

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

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**DATE:** April 12, 2000  
**TO:** Division of Electric and Gas (Ging)  
**FROM:** Division of Auditing and Financial Analysis (Vandiver) *OV*  
**RE:** 000001-EI; Florida Power Corporation  
 Audit Report; Capacity Cost Recovery - 12 Months Ended December 31, 1999  
 Audit Control No. 00-026-2-2

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Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, they should send it to the Division of Records and Reporting. There are no confidential work papers associated with this audit.

DNV/sp

Attachment

cc: Division of Auditing and Financial Analysis (Devlin/Causseaux/Harvey/File Folder)  
 Tampa District Office (McPherson)  
 ✓ Division of Records and Reporting  
 Division of Legal Services

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

AFA	_____
APB	_____
C&E	_____
CMU	_____
CTR	_____
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**FLORIDA PUBLIC SERVICE COMMISSION**

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

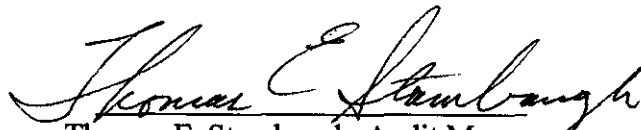
**TAMPA DISTRICT OFFICE**

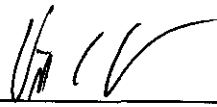
**FLORIDA POWER CORPORATION**

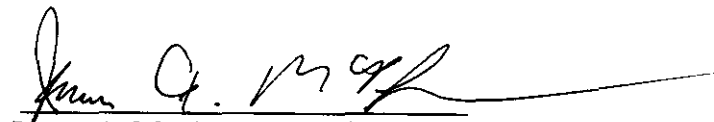
**CAPACITY COST RECOVERY AUDIT**

**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1999**

**DOCKET NO. 000001-EI  
AUDIT CONTROL NO. 00-026-2-2**

  
Thomas E. Stambaugh, Audit Manager

  
Vincent C. Aldridge, Staff Auditor

  
James A. McPherson, Audit Supervisor

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

**MARCH 14, 2000**

**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 twelve month period ended December 31, 1999 for Florida Power Corporation (FPC). These schedules were prepared by the Utility as part of its petition for cost recovery in Docket 000001-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.

## **SUMMARY OF SIGNIFICANT FINDINGS**

During 1999, the Utility did not include in its recoverable Capacity Cost Recovery Clause (CCRC) expenses all of the contract buy-out amounts paid to Pasco CoGen and Auburndale Power Partners. The Utility understated its recoverable CCRC expenses by \$4,034,437. The Utility has stated that it will file an amended CCRC filing to include the effect of these corrections.

## **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.

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

**REVENUE:** Compiled CCRC revenue and agreed to the filing. Recomputed CCRC revenues using approved FPSC rate factors and company-provided KWH sales. Reconciled Utility "revenue recap" report to the general ledger on a test basis.

**EXPENSES:** Compiled capacity costs. Agreed capacity costs to FPC billing statements. Identified costs by vendor. Performed audit test work of capacity cost payments to verify that Qualifying Facilities were paid according to contract for electric power supplied to the utility.

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

**OTHER:** Reviewed notes from reading Board of Director's Minutes and outside auditor work papers as an aid in determining the scope and level of risk of the audit.

**AUDIT DISCLOSURE NO. 1**

**SUBJECT: UNDER RECOVERY OF CAPACITY CLAUSE CONTRACT COSTS**

**STATEMENT OF FACT:** The Utility understated its recoverable Capacity Cost Recovery Clause (CCRC) by \$4,034,437. The Utility did not include in its recoverable CCRC expenses all of the contract buy out amounts paid to Pasco CoGen and Auburndale Power Partners.

**AUDIT OPINION:** The audited total for Pasco CoGen differed from the CCRC filing by \$3,608,023. The difference is attributed to an unexplained Utility transaction in January, incorrect handling of the fuel and capacity portions of the contract buy out payment in May, and non-inclusion of the contract buy out payments from June through December. The contract between the Utility and Pasco CoGen, which originally extended to July, 2013, was bought out and the buy out recovery will occur by no later than December 2008, by the authority of FPSC Order PSC-97-0523-FOF-EQ, dated May 7, 1997. In 1999, the monthly buy out amount of the contract was \$684,336. This amount is recovered through Fuel at \$191,614 and through Capacity at \$492,722 each month. The CCRC jurisdictional amount is \$475,689.

No contract buy-out payment for Auburndale Power Partners was included in the Capacity Costs recoverable for February and July. The Utility paid the correct amounts to Auburndale but did not show recovery of these amounts in February and July. At \$183,550 per month, this understatement totals \$367,100. Jurisdictionally, the amounts are \$176,410 and \$177,205 for a total of \$353,615.

The net effect of these differences in jurisdictional amounts is summarized below:

**Pasco CoGen:**

Difference in January unexplained by the Utility: \$ (12,496)

Net Difference in May:

Jurisdictional effects of Pasco contract buy-out errors: 290,699

Pasco CoGen payments not included in CCRC filing for  
June through December: \$475,689 X 7 =

3,329,823

Total

\$3,608,026

Auburndale Power Partners (\$176,410 plus \$177,205)

353,615

Associated Interest Expense

72,796

Total

\$4,034,437

**CONCLUSION:** The CCRC filing for the twelve months ended December 31, 1999, was understated by \$4,034,437.

Description	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999	(g)
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	12 Months Cumulative
<b>Base Production Level Capacity Charges</b>													
1 Auburnville Power Partners, L.P. (AUBROLAS)	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Auburnville Power Partners, L.P. (AUBROLAS)	532,220	348,670	532,220	532,220	532,220	532,220	348,670	532,220	532,220	532,220	532,220	532,220	0
3 Auburnville Power Partners, L.P. (AUBSET)	1,799,539	1,799,539	1,799,539	1,799,539	1,799,539	1,799,539	1,799,539	1,799,539	1,799,539	1,799,539	1,799,539	1,799,539	56,013,540
4 Bay County (BAYCOUNT)	172,480	172,480	172,480	172,480	172,480	172,480	172,480	172,480	172,480	172,480	172,480	172,480	52,069,780
5 Cargill Fertilizer, Inc. (CARGILLF)	372,900	372,900	372,900	372,900	372,900	372,900	372,900	372,900	372,900	372,900	372,900	372,900	54,474,800
6 Central Power & Lime (FLACRUSH)	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Citrus World	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Lake Cogen Limited (LAKECOGL)	1,900,084	1,900,084	1,900,084	1,900,084	1,900,084	1,900,084	1,900,084	1,900,084	1,900,084	1,900,084	1,900,084	1,900,084	0
9 Lake County (LAKCOUNT)	328,910	328,910	328,910	328,910	328,910	328,910	328,910	328,910	328,910	328,910	328,910	328,910	519,654,863
10 Metro-Dade County (METRODADE)	637,965	647,541	655,720	696,497	688,815	710,938	698,750	698,750	690,241	690,897	663,913	684,280	57,069,258
11 Orange Cogen (ORANGEAS)	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Orange Cogen (ORANGECC)	1,628,050	1,628,195	1,628,195	1,628,195	1,628,195	1,628,195	1,628,195	1,628,195	1,628,195	1,628,195	1,628,195	1,628,195	519,511,199
13 Orlando Cogen Limited (ORLACOGL)	1,391,905	1,339,359	1,340,497	1,344,446	1,357,937	1,375,135	1,369,776	1,369,062	1,371,067	1,365,983	1,365,983	1,365,983	516,260,023
14 Orlando Cogen Limited (ORLACOGAS)	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Pasco Cogen Limited (PASCOGL)	2,757,296	2,838,849	2,838,849	2,838,849	2,537,741	2,346,127	2,346,127	2,346,127	2,346,127	2,296,008	2,334,365	2,341,683	530,168,144
16 Pasco County Resources Recovery (PASCOUNT)	589,490	589,490	589,490	589,490	589,490	589,490	589,490	589,490	589,490	589,490	589,490	589,490	589,490
17 PCS Phosphate (OCSWFCRCK)	0	0	0	0	0	0	0	0	0	0	0	0	0
18 PCS Phosphate (OCSWHSPRS)	0	0	0	0	0	0	0	0	0	0	0	0	0
19 Pinellas County Resources Recovery (PINCOUNT)	970,429	1,173,193	693,848	1,271,785	1,403,243	1,403,243	1,403,243	1,403,243	1,403,243	1,403,243	1,403,243	1,403,243	519,536,124
20 Polk Power Partners, L.P. (MULBERRY)	2,065,402	2,065,402	2,065,402	2,065,402	2,065,402	2,065,402	2,065,402	2,065,402	2,065,402	2,065,402	2,065,402	2,065,402	524,784,828
21 Polk Power Partners, L.P. (ROYSTER)	746,390	746,390	746,390	746,390	746,390	746,390	746,390	746,390	746,390	746,390	746,390	746,390	58,956,682
22 St. Joe Forest Products (ST JOEFOR)	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Tiger Bay Limited Partnership (ECOPEAT)	999,000	999,000	999,000	999,000	999,000	999,000	999,000	999,000	999,000	999,000	999,000	999,000	0
24 Tiger Bay Limited Partnership (GENPEAT)	3,520,000	3,520,000	3,520,000	3,520,000	3,520,000	3,520,000	3,520,000	3,520,000	3,520,000	3,520,000	3,520,000	3,520,000	511,988,000
25 Tiger Bay Limited Partnership (TIMBER2)	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	542,240,000
26 Timber Energy Resources, Inc. (TIMBER)	342,485	342,485	325,125	325,125	342,740	342,740	342,740	342,740	342,740	342,740	342,740	342,740	51,077,141
27 U.S. Agri-Chemicals (AGRICHEM)	35,848	35,848	35,848	35,848	35,848	35,848	35,848	35,848	35,848	35,848	35,848	35,848	5430,175
28 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	59,611,350
29 Tiger Bay (EcoPeat lease credit)	(66,667)	(66,667)	(66,667)	(66,667)	(66,667)	(66,667)	(66,667)	(66,667)	(66,667)	(66,667)	(66,667)	(66,667)	(51,443,001)
30 UPS Purchase (409 total mw)	4,410,441	4,233,735	4,259,965	3,877,759	3,900,379	4,160,988	2,181,709	3,874,909	4,054,958	3,913,202	3,953,563	3,465,518	546,287,124
31 Other Power Sales	(309,924)	(873,871)	(815,382)	507,545	(299,353)	(3,048,958)	(6,656,730)	(1,324,538)	106,944	(312,970)	(439,214)	(382,263)	(13,648,813)
32 Subtotal - Base Level Capacity Charges	25,771,189	25,061,478	25,042,358	26,062,744	25,375,240	22,935,949	17,046,802	24,254,020	25,859,057	25,242,840	25,168,337	24,767,695	292,486,708
33 Base Production Jurisdictional Responsibility	96.110%	96.110%	96.543%	96.543%	96.543%	96.543%	96.543%	96.543%	96.543%	96.543%	96.543%	96.543%	96.456%
34 Base Level Jurisdictional Capacity Charges	24,768,689	24,088,586	24,178,643	25,181,755	24,498,017	22,048,510	16,456,529	23,415,559	24,965,110	24,370,195	24,298,268	23,911,476	282,155,337
<b>Intermediate Production Level Capacity Charges:</b>													
35 TECO Power Purchase (60 mw)	565,567	565,567	565,567	565,567	565,567	565,567	565,567	565,567	565,567	565,567	565,567	565,567	56,786,804
36 Schedule H Capacity Sales	(2,682)	(2,404)	(2,682)	(2,576)	(2,385)	0	(2,385)	(4,692)	(2,308)	(2,385)	(2,317)	(2,385)	(329,161)
37 FPL / Morgan Stanley Capital Group	0	0	0	0	0	0	0	0	0	0	0	0	252,395
38 Subtotal - Intermediate Level Capacity Charges	562,905	563,163	562,905	562,991	563,182	565,567	618,471	560,875	563,259	563,182	563,250	562,288	7,010,035
39 Intermediate Production Jurisdictional Responsibility	73.773%	73.773%	69.682%	69.682%	69.682%	69.682%	69.682%	69.682%	69.682%	69.682%	69.682%	69.682%	70.500%
40 Intermediate Level Jurisdictional Capacity Charges	419,272	415,462	392,243	392,303	392,437	394,098	429,570	390,829	392,490	392,436	392,484	391,178	4,930,802
41 Sebring Base Rate Credits	(356,323)	(273,476)	(321,391)	(319,764)	(316,979)	(339,077)	(373,108)	(421,342)	(398,237)	(345,106)	(286,136)	(295,814)	(4,048,753)
42 Adjustments-Premium/Liquidating Damages	0	0	0	0	0	0	0	(2,027,403)	(482,715)	193,086	0	0	(2,317,032)
43 Jurisdictional Capacity Charges	24,827,638	24,228,572	24,247,495	25,234,394	24,573,475	22,101,531	18,512,991	21,357,843	24,478,648	24,610,611	24,402,616	24,146,840	290,720,354
44 Capacity Cost Recovery Revenues (net of tax)	24,431,758	20,875,222	21,484,013	22,656,709	24,403,091	27,386,256	30,049,391	34,626,187	32,769,253	27,997,522	23,713,237	22,241,168	312,833,308
45 Capacity Cost Revenues Adjustment (Net of Tax)	0	0	0	0	0	0	0	0	0	0	0	0	0
46 Prior Period True-Up Provision	(404,726)	(404,726)	(404,726)	(404,726)	(404,726)	(404,726)	(404,726)	(404,726)	(404,726)	(404,726)	(404,726)	(404,726)	222,123
47 Current Period Capacity Cost Recovery Revenues (net of tax) (sum of lines 43 through 45)	24,027,032	20,470,495	21,079,286	22,451,983	23,998,365	26,981,530	29,644,665	34,221,461	32,364,527	27,592,796	23,308,511	26,915,275	313,055,927
48 True-Up Provision - Over(Under) Recovery (line 46; line 42)	(800,606)	(3,758,077)	(3,168,209)	(2,782,311)	(575,110)	4,879,999	13,131,674	12,963,818	7,367,379	2,382,184	(1,094,105)	2,768,435	32,335,573
49 Interest Provision for the Month	98	(7,467)	(19,911)	(30,252)	(35,420)	(25,974)	13,063	71,493	121,218	147,292	157,387	156,612	548,149
50 Current Cycle Balance (line 47 + line 48) Cumulative	(800,508)	(4,566,041)	(7,754,160)	(10,566,723)	(11,177,253)	(6,323,228)	6,821,509	19,756,819	27,785,916	30,895,393	29,958,675	32,983,722	54,814,949
51 True-Up & Interest Provision (beginning)	222,118	222,118	222,118	222,118	222,118	222,118	222,118	222,118	222,118	222,118	222,118	222,118	222,118
52 Prior Period True-Up Collected (Refund) Cumulative	404,726	809,452	1,214,178	1,618,904	2,023,630	2,428,356	2,833,082	3,237,808	3,642,534	4,047,260	4,451,986	(222,121)	0
53 Other:	0	0	0	0	0	0	0	0	0	0	0	0	0
54 End of Period Net True-Up (lines 47 through 52) Over / (Under)	(\$173,664)	(\$3,534,471)	(\$6,317,964)	(\$8,725,701)	(\$8,931,505)	(\$3,672,754)	\$9,876,709	\$23,216,745	\$31,630,568	\$36,184,771	\$34,632,779	\$32,983,719	\$0