

State of Florida



Public Service Commission

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

DATE: November 23, 1999
 TO: Division of Electric and Gas (Colson)
 FROM: Division of Auditing and Financial Analysis (Vandiver) *OV*
 RE: Docket No. 990002-EG; Florida Power & Light Company
 Conservation Audit Report - Nine Months Ended December 31, 1998
 Audit Control No. 99-313-4-1

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 no confidential work papers associated with this audit.

DNV/sp

Attachment

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

Bill Walker
 Florida Power & Light Company
 215 South Monroe Street, Suite 810
 Tallahassee, FL 32301-1859

Charles Guyton
 Steel, Hector & Davis
 215 S. Monroe St., #601
 Tallahassee, FL 32301

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- MAS _____
- OPC _____
- PAI _____
- SEC I
- WAV _____
- OTH _____

DOCUMENT NUMBER-DATE

11447 NOV 23 99

FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES
Miami District Office*

FLORIDA POWER AND LIGHT COMPANY
CONSERVATION FOLLOW UP
NINE MONTHS ENDED DECEMBER 31, 1998

AUDIT CONTROL NO. 99-313-4-1

DOCKET NUMBER 990002-EG



Yen N. Ngo, Audit Manager



Kathy L. Welch, Audit Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	AUDIT PURPOSE	1
	SCOPE LIMITATION	1
	DISCLAIM PUBLIC USE	1
	OPINION	1
	SUMMARY OF SIGNIFICANT FINDING	2
	SUMMARY OF SIGNIFICANT PROCEDURES	2
II.	DISCLOSURES	
1.	LITIGATION EXPENSES	3

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

NOVEMBER 18, 1999

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described in this report to audit the Litigation Expenses included in the Conservation True-Up Schedules for the historical fifteen-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 conservation recovery in Docket 990002-EG. 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 document must 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

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.

EXPENSES: Reviewed expense amounts per the general ledger and reconciled to Company's CT-2 schedules. Reconciled litigation expenses to company's supporting documentation and the general ledger.

II. DISCLOSURE

Disclosure No. 1

Subject: Litigation Expenses

Statement of fact: As stated in Disclosure No. 1 of prior audit Docket No. 990002-EG, AFAD No. 99-062-4-1, the company included the litigation expenses in the Cogeneration and Small Power Production Program of the Conservation Cost Recovery Clause. At that time, there were time constraints and staff was unable to determine the total expenses charged to the Conservation Cost Recovery Clause.

The audit service request asked us to determine if the \$2,423,945, provided as an answer to question one in staff first set of interrogatories, accurately reflects costs incurred for litigation expense. The \$2,423,945 only reflects expenses from January 1, 1998 to December 31, 1998. Litigation expenses for the fifteen-month period October 1997 through December 1998 were \$3,131,677. These amounts were verified to the detailed general ledger. These expenses were allocated to three projects:

<u>Cogeneration (Oct 1997- March 1998)</u>	<u>Amount</u>
Indiantown	\$.00
Cedar Bay	\$12,788.00
Okeelanta	<u>\$839,767.00</u>
Litigation Expenses	\$852,555.00
<u>Cogeneration (Apr - Dec 1998)</u>	
Indiantown	\$40,020.00
Cedar Bay	\$467,060.00
Okeelanta	<u>\$1,772,042.00</u>
Litigation Expenses	<u>\$2,279,122.00</u>
Total Litigation Expenses	<u><u>\$3,131,677.00</u></u>