MEMORANDUM

February 3, 1998

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER)

RE: DOCKET NO. 980002-EI -- FLORIDA POWER CORPORATION AUDIT REPORT - RESIDENTIAL REVENUE DECOUPLING AUDIT CONTROL NO. 98-014-2-2

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:

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

DNV/sp Attachment

cc: Chairman Johnson

Commissioner Clark Commissioner Deason Commissioner Garcia Commissioner Jacobs

Mary Andrews Bane, Deputy Executive Director/Technical

Legal Services

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

Division of Electric and Gas (Jenkins) Tampa District Office (McPherson)

Research and Regulatory Review (Harvey) Office of Public Counsel



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND FINANCIAL ANALYSIS BUREAU OF AUDITING

Tampa District Office

FLORIDA POWER CORPORATION

RESIDENTIAL REVENUE DECOUPLING AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1997

DOCKET NO. 980002-EI AUDIT CONTROL NO. 98-014-2-2

Thomas E. Stambaugh, Audit Manager

dames A. McPherson, Audit Supervisor

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DIVISION OF AUDITING AND FINANCIAL ANALYSIS AUDITOR'S REPORT

JANUARY 23, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Residential Revenue Decoupling true-up schedule for the twelve months ended December 31, 1997 for Florida Power Corporation. This schedule was prepared by the Utility as part of its petition for cost recovery in Docket 980002-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 schedule referred to above presents 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

The Utility used an incorrect interest rate in its true-up calculation. The use of the incorrect rate caused a \$690 error in the total true-up.

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 were read quickly looking for obvious errors.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

TRUE-UP SCHEDULE:

For the test period, the auditor scanned the filing for any obvious error or inconsistency. Residential base revenues were recomputed using FPSC approved tariff rates. To verify residential revenue accuracy, the auditor traced residential active meters, billed customers and kilowatt hours to supporting records. Customer charges and non-fuel energy charges were traced to tariff sheets. The auditor verified interest rates and recomputed the true-up.

DISCLOSURE NO. 1

SUBJECT: Difference in Interest Rates

STATEMENT OF FACT: For the end of November, 1997, the Utility used an interest rate of 5.56% in its calculation of interest on recoverable true-up for residential revenue decoupling. The schedule of thirty-day commercial paper interest rates provided to FPSC auditor by Staff in Tallahassee indicated a rate of 5.60% at end of November.

RECOMMENDATION: The Utility retrieved its thirty-day commercial paper interest rate for November, 1997 on an instrument titled "Federal Reserve Release". The FPSC schedule was based on interest rates extracted from the Wall Street Journal. The difference of .04% in the interest rates causes a difference in the calculation of interest for November of \$334 and a difference in total true-up for the twelve months ended December 31, 1997 of \$690. In the future, the Utility should draw its interest rates from the Thirty-Day Commercial Paper section of "Money Rates" in the Wall Street Journal to ensure consistency.

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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. BAYÓ DIRECTOR (850) 413-6770

Public Service Commission

February 4, 1998

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

> Re: Docket No. 980002 - EI - Florida Power Corporation. Audit Report - Residential Revenue Decoupling Audit Control # 98-014-2-2

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 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,

Kay Flynn, Chief Bureau of Records

KF/cls Enclosure

cc: Public Counsel