

STATE OF FLORIDA

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TIMOTHY DEVLIN, DIRECTOR
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, Florida 32301-1859

**Re: Docket No. 990002-EG; Florida Power & Light Company
Audit Report; Capacity Cost - Historical Year Ended December 31, 1998
Audit Control No. 99-025-4-1**

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 (Ging)
 Miami District Office (Welch)
 Division of Legal Services

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FLORIDA PUBLIC SERVICE COMMISSION

BUREAU OF AUDITING SERVICES

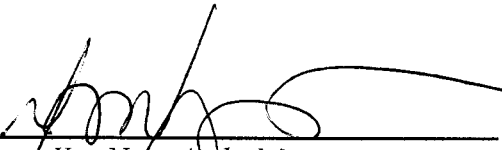
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FLORIDA POWER AND LIGHT COMPANY

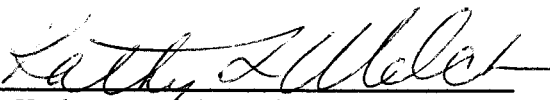
CAPACITY COST AUDIT

HISTORICAL YEAR END DECEMBER 31, 1998

DOCKETED NO. 990002-EG
AUDIT CONTROL NO. 99-025-4-1



Yen Ngo, Audit Manager



Kathy L. Welch, Audit Supervisor

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**BUREAU OF AUDITING SERVICES
AUDITOR'S REPORT
JULY 12, 1999**

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 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 relief through the Capacity Cost Recovery Clause in Docket No. 990001-EI. 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. 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.

REVENUES: Examined revenues from the general ledger and reconciled to Company schedules CT-3. Compiled terms sold from the Company's revenue worksheets and applied the applicable rate factors approved in Commission orders. Reconciled revenue calculation to Company's CT-3 schedules. Recomputed bills for various rate classes to determine that the applicable factor is actually charged.

TRUE-UP: Recalculated the true-up and verified the beginning true-up to the orders and the interest rates to the Wall Street Journal.

II. EXHIBITS

**CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD APRIL THROUGH DECEMBER 1998**

LINE NO.		(1) APR 1998	(2) MAY 1998	(3) JUN 1998	(4) JUL 1998	(5) AUG 1998	(6) SEP 1998	(7) OCT 1998	(8) NOV 1998	(9) DEC 1998	(10) TOTAL	LINE NO.
1.	UPS Capacity Charges	\$ 11,740,754	\$ 9,944,103	\$ 9,940,061	\$ 1,171,874	\$ 8,342,282	\$ 10,014,980	\$ 9,737,851	\$ 9,740,305	\$ 9,786,006	\$ 80,418,216	1.
2.	JEA/UPS Capacity Charges	-	-	-	-	-	-	-	-	-	-	2.
3.	QF Capacity Charges	24,953,830	24,885,138	24,931,411	25,161,758	24,977,643	24,936,518	24,934,246	24,915,329	24,906,527	224,602,401	3.
4.	SJRPP Capacity Charges	7,332,267	7,317,575	6,809,525	7,111,523	6,956,174	7,418,693	6,818,859	6,601,346	6,137,867	62,503,830	4.
4a.	SJRPP Suspension Accrual	391,667	391,667	391,667	391,667	391,667	391,667	391,667	391,667	391,667	3,525,000	4a.
4b.	Return Requirements on SJRPP Suspension Liability	(26,271)	(30,312)	(34,354)	(38,390)	(42,437)	(46,479)	(50,521)	(54,562)	(58,604)	(381,936)	4b.
5.	SJRPP Deferred Interest Payment	56,435	56,435	56,435	56,435	388,028	388,028	(62,888)	(62,888)	(62,888)	813,133	5.
6.	Cypress Settlement (Capacity)	1,530,589	-	-	-	-	-	1,530,589	-	148,450	3,209,628	6.
7.	Transmission of Electricity by Others - FPL Sales	143,986	447,468	30,446	238,364	61,745	201,610	16,200	2,438	60,909	1,203,165	7.
8.	Revenues from Capacity Sales	(735,948)	(11,618,781)	(23,692,850)	(16,581,063)	(6,992,235)	(5,371,137)	(738,145)	(398,284)	(1,281,622)	(67,410,065)	8.
9.	Total (Lines 1 through 8)	\$ 45,387,310	\$ 31,393,293	\$ 18,432,341	\$ 17,512,162	\$ 34,082,866	\$ 37,933,881	\$ 42,577,858	\$ 41,135,350	\$ 40,028,312	\$ 308,483,372	9.
10.	Jurisdictional Separation Factor (e)	97.19921%	97.19921%	97.19921%	97.19921%	97.19921%	97.19921%	97.19921%	97.19921%	97.19921%	N/A	10.
11.	Jurisdictional Capacity Charges	44,116,107	30,514,033	17,916,090	17,021,683	33,128,277	36,871,432	41,385,342	39,983,235	38,907,203	299,843,401	11.
12.	Capacity related amounts included in Base Rates (FPSC Portion Only) (b)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(4,745,466)	(42,709,194)	12.
13.	Jurisdictional Capacity Charges Authorized	\$ 39,370,641	\$ 25,768,567	\$ 13,170,624	\$ 12,276,217	\$ 28,382,811	\$ 32,125,966	\$ 36,639,876	\$ 35,237,769	\$ 34,161,737	\$ 257,134,207	13.
14.	Capacity Cost Recovery Revenues (Net of Revenue Taxes)	\$ 25,835,592	\$ 26,090,144	\$ 32,242,608	\$ 34,852,559	\$ 33,664,909	\$ 33,739,517	\$ 32,198,129	\$ 28,503,261	\$ 26,726,799	\$ 273,853,518	14.
15.	Prior Period True-up Provision	5,631,576	5,631,576	5,631,576	5,631,576	5,631,576	5,631,576	5,631,576	5,631,576	5,631,576	50,684,184	15.
16.	Capacity Cost Recovery Revenues Applicable to Current Period (Net of Revenue Taxes)	\$ 31,467,168	\$ 31,721,720	\$ 37,874,184	\$ 40,484,135	\$ 39,296,485	\$ 39,371,093	\$ 37,829,705	\$ 34,134,837	\$ 32,358,375	\$ 324,537,702	16.
17.	True-up Provision for Month - Over/(Under) Recovery (Line 16 - Line 13)	(7,903,472)	5,953,153	24,703,560	28,207,918	10,913,675	7,245,126	1,189,829	(1,102,932)	(1,803,362)	67,403,495	17.
18.	Interest Provision for Month	255,933	226,746	274,082	373,670	437,023	440,997	419,567	408,123	371,491	3,207,632	18.
19.	True-up & Interest Provision Beginning of Month - Over/(Under) Recovery	50,684,185	37,403,071	37,953,394	57,299,460	80,249,472	85,968,593	88,023,141	84,000,961	77,674,576	50,684,185	19.
20.	Deferred True-up - Over/(Under) Recovery	11,771,496	11,771,496	11,771,496	11,771,496	11,771,496	11,771,496	11,771,496	11,771,496	11,771,496	11,771,496	20.
21.	Prior Period True-up Provision - Collected/(Refunded) this Month	(5,631,576)	(5,631,576)	(5,631,576)	(5,631,576)	(5,631,576)	(5,631,576)	(5,631,576)	(5,631,576)	(5,631,576)	(50,684,184)	21.
22.	End of Period True-up - Over/(Under) Recovery (Sum of Lines 17 through 21)	\$ 49,176,566	\$ 49,724,889	\$ 69,070,955	\$ 92,020,967	\$ 97,740,089	\$ 99,794,637	\$ 95,772,457	\$ 89,446,072	\$ 82,382,625	\$ 82,382,625	22.

**CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD APRIL THROUGH DECEMBER 1998**

LINE NO.		(1) APR 1998	(2) MAY 1998	(3) JUN 1998	(4) JUL 1998	(5) AUG 1998	(6) SEP 1998	(7) OCT 1998	(8) NOV 1998	(9) DEC 1998	(10) TOTAL	LINE NO.
1.	Beginning True-up Amount	\$62,455,681	\$49,176,566	\$49,724,889	\$69,070,955	\$92,020,967	\$97,740,089	\$99,794,637	\$95,772,457	\$89,446,072	n/a	1.
2.	Ending True-up Amount Before Interest	48,920,633	49,498,143	68,796,874	91,647,297	97,303,066	99,353,639	93,352,890	89,037,949	82,011,134	n/a	2.
3.	Total Beginning & Ending True-up Amount (Lines 1+2)	111,376,314	98,674,709	118,521,763	160,718,253	189,324,033	197,093,728	195,147,526	184,810,406	171,457,206	n/a	3.
4.	Average True-up Amount (50 % of Line 3)	\$55,688,157	\$49,337,355	\$59,260,882	\$80,359,126	\$94,662,017	\$98,546,864	\$97,573,763	\$92,405,203	\$85,728,603	n/a	4.
5.	Interest Rate - First day of Reporting Business Month	5.50000%	5.53000%	5.50000%	5.60000%	5.56000%	5.52000%	5.22000%	5.10000%	5.50000%	n/a	5.
6.	Interest Rate - First day of Subsequent Business Month	5.53000%	5.50000%	5.60000%	5.56000%	5.52000%	5.22000%	5.10000%	5.50000%	4.90000%	n/a	6.
7.	Total Interest Rate (Lines 5+6)	11.03000%	11.03000%	11.10000%	11.16000%	11.08000%	10.74000%	10.32000%	10.60000%	10.40000%	n/a	7.
8.	Average Interest Rate (50 % of Line 7)	5.51500%	5.51500%	5.55000%	5.58000%	5.54000%	5.37000%	5.16000%	5.30000%	5.20000%	n/a	8.
9.	Monthly Average Interest Rate (1/12 of Line 8)	0.45958%	0.45958%	0.46250%	0.46500%	0.46167%	0.44750%	0.43000%	0.44167%	0.43333%	n/a	9.
10.	Interest Provision for the Month (Line 4 X Line 9)	\$255,933	\$226,746	\$274,082	\$373,670	\$437,023	\$440,997	\$419,567	\$408,123	\$371,491	\$2,008,451	10.
NOTE: Columns and rows may not add due to rounding.												