

MEMORANDUM

June 19, 1996

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 960001-EI -- FLORIDA POWER CORPORATION
FUEL AUDIT REPORT - PERIOD ENDED MARCH 31, 1996
AUDIT CONTROL NO. 95-298-2-1

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 working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Florida Power Corporation
James P. Fama
3201 Thirty-fourth Street South
St. Petersburg, FL 33711-3897

DNV/sp

Attachment

cc: Chairman Clark
Commissioner Deason
Commissioner Johnson
Commissioner Kiesling
Commissioner Garcia
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Dudley)
Tampa District Office (Bouckaert)

Research and Regulatory Review (Harvey)
Office of Public Counsel

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FINANCIAL ANALYSIS DIV

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

FOR THE TWELVE MONTHS ENDED MARCH 31, 1996

Field Work Completed

June 12, 1996

FLORIDA POWER CORPORATION

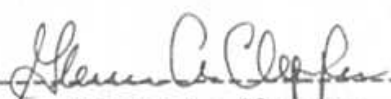
St. Petersburg, Florida

Pinellas County

Fuel Audit

Docket Number 960001-EI


Audit Control Number 95-298-2-1



Glenn A. Clepper
Audit Manager

Audit Staff
Thomas E. Stambaugh

Minority Opinion
Yes _____ No GC FOR TS



Ann Bouckaert
Public Utilities Supervisor

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I Executive Summary

Audit Purpose: We have applied the procedures described in Section II of this report to audit the appended Fuel and Purchased Power Cost Recovery Filings, Schedule A-1, filed by Florida Power Corporation for the six month periods ended September 30, 1995 and March 31, 1996.

Scope Limitation: The last day of field work was June 12, 1996. The Exit Conference was held at that date. This report contains no confidential data.

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: The appended exhibits, Schedules A1, for the two six month periods ended September 30, 1995 and March 31, 1996 represent utility books and records maintained in substantial compliance with Commission Directives. The expressed opinions extend only to the scope of work described in section II of this report.

II Audit Scope:

The opinions contained in this report are based on the audit work described below. When used in this report, COMPILED means that audit work includes:

COMPILED - Means that the audit staff reconciled exhibit amounts with the General Ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity or inconsistency; and except as otherwise noted performed no other audit work.

NUCLEAR FUEL:

Compiled nuclear fuel expense and ending inventory amounts for each of the two six month audited periods and traced amounts to journal entries.

Recomputed amortization of nuclear fuel.

NATURAL GAS:

Compiled natural gas expense and traced to journal entries.

Reconciled accruals, reversal, cash payments and adjustments to gas cost.

Analyzed utility adjustment for "bookout" and adjustment for overburn.

II Audit Scope (continued)

COAL AND OIL

Compiled recoverable fuel expense from journal entry detail. On a judgmental basis, agreed units burned to production reports.

Reconciled total recoverable fuel expense to General Ledger.

Noted and explained any errors, irregularities and inconsistencies in fuel inventory activity.

Determined that Company procedures to validate BTU billing adjustments for fuel purchased complies with contractual agreements and have not changed from previous audit period.

Verified that the inclusion of a coal inventory adjustment in the calculation of recoverable fuel expense was proper.

INTERCHANGE POWER:

Traced Economy Energy purchases to FPC Energy Control Purchases and Sales Report and agreed to invoices.

Traced Economy Energy sales to FPC Energy Control Purchases and Sales Report and agreed to billings.

FUEL EXPENSE TRUE-UP:

Compiled fuel true-up accounts and recomputed true-up.

OTHER:

Performed analytical review of cost of generated power (oil, coal, gas and nuclear) and cost of purchases (oil and coal).

Determined that procedures to measure units of fossil fuel burned and fuel inventory measurements are consistent with prior periods.

Ascertained that accounts and amounts not previously included in the reconciliation of the FPC fuel filing to the General Ledger were properly included in recoverable costs.

II Audit Scope (continued)

Obtained and verified financial data for the conversion cost and return on investment for the cost of converting the Intercession City Units P7 and P9 to burn natural gas.

Obtained financial data and investigated the feasibility of performing a trend analysis of the Intercession City Unit 11.

Obtained and verified financial data for the clean up of contaminated soil around a regulator to the Intercession City P7 and P9 conversion projects.

FUEL AND PURCHASED POWER
COST RECOVERY CLAUSE CALCULATION
SIX MONTH PERIOD ENDING - SEPTEMBER, 1999
\$

	MWH				CENTS/KWH							
	ACTUAL	ESTIMATED	DIFFERENCE		ACTUAL	ESTIMATED	DIFFERENCE					
			AMOUNT	%			AMOUNT	%				
1 FUEL COST OF SYSTEM NET GENERATION (SCH A3)	251,754,920	201,890,909	50,064,011	24.8	14,475,399	12,817,244	1,658,155	14.7	1.7392	1.5985	0.1407	8.8
2 SPENT NUCLEAR FUEL DISPOSAL COST	3,074,514	2,948,649	125,865	4.3	3,257,691	3,153,835	103,856	3.3	0.0944	0.0935	0.0009	1.0
3 COAL CAR INVESTMENT	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4 ADJUSTMENTS TO FUEL COST - MISCELLANEOUS	(477,982)	299,000	(776,982)	(259.9)	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4a ADJUSTMENTS TO FUEL COST - PRIOR PERIOD	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
5 TOTAL COST OF GENERATED POWER	254,351,452	204,938,558	49,412,894	24.1	14,475,399	12,817,244	1,658,155	14.7	1.7571	1.6243	0.1328	8.2
6 ENERGY COST OF PURCHASED POWER - FIRM (SCH A7)	17,043,516	23,471,080	(6,427,564)	(27.4)	893,135	1,138,415	(245,280)	(21.8)	1.9083	2.0617	(0.1534)	(7.4)
7 ENERGY COST OF SCH C,X ECONOMY PURCH - BROKER (SCH A9)	7,990,782	19,807,500	(11,817,038)	(59.7)	256,430	770,000	(513,570)	(56.7)	3.1182	2.5724	0.5458	21.1
8 ENERGY COST OF ECONOMY PURCHASES - NON-BROKER (SCH A9)	1,217,874	584,152	633,722	115.8	44,008	23,580	20,518	87.0	2.7813	2.3925	0.3888	15.4
9 ENERGY COST OF SCH E PURCHASES (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
10 CAPACITY COST OF SCH E PURCHASES (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
11 PAYMENTS TO QUALIFYING FACILITIES (SCH A8)	70,969,966	72,143,870	(1,173,904)	(1.6)	3,390,751	3,583,893	(173,112)	(4.9)	2.0930	2.0243	0.0687	3.4
12 TOTAL COST OF PURCHASED POWER	87,221,918	115,986,882	(28,764,964)	(18.2)	4,584,414	5,495,858	(911,444)	(18.8)	2.1207	2.1104	0.0103	0.5
13 TOTAL AVAILABLE MWH					19,059,813	18,113,102	946,711	5.2				
14 FUEL COST OF ECONOMY SALES (BROKER) (SCH A5)	(8,853,896)	(4,705,740)	(4,147,858)	88.1	(482,480)	(265,000)	(197,480)	74.5	1.9145	1.7758	0.1387	7.8
14a GAIN ON ECONOMY SALES (BROKER) - 80% (SCH A5)	(1,507,942)	(524,000)	(983,942)	187.8	(482,480)	(265,000)	(197,480)	74.5	0.3281	0.1977	0.1284	85.0
15 FUEL COST OF OTHER POWER SALES (SCH A6)	(2,888,172)	0	(2,888,172)	0.0	(140,378)	0	(140,378)	0.0	1.9321	0.0000	1.9321	0.0
15a GAIN ON OTHER POWER SALES - 100% (SCH A6)	(477,882)	0	(477,882)	0.0	(149,378)	0	(149,378)	0.0	0.3199	0.0000	0.3199	0.0
16 FUEL COST OF SEMINOLE BACK-UP SALES (SCH A6)	0	0	0	0.0	(8)	0	(8)	0.0	0.0000	0.0000	0.0000	0.0
17 FUEL COST OF SUPPLEMENTAL SALES	(10,522,813)	(7,360,400)	(3,162,413)	43.0	(338,254)	(320,012)	(18,242)	5.7	3.1109	2.3000	0.8109	35.3
18 TOTAL FUEL COST AND GAINS ON POWER SALES	(24,248,405)	(12,590,140)	(11,658,265)	92.8	(950,098)	(585,012)	(365,086)	62.4	2.5522	2.1521	0.4001	18.8
19 NET INADVERTENT INTERCHANGE					21,182	0	21,182					
20 TOTAL FUEL AND NET POWER TRANSACTIONS	327,324,965	308,335,300	18,989,665	8.2	18,130,897	17,528,090	602,807	3.4	1.8053	1.7591	0.0462	2.6
21 NET UNBILLED	18,458,440	10,181,892	8,296,748	82.0	(538,051)	(583,150)	47,099	(8.1)	0.0995	0.0642	0.0354	55.1
22 COMPANY USE	1,712,093	1,655,215	(443,122)	(28.8)	(87,843)	(94,500)	26,657	(28.4)	0.0073	0.0105	(0.0032)	(30.5)
23 T & D LOSSES	13,079,805	17,900,448	(4,829,841)	(27.0)	(1,009,143)	(1,017,588)	8,425	(0.8)	0.0791	0.1131	(0.0340)	(30.1)
24 ADJUSTED SYSTEM KWH SALES (SCH A2 PG 1 OF 4)	327,324,965	308,335,300	18,989,665	8.2	18,518,080	15,832,872	2,685,188	4.3	1.9818	1.9474	0.0342	1.8
25 WHOLESALE KWH SALES (EXCLUDING SUPPLEMENTAL SALES)	(60,333,284)	(10,051,185)	(50,282,119)	500.3	(584,241)	(518,042)	(48,199)	9.3	10.6928	1.9477	8.7451	449.0
26 JURISDICTIONAL KWH SALES (SCH A2 PG 3 OF 4)	266,991,681	298,284,115	(31,292,454)	(10.5)	15,953,819	15,318,830	635,989	4.2	1.8735	1.9474	(0.0739)	(14.1)
27 JURISDICTIONAL KWH SALES ADJUSTED FOR LINE LOSS - 1.0013/14	318,633,382	298,871,903	17,981,459	8.0	15,953,819	15,318,830	635,989	4.2	1.9847	1.9500	0.0347	1.8
28 PRIOR PERIOD TRUE-UP	(10,291,178)	(10,291,178)	0	0.0	15,953,819	15,318,830	635,989	4.2	(0.0845)	(0.0872)	0.0027	(4.0)
28a MARKET PRICE TRUE-UP	0	0	0	0.0	15,953,819	15,318,830	635,989	4.2	0.0000	0.0000	0.0000	0.0
29 TOTAL JURISDICTIONAL FUEL COST	308,342,185	288,580,727	17,981,459	8.2	15,953,819	15,318,830	635,989	4.2	1.9202	1.8828	0.0374	2.0
30 REVENUE TAX FACTOR									1.0083	1.0083	0.0000	0.0
31 FUEL COST ADJUSTED FOR TAXES									1.9218	1.8644	0.0374	2.0
32 GP/F	988,548	988,547			15,953,819	15,318,830			0.0082	0.0084	(0.0002)	(3.1)
33 TOTAL FUEL COST FACTOR ROUNDED TO THE NEAREST .001 CENTS/KWH									1.928	1.881	0.037	2.0

FUEL AND PURCHASED POWER
COST RECOVERY CLAUSE CALCULATION
60 MONTH PERIOD ENDING - MARCH, 1998

	\$				MWH				CENTS/MWH			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
1 FUEL COST OF SYSTEM NET GENERATION (SCH A3)	208,169,343	189,890,455	48,268,888	30.2	11,918,435	10,817,686	1,300,840	12.3	1.7465	1.5088	0.2408	16.0
2 SPENT NUCLEAR FUEL DISPOSAL COST	2,020,373	2,544,589	(528,216)	(20.7)	2,142,938	2,728,783	(582,825)	(21.4)	0.0943	0.0935	0.0008	0.8
3 COAL CAR INVESTMENT	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4 ADJUSTMENTS TO FUEL COST - MISCELLANEOUS	318,777	337,518	(21,741)	(6.4)	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4a ADJUSTMENTS TO FUEL COST - PRIOR PERIOD	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
5 TOTAL COST OF GENERATED POWER	210,486,493	182,778,562	47,718,931	29.3	11,918,435	10,817,686	1,300,840	12.3	1.7661	1.5331	0.2350	15.2
6 ENERGY COST OF PURCHASED POWER - FIRM (SCH A7)	15,035,052	14,248,520	786,532	5.5	795,274	765,548	29,728	3.9	1.8905	1.8810	0.0295	1.6
7 ENERGY COST OF SCH C X ECONOMY PURCH - BROKER (SCH A9)	8,294,457	5,865,450	2,929,007	9.0	210,975	255,000	(44,025)	(17.3)	3.0309	2.3002	0.7307	31.8
8 ENERGY COST OF ECONOMY PURCHASES - NON-BROKER (SCH A9)	1,943,340	448,190	1,497,150	335.5	57,488	18,000	39,489	219.4	3.3804	2.4788	0.9016	36.4
9 ENERGY COST OF SCH E PURCHASES (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
10 CAPACITY COST OF SCH E PURCHASES (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
11 PAYMENTS TO QUALIFYING FACILITIES (SCH A8)	73,970,363	71,343,180	2,627,183	3.7	3,581,019	3,818,858	(25,839)	(1.0)	2.0658	1.9728	0.0930	4.7
12 TOTAL COST OF PURCHASED POWER	97,343,212	91,901,340	5,441,872	5.9	4,644,757	4,865,204	(10,447)	(0.2)	2.0958	1.9742	0.1216	6.2
13 TOTAL AVAILABLE MWH					16,663,192	15,272,799	1,290,393	8.5				
14 FUEL COST OF ECONOMY SALES (BROKER) (SCH A8)	(8,388,498)	(4,027,860)	(2,360,609)	58.6	(394,029)	(240,000)	(154,029)	64.2	1.6213	1.6783	(0.0670)	(3.4)
14a GAIN ON ECONOMY SALES (BROKER) - 80% (SCH A8)	(778,780)	(768,000)	(10,780)	1.4	(394,029)	(240,000)	(154,029)	64.2	0.1578	0.3000	(0.1224)	(38.3)
15 FUEL COST OF OTHER POWER SALES (SCH A8)	(4,194,753)	0	(4,194,753)	0.0	(194,455)	0	(194,455)	0.0	2.1572	0.0000	2.1572	0.0
15a GAIN ON OTHER POWER SALES - 100% (SCH A8)	(221,651)	0	(221,651)	0.0	(194,455)	0	(194,455)	0.0	0.1140	0.0000	0.1140	0.0
16 FUEL COST OF SEMINOLE BACK-UP SALES (SCH A8)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
17 FUEL COST OF SUPPLEMENTAL SALES	(9,754,873)	(6,475,200)	(3,279,773)	60.7	(356,846)	(340,802)	(16,144)	4.7	2.7329	1.9000	0.8329	43.8
18 TOTAL FUEL COST AND GAINS ON POWER SALES	(21,338,616)	(11,271,050)	(10,067,566)	89.3	(945,430)	(580,802)	(364,628)	62.8	2.2570	1.9408	0.3164	16.3
19 NET UNADVERTENT INTERCHANGE					18,931	0	18,931					
20 TOTAL FUEL AND NET POWER TRANSACTIONS	288,500,089	243,406,852	43,093,237	17.7	15,636,993	14,691,997	944,996	6.4	1.8322	1.6567	0.1755	10.6
21 NET UNBILLED	(4,697,724)	(8,142,331)	3,444,607	(42.3)	298,398	618,085	(258,687)	(50.2)	(0.0313)	(0.0670)	0.0257	(45.1)
22 COMPANY USE	1,520,011	1,568,098	(48,076)	(2.9)	(82,961)	(94,500)	11,539	(12.2)	0.0101	0.0110	(0.0009)	(8.2)
23 T & D LOSSES	14,490,640	13,701,128	789,414	5.8	(790,892)	(828,832)	38,060	(4.4)	0.0965	0.0959	0.0006	0.6
24 ADJUSTED SYSTEM KWH SALES (SCH A2 PG 1 OF 4)	288,500,089	243,406,852	43,093,237	17.7	15,019,248	14,286,630	733,618	5.1	1.8078	1.7039	0.2037	12.0
25 WHOLESALE KWH SALES (EXCLUDING SUPPLEMENTAL SALES)	(10,968,831)	(7,983,707)	(2,989,924)	37.8	(577,788)	(471,670)	(106,098)	22.5	1.8964	1.8884	0.2080	12.3
26 JURISDICTIONAL KWH SALES (SCH A2 PG 3 OF 4)	278,543,458	235,443,145	40,100,313	17.0	14,441,460	13,813,960	627,520	4.5	1.9080	1.7044	0.2038	12.0
27 JURISDICTIONAL KWH SALES ADJUSTED FOR LINE LOSS - 1.0014	278,927,218	235,772,766	40,184,462	17.0	14,441,460	13,813,960	627,520	4.5	1.9107	1.7068	0.2039	12.0
28 PRIOR PERIOD TRUE-UP	10,649,438	10,649,438	0	0.0	14,441,460	13,813,960	627,520	4.5	0.0737	0.0771	(0.0034)	(4.4)
28a MARKET PRICE TRUE-UP	0	(503,009)	503,009	(100.0)	14,441,460	13,813,960	627,520	4.5	0.0000	(0.0038)	0.0038	(100.0)
29 TOTAL JURISDICTIONAL FUEL COST	288,578,859	245,919,195	40,667,481	16.5	14,441,460	13,813,960	627,520	4.5	1.9844	1.7803	0.2041	11.5
30 REVENUE TAX FACTOR									1.00083	1.00083	0.0000	0.0
31 FUEL COST ADJUSTED FOR TAXES									1.9860	1.7818	0.2043	11.5
32 GPIF	183,526	183,526	0	0.0	14,441,460	13,813,960	627,520	4.5	0.0013	0.0013	0.0000	0.0
33 FUEL FACTOR ADJUSTED FOR TAXES INCLUDING GPIF	0	0	0	0.0	0	0	0	0.0				
34 TOTAL FUEL COST FACTOR ROUNDED TO THE NEAREST .001 CENTS/KWH									1.987	1.783	0.204	11.5

Note: Line Item 15a revised on May 29, 1998.

State of Florida

Commissioners:

SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



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Public Service Commission

June 21, 1996

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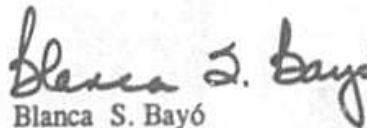
RE: Docket No. 960001-EI -- Florida Power Corporation
Fuel Audit Report - Period Ended March 31, 1996
Audit Control #95-298-2-1

Dear Mr. Fama:

The enclosed audit report is forwarded for your review. 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,


Blanca S. Bayo

BSB/mas
Enclosure
cc: Public Counsel