FLORIDA POWER CORPORATION : AUDIT OF AFFILIATE TRANSACTIONS - ASR 96-003-2-1 OUTSIDE AUDITOR WORKPAPERS For THE YEAR ENDED 12/31/95 96 1448-EI CONFIDENTIAL E- 1-10 100 мл 3/2/96 **Electric Fuels Corporation** FPSC Rate Case Results 12/31/95

On September 13, 1993, the rate order # PSC-93-1331-FOF-EI was issued which dealt with Florida Power Corporation's motion to change the reimbursement structure of the gulf delivered coal. The results of the rate case are as follows as they relate to EFC operations:

EFC's cost plus 12% return on gulf delivered coal was amended to a "market rate" cost structure. The base price approved by the Commission was \$23 (adjusted each January 1) per ton which affected coal delivered from IMT or Dixie Fuels. This market price was subject to adjustment for "the cost of government impositions" (i.e. taxes).

The base price was created by EFC based upon five specific indices. These indices are the CPI-U, RCAF-U, PPI-All Commodities, AHE-Total Private, and PPI-#2 Diesel Fuel. The rates that these indices are utilized are confidential, however, 10% of the escalation/de-escalation amount is fixed per the Commission ruling.

The effect on EFC operations is to deregulate the gulf operations which only leaves rail sales as regulated through the cost plus 12% return formula. As such, EFC had to amend their billing structure accordingly. In 1995 EFC non-regulated billed EFC regulated such as when the coal reached IMT piles. When the coal reaches Crystal River the remaining the billed by EFC non-regulated to EFC regulated. Billings to Florida Power Corporation are set at \$53 per ton upon delivery of the coal to Crystal River.

KPMG procedures to test the rate order effective for 1995 will include reviewing cost per ton by supplier for each of the Crystal River piles to determine that costs per ton charged to regulated coal by unregulated coal are reasonable based on the new rate of **Section**. See W/P E-7-1 and E-7-2. These costs are then built in to the amounts charged to FPC. KPMG will review the billings to FPC to verify that the proper rate is being charged.

Essentially, this rate order has caused EFC to come under much more market driven profit incentives. The revenue is now set at **Sec. 9** per ton. Therefore there is a large incentive for EFC to acquire and move the coal by the most efficient means possible to provide the largest profit margin to the Company.

INC

CONFIDENTIAL

9-4 Pg33-f35

NUMB

D

RECORDS/REPORTING

IDAT

48

DOCUMENT

FLORIDA POWER CORPORATION AUDIT OF AFFILIATE TRANSACTIONS - ASR 96-003-2-1 WORKPAPERS OUTSIDE AUDITOR YEAR ENDED 12/31/85 THE 70 I Π I SRH 11/5/96 (3)

12.00%

1.00%

CONFIDENTIAL

ELECTRIC FUELS CORPORATION Based on Actual 12/31/94 and YTD 12/31/95 Financials ALLOWABLE EARNINGS SCHEDULE FOR THE YEAR OF 1995 1995 Locomotive addition 12/29/95 DJC 01/05/96 02:04 PM

> ۰. عد

-

ANNUAL EARNINGS % MONTHLY EARNINGS %

Month	Beginning FPC Equity	<u>Dividends</u>	Equity to be earned on	Allowable <u>Earnings</u>	Ending FPC Equity	Cumulative <u>YTD Earnings</u> 1991
JANUARY	19,582,744	(\$617,000)	\$20,199,744	201,997	\$20,401,741	\$201,997 191,710 - Y -
FEBRUARY	20,401,741		20,401,741	204,017	20,605,758	406,014 401,332
MARCH 1-19 MARCH 20-31	20,605,758 20,732,051	1,033,000	20,605,758 19,669,051	126,293 76,254	20,732,051 19,775,305	•
TOTAL MARCH				202,547	•	608,561 610, ¥17
APRIL	19,775,305		19,775,305	197,753	19,973,058	
MAY	19,973,058		19,973,058	199,731	20,172,789	1.006,045 1037229
JUNE 1-19 · JUNE 20-30	20,172, 789 20,300, 55 0	1,033,000	20,172,789 19,267,550	127,761 70,648	20,300,550 19,336,198	•
TOTAL JUNE		•. •		198,409		1,204,454 1,249,122
JULY	19,338,198		19,538,198	193,382	19,531,580	1,397,835 / /54,415
AUGUST	19,531,580		19,531,580	195,316;	19,726,896	1,593,152/661,761;
SEPTEMBER 1-19 SEPTEMBER 20-30	19,726,896 19,851,833	1,033,000	18, 318,6 35	124,937 69,002	19,851,833 18,857,835	· · · ► · · ·
TOTAL SEPTEMBER				193,939		1,787,091 1868,024
OCTOBER	18,887,835		18,887,835	188,878	19,076,713	1,975,969 2.068 (64)
NOVEMBER	19,076,718		19,076,713	190,767	19,267,480	2,166,736 2,2712.99
DECEMBER 1-19 DECEMBER 20-31	19,267 ,480 19,385,571	1,033,000		118,991 71,042	19.385,571 21.294,730	\mathbf{X}
TOTAL DECEMBER			-			2,355,869 3,472,572
ANNUAL TOTALS	1995 Plan 1996 Plan	\$3,515,000 \$3,956,000 3,515,000		\$2,587,114 2,387,294	<u>Diff</u> (\$231,245) (31,425)	
						MARCHIN & Admin

CONFIDENTS

TEGRITY BUSINESS FORMS, INC. (647) 596-2020 FAX (647) 696-4608

C:\123DATA\EARNINGS\1995\AE.WK1