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# Public Service Commission

May 12, 1999

Mr. James A. McGee  
Florida Power Corporation  
P. O. Box 14042  
St. Petersburg, FL 33733-4042

**Re: Docket No. 990001-EI; Florida Power Corporation  
Audit Report - Capacity Cost Recovery - Nine Months Ended December 31, 1998  
Audit Control No. 99-025-2-2**

Mr. McGee:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

Denise N Vandiver  
Bureau Chief - Auditing Services

DNV: sp

- cc:  Division of Records and Reporting
- Division of Auditing and Financial Analysis (Devlin/Causseaux/File Folder)
- Division of Electric and Gas (Ging)
- Tampa District Office (McPherson)
- Division of Legal Services
- Office of Public Counsel
- Research and Regulatory Review (Harvey)

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**FLORIDA PUBLIC SERVICE COMMISSION**

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

***TAMPA DISTRICT OFFICE***

**FLORIDA POWER CORPORATION**

**CAPACITY COST RECOVERY AUDIT**

**NINE MONTHS ENDED DECEMBER 31, 1998**

**Docket Number 990001-EI  
Audit Control No. 99-025-2-2**

  
**Jocelyn Y. Stephens, Audit Manager**

  
**Thomas E. Stambaugh, Audit Staff**

  
**James A. McPherson, Tampa District Supervisor**

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

**APRIL 23, 1999**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the accompanying Capacity Cost Recovery True-up schedules for the historical nine month period ended December 31, 1998 for Florida Power Corporation. These schedules were prepared by the Utility as part of its petition for cost recovery in Docket 990001-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 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 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.

**REVENUE:** Compiled Capacity Cost Recovery (CCR) revenue and agreed to the filing. Recomputed CCR revenues using approved FPSC rate factors and company-provided KW/E sales. Judgementally selected and tested certain customer bills to ensure the proper CCR revenue rate was being charged.

**EXPENSES:** Compiled capacity costs and agreed to the filing. Agreed capacity costs to Florida Power Corporation journal entries. Identified costs by vendor. Performed audit testwork of capacity cost payments to verify that payments were made according to contract specifications.

**TRUE-UP:** Recomputed CCR true-up and interest using FPSC approved amounts and interest rates.

**OTHER:** Read notes of Board of Director's minutes.



FEDERAL POWER CORPORATION  
 CAPACITY COST RECOVERY CLAUSE  
 TYPE OF CALCULATION  
 FOR THE PERIOD APRIL 1988 THROUGH DECEMBER 1988

Description	III	III	III	III	III	III	III	III	III
	1988 APRIL	1988 MAY	1988 JUNE	1988 JULY	1988 AUGUST	1988 SEPTEMBER	1988 OCTOBER	1988 NOVEMBER	1988 DECEMBER
<b>Interest Provisions</b>									
1. Beginning Term Up	\$1,902,400	(43,837,880)	\$8,684,310	(\$8,271,040)	(8,788,761)	63,765,012	(\$8,729,054)	17,842,100	\$1,847,420
2. Ending Term-Up	<u>(115,740,020)</u>	<u>52,809,424</u>	<u>(11,883,398)</u>	<u>4921,270</u>	<u>63,768,063</u>	<u>56,768,198</u>	<u>57,811,884</u>	<u>43,621,437</u>	<u>4213,770</u>
3. Total Term Up line 1 - line 2	<u>(113,837,620)</u>	<u>(61,028,456)</u>	<u>6,200,962</u>	<u>(7,349,770)</u>	<u>55,000,000</u>	<u>17,000,000</u>	<u>(14,520,000)</u>	<u>17,220,000</u>	<u>19,100,000</u>
4. Average Term-Up 50% of line 3	<u>(112,428,744)</u>	<u>(60,479,44)</u>	<u>(6,173,754)</u>	<u>(7,300,561)</u>	<u>54,450,000</u>	<u>16,750,000</u>	<u>(14,250,000)</u>	<u>17,000,000</u>	<u>18,800,000</u>
5. Interest Rate - First Day of Reporting Month	5.500%	5.500%	5.800%	5.900%	5.500%	5.500%	6.200%	5.100%	5.500%
6. Interest Rate - First Day of Subsequent Month	5.600%	5.500%	5.900%	5.500%	6.000%	5.200%	5.100%	6.500%	5.800%
7. Total Interest Rate 5 + line 6	11.100%	11.000%	11.700%	11.400%	11.500%	10.700%	11.300%	11.600%	11.300%
8. Average Interest Rate 50% of line 7	5.550%	5.500%	5.850%	5.700%	5.750%	5.350%	5.650%	5.800%	5.650%
9. Monthly Average Interest Rate line 8 times 112	0.6217%	0.6160%	0.6557%	0.6378%	0.6430%	0.5890%	0.6328%	0.6480%	0.6220%
10. Interest Provisions line 4 x line 9	<u>(667,374)</u>	<u>(37,322)</u>	<u>(378,140)</u>	<u>(461,188)</u>	<u>36,828</u>	<u>471,626</u>	<u>481,372</u>	<u>124,004</u>	<u>10,008</u>
11. Cumulative Interest for the Period Ending	<u>(667,374)</u>	<u>458,850</u>	<u>(185,650)</u>	<u>(115,475)</u>	<u>6787,046</u>	<u>1321,438</u>	<u>(52,034)</u>	<u>624,000</u>	<u>(117,862)</u>