

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

July 25, 1991

TO : DIRECTOR OF RECORDS AND REPORTING

FROM : DIVISION OF AUDITING AND FINANCIAL ANALYSIS (REVELL, *OR JS*  
NEIL) *RN 19X* *RT*  
DIVISION OF ELECTRIC AND GAS (JENKINS)  
DIVISION OF LEGAL SERVICES (ELIAS) *RVE*

RE : REQUEST FOR APPROVAL OF INCREASE IN ALLOWANCE FOR FUNDS  
USED DURING CONSTRUCTION (AFUDC) RATES

AGENDA: PLACE ON AUGUST 6, 1991 - CONSENT AGENDA

PANEL : FULL COMMISSION

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Please place the following request on the Consent Agenda for approval.

1. DOCKET NO. 910443-EI - REQUEST FOR AN INCREASE IN THE ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC) RATES FOR FLORIDA POWER & LIGHT COMPANY

DOCUMENT NUMBER-DATE

07510 JUL 25 1991

FPSC-RECORDS/REPORTING

4

MEMORANDUM

July 24, 1991

**ORIGINAL  
FILE COPY**

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDIT AND FINANCE (DOUD) *J*

RE: DOCKET NO. 910443-EI -- FLORIDA POWER AND LIGHT COMPANY  
AUDIT - REVIEW OF AFUDC CALCULATION  
AUDIT CONTROL NO. 91-086-4-1

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Forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit findings disclose information that may influence the decision process.

Audit was prepared using 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 report to:

Florida Power and Light Company  
Attn: Bill Walker  
703 First Florida Bank Building  
215 South Monroe Street  
Tallahassee, FL 32301-1888

FD/sp

Attachment

cc: Chairman Beard  
Commissioner Deason  
Commissioner Easley  
Commissioner  
Commissioner Wilson  
Bill Talbott, Deputy Executive Director/Technical  
Legal Services  
Division of Auditing and Financial Analysis (Devlin)  
Division of Electric and Gas (Revell-AFAD)  
Miami District Office (Welch)

Mr. Don Hale  
Office of Public Counsel  
624 Fuller Warren Building  
202 Blount Street  
Tallahassee, FL 32301

DOCUMENT NUMBER-DATE  
07512 JUL 25 1991  
REC-RECORDS/REPORTING

Florida Public Service Commission

Audit Report

13 Months Ended December 31, 1990

Field Work Completed

July 10, 1991

Florida Power and Light Company

Miami, Florida

Dade County

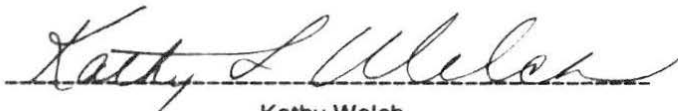
Review of Allowance for Funds Used  
During Construction

Docket Number 910443-EI

Audit Control Number  
91-086-4-1



Gabriela Leon  
Audit Manager



Kathy Welch  
Regulatory Audit Supervisor  
Miami District Supervisor

DOCUMENT NUMBER-DATE

07512 JUL 25 1991

30-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

**AUDIT PURPOSE:** We have applied the procedures described in Section II of the report to the appended Exhibits for the Requested AFUDC Rate filed by the Florida Power and Light Company in support of Docket 910443-EI for the 13 month average ended December 31, 1990 to determine that exhibits represent utility books and that records are maintained in compliance with Commission directives; that adjustments are based on supportable facts and assumptions; and that facts which may influence the Commission decision are disclosed.

**SCOPE LIMITATION:** The Company waived the exit conference.

**DISCLAIM PUBLIC USE:** 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.

**OPINION:** Subject to the procedures described in Section II, the appended AFUDC Rate Schedules as of December 31, 1990, represent books and records maintained in substantial compliance with Commission directives.

## II. AUDIT SCOPE

This report is based on the audit work described below. When used in this section of the report Compiled defines completed audit work as:

**COMPILED:** means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error, irregularity or inconsistency; and, except as otherwise noted performed no other audit work.

Compiled the company's 13 month average capital structure schedules. Traced to Consolidated Balance Sheet; traced two months of the Consolidated Balance Sheet to the Utility's General Ledger. Tested selected adjustments; recalculated and agreed to Order 23144. Traced capital structure cost rates to supporting documentation. Recalculated capital ratios, AFUDC components and gross AFUDC rates. Analyzed methodology used by FPL to determine the AFUDC requested rate. Calculated the change in dollar amounts of AFUDC allowed, based on requested increase.

FLORIDA POWER & LIGHT COMPANY  
AND SUBSIDIARIES  
BASIS FOR THE REQUESTED AFUDC RATE  
FPSC ADJUSTED BASIS  
DECEMBER 31, 1990

SCHEDULE A: PAGE 1 OF 1

CAPITAL COMPONENTS	DECEMBER 31, 1990 JURISDICTIONAL AVERAGE	CAPITAL RATIO	COST OF CAPITAL	AFUDC% WEIGHTED% COMPONENTS%
LONG TERM DEBT	\$ 2,662,417,562	34.11	9.70	3.31%
SHORT TERM DEBT	42,880,180	0.53	* 8.19	0.05%
PREFERRED STOCK	496,376,950	6.36	8.18	0.52%
CUSTOMER DEPOSITS	178,794,465	2.29	* 7.96	0.18%
COMMON EQUITY	2,686,074,071	34.41	12.80	4.40%
DEFERRED INCOME TAXES	1,362,513,404	17.45	0.00	0.00%
INVESTMENT TAX CREDITS	377,261,411	4.83	0.00	0.00%
<b>TOTAL</b>	<b>\$ 7,806,318,042</b>	<b>100.00</b>		<b>8.46%</b>

\* 13-MONTH AVERAGE

PART III  
COMPANY EXHIBITS

FLORIDA POWER & LIGHT COMPANY  
AND SUBSIDIARIES  
BASIS FOR THE REQUESTED AFUDC RATE  
FPSC ADJUSTED BASIS  
DECEMBER 31, 1990

SCHEDULE B: PAGE 1 OF 3

AVERAGE	SYSTEM PER BOOKS	RETAIL PER BOOKS	COMMISSION ADJUSTMENTS *	ADJUSTED RETAIL
LONG TERM DEBT	\$ 2,851,046,945	\$ 2,815,200,321	\$ 152,782,759	\$ 2,662,417,562
SHORT TERM DEBT	44,235,091	43,678,917	798,737	42,880,180
PREFERRED STOCK	515,395,447	508,915,305	12,538,356	496,376,950
CUSTOMER DEPOSITS	181,909,941	181,909,941	3,115,476	178,794,465
COMMON EQUITY	2,784,569,636	2,749,558,841	63,484,770	2,686,074,071
DEFERRED INCOME TAXES	1,351,379,667	1,334,388,576	(28,124,828)	1,362,513,404
INVESTMENT TAX CREDITS	405,500,206	400,401,793	23,140,382	377,261,411
<b>TOTAL</b>	<b>\$ 8,134,036,932</b>	<b>\$ 8,034,053,695</b>	<b>\$ 227,735,652</b>	<b>\$ 7,806,318,042</b>

\* SEE PAGES 2 AND 3 OF  
SCHEDULE B FOR DETAILS.



FLORIDA POWER & LIGHT COMPANY  
AND SUBSIDIARIES  
AVERAGE RATE OF RETURN  
DECEMBER 31, 1990

SCHEDULE B: PAGE 2 OF 3

RATE BASE ADJUSTMENTS	JURISDICTIONAL
<b>PLANT IN SERVICE:</b>	
ATRIUM	\$ 312,076
PLANT IN SERVICE CAPITAL LEASES (ACCT. 101.1)	711,469
OIL BACKOUT COST RECOVERY	329,332,842
INVESTMENT IN SJRPP COAL CARS	2,874,398
RESIDENTIAL LOAD CONTROL	31,626,392
TOTAL	\$ 364,857,377
<b>ACCUMULATED PROVISION FOR DEPRECIATION:</b>	
ATRIUM	\$ (98,996)
OIL BACKOUT COST RECOVERY	(321,257,944)
ACCUM PROV FOR DECOMMISSIONING COSTS	(244,221,735)
SJRPP COAL CARS	(842,973)
RESIDENTIAL LOAD CONTROL	(4,120,842)
TOTAL	\$ (570,542,490)
<b>CONSTRUCTION WORK IN PROGRESS:</b>	
CONSTRUCTION WORK IN PROGRESS	\$ 309,504,909
TOTAL	\$ 309,504,909
<b>NUCLEAR FUEL:</b>	
NUCLEAR FUEL IN PROCESS (ACCT. 120.1 & 120.2)	\$ 77,756,994
NUCLEAR FUEL CAPITAL LEASES (ACCT. 120.6)	83,875,578
TOTAL	\$ 161,632,573
WORKING CAPITAL (SEE PAGE 3B OF 3)	\$ (37,716,716)
<b>TOTAL ADJUSTMENTS</b>	<b>\$ 227,735,652</b>

FLORIDA POWER & LIGHT COMPANY  
AND SUBSIDIARIES  
AVERAGE RATE OF RETURN  
DECEMBER 31, 1990

SCHEDULE B: PAGE 3 OF 3

WORKING CAPITAL ADJUSTMENTS	JURISDICTIONAL
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ADJUSTMENTS TO ASSETS PER BOOKS:	
TEMPORARY CASH INVESTMENTS	\$ 7,170,185
EMPLOYEE INSTALLMENTS AND LOANS	1,163,277
ACCOUNTS RECEIVABLE - ASSOC COS	440,847
ACCOUNTS RECEIVABLE FROM IRS	30,023,835
NON UTILITY CURRENT & ACCRUED ASSETS	1,451,444
PREPAYMENTS - INTEREST ON COMMERCIAL PAPER	51,544
PREPAYMENT SURFF	(11,679,667)
MERCHANDISE ENERGY STORE PROGRAM	50,244
INTEREST & DIVIDENDS RECEIVABLE	361,276
POLE ATTACHMENT RENTS RECEIVABLE	5,385,693
JOBGING ACCOUNTS	6,566,473
AFUDC FPSC NUCLEAR IN PROCESS	3,312,397
AFUDC FPSC NUCLEAR IN STOCK	2,354,276
MISC DEF DEBITS - ADVANCE PAYMENTS	0
DEFERRED DEBITS - LITIGATION	0
FUEL INVENTORY ADJ - HEAVY AND LIGHT FUEL OIL	0
NET UNDERRECOVERED FUEL, CONSERVATION, OIL BACKOUT	31,589,171
UNCOLLECTIBLE ACCOUNTS	(2,537,308)
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TOTAL ADJUSTMENTS TO ASSETS PER BOOKS	\$ 75,703,688
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ADJUSTMENTS TO LIABILITIES PER BOOKS:	
ACCUM. PROV. FOR RATE REFUNDS	\$ (41,835,334)
ACCUM. PROV. FOR PROPERTY INSUR. - STORM DAMAGE	(57,991,201)
ACCUM DEFERRED RETIREMENT BENEFITS	(938,918)
NON - UTILITY CURRENT & ACCRUED LIABILITIES	(1,489,708)
PAYABLE TO NUCLEAR DECOMMISSIONING RESERVE FUND	(2,888,928)
POLE ATTACHMENT RENTS PAYABLE	(3,290,115)
MISC. C & A LIAB. - JOBBING ACCTS.	(3,078,674)
ACCOUNTS PAYABLE - SAVINGS BOND ALLOTMENTS	(218,392)
UNAMORTIZED GAINS ON SALE OF LAND - DIT	862,177
CONTRACTOR RETENTIONS	(573,857)
PREFERRED STOCK DIVIDEND ACCRUED	(1,377,455)
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TOTAL ADJUSTMENTS TO LIABILITIES PER BOOKS	\$ (113,420,405)
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NET ADJUSTMENTS TO WORKING CAPITAL PER BOOKS	\$ (37,716,716)
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NOTE \*: THE FUEL INVENTORY ADJUSTMENT HAS BEEN EXCLUDED  
SINCE EMERGENCY LEVELS OF INVENTORY ARE REQUIRED  
DUE TO THE UNCERTAINTY OF THE GULF CRISIS.

Commissioners:  
THOMAS H. BEARD, CHAIRMAN  
MICHAEL WILSON  
BETTY EASLEY  
J. TERRY DEASON

State of Florida



STEVE TRIBBLE, Director  
Division of Records and Reporting  
(904) 488-8371

Public Service Commission

July 25, 1991

Florida Power and Light Company  
Attn: Bill Walker  
703 First Florida Bank Building  
215 South Monroe Street  
Tallahassee, FL 32301-1888

Dear Mr. Walker:

Docket No. 910443-EI -- Florida Power and Light Company  
Audit - Review of AFUDC Calculation

The enclosed report is forwarded for your review.

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

Thank you for your cooperation.

Sincerely,

Steve Tribble

ST/FD/sp  
Enclosure