

State of Florida



Public Service Commission

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

DATE: July 19, 2000
TO: Division of Safety & Electric Reliability (Colson)
FROM: Division of Regulatory Oversight (Vandiver) *av*
RE: Docket No. 000002-EG; Florida Power & Light Company
 Audit Report; Conservation - Historical Year Ended December 31, 1999
 Audit Control No. 00-047-4-1

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 confidential work papers associated with this audit.

DNV/sp

Attachment

cc: Division of Regulatory Oversight (Hoppe/Harvey/File Folder)
 Miami District Office (Welch)
 ✓ Division of Records and Reporting
 Division of Legal Services

Bill Walker
 Florida Power & Light Company
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Steel Law Firm
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 Tallahassee, FL 32301

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FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY OVERSIGHT
BUREAU OF AUDITING SERVICES*

Miami District Office

FLORIDA POWER AND LIGHT COMPANY

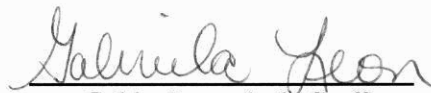
CONSERVATION COST RECOVERY CLAUSE

HISTORICAL YEAR ENDED DECEMBER 31, 1999

DOCKET NO. 000002-EG
AUDIT CONTROL NO. 00-047-4-1



Yen Ngo, Audit Manager



Gabby Leon, Audit Staff



Kathy Welch, Audit Supervisor

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**DIVISION OF REGULATORY OVERSIGHT
AUDITOR'S REPORT
June 20, 2000**

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

We have applied the procedures described in this report to audit the Conservation Cost Recovery schedules for the historical 12-month period ended December 31, 1999 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Conservation Cost Recovery in Docket 000002-EG. There is confidential information associated with this audit.

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 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.

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

PLANT- Traced plant to the general ledger.

DEPRECIATION EXPENSES- Recalculated depreciation expense for two months.

REVENUES- Recalculated the revenues and traced the billing factor to the appropriate order.

EXPENSES- Performed an analytical review of all the programs. Selected the programs with the highest variance between estimated and actual. Examined a statistical sample of accounts related to these programs.

PROFORMAS- (Load Control Credits) Randomly selected bills and traced to customers load contracts & to the Load Control Program Guidelines.

ADVERTISING EXPENSES- Examined all advertising expenses over \$25,000.

LITIGATION EXPENSE- Examined litigation expenses over \$25,000.

PAYROLL- Randomly selected payroll expenses and verified names of employees to phone directory. Their titles were reviewed to determine if they did conservation related work.

TRUE-UP CALCULATION- Recalculated the true up provision for the nine months ended December 31, 1999 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 prior true-up to the prior audit.

II. EXHIBITS

**FLORIDA POWER & LIGHT COMPANY
CONSERVATION TRUE-UP & INTEREST CALCULATION
JANUARY THROUGH DECEMBER 1999**

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	ACTUALS JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
C. INTEREST PROVISION													
1. BEGINNING TRUE-UP AMOUNT (Line B9+B9a)	\$3,068,390	\$5,570,789	\$7,270,295	\$7,600,179	\$7,155,602	\$6,413,548	\$5,259,619	\$7,107,075	\$9,788,370	\$12,503,489	\$12,205,808	\$13,429,074	\$97,372,238
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST (7+B9+B9a+B10)	5,553,348	7,244,504	7,570,096	7,125,904	6,386,323	5,235,593	7,080,980	9,751,772	12,454,277	12,151,362	13,371,259	14,219,119	108,144,537
3. TOTAL OF BEGINNING & ENDING TRUE-UP (Line C1+C2)	\$8,621,738	\$12,815,293	\$14,840,391	\$14,726,083	\$13,541,925	\$11,649,141	\$12,340,599	\$16,858,847	\$22,242,647	\$24,654,851	\$25,577,067	\$27,648,193	\$205,516,775
4. AVERAGE TRUE-UP AMOUNT (50% of Line C3)	\$4,310,869	\$6,407,647	\$7,420,196	\$7,363,042	\$6,770,963	\$5,824,571	\$6,170,300	\$8,429,424	\$11,121,324	\$12,327,426	\$12,788,534	\$13,824,097	\$102,758,388
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	4.90000%	4.81000%	4.85000%	4.88000%	4.80000%	4.85000%	5.05000%	5.10000%	5.32000%	5.30000%	5.30000%	5.55000%	N/A
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	4.81000%	4.85000%	4.88000%	4.80000%	4.85000%	5.05000%	5.10000%	5.32000%	5.30000%	5.30000%	5.55000%	5.60000%	N/A
7. TOTAL (Line C5+C6)	9.71000%	9.66000%	9.73000%	9.68000%	9.65000%	9.90000%	10.15000%	10.42000%	10.62000%	10.60000%	10.85000%	11.15000%	N/A
8. AVERAGE INTEREST RATE (50% of Line C7)	4.85500%	4.83000%	4.86500%	4.84000%	4.82500%	4.95000%	5.07500%	5.21000%	5.31000%	5.30000%	5.42500%	5.57500%	N/A
9. MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.40458%	0.40250%	0.40542%	0.40333%	0.40208%	0.41250%	0.42292%	0.43417%	0.44250%	0.44167%	0.45208%	0.46458%	N/A
INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	\$17,441	\$25,791	\$30,083	\$29,698	\$27,225	\$24,026	\$26,095	\$36,598	\$49,212	\$54,446	\$57,815	\$64,224	\$442,654

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

**FLORIDA POWER & LIGHT COMPANY
CONSERVATION TRUE-UP & INTEREST CALCULATION
JANUARY THROUGH DECEMBER 1999**

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	ACTUALS JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
B. CONSERVATION PROGRAM REVENUES													
i. a. RESIDENTIAL LOAD CONTROL CREDIT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. C/I - PENALTIES	0	0	0	0	0	0	0	0	0	0	0	0	0
c. DSMART PROGRAM REVENUES	5,500	6,450	5,300	5,900	4,625	6,825	10,350	11,225	6,400	4,825	8,375	4,500	80,275
2. CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	13,287,567	11,693,583	11,461,811	12,478,371	13,653,910	14,824,727	15,848,807	17,516,456	17,156,084	15,383,927	13,053,344	12,709,596	169,068,182
3. TOTAL REVENUES	13,293,067	11,700,033	11,467,111	12,484,271	13,658,535	14,831,552	15,859,157	17,527,681	17,162,484	15,388,752	13,061,719	12,714,096	169,148,457
4. ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	(168,759)	(168,759)	(168,759)	(168,759)	(168,759)	(168,759)	(168,759)	(168,759)	(168,759)	(168,759)	(168,759)	(168,759)	(2,025,105)
5. CONSERVATION REVENUES APPLICABLE TO PERIOD (Line B3 + B4)	13,124,308	11,531,274	11,298,352	12,315,512	13,489,776	14,662,793	15,690,398	17,358,922	16,993,725	15,219,993	12,892,960	12,545,337	167,123,352
6. CONSERVATION EXPENSES (From CT-3, Page 1, Line 33)	10,808,109	10,026,318	11,167,310	12,958,546	14,427,814	16,009,507	14,037,796	14,882,984	14,496,577	15,740,879	11,896,268	11,924,051	158,376,160
7. TRUE-UP THIS PERIOD (Line B5 - Line B6)	2,316,199	1,504,957	131,042	(643,034)	(938,038)	(1,346,714)	1,652,603	2,475,939	2,497,149	(520,886)	996,692	621,286	8,747,192
8. INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	17,441	25,791	30,083	29,698	27,225	24,026	26,095	36,598	49,212	54,446	57,815	64,224	442,654
9. TRUE-UP & INTEREST PROVISION ENDING OF MONTH	(2,025,105)	477,294	2,176,800	2,506,684	2,062,107	1,320,053	166,124	2,013,580	4,694,875	7,409,994	7,112,313	8,335,579	(2,025,105)
a. DEFERRED TRUE-UP BEGINNING OF PERIOD	5,093,495	5,093,495	5,093,495	5,093,495	5,093,495	5,093,495	5,093,495	5,093,495	5,093,495	5,093,495	5,093,495	5,093,495	5,093,495
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	168,759	168,759	168,759	168,759	168,759	168,759	168,759	168,759	168,759	168,759	168,759	168,759	2,025,105
11. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (Line B7+B8+B9+B9a+B10)	\$5,570,789	\$7,270,295	\$7,600,179	\$7,155,602	\$6,413,548	\$5,259,619	\$7,107,075	\$9,788,370	\$12,503,489	\$12,205,808	\$13,429,074	\$14,283,341	\$14,283,341

NOTES: () Reflects Underrecovery

Docket No. 000002-EG
 Exhibit No. _____
 Florida Power & Light Co.
 (BS-1)
 Schedule CT-3
 Page 2 of 3

CONSERVATION PROGRAM COSTS
January 1999 through December 1999

Program Title	January	February	March	April	May	June	July	August	September	October	November	December	Total for Period
1. Residential Conservation Service Program	\$ 232,502	\$ 239,517	\$ 423,711	\$ 308,031	\$ 318,942	\$ 2,911,014	\$ 536,160	\$ 1,125,502	\$ 798,247	\$ 1,046,560	\$ 540,994	\$ 793,568	\$ 9,274,748
2. Residential Building Envelope Program	107,394	175,276	157,042	121,704	252,038	268,465	286,274	168,714	176,970	183,573	188,198	178,180	2,261,828
3. Residential Load Management ("On Call")	4,612,866	4,451,574	4,279,796	6,358,030	6,430,955	8,397,893	6,352,124	6,503,376	6,440,847	6,220,989	4,305,919	4,222,661	66,577,031
4. Duct System Testing & Repair Program	228,676	208,907	336,446	259,963	316,563	264,530	324,702	314,344	283,605	298,949	358,116	329,333	3,524,131
5. Residential Air Conditioning Program	910,251	904,634	914,873	1,060,622	1,560,624	1,538,141	1,588,901	1,283,537	1,311,355	1,360,186	1,274,871	956,594	14,664,588
6. GS Load Management ("Business On Call")	123,816	135,862	172,891	55,980	230,230	215,429	212,008	208,036	206,011	204,138	114,198	107,552	1,986,150
7. Cogeneration & Small Power Production	230,025	95,901	576,525	209,888	295,141	194,851	20,339	792,378	324,761	568,417	969,322	69,255	4,346,801
8. Commercial/Industrial Efficient Lighting	61,071	116,877	52,096	98,717	143,776	41,404	78,829	142,317	44,710	65,407	33,082	118,308	996,593
9. Commercial/Industrial Load Control	2,841,982	2,155,309	2,188,047	2,329,571	2,753,008	2,252,106	2,574,316	2,654,585	2,692,539	2,613,845	2,499,312	2,344,548	29,899,167
10. Business Energy Evaluation	76,602	85,982	131,260	167,030	162,982	149,157	174,300	162,042	986,060	1,311,943	225,643	460,001	4,093,005
11. C/I Heating, Ventilating & A/C Program	421,816	108,358	273,039	405,972	504,098	469,653	565,061	176,631	227,397	847,177	279,269	476,574	4,756,045
12. C/I Oil Peak Battery Charging Program	4,460	664	1,390	1,008	872	4,584	4,992	1,124	598	491	665	4,684	25,851
13. Business Custom Incentive Program	158	240,000	2,131	81				24	41	32	41	74	242,583
14. C/I Building Envelope Program	149,751	130,149	226,017	713,212	566,951	197,416	133,424	183,268	259,763	173,181	284,454	314,678	3,332,265
15. Res. Thermal Energy Storage Research Proj.													
16. Communities Research Project					636	43,589	658						44,884
17. Heat Pump Water Heating Research Proj.	14												14
18. Conservation Research & Development Program	14,832		(23)	14,760		8,089							37,658
19. Natural Gas End-Use Technology R&D Project	113	815	3,793			50,228	63,497		30,801	3,464			152,711
20. C/I Daylight Dimming Research Project	56	19,207				25,539			95	7		145	45,049
21. C/I New Construction Research Project	56	57	33	19	102		268,335			(50)		113,883	382,434
22. Marketing Conservation Research & Dev.		8,100		18,204	20,275	20,761	37	3	26,960		49,500	127,850	271,691
23. BuildSmart Program	64,541	122,642	137,028	110,794	97,348	115,659	119,362	196,805	68,392	157,777	93,131	178,025	1,461,504
24. Green Pricing Research & Development Proj.			296	268	3,228	10,277	1,863	28				38,350	54,310
25. C/I Solar Desiccant Research Project	56	12,702				15,450	357		1,356				29,922
26. Common Expenses	816,616	898,556	1,373,393	884,607	857,193	901,270	823,822	1,063,067	749,722	764,424	754,353	1,173,309	11,058,132
27. Total All Programs	\$ 10,897,674	\$ 10,109,390	\$ 11,249,783	\$ 13,118,462	\$ 14,514,961	\$ 16,095,503	\$ 14,129,161	\$ 14,973,781	\$ 14,630,231	\$ 15,820,510	\$ 11,971,067	\$ 12,007,572	\$ 159,518,093
28. LESS: Included in Base Rates	89,565	83,072	82,473	159,916	87,147	85,995	91,365	90,797	133,655	79,631	74,798	83,520	1,141,934
29. Recoverable Conservation Expenses	\$ 10,808,109	\$ 10,026,318	\$ 11,167,310	\$ 12,958,546	\$ 14,427,814	\$ 16,009,508	\$ 14,037,796	\$ 14,882,984	\$ 14,496,577	\$ 15,740,879	\$ 11,896,269	\$ 11,924,052	\$ 158,376,160
Totals may not add due to rounding													