

State of Florida



Public Service Commission

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

DATE: May 22, 2002
TO: Division of Economic Regulation (Lee)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: **Docket No.** 020001-EI; Florida Power Corporation; **Audit Purpose:** Capacity Cost Recovery Audit; **Audit Control No.** 02-044-2-1

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, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Paul Lewis, Jr.
Florida Power Corporation
106 East College Avenue
Tallahassee, FL 32301-7740

DOCUMENT NUMBER-DATE
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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

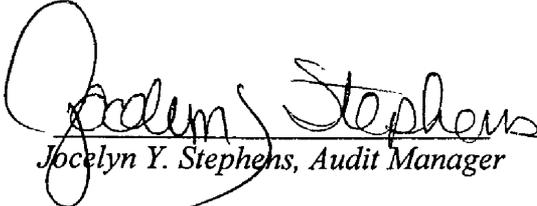
FLORIDA POWER CORPORATION

CAPACITY COST RECOVERY AUDIT

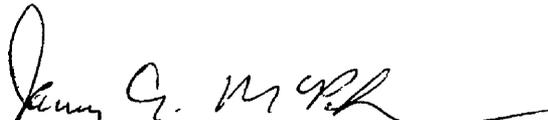
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001

DOCKET NO. 020001-EI

AUDIT CONTROL NO. 02-044-2-2


Jocelyn Y. Stephens, Audit Manager


Simon O. Ojada, Audit Staff


James A. McPherson, Tampa District Supervisor

**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

APRIL 26, 2002

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, 2001 for Florida Power Corporation (FPC). These schedules were prepared by the Utility as part of its petition for cost recovery in Docket 020001-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 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.

TABLE OF CONTENTS

| I. | AUDITOR'S REPORT | PAGE |
|------------|--|-------------|
| | PURPOSE | 1 |
| | DISCLAIM PUBLIC USE | 1 |
| | SUMMARY OF SIGNIFICANT PROCEDURES | 2 |
| II. | EXHIBITS | |
| | CALCULATION OF FINAL TRUE-UP AND INTEREST AS OF 12/31/01 | 3 |

| Description | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | 2001 | (g) |
|---|-------------|-------------|---------------|---------------|----------------|----------------|------------------|---------------|-------------|---------------|---------------|----------------|----------------|-------------|
| | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | Cumulative | |
| Base Production Level Capacity Charges: | | | | | | | | | | | | | | |
| 1 Auburndale Power Partners, L P (AUBRDLFC) | 554,320 | 577,780 | 72,690 | 394,230 | 394,230 | 394,230 | 394,230 | 394,230 | 394,230 | 394,230 | 394,230 | 394,230 | 394,230 | 4,762,860 |
| 2 Auburndale Power Partners, L P (AUBSET) | 1,891,454 | 1,987,798 | 1,987,798 | 1,987,798 | 1,987,798 | 1,987,798 | 1,987,798 | 1,987,798 | 1,987,798 | 1,987,798 | 1,987,798 | 1,987,798 | 1,987,798 | 23,757,233 |
| 3 Bay County (BAYCOUNT) | 183,260 | 194,700 | 194,700 | 194,700 | 194,700 | 194,700 | 194,700 | 194,700 | 194,700 | 193,532 | 194,700 | 194,700 | 194,700 | 2,323,792 |
| 4 Cargill Fertilizer, Inc (CARGILLF) | 391,950 | 412,050 | 354,692 | 381,104 | 412,050 | 412,050 | 412,050 | 412,050 | 412,050 | 412,050 | 412,050 | 412,050 | 412,050 | 4,836,196 |
| 5 Central Power & Lime (FLACRUSH) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18,000 | 36,000 |
| 6 Lake County (LAKCOUNT) | 347,565 | 369,623 | 369,623 | 369,623 | 369,623 | 369,623 | 369,623 | 369,623 | 369,623 | 369,623 | 369,623 | 369,623 | 369,623 | 4,413,413 |
| 7 Lake Cogen Limited (LAKECOGL) | 1,996,699 | 2,099,277 | 2,099,277 | 2,096,077 | 2,099,277 | 2,099,277 | 2,087,859 | 2,077,890 | 2,112,825 | 2,099,277 | 2,094,857 | 2,101,487 | 2,101,487 | 25,064,080 |
| 8 Metro-Dade County (METRDADE) | 638,501 | 620,438 | 642,913 | 659,655 | 630,318 | 616,183 | 631,800 | 710,389 | 726,854 | 739,472 | 749,367 | 749,367 | 749,367 | 8,115,512 |
| 9 Orange Cogen (ORANGECO) | 1,709,550 | 1,785,040 | 1,785,040 | 1,785,040 | 1,785,040 | 1,785,040 | 1,785,040 | 1,785,040 | 1,785,040 | 1,785,040 | 1,785,040 | 1,785,040 | 1,785,040 | 21,344,985 |
| 10 Orlando Cogen Limited (ORLACOGL) | 1,508,138 | 1,584,957 | 1,584,957 | 1,584,957 | 1,584,957 | 1,584,957 | 1,584,957 | 1,584,957 | 1,584,957 | 1,584,957 | 1,584,957 | 1,584,957 | 1,584,957 | 18,942,668 |
| 11 Pasco Cogen Limited (PASCOGL) | 2,466,683 | 3,211,250 | 2,860,682 | 2,863,196 | 2,863,196 | 2,863,196 | 2,863,196 | 2,863,196 | 2,863,196 | 2,863,196 | 2,863,196 | 2,863,196 | 2,863,196 | 34,307,378 |
| 12 Pasco County Resource Recovery (PASCOUNT) | 626,980 | 666,540 | 666,540 | 666,540 | 666,540 | 666,540 | 666,540 | 666,540 | 666,540 | 666,540 | 666,540 | 666,540 | 666,540 | 7,958,920 |
| 13 Pinellas County Resource Recovery (PINCOUNT) | 1,492,485 | 1,586,655 | 1,586,655 | 1,586,655 | 1,586,655 | 1,586,655 | 1,586,655 | 1,586,655 | 1,586,655 | 1,586,655 | 1,586,655 | 1,586,655 | 1,586,655 | 18,945,690 |
| 14 Polk Power Partners, L P (MULBERY) | 2,018,243 | 2,098,396 | 2,092,890 | 2,117,266 | 2,111,812 | 2,160,120 | 2,156,144 | 2,152,442 | 2,145,789 | 2,167,072 | 2,238,020 | 2,238,020 | 2,238,020 | 25,696,216 |
| 15 Polk Power Partners, L P (ROYSTER) | 784,832 | 824,504 | 824,504 | 824,504 | 824,504 | 824,504 | 824,504 | 824,504 | 824,504 | 824,504 | 824,504 | 824,504 | 824,504 | 9,854,381 |
| 16 Tiger Bay Limited Partnership (ECOPEAT) | 1,103,732 | 1,103,732 | 1,103,732 | 1,103,732 | 1,103,732 | 1,103,732 | 1,103,732 | 1,103,732 | 1,103,732 | 1,103,732 | 1,103,732 | 1,103,732 | 1,103,732 | 13,244,784 |
| 17 Tiger Bay Limited Partnership (GENPEAT) | 3,979,404 | 3,979,404 | 3,979,404 | 3,979,404 | 3,979,404 | 3,979,404 | 3,979,404 | 3,979,404 | 3,979,404 | 3,979,404 | 3,979,404 | 3,979,404 | 3,979,404 | 47,752,848 |
| 18 Tiger Bay Limited Partnership (TIMBER2) | 139,140 | 139,140 | 139,140 | 139,140 | 139,140 | 139,140 | 139,140 | 139,140 | 139,140 | 139,140 | 139,140 | 139,140 | 139,140 | 1,669,680 |
| 19 Timber Energy Resources, Inc. (TIMBER) | 361,250 | 361,250 | 361,250 | 361,250 | 361,250 | 380,780 | 380,780 | 380,780 | 380,780 | 380,780 | 380,780 | 380,780 | 380,780 | 4,491,238 |
| 20 U S. Agri-Chemicals (AGRICHEM) | 37,699 | 39,607 | 39,607 | 39,607 | 39,607 | 39,131 | 35,505 | 35,820 | 37,700 | 36,945 | 36,630 | 39,312 | 39,312 | 459,168 |
| 21 Wheelabrator Ridge Energy, Inc. (RIDGEGEN) | 777,908 | 789,404 | 795,766 | 792,952 | 790,571 | 788,481 | 800,946 | 800,946 | 800,946 | 800,946 | 799,559 | 787,686 | 787,686 | 9,536,109 |
| 22 Tiger Bay (EcoPeat lease credit) | (66,667) | (66,667) | (66,667) | (416,667) | (66,667) | (66,667) | (66,667) | (66,667) | (66,667) | (66,667) | (66,667) | (66,667) | (66,667) | (1,150,004) |
| 23 UPS Purchase (409 total mw) | 4,193,198 | 4,168,465 | 3,801,057 | 3,986,225 | 3,677,373 | 4,000,010 | 3,988,181 | 3,981,430 | 3,770,841 | 4,033,090 | 3,827,189 | 3,838,569 | 3,838,569 | 47,265,608 |
| 24 Other Power Sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 Subtotal - Base Level Capacity Charges | 27,136,424 | 28,533,343 | 27,276,251 | 27,496,989 | 27,554,640 | 27,918,885 | 27,906,117 | 27,964,600 | 27,800,639 | 28,081,318 | 27,971,285 | 27,978,278 | 27,978,278 | 333,618,765 |
| 26 Base Production Jurisdictional Responsibility | 97,232% | 97,232% | 97,232% | 97,232% | 97,560% | 97,560% | 97,560% | 97,560% | 97,560% | 97,560% | 97,560% | 97,560% | 97,560% | 97,560% |
| 27 Base Level Jurisdictional Capacity Charges | 26,385,287 | 27,743,540 | 26,521,244 | 26,735,873 | 26,882,307 | 27,237,664 | 27,225,208 | 27,282,264 | 27,122,303 | 27,396,132 | 27,288,786 | 27,295,608 | 27,295,608 | 325,116,215 |
| Intermediate Production Level Capacity Charges: | | | | | | | | | | | | | | |
| 28 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 | 565,567 | 6,786,804 |
| 29 Schedule H Capacity Sales | (2,385) | (2,154) | (2,154) | (2,538) | (3,508) | (3,395) | (3,508) | (3,508) | (3,395) | (3,508) | (3,395) | 0 | 0 | (33,449) |
| 30 FP&L, Reedy Ck | 430,000 | 340,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 770,000 |
| 31 Subtotal - Intermediate Level Capacity Charges | 993,182 | 903,413 | 563,413 | 563,029 | 562,059 | 562,172 | 562,059 | 562,059 | 562,172 | 562,059 | 562,172 | 562,172 | 562,172 | 7,523,355 |
| 32 Intermediate Production Jurisdictional Responsibility | 70,241% | 70,241% | 70,241% | 70,241% | 71,248% | 71,248% | 71,248% | 71,248% | 71,248% | 71,248% | 71,248% | 71,248% | 71,248% | 71,248% |
| 33 Intermediate Level Jurisdictional Capacity Charges | 697,621 | 634,565 | 395,747 | 395,477 | 400,456 | 400,536 | 400,456 | 400,456 | 400,456 | 400,456 | 400,456 | 400,456 | 400,456 | 5,329,797 |
| 34 Peaking Production Level Capacity Charges: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 89,672 | 30,154 | 0 | 57,200 | 177,026 |
| 35 Sebring Base Rate Credits | (464,721) | (354,441) | (301,789) | (308,469) | (283,496) | (383,629) | (374,436) | (344,283) | (433,923) | (323,472) | (283,039) | (292,098) | (292,098) | (4,147,795) |
| 36 Adjustments (i.e. Purchases and Sales) | 0 | (13,988) | 8,605 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5,383) |
| 37 Retail Wheeling | (221,452) | (172,014) | (297,274) | (180,022) | (33,371) | (330,733) | (59,037) | (325,540) | (235,095) | 189,120 | 141,450 | 565,265 | 565,265 | (958,706) |
| 38 Jurisdictional Capacity Charges | 26,396,735 | 27,837,663 | 26,326,533 | 26,642,859 | 26,965,896 | 26,923,836 | 27,192,191 | 27,012,896 | 26,943,490 | 27,692,389 | 27,547,733 | 28,028,930 | 28,028,930 | 325,511,154 |
| 39 Capacity Cost Recovery Revenues (Net of tax) | 31,348,684 | 23,847,120 | 20,977,423 | 22,808,403 | 23,073,364 | 29,620,723 | 29,823,480 | 30,314,780 | 32,659,615 | 25,271,046 | 23,431,119 | 22,579,555 | 315,753,312 | |
| 40 Capacity Cost Revenues Adjustment (Net of Tax) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 41 Prior Period True-Up Provision | (11,934) | (11,934) | (11,934) | (11,934) | (11,934) | (11,934) | (11,934) | (11,934) | (11,934) | (11,934) | (11,934) | (11,934) | (11,934) | (1,547,621) |
| 42 Current Period Capacity Cost Recovery Revenues (net of tax) (sum of lines 39 through 41) | 31,336,750 | 23,835,186 | 20,965,489 | 22,796,469 | 23,061,430 | 29,608,790 | 29,811,546 | 30,302,846 | 32,647,681 | 25,259,112 | 23,419,185 | 21,163,205 | 314,205,690 | |
| 43 Over/(Under) Recovery (line 42 - 38) | 4,940,015 | (4,002,477) | (5,361,044) | (3,848,389) | (3,904,466) | 2,684,951 | 2,619,356 | 3,289,950 | 5,704,191 | (2,433,277) | (4,128,548) | (6,865,725) | (11,305,464) | |
| 44 Interest Provision for the Month | 4,352 | 6,273 | (13,748) | (30,641) | (40,661) | (40,021) | (30,764) | (20,560) | (5,995) | (1,429) | (7,068) | (13,930) | (13,930) | (194,192) |
| 45 Current Cycle Balance (line 43 + line 44) Cumulative | 4,944,367 | 948,163 | (4,426,629) | (8,305,659) | (12,250,786) | (9,605,856) | (7,017,264) | (3,747,873) | 1,950,322 | (484,384) | (4,620,001) | (11,499,856) | (11,499,856) | |
| 46 True-Up & Interest Provision (beginning) | (1,547,621) | (1,547,621) | (1,547,621) | (1,547,621) | (1,547,621) | (1,547,621) | (1,547,621) | (1,547,621) | (1,547,621) | (1,547,621) | (1,547,621) | (1,547,621) | (1,547,621) | |
| 47 Prior Period True-Up Collected/(Refunded) Cumulative | 11,934 | 23,868 | 35,801 | 47,735 | 59,669 | 71,602 | 83,536 | 95,470 | 107,404 | 119,337 | 131,271 | 154,721 | 154,721 | |
| 48 Other: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 49 Net True-Up (lines 45 through 48) Over / (Under) | \$3,408,680 | (\$575,591) | (\$5,938,449) | (\$9,805,545) | (\$13,738,739) | (\$11,081,875) | (\$8,481,348.61) | (\$5,200,024) | \$510,105 | (\$1,912,668) | (\$6,036,351) | (\$11,499,856) | (\$11,499,856) | |