

ORIGINAL

MEMORANDUM

June 16, 1998

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *aj*

RE: DOCKET NO. 980001-EI -- FLORIDA POWER CORPORATION
 AUDIT REPORT - CAPACITY COST - 12 MONTHS ENDED MARCH 31, 1998
 AUDIT CONTROL NO. 98-094-2-2

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

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

DNV/sp
 Attachment

cc: Chairman Johnson

ACK _____ Commissioner Clark

AFA _____ Commissioner Deason

APP _____ Commissioner Garcia

CAF _____ Commissioner Jacobs

_____ Mary Andrews Bane, Deputy Executive Director/Technical
 Legal Services

CMU _____ Division of Auditing and Financial Analysis (Devlin/Causseaux/
 File Folder)

CTR _____ Division of Electric and Gas (Ging)

EAG _____ Tampa District Office (McPherson)

LEG _____

LIN _____

OPC _____ Research and Regulatory Review (Harvey)

RCH _____ Office of Public Counsel

SEC _____

WAS _____

OTH _____

DOCUMENT NUMBER-DATE
 06461 JUN 18 98
 FPCC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

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


TAMPA DISTRICT OFFICE

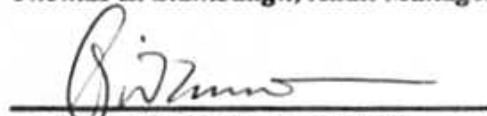
FLORIDA POWER CORPORATION

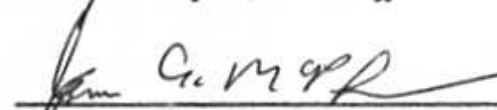
CAPACITY COST RECOVERY AUDIT

FOR THE TWELVE MONTHS ENDED MARCH 31, 1998

**Docket Number 980001-EI
Audit Control No. 98-094-2-2**


Thomas E. Stambaugh, Audit Manager


Simon O. Ojada, Audit Staff


James A. McPherson, Audit Supervisor

DOCUMENT NUMBER - DATE

06461 JUN 18 88

FPSC-RECORDS/REPORTING

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

JUNE 5, 1998

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 two historical six month periods ended September 30, 1997 and March 31, 1998 for Florida Power Corporation. These schedules were prepared by the Utility as part of its petition for cost recovery in Docket 980001-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.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and other matters which were noted during our examination.

SUMMARY OF SIGNIFICANT FINDINGS

During field work, auditor verified that the contract settlement payments associated with Lake CoGen and Orlando CoGen were being excluded from recovery through the CCRC mechanism.

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.

REVENUE: Compiled Capacity Cost Recovery (CCR) revenue and agreed to the filing. Recomputed CCR revenues using approved FPSC rate factors and company-provided KWH sales. Judgementally selected and tested certain customer bills to ensure the proper CCR revenue rate was being charged.

EXPENSES: Compiled capacity costs. Agreed capacity costs to Florida Power Corporation journal entries. Identified costs by vendor. Performed audit testwork of capacity cost payments to verify that settlement payments to Lake CoGen and Orlando CoGen were excluded from recovery through the CCRC recovery mechanism.

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

OTHER: Performed analytical review on capacity costs and recovery revenues as an aid in determining scope and level of risk of the audit.

DISCLOSURE NO. 1

SUBJECT: Contract Settlement Payments.

STATEMENT OF FACT: In FPSC Order PSC-97-0359-FOF-EI, FPC was not allowed to recover capacity costs associated with its settlement agreement with Lake CoGen, Ltd. The Utility stated that it had not done so. Further, FPSC Order PSC-97-0086-FOF-EQ did not allow FPC to recover capacity costs associated with its settlement agreement with Orlando CoGen. Audit test work verified that the Utility statement was correct and that it is not attempting to recover contract settlement payments with Lake CoGen or Orlando CoGen.

RECOMMENDATION: The Utility has complied with the applicable FPSC orders which denied the recovery of the contract settlement payments through the CCRC.

FLORIDA POWER CORPORATION
 CAPACITY COST RECOVERY CLAUSE
 TRUE-UP CALCULATION
 FOR THE PERIOD APRIL 1987 THROUGH SEPTEMBER 1987
 REVISED 12/18/1987

Florida Power Corporation
 Docket 870001-EI
 Witness: Scudder
 Erskine Bx. LPB 20
 Sheet 3 of 3

Description	1987		1987		1987		1987		1987	
	April	May	June	July	August	September	1987			
Interest Provision:										
1. Beginning True-Up	\$2,876,544	\$8,074,468	(12,510,329)	(12,488,897)	(11,791,218)	\$8,202,418				
2. Ending True-Up	\$8,048,704	(12,468,824)	(14,284,231)	(11,722,218)	\$8,153,828	\$6,557,182				
3. Total True-Up (Sum 1 + Sum 2)	(10,875,288)	(21,534,402)	(27,894,558)	(25,221,218)	(20,945,008)	(15,754,662)				
4. Average True-Up (60% of Sum 3)	\$6,427,644	(10,787,201)	(11,947,278)	(12,810,608)	(10,472,518)	(7,878,791)				
5. Interest Rate - First Day of Reporting Month	5.75%	5.82%	5.60%	5.82%	5.89%	5.58%				
6. Interest Rate - First Day of Subsequent Month	5.82%	5.80%	5.82%	5.89%	5.82%	5.53%				
7. Total Interest (Sum 5 + Sum 6)	11.27%	11.22%	11.22%	11.20%	11.14%	11.09%				
8. Average Interest Rate (60% of Sum 7)	5.89%	5.81%	5.81%	5.80%	5.57%	5.55%				
9. Monthly Average Interest Rate (Sum 8 / 12)	0.47%	0.47%	0.47%	0.47%	0.46%	0.46%				
10. Interest Provision (Sum 4 x Sum 9)	(25,764)	(60,281)	(85,273)	(58,882)	(48,582)	(28,405)				
11. Cumulative Interest for the Period Ending	(25,764)	(78,154)	(141,427)	(200,318)	(248,911)	(285,318)				

12/18/87

FLORIDA POWER CORPORATION
CAPACITY COST RECOVERY CLASS
TRAIL OF CALCULATION
FOR THE PERIOD OCTOBER 1987 THROUGH MARCH 1988

Overview

Base Production Level Capacity Changes

1	Advanced Power Partners, L.P. (AUBERT)	481,820
2	Advanced Power Partners, L.P. (AUBERT)	1,820,105
3	Bay County (BAYCOUNT)	152,790
4	Cargill Fuelco, Inc. (CARCALI)	227,500
5	Lula Cogen Limited (LALCOGU)	1,216,444
6	Lula Cogen Limited (LALCOGU)	288,043
7	Metco Dabco County (METDABCO)	348,095
8	Orange Cogen (ORANCOGU)	1,478,146
9	Orange Cogen Limited (ORALCOGU)	1,298,753
10	Florida Cogen Limited (FLALCOGU)	2,732,087
11	Pease County Resource Recovery (PASCOUNT)	521,410
12	Pease County Resource Recovery (PASCOUNT)	1,077,014
13	Polk Power Partners, L.P. (MALKERT)	1,887,632
14	Polk Power Partners, L.P. (ROYTER)	875,984
15	Tiger Bay Limited Partnership (ECOPART)	902,782
16	Tiger Bay Limited Partnership (GENEPLAT)	3,112,824
17	Tiger Bay Limited Partnership (THIBERT)	108,840
18	Tulane Energy Resources, Inc. (TIBERT)	208,520
19	U.S. Egn Chemicals (AEGCHEM)	32,482
20	Whelan-Ridge Energy, Inc. (PROGEGEN)	800,946
21	Tiger Bay (East) base credit	(88,687)
22	Subtotal - Base Level Capacity Changes	18,829,878
23	Base Production Jurisdictional Responsibility	95,478%
24	Base Level Jurisdictional Capacity Changes	18,942,134

Nonproduction Production Level Capacity Changes

25	TECO Power Purchase (50 mw)	471,387
26	UPS Purchase (400 mw) and	4,448,831
27	Lula Wtch	
28	Pease	
29	Schedule H Capacity Sales	(2,578)

30	Subtotal - Nonproduction Level Capacity Changes	4,917,622
31	Nonproduction Production Jurisdiction Responsibility	94.311%
32	Nonproduction Level Jurisdiction Capacity Changes	4,148,098

33	Selling Base Rate Credits	(948,943)
34	Adjustment for Prior Cap Exp (good/contract/ending 08/98)	22,729,287
35	Jurisdictional Capacity Changes	22,012,587

36	Capacity Cost Recovery Revenues (net of tax)	20,158,478
37	Capacity Cost Revenues Adjustment (Net of Tax)	(1,122,142)
38	Prior Period Trail-Up Provision	
39	Current Period Capacity Cost Recovery Revenues (net of tax) - Item 38 through 38	29,026,337

40	Trail-Up Provision - Over/Under Recovery Item 38 - Item 39	22,795,148
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41	Interest Provision for the Month	6,297,090
42	Current Cycle Balance Item 40 + Item 41) Cumulative	(13,288)
43	Trail-Up & Interest Provision Beginning	6,283,781
44	Prior Period Trail-Up Collection/Recovery Cumulative	(8,593,589)

44	End of Period Net Trail-Up Item 42 through 44) Over / Under	1,122,142
45	2008/09/01/02/03/04/05/06/07/08/09/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31	1812,238

OCTOBER

NOVEMBER

DECEMBER

JANUARY

FEBRUARY

MARCH

Commission

	1987	1987	1987	1988	1988	1988	1988	1988	1988	1988
1	481,820	481,820	481,820	511,480	511,480	511,480	511,480	511,480	511,480	43,016,220
2	1,820,105	1,820,105	1,820,105	1,712,053	1,712,054	1,712,054	1,712,053	1,712,053	1,712,053	110,028,478
3	152,790	152,790	152,790	162,860	162,860	162,860	162,860	162,860	162,860	194,450
4	227,500	227,500	227,500	254,900	254,900	254,900	254,900	254,900	254,900	42,877,200
5	1,216,444	1,247,515	1,247,515	1,822,941	1,822,941	1,822,941	1,822,941	1,822,941	1,822,941	110,812,815
6	288,043	288,043	288,043	307,403	307,403	307,403	307,403	307,403	307,403	42,831,774
7	348,095	494,913	494,913	488,478	487,660	487,660	487,660	487,660	487,660	48,084,270
8	1,478,146	1,478,146	1,478,146	1,592,277	1,592,278	1,592,278	1,592,277	1,592,277	1,592,277	18,084,270
9	1,298,753	1,298,753	1,298,753	1,395,094	1,395,094	1,395,094	1,395,094	1,395,094	1,395,094	17,994,542
10	2,732,087	2,732,087	2,732,087	3,588,901	2,803,012	2,803,012	2,803,012	2,803,012	2,803,012	117,271,216
11	521,410	521,410	521,410	594,520	594,520	594,520	594,520	594,520	594,520	13,227,620
12	1,077,014	1,088,160	1,088,160	1,342,683	1,320,022	1,320,022	1,320,022	1,320,022	1,320,022	18,080,260
13	1,887,632	1,887,632	1,887,632	1,983,817	1,983,817	1,983,817	1,983,817	1,983,817	1,983,817	11,614,246
14	875,984	875,984	875,984	710,101	710,101	710,101	710,101	710,101	710,101	14,158,187
15	902,782	902,782	902,782	949,402	949,402	949,402	949,402	949,402	949,402	18,559,482
16	3,112,824	3,112,824	3,112,824	3,310,164	3,310,164	3,310,164	3,310,164	3,310,164	3,310,164	118,258,864
17	108,840	108,840	108,840	115,240	115,240	115,240	115,240	115,240	115,240	1672,240
18	208,520	208,520	208,520	226,878	208,520	208,520	208,520	208,520	208,520	41,863,628
19	32,482	32,482	32,482	37,082	32,482	32,482	32,482	32,482	32,482	4201,088
20	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	14,805,678
21	(88,687)	(88,687)	(88,687)	(88,687)	(88,687)	(88,687)	(88,687)	(88,687)	(88,687)	(14,602,022)
22	20,028,878	20,028,878	20,028,878	21,824,651	21,112,823	21,112,823	21,112,823	21,112,823	21,112,823	132,712,675
23	95,478%	95,478%	95,478%	95,478%	95,478%	95,478%	95,478%	95,478%	95,478%	95,478%
24	18,942,134	18,122,578	18,122,578	20,822,790	20,187,987	20,187,987	20,187,987	20,187,987	20,187,987	118,115,886
25	471,387	471,387	471,387	471,387	471,387	471,387	471,387	471,387	471,387	42,828,202
26	4,448,831	4,481,548	4,481,548	4,451,796	4,452,208	4,452,208	4,452,208	4,452,208	4,452,208	428,884,220
27				42,426	27,400	27,400	27,400	27,400	27,400	168,828
28				231,250	218,750	218,750	218,750	218,750	218,750	1487,500
29	(2,578)	(2,578)	(2,578)	(2,602)	(2,404)	(2,404)	(2,602)	(2,602)	(2,602)	(115,542)
30	4,917,622	4,950,338	4,950,338	5,194,177	5,241,954	5,241,954	5,241,954	5,241,954	5,241,954	20,258,206
31	94.311%	94.311%	94.311%	94.311%	94.311%	94.311%	94.311%	94.311%	94.311%	94.311%
32	4,148,098	4,172,680	4,172,680	4,378,283	4,418,544	4,418,544	4,418,544	4,418,544	4,418,544	25,507,708
33	(948,943)	(928,682)	(928,682)	(928,671)	(928,709)	(928,709)	(928,709)	(928,709)	(928,709)	(1,918,583)
34	22,729,287	22,012,587	22,012,587	24,958,268	24,250,222	24,250,222	24,958,195	24,958,195	24,958,195	141,705,011
35	20,158,478	22,877,290	22,877,290	22,210,751	25,894,824	22,893,268	22,134,578	22,134,578	22,134,578	148,858,222
36	(1,122,142)	(1,122,142)	(1,122,142)	(1,052,489)	(1,098,828)	(1,098,828)	(1,098,828)	(1,098,828)	(1,098,828)	0
37										(8,593,589)
38	29,026,337	22,795,148	22,795,148	22,158,253	24,795,907	22,594,481	22,025,692	22,025,692	22,025,692	143,205,757
39	6,297,090	(258,418)	(258,418)	(518,051)	(1,624,538)	(1,655,871)	(2,043,503)	(2,043,503)	(2,043,503)	1,688,247
40	(13,288)	5,272	5,272	6,822	12,204	13,218	8,828	8,828	8,828	24,854
41	6,283,781	6,031,115	6,031,115	5,521,687	5,271,522	2,728,878	1,895,400	1,895,400	1,895,400	(8,593,589)
42	(8,593,589)	(8,593,589)	(8,593,589)	(8,593,589)	(8,593,589)	(8,593,589)	(8,593,589)	(8,593,589)	(8,593,589)	0
43	1,122,142	2,244,284	2,244,284	2,157,487	4,295,712	5,424,640	6,593,585	6,593,585	6,593,585	6,593,585
44	1812,238	11,681,824	12,085,619	13,172,878	12,620,054	11,695,400	11,695,400	11,695,400	11,695,400	11,695,400

FLORIDA POWER CORPORATION
CAPACITY COST RECOVERY CLAUSE
TRUEUP CALCULATION
FOR THE PERIOD OCTOBER 1997 THROUGH MARCH 1998

Florida Power Corporation
Docket 980001-EI
Witness: Stateline
Exhibit No. 135 Z)
Sheet 3 of 3

Description	1997		1998		1998	
	October	November	December	January	February	March
Interest Provision:						
1. Beginning True Up	16,591,565	812,338	1,681,634	2,085,619	3,172,679	2,620,054
2. Ending True Up	875,627	1,878,081	1,118,388	3,161,375	2,616,736	1,685,478
3. Total True Up (Line 1 + Line 2)	17,467,192	2,488,399	2,800,222	5,246,994	5,789,415	4,315,530
4. Average True Up (50% of Line 3)	7,283,969	1,244,199	1,400,111	2,623,497	2,895,207	2,157,765
5. Interest Rate - First Day of Reporting Month	5.53%	5.53%	5.60%	5.75%	5.50%	5.53%
6. Interest Rate - First Day of Subsequent Month	5.53%	5.60%	5.75%	5.50%	5.53%	5.50%
7. Total Interest (Line 5 + Line 6)	11.06%	11.13%	11.35%	11.25%	11.03%	11.03%
8. Average Interest Rate (50% of Line 7)	5.53%	5.57%	5.68%	5.63%	5.52%	5.52%
9. Monthly Average Interest Rate (Line 8 / 12)	0.46%	0.46%	0.47%	0.47%	0.46%	0.46%
10. Interest Provision (Line 4 x Line 9)	113,289	5,772	6,622	12,304	13,318	9,826
11. Cumulative Interest for the Period Ending	113,289	17,510	1894	11,410	24,728	34,654

6/20/98 10:00 AM

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

June 18, 1998

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

Re: Docker No. 980001 - EI - Florida Power Corporation
Audit Report - Capacity Cost - 12 Months Ended March 31, 1998
Audit Control # 98-094-2-2

Dear Mr. McGee:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above case will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn

KF/ABF

Enclosure

cc: Public Counsel
Division of Audit and Financial Analysis