Recovery Revenues**
Compiled revenues from the Revenue and Rate Report and reconciled to company's filing.
- **Charges**
Compiled all types of capacity charges from the general ledger and reconciled them 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 May 1997. Agreed the monthly capacity rate on the invoice to documentation provided by Southern Company to Florida Power and Light.

The Transmission True-Up of Unit Power Sales was recalculated and agreed to supporting documentation provided by Southern Company to Florida Power and Light.

The Qualifying Facility amounts on the company's filing were reconciled to the Actual Interchange & Purchased Power Billing Summary. The invoices of Qualifying Facility billed amounts for the twelve months ended March 1998 were agreed to the billing summary. A detail testing was performed in the Fuel Audit Docket No. 980001-EI.

- **St. John River Power Plant**
Reconciled charges per the filing for the monthly Purchase Power Accrual, Carrying Cost of Inventories, Bond Resolutions Expenses, and Fixed Cost of Operations. Traced monthly accruals to source documentation from Jacksonville Electric Authority and to payments made.
- **Cypress Settlement**
Reconciled the payments to the filing.

- **Transmission Service**
Recalculated the transmission service charges on the invoices and agreed them to the filing.
- **Capacity in Base Rates**
Traced the capacity related amounts included in base rates to the 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 the prior filing and the prior period true-up to commission order. Traced interest rates to the Wall Street Journal 30-day commercial rate.

CONFIDENTIAL

IV. EXHIBITS

FLORIDA POWER & LIGHT COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT

FOR THE PERIOD OCTOBER 1997 THROUGH MARCH 1998

LINE NO	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OCT 1997	NOV 1997	DEC 1997	JAN 1998	FEB 1998	MAR 1998	1998	1998	(7)
1	16,624,478.00	10,897,523.00	10,187,236.00	9,991,797.00	10,158,817.00	9,992,179.00	60,452,006.00	1	60,452,006.00
2	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2	0.00
3	22,890,792.00	24,676,426.43	24,669,098.96	24,610,560.89	24,793,162.00	24,627,324.77	147,229,363.24	3	147,229,363.24
4	8,190,491.29	5,811,747.47	8,134,282.41	6,109,282.33	8,363,911.45	8,213,897.24	17,269,726.99	4	17,269,726.99
4a	391,666.67	391,666.67	391,666.67	391,666.67	391,666.67	391,666.67	2,350,000.00	4a	2,350,000.00
4b	12,620,811.11	14,062,476.11	11,164,112.11	11,414,112.11	11,414,112.11	11,414,112.11	12,229,000.00	4b	12,229,000.00
5	1,530,490.14	36,833.13	36,833.13	36,833.13	36,833.13	36,833.13	231,228.27	5	231,228.27
6	1,530,490.14	36,833.13	36,833.13	36,833.13	36,833.13	36,833.13	1,648,796.90	6	1,648,796.90
7	0.00	341,348.00	222,214.84	0.00	0.00	0.00	319,519.42	7	319,519.42
8	7,909,130.240	10,443,010.27	11,827,295.14	432,893.13	4,714,209.49	12,930,911.44	53,191,438.62	8	53,191,438.62
9	38,779,432.97	40,341,769.84	40,633,886.19	41,879,333.26	41,882,389.43	38,390,348.13	241,826,947.00	9	241,826,947.00
10	97,190,216.00	97,190,216.00	97,190,216.00	97,190,216.00	97,190,216.00	97,190,216.00	N/A	10	N/A
11	37,493,262.49	39,488,767.58	39,497,838.77	40,803,286.25	40,243,145.59	37,315,112.20	235,150,886.86	11	235,150,886.86
12	14,343,466.00	14,343,466.00	14,343,466.00	14,343,466.00	14,343,466.00	14,343,466.00	128,472,796.00	12	128,472,796.00
13	32,547,636.49	34,433,241.58	34,569,372.77	36,658,114.23	33,493,879.59	32,569,646.20	208,638,096.86	13	208,638,096.86
14	42,317,286.75	38,763,626.23	33,205,063.42	37,806,518.97	34,492,351.50	34,394,136.01	228,914,098.31	14	228,914,098.31
15	475,311.00	475,311.00	475,311.00	475,311.00	475,311.00	475,311.00	1,239,866.00	15	1,239,866.00
16	43,196,937.75	37,376,937.25	34,679,236.42	38,477,829.97	33,363,862.50	33,267,462.01	228,153,864.51	16	228,153,864.51
17	18,242,761.27	2,711,495.67	1,229,360.23	2,415,715.75	(131,817.10)	2,497,114.82	18,475,167.45	17	18,475,167.45
18	236,334.58	344,837.64	376,877.28	260,889.12	376,381.26	262,819.81	1,629,279.64	18	1,629,279.64
19	16,479,756.00	20,083,320.77	22,196,843.69	22,932,112.62	24,935,406.47	24,228,629.64	16,479,756.00	19	16,479,756.00
20	36,119,498.00	36,119,498.00	36,119,498.00	36,119,498.00	36,119,498.00	36,119,498.00	36,119,498.00	20	36,119,498.00
21	475,311.00	475,311.00	475,311.00	475,311.00	475,311.00	475,311.00	1,239,866.00	21	1,239,866.00
22	36,269,318.77	34,118,541.09	39,493,810.42	41,479,104.47	40,548,337.48	42,451,681.31	42,451,681.31	22	42,451,681.31
	9,667,784.77	2,113,322.32	793,269.13	2,422,292.86	178,766.79	2,197,323.43			

Notes: (a) Per K. M. Decker's Testimony Appendix III, Page A, Decker No. 9786 - EL (dtd June 15, 1997).
 (b) Per PPGC Order No. PG-94-082-PGP-EL, Decker No. 940801 - EL as enjoined in August 1994, per E.L. Hoffmann's Testimony Appendix IV, Decker No. 940801 - EL (dtd July 8, 1994).

FLORIDA POWER & LIGHT COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD OCTOBER 1997 THROUGH MARCH 1998

LINE NO	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OCT 1997	NOV 1997	DEC 1997	JAN 1998	FEB 1998	MAR 1998	APR 1998	MAY 1998	JUN 1998	JUL 1998	AUG 1998
1	Beginning Year-up Amount	\$56,209,624	\$56,209,219	\$54,118,542	\$59,071,811	\$61,079,104	\$60,348,378				
2	Ending Year-up Amount Before Interest	51,868,864	58,071,603	58,774,933	68,794,217	68,268,936	82,172,811				
3	Total Beginning & Ending Year-up Amount (Lines 1+2)	108,078,488	114,280,822	112,893,475	127,866,028	129,348,040	142,521,189				
4	Average Year-up Amount (50% of Line 3)	\$51,239,244	\$57,140,411	\$56,546,737	\$63,933,014	\$64,674,020	\$71,260,594				
5	Interest Rate - First day of Reporting Business Month	5.3300%	5.3300%	5.6000%	5.7500%	5.5000%	5.3000%				
6	Interest Rate - First day of Subsequent Business Month	5.3300%	5.6000%	5.7500%	5.5000%	5.3000%	5.3000%				
7	Total Interest Rate (Lines 5+6)	11.0000%	11.3000%	11.3500%	11.2500%	11.0000%	11.0000%				
8	Average Interest Rate (50% of Line 7)	5.5000%	5.6500%	5.6750%	5.6250%	5.5000%	5.5000%				
9	Monthly Average Interest Rate (11% of Line 8)	0.6050%	0.6217%	0.6203%	0.6188%	0.6050%	0.6050%				
10	Interest Provision for the Month (Line 4 X Line 9)	\$312,315	\$354,918	\$350,817	\$360,889	\$388,361	\$427,820				
											\$1,630,200

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

FLORIDA POWER & LIGHT COMPANY
CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT

FOR THE PERIOD APRIL THROUGH SEPTEMBER 1997

LINE NO	(1) APRIL 1997	(2) MAY 1997	(3) JUNE 1997	(4) JULY 1997	(5) AUGUST 1997	(6) SEPTEMBER 1997	(7) TOTAL
1	8,889,821.00	8,143,871.00	8,143,871.00	8,143,871.00	10,313,286.00	8,143,871.00	80,914,127.00
2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	24,962,866.08	24,825,975.18	24,902,376.38	24,725,830.38	24,701,319.15	27,554,559.58	181,172,826.73
4	6,883,948.28	7,198,279.92	6,164,310.48	6,334,507.58	6,444,787.42	7,222,423.83	40,246,227.50
5	102,334.51	102,334.51	102,334.51	102,334.51	102,334.51	102,334.51	614,007.08
6	1,471,847.41	88,120.00	0.00	0.00	0.00	0.00	1,560,067.41
7	(420,448.68)	(116,871.47)	(2,960,428.58)	(10,331,143.86)	(2,798,132.37)	(4,590,404.51)	(7,154,430.28)
8	42,590,487.58	642,844,508.14	837,252,273.77	931,340,368.81	38,825,584.71	840,705,794.41	8,233,358,828.42
9	97,331,111.00	97,331,111.00	97,331,111.00	97,331,111.00	97,331,111.00	97,331,111.00	638
10	41,453,774.85	41,508,371.18	38,248,002.80	30,503,828.84	37,789,353.10	39,619,401.53	227,130,832.40
11	(4,745,468.00)	(4,745,468.00)	(4,745,468.00)	(4,745,468.00)	(4,745,468.00)	(4,745,468.00)	(28,472,796.00)
12	38,708,308.85	626,780,905.18	831,512,338.90	825,758,462.84	33,043,887.10	834,873,828.33	8,188,658,038.40
13	27,280,341.62	827,578,475.13	831,838,341.78	933,968,293.57	34,598,331.08	834,678,404.09	9,189,896,187.22
14	8,328,310.00	8,328,310.00	8,328,310.00	8,328,310.00	8,328,310.00	8,328,310.00	49,988,880.00
15	35,608,851.62	635,908,785.13	840,168,651.78	842,294,603.57	42,884,641.08	843,004,714.08	8,228,868,047.22
16	(1,088,657.28)	(884,120.00)	8,654,114.88	18,538,140.88	8,840,753.98	8,130,778.58	41,308,010.83
17	234,016.23	188,773.45	168,813.37	189,302.33	211,778.03	214,792.08	1,207,462.48
18	49,969,857.00	40,774,905.00	31,782,188.40	32,278,908.68	40,674,039.87	42,398,209.68	49,969,857.00
19	4,183,963.00	4,183,963.00	4,183,963.00	4,183,963.00	4,183,963.00	4,183,963.00	4,183,963.00
20	(8,328,310.00)	(8,328,310.00)	(8,328,310.00)	(8,328,310.00)	(8,328,310.00)	(8,328,310.00)	(49,988,880.00)
21	44,959,868.00	835,968,181.40	836,480,889.68	844,858,002.87	46,582,172.68	846,589,433.31	48,989,433.31
	(8,193,952.00)	(8,393,708.80)	494,708.28	8,397,133.01	1,724,170.01	17,280.83	

Notes: (a) Per R. McKinley's Testimony Appendix B, Page 3, Docket No. 960001-EL, filed June 24, 1996.
 (b) Per FERC Order No. PSC-84-1092-FOF-EL, Docket No. 940001-EL, as adjusted in August 1993, per E.L. Huffman's Testimony Appendix IV, Docket No. 93001-EL, filed July 8, 1993.
 monthly entry

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

FOR THE PERIOD APRIL THROUGH SEPTEMBER 1997

LINE NO	(1) APRIL 1997	(2) MAY 1997	(3) JUNE 1997	(4) JULY 1997	(5) AUGUST 1997	(6) SEPTEMBER 1997	(7) TOTAL
1	Beginning True-up Amount	\$54,153,820	\$44,369,865	\$35,366,181	\$36,480,970	\$48,582,173	
2	Ending True-up Amount Before Interest	44,725,853	35,777,435	38,291,366	44,668,700	48,334,641	
3	Total Beginning & Ending True-up Amount (Lines 1 + 2)	98,879,673	80,147,300	73,657,547	81,149,670	97,916,814	
4	Average True-up Amount (1/50 % of Line 3)	\$48,439,836	\$40,068,651	\$36,129,064	\$40,564,785	\$48,453,407	
5	Interest Rate - First day of Reporting Business Month	5.74000%	5.82000%	5.60000%	5.82000%	5.56000%	
6	Interest Rate - First day of Subsequent Business Month	5.62000%	5.80000%	5.62000%	5.56000%	5.32000%	
7	Total Interest Rate (Lines 5 + 6)	11.36000%	11.22000%	11.22000%	11.38000%	10.88000%	
8	Average Interest Rate (1/12 % of Line 7)	5.68000%	5.81000%	5.91000%	5.80000%	5.54500%	
9	Monthly Average Interest Rate (1/12 % of Line 8)	0.4733%	0.4842%	0.4925%	0.4833%	0.4617%	
10	Interest Provision for the Month (Line 4 X Line 9)	\$234,015	\$188,723	\$168,903	\$189,302	\$214,782	\$1,202,462

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

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. BAYÓ
DIRECTOR
(850) 413-6770

Public Service Commission

June 18, 1998

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

Re: Docker No. 980001 - EI - Florida Power & Light Company
Audit Report - Capacity Cost - Historical Year Ended March 31, 1998
Audit Control # 98-094-4-1

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 case 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 2, 1998 to file a formal request for Confidential Classification with the Division of Records and Reporting.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn

KF/ABF

Enclosure

cc: Public Counsel
Division of Audit and Financial Analysis
Matt Childs