

STATE OF FLORIDA

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AUDITING & FINANCIAL ANALYSIS  
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**Public Service Commission**

July 19, 1999

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

**Re: Docket No. 990001-EI; Florida Power & Light Company  
Audit Report; Fuel -- 9-Month Period Ended December 31, 1998  
Audit Control No. 99-033-4-1**

Mr. Walker:

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/Harvey/File Folder)
- Division of Electric and Gas (Bohrmann)
- Miami District Office (Welch)
- Division of Legal Services
- Office of Public Counsel

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**FLORIDA PUBLIC SERVICE COMMISSION**

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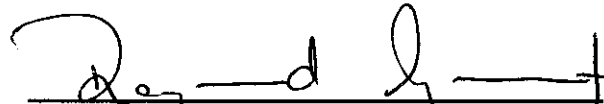
**FLORIDA POWER AND LIGHT COMPANY**


**FUEL CLAUSE AUDIT**


**NINE MONTH PERIOD ENDED DECEMBER 31, 1998**

**DOCKET NO. 990001-EI**

**AUDIT CONTROL NO. 99-033-4-1**

  
\_\_\_\_\_  
*Raymond Grant, Audit Manager*

  
\_\_\_\_\_  
*Yen Ngo, Audit Staff*

  
\_\_\_\_\_  
*Kathy E. Welch, Audit Supervisor*

## TABLE OF CONTENTS

<b>I.</b>	<b>AUDITOR'S REPORT</b>	<b>PAGE</b>
	AUDIT PURPOSE .....	1
	DISCLAIM PUBLIC USE .....	1
	OPINION .....	1
	SUMMARY OF SIGNIFICANT PROCEDURES .....	2
<b>II.</b>	<b>EXHIBITS</b>	
	SCHEDULE A-2 DECEMBER 1998 .....	4

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS**  
**AUDITOR'S REPORT**  
**July 13, 1999**

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

We have applied the procedures described in this report to audit the Fuel True-Up schedules for the historical 9-month period ended December 31, 1998 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for fuel recovery in Docket 990001-EI. The report is based confidential information which is separately 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 document must 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:

**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.

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

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## **REVENUES**

Compiled a schedule of fuel clause revenues from the Revenue and Rate Report and reconciled to revenues in Schedule A2. Verified the fuel recovery factor for selected months.

Verified that transmission revenues from economy, Schedule C, broker sales between directly-interconnected utilities have been properly credited to the fuel purchased power cost recovery clause.

Compiled Real Time Pricing (RTP) revenues from RTP revenue schedules and agreed the amounts to the Revenue and Rate Report.

**EXPENSES**

Compiled a trial balance and an analytical review for all fuel related expense accounts. Reconciled the summary of fuel expense from the company's files to the trial balance. Examined a sample of the fuel inventory account. Examined a sample of total steam generation and fuel generation expenses.

Verified the coal inventory adjustments made semi-annually.

Verified the depreciation and return requirements for the capital investment schedules.

**TRUE UP CALCULATION**

Recalculated the true up provision for the nine months ended December 31, 1998 to determine the accuracy of the current true-up amount for the period under audit. Traced the interest rates to the Wall Street Journal - 30 day Commercial Paper Rate. Traced the beginning true up to the prior audit. Traced the prior period true up to the approved FPSC Order.

## **II. EXHIBITS**

CALCULATION OF TRUE-UP AND INTEREST PROVISION									
Company: Florida Power & Light Company									
Month of: December 1998									
CURRENT MONTH					PERIOD TO DATE				
LINE NO.		ACTUAL	UPDATED ESTIMATES (a)	DIFFERENCE AMOUNT	%	ACTUAL	UPDATED ESTIMATES (a)	DIFFERENCE AMOUNT	%
<b>C True-up Calculation</b>									
1	Jurisdictional Fuel Revenues (Incl. RTP @ CBL) Net of Revenue Taxes	\$ 129,871,978	\$ 119,053,297	\$ 10,818,681	9.1 %	\$ 1,301,516,289	\$ 1,263,943,770	\$ 37,572,519	3.0 %
2	Fuel Adjustment Revenues Not Applicable to Period								
	a Prior Period True-up Provision	(15,056,574)	(15,056,574)	0	0.0 %	(135,509,164)	(135,509,164)	0	0.0 %
	b GPIF, Net of Revenue Taxes (b)	(317,227)	(317,227)	0	0.0 %	(2,855,039)	(2,855,039)	(0)	0.0 %
	c Oil Backout Revenues, Net of revenue taxes	1	0	1	N/A	(125)	(150)	25	(16.5) %
3	Jurisdictional Fuel Revenues Applicable to Period	\$ 114,498,178	\$ 103,679,497	\$ 10,818,681	10.4 %	\$ 1,163,151,961	\$ 1,125,579,418	\$ 37,572,519	3.3 %
4	a Adjusted Total Fuel Costs & Net Power Transactions (Line A-7)	\$ 102,161,154	\$ 105,466,728	\$ (3,305,574)	(3.1) %	\$ 1,258,885,719	\$ 1,254,493,818	\$ 4,391,901	0.4 %
	b Nuclear Fuel Expense - 100% Retail	0	0	0	N/A	0	0	0	N/A
	c RTP Incremental Fuel -100% Retail	40,923	0	40,923	N/A	830,083	542,109	287,974	53.1 %
	d D&D Fund Payments -100% Retail	0	0	0	N/A	5,435,701	0	5,435,701	N/A
	e Adj. Total Fuel Costs & Net Power Transactions - Excluding 100% Retail Items (C4a-C4b-C4c-C4d)	102,120,231	105,466,728	(3,346,497)	(3.2) %	1,252,619,935	1,253,951,709	4,103,927	0.3 %
5	Jurisdictional Sales % of Total kWh Sales (Line B-6)	99.83624 %	99.85324 %	(0.01700) %	0.0 %	N/A	N/A	N/A	N/A
6	Jurisdictional Total Fuel Costs & Net Power Transactions (Line C4c x C5 x 1.00074(c)) +(Lines C4b,c,d)	\$ 102,069,367	\$ 105,389,876	\$ (3,320,509)	(3.2) %	\$ 1,253,287,887	\$ 1,248,885,777	\$ 4,402,110	0.4 %
7	True-up Provision for the Month - Over/(Under) Recovery (Line C3 - Line C6)	\$ 12,428,811	\$ (1,710,379)	\$ 14,139,190	(826.7) %	\$ (90,135,926)	\$ (123,306,359)	\$ 33,170,433	(26.9) %
8	Interest Provision for the Month (Line D10)	(413,731)	(560,243)	146,512	(26.2) %	(5,503,364)	(5,864,029)	360,665	(6.2) %
9	True-up & Interest Provision Beg of Period-Over/(Under) Recovery	(122,710,944)	(141,956,340)	19,245,396	(13.6) %	(135,509,164)	(135,509,164)	0	0.0 %
	a Deferred True-up Beginning of Period - Over/(Under) Recovery	13,491,202	13,491,202	0	0.0 %	13,491,202	13,491,202	0	0.0 %
10	Prior Period True-up Collected/(Refunded) This Period	15,056,574	15,056,574	0	0.0 %	135,509,164	135,509,164	(0)	0.0 %
11	End of Period Net True-up Amount Over/(Under) Recovery (Lines C7 through C10)	\$ (82,148,088)	\$ (115,679,187)	\$ 33,531,099	(29.0) %	\$ (82,148,088)	\$ (115,679,187)	\$ 33,531,099	(29.0) %
<b>D Interest Provision</b>									
1	Beginning True-up Amount (Lines C9 + C9a)	\$ (109,219,742)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Ending True-up Amount Before Interest (C7+C9+C9a+C10)	\$ (81,734,357)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	Total of Beginning & Ending True-up Amount	\$ (190,954,099)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4	Average True-up Amount (50% of Line D3)	\$ (95,477,050)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	Interest Rate - First Day Reporting Business Month	5.50000 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Interest Rate - First Day Subsequent Business Month	4.90000 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	Total (Line D5 + Line D6)	10.40000 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	Average Interest Rate (50% of Line D7)	5.20000 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9	Monthly Average Interest Rate (Line D8 / 12)	0.43333 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	Interest Provision (Line D4 x Line D9)	\$ (413,731)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>NOTES</b>									
(a)	Per Estimated/Actual Schedule E-1b, filed October 5, 1998.								
(b)	Generation Performance Incentive Factor is $((\$5,881,940 / 2) / 9) \times 98.4167\%$ - See Order Nos. PSC-97-1045-POF-EI & PSC-98-0412-POF-EI.								
(c)	Jurisdictional Loss Multiplier per Schedule E2 filed January 12, 1998.								



**CALCULATION OF TRUE-UP AND INTEREST PROVISION**

Company: Florida Power & Light Company  
 Month of: December 1998

**CURRENT MONTH**

**PERIOD TO DATE**

LINE NO.	DESCRIPTION	CURRENT MONTH		PERIOD TO DATE		DIFFERENCE
		ACTUAL	ESTIMATES (e)	ACTUAL	ESTIMATES (e)	
<b>Fuel Costs &amp; Net Power Transactions</b>						
1	a Fuel Cost of System Net Generation	\$ 85,308,977	\$ 80,101,200	\$ 1,072,553,806	\$ 1,030,560,149	\$ 41,993,657
	b Nuclear Fuel Disposal Costs	1,841,592	1,697,111	17,094,185	16,845,686	248,499
	c Coal Cars Depreciation & Return	405,616	398,113	3,749,863	3,723,771	26,092
	d Nuclear Thermal Uprate Amortization & Return	345,997	345,997	3,241,844	3,241,844	(0)
	e Gas Pipelines Depreciation & Return	259,660	259,660	2,393,429	2,393,429	0
	f DOE D&D Fund Payment	0	0	5,435,701	5,586,000	(150,299)
2	Fuel Cost of Power Sold & Transmission Reactive Fuel (Per A6)	(2,910,307)	(3,695,133)	(47,417,729)	(47,669,328)	251,599
3	a Fuel Cost of Purchased Power (Per A7)	9,646,270	9,723,350	108,131,655	110,451,646	(2,319,991)
	b Energy Payments to Qualifying Facilities (Per A8)	8,339,279	12,092,940	85,487,693	98,156,848	(12,669,155)
	c Energy Cost of Economy Purchases (Per A9)	177,305	6,086,540	22,836,002	46,454,218	(23,618,216)
5	Total Fuel Costs & Net Power Transactions	\$ 103,414,389	\$ 107,009,778	\$ 1,273,506,449	\$ 1,269,744,261	\$ 3,762,187
<b>Adjustments to Fuel Cost</b>						
6	a Sales to Ft. Keys Elect Coop (FKEC) & City of Key West (CKW)	\$ (1,441,278)	\$ (1,543,050)	\$ 101,772	\$ (16,794,945)	\$ 459,091
	b Reactive and Voltage Control Fuel Revenue	(48,468)	0	(48,468)	(432,301)	(199,850)
	c Inventory Adjustments	1,294	0	1,294	190,394	(9,726)
	d Non Recoverable Oil/Tank Bottoms	178,263	0	178,263	(8,018)	(186,281)
	e Modifications to Burn Low Gravity Oil	56,954	0	56,954	1,975,051	(1,918,097)
7	Adjusted Total Fuel Costs & Net Power Transactions	\$ 102,161,154	\$ 105,466,728	\$ 1,258,885,719	\$ 1,254,493,818	\$ 4,391,903
<b>kWh Sales</b>						
1	Jurisdictional kWh Sales (RTP @ CBL)	6,693,267,473	6,134,310,000	558,957,473	65,204,627,493	1,922,475,891
2	Sale for Resale (excluding FKEC & CKW)	10,978,897	9,016,000	1,962,897	343,106,944	7,470,769
3	Sub-Total Sales (excluding FKEC & CKW)	6,704,246,370	6,143,326,000	560,920,370	65,547,734,437	1,929,946,660
4	Sales to Ft. Keys Elect Coop (FKEC) & City of Key West (CKW)	81,036,559	74,209,000	6,827,559	789,284,000	(36,762,856)
5	Total Sales (Excluding RTP Incremental)	6,785,282,929	6,217,535,000	567,747,929	66,337,018,437	1,893,183,804
6	Jurisdictional % of Total kWh Sales (lines B1/B3)	99.83624 %	99.83324 %	(0.01700) %	99.47655 %	0.00390 %
<b>SEE FOOTNOTES ON PAGE 2</b>						