

MEMORANDUM

October 23, 1998

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 980002-EG -- FLORIDA POWER & LIGHT COMPANY
CONSERVATION AUDIT REPORT - SIX-MONTH PERIOD ENDED MARCH 31, 1998
AUDIT CONTROL NO. 98-173-4-1

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 three diskettes (One is confidential.). 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, 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

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FPSC-RECORDS & REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING*

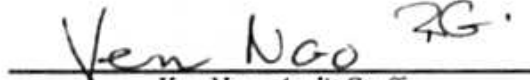
Miami District Office

**FLORIDA POWER AND LIGHT COMPANY
ENERGY CONSERVATION COST RECOVERY AUDIT
HISTORICAL SIX MONTHS ENDED MARCH 31, 1998**

**DOCKETED NO. 980002-EG
AUDIT CONTROL NO. 98-173-4-1**



Raymond Grant, Audit Manager



Yen Ngo, Audit Staff



Kathy L. Welch, Audit Supervisor

DOCUMENT NUMBER - DATE

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FILED - RECORDS - REPORTING

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

OCTOBER 15, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the Conservation True-Up schedules for the historical 6 month period ended March 31, 1998, for Florida Power and Light Company. These schedules were prepared by the utility as part of conservation recovery Docket No. 980002-EG. There is confidential information associated with this audit. The exit conference was held on October 20th, 1998. 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.

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. 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.

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

PLANT: Examined the Capital Investments , Depreciation and Return schedules CT-3. The capital investments for Residential Load Control ("On Call") additions of \$1,622,356 for October 1997 was agreed to detail plant records. The capital investments for Conservation Common additions of \$1,025,283 for January 1998 was also agreed to detail plant records. For the capital investment conservation-common staff tested \$ 96,966 or 9.46% ($\$96,966/\$1,025,283$) of additions.

ACCUMULATED DEPRECIATION: Examined Accumulated Depreciation. Recalculated accumulated depreciation using the information from the Mechanized Status Report System for October 1997 through March 1998..

REVENUE: Examined Revenues. Recalculated revenues from the Revenue and Rate Report and agreed amounts to the true-up schedules. Recalculated the factors for the rate codes in the Revenue and Rate Report used to bill customers.

EXPENSES: Examined Expenses. Staff selected a statistical sample of expenses from the extract file of the general ledger using audit software. Examined depreciation expense. Selected the months of February 1998 and March 1998 and recalculated depreciation expense for judgementally selected accounts.

TRUE-UP: Recalculated the true-up and verified the beginning true-up to the orders and to the

interest rates in the Wall Street Journal Commercial Paper Rates. Agreed the prior true-up amounts to the Commission Order, and the beginning true-up to the prior six month filing.

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION TRUE-UP & INTEREST CALCULATION
 OCTOBER 1997 THROUGH MARCH 1998

	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. C1 - PENALTIES							0
c. BUSINESS ENERGY EXPO							0
2. CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	17,787,808	14,939,498	14,225,220	15,243,629	13,627,295	13,702,348	89,525,798
3. TOTAL REVENUES	<u>17,787,808</u>	<u>14,939,498</u>	<u>14,225,220</u>	<u>15,243,629</u>	<u>13,627,295</u>	<u>13,702,348</u>	<u>89,525,798</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>16,365,938</u>	<u>13,517,628</u>	<u>12,803,350</u>	<u>13,821,758</u>	<u>12,205,425</u>	<u>12,280,478</u>	<u>80,994,576</u>
6. CONSERVATION EXPENSES (From CT-3, Page 1, Line 33)	15,715,135	12,991,622	12,038,637	12,072,115	11,190,203	15,256,014	79,263,724
7. TRUE-UP THIS PERIOD (Line B5 - Line B6)	<u>650,803</u>	<u>526,006</u>	<u>764,713</u>	<u>1,749,644</u>	<u>1,015,222</u>	<u>(2,975,536)</u>	<u>1,730,852</u>
8. INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	(48,106)	(39,310)	(30,497)	(17,813)	(4,659)	(2,862)	(143,047)
9. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	(8,531,223)	(8,506,656)	(4,598,090)	(2,442,004)	711,697	3,144,130	(8,531,223)
a. DEFERRED TRUE-UP BEGINNING OF PERIOD	(2,943,931)	(2,943,931)	(2,943,931)	(2,943,931)	(2,943,931)	(2,943,931)	(2,943,931)
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	1,421,871	1,421,871	1,421,871	1,421,871	1,421,871	1,421,871	8,531,220
11. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (Line B7+B8+B9+B9a+B10)	<u>(\$9,450,587)</u>	<u>(\$7,542,021)</u>	<u>(\$5,385,935)</u>	<u>(\$2,232,234)</u>	<u>\$200,199</u>	<u>(\$1,358,129)</u>	<u>(\$1,358,129)</u>

NOTES: () Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY
 CONSERVATION TRUE-UP & INTEREST CALCULATION
 OCTOBER 1997 THROUGH MARCH 1998

	ACTUALS				TOTAL
	OCTOBER	NOVEMBER	DECEMBER	JANUARY	
C. INTEREST PROVISION					
1. BEGINNING TRUE-UP AMOUNT (Line B9+B9a)	(\$11,475,154)	(\$9,450,587)	(\$7,542,021)	(\$5,385,935)	\$200,199
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST (Line B7+B9+B9a+B10)	(9,402,481)	(7,502,711)	(5,355,438)	(2,214,421)	(1,353,467)
3. TOTAL OF BEGINNING & ENDING TRUE-UP (Line C1+C2)	(\$20,877,635)	(\$16,953,298)	(\$12,887,459)	(\$7,600,356)	(\$1,153,268)
4. AVERAGE TRUE-UP AMOUNT (50% of Line C3)	(\$10,438,818)	(\$8,476,649)	(\$6,443,730)	(\$3,800,178)	(\$576,034)
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	5.53000%	5.53000%	5.60000%	5.75000%	5.53000%
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	5.53000%	5.60000%	5.75000%	5.50000%	5.53000%
7. TOTAL (Line C5+C6)	11.06000%	11.13000%	11.35000%	11.25000%	11.06000%
8. AVERAGE INTEREST RATE (50% of Line C7)	5.53000%	5.56500%	5.67500%	5.62500%	5.54000%
9. MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.46083%	0.46375%	0.47292%	0.46875%	0.46187%
10. INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	(\$48,108)	(\$30,310)	(\$30,497)	(\$17,813)	(\$2,882)
					(\$143,047)

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

FLORIDA POWER & LIGHT COMPANY
 Schedule of Capital Investment, Depreciation and Return
 Residential Load Management ("On Call")
 For the Period October 1997 through March 1998

Line No.	Description	Beginning of Period	October	November	December	January	February	March	Total
1.	Investments (Net of Retirements)		\$1,622,356	1,797,557	(3,559,370)	\$993,438	\$793,898	\$811,918	\$3,919,908
2.	Depreciation Base		99,919,305	100,216,972	99,657,602	100,611,040	101,404,937	102,216,855	n/a
3.	Depreciation Expense (a)		1,655,644	1,581,374	1,568,363	1,678,045	1,691,264	1,704,917	9,659,627
4.	Cumulative Investment (Line 2)	\$98,296,949	99,919,305	100,216,972	99,657,602	100,611,040	101,404,937	102,216,855	n/a
5.	Less: Accumulated Depreciation	53,004,210	54,660,731	56,221,228	56,908,883	58,595,978	60,287,262	61,953,303	n/a
6.	Net Investment (Line 4 - 5)	<u>45,292,739</u>	<u>45,258,574</u>	<u>43,995,744</u>	<u>42,748,719</u>	<u>42,015,062</u>	<u>41,117,675</u>	<u>40,263,552</u>	
7.	Average Net Investment		45,273,656	44,627,169	43,372,232	42,381,891	41,566,368	40,690,613	n/a
8.	Return on Average Net Investment		185,838	183,176	178,025	173,960	170,613	167,016	
a.	Equity Component (Line 7 * 4.9255%/12)		302,544	296,211	289,825	283,207	277,798	271,906	1,723,450
b.	Equity Comp. grossed up for taxes		164,660	162,302	157,736	154,136	151,170	147,993	937,990
c.	Debt Component (Line 7 * 4.3642%/12)		487,804	480,312	447,562	437,543	428,628	419,891	2,661,440
9.	Total Return Requirements (Line 8b + 8c)		\$2,122,848	\$2,021,886	\$2,015,925	\$2,115,388	\$2,120,212	\$2,124,807	\$12,521,067
10.	Total Depreciation & Return (Line 3 + 9)								

(a) Depreciation expense is based on the "Crade-to-Grave" method of accounting.

(b) Return on Equity (ROE) is 12.0%, per FPSC Order No. PSC-83-1024-FOF-EL, Docket No. 900812-EL.

ALLOCATION OF DEPRECIATION AND RETURN ON INVESTMENT BETWEEN PROGRAMS

Residential On Call Program 4 (92%)	Depreciation	1,523,193	1,438,484	1,442,894	1,543,802	1,555,982	1,568,523	1,580,857
	Return	429,829	423,871	411,787	402,358	394,613	389,299	384,529
	Total	1,953,020	1,862,355	1,854,681	1,946,160	1,950,595	1,957,822	1,965,386
Business on Call Program 7 (8%)	Depreciation	132,452	124,910	125,469	134,244	136,303	138,393	138,770
	Return	37,378	36,841	35,805	34,987	34,314	33,591	32,915
	Total	169,830	161,751	161,274	169,231	170,617	171,984	171,685
Total	Depreciation	1,655,644	1,561,374	1,568,363	1,678,045	1,691,284	1,704,917	1,719,627
	Return	467,204	460,512	447,562	437,343	429,908	423,890	417,444
	Total	2,122,848	2,021,886	2,015,925	2,115,388	2,121,192	2,124,807	2,137,071

FLORIDA POWER & LIGHT COMPANY
 Schedule of Capital Investment, Depreciation and Return
 ECCR Common
 For the Period October 1997 through March 1998

Line No.	Description	Beginning of Period	October	November	December	January	February	March	Total	Line No.
1.	Investment (Net of Retirements)		\$0	\$0	\$0	\$1,025,283	\$6,655	\$16,413	\$1,048,351	1.
2.	Depreciation Base		7,766,332	7,766,332	7,766,332	8,791,615	8,798,270	8,814,683	n/a	2.
3.	Depreciation Expense (a)		129,439	129,439	129,439	137,983	138,094	138,449	302,842	3.
4.	Cumulative Investment (Line 2)	\$7,766,332	7,766,332	7,766,332	7,766,332	8,791,615	8,798,270	8,814,683	n/a	4.
5.	Less: Accumulated Depreciation	2,347,894	2,477,333	2,606,772	2,736,211	2,874,194	3,012,288	3,150,736	n/a	5.
6.	Net Investment (Line 4 - 5)	<u>\$5,418,438</u>	<u>\$5,288,999</u>	<u>\$5,159,560</u>	<u>\$5,030,121</u>	<u>\$5,917,421</u>	<u>\$5,785,983</u>	<u>\$5,663,947</u>		6.
7.	Average Net Investment		\$5,353,719	\$5,224,280	\$5,094,841	\$5,473,771	\$5,851,702	\$5,724,965	n/a	7.
8.	Return on Average Net Investment									8.
a.	Equity Component (Line 7 * 4.9255% /12) (b)		21,975	21,443	20,912	22,468	24,019	23,499	134,315	8a.
b.	Equity Comp. grossed up for taxes (Line 8a/.61425)		35,775	34,910	34,045	36,577	39,103	38,256	218,666	8b.
c.	Debt Component (Line 7 * 4.3642% /12)		19,471	19,000	18,529	19,907	21,282	20,821	119,009	8c.
9.	Total Return Requirements (Line 8b + 8c)		<u>55,246</u>	<u>53,910</u>	<u>52,574</u>	<u>58,484</u>	<u>60,384</u>	<u>59,076</u>	<u>337,675</u>	9.
10.	Total Depreciation & Return (Line 3 + 9)		<u>\$184,684</u>	<u>\$183,349</u>	<u>\$182,013</u>	<u>\$194,467</u>	<u>\$198,478</u>	<u>\$197,525</u>	<u>\$1,140,517</u>	10.

(a) Depreciation expense is based on the "Cradle-to-Grave" method of accounting.

(b) Return on Equity (ROE) is 12.0%, per FPSC Order No. PSC-83-1024-FOF-EI, Docket No. 930612-EI.

FLORIDA POWER & LIGHT COMPANY
 Schedule of Capital Investment, Depreciation and Return
 Monitoring Equipment
 For the Period October 1997 through March 1998

Line No.	Description	Beginning of Period	October	November	December	January	February	March	Total	Line No.
1.	Investment (Net of Retirements)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	1.
2.	Depreciation Base		2,559,132	2,559,132	2,559,132	2,559,132	2,559,132	2,559,132	n/a	2.
3.	Depreciation Expense (a)		42,652	42,652	42,652	42,652	42,652	42,652	255,913	3.
4.	Cumulative Investment (Line 2)	\$2,559,132	2,559,132	2,559,132	2,559,132	2,559,132	2,559,132	2,559,132	n/a	4.
5.	Less: Accumulated Depreciation (c)	1,767,339	1,809,991	1,852,643	1,895,296	1,937,948	1,980,600	2,023,252	n/a	5.
6.	Net Investment (Line 4 - 5)		\$791,793	\$749,140	\$706,488	\$663,836	\$621,184	\$578,532	\$535,879	6.
7.	Average Net Investment		\$770,466	\$727,814	\$685,162	\$642,510	\$599,858	\$557,206	n/a	7.
8.	Return on Average Net Investment									8.
a.	Equity Component (Line 7 * 4.9255% /12) (b)		3,162	2,987	2,812	2,637	2,462	2,287	16,349	8a.
b.	Equity Comp. grossed up for taxes (Line 8a/.61425)		5,148	4,863	4,578	4,293	4,008	3,723	28,616	8b.
c.	Debt Component (Line 7 * 4.3642% /12)		2,802	2,647	2,492	2,337	2,182	2,026	14,486	8c.
9.	Total Return Requirements (Line 8b + 8c)		7,951	7,510	7,070	6,830	6,190	5,760	41,101	9.
10.	Total Depreciation & Return (Line 3 + 9)		\$50,603	\$50,163	\$49,722	\$49,282	\$48,842	\$48,402	\$297,014	10.

(a) Depreciation expense is based on the "Cradle-to-Grave" method of accounting.

(b) Return on Equity (ROE) is 12.0%, per FPSC Order No. PSC-93-1024-FOF-EI, Docket No. 930812-EI.

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
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Public Service Commission

October 27, 1998

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

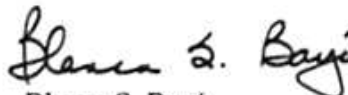
Re: Docket No. 980002 - EG - Florida Power & Light Company
Audit Report - Conservation - Six-month Period Ended March 31, 1998
Audit Control # 98-173-4-1

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.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayó

BSB/abf
Enclosure
cc: Division of Audit and Financial Analysis
Charles Guyton, Esquire