

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: July 8, 2005
TO: Lee Colson, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.** 050002-EG; **Company Name:** Progress Energy Florida, Inc.;
Audit Purpose: Energy Conservation Cost Recovery Clause audit for the
period January 1, 2004 through December 31, 2004;
Audit Control No.: 05-042-2-2

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, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District
Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE

BUREAU OF AUDITING

TAMPA DISTRICT OFFICE

PROGRESS ENERGY FLORIDA, INC.

ENERGY CONSERVATION COST RECOVERY AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2004

Docket No. 050002-EG
Audit Control Number 05-042-2-2

A handwritten signature in black ink, appearing to read "Tomer Kopelovich", written over a horizontal dashed line.

Tomer Kopelovich
Staff Auditor

A handwritten signature in black ink, appearing to read "Simon O. Ojada", written over a horizontal dashed line.

Simon O. Ojada
Audit Manager

A handwritten signature in black ink, appearing to read "Joseph W. Rohrbacher", written over a horizontal dashed line.

Joseph W. Rohrbacher
Regulatory Analyst Supervisor

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**DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
AUDITOR'S REPORT**

MAY 10, 2005

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the Energy Conservation Cost Recovery (ECCR) schedules for the twelve month period ended December 31, 2004 for Progress Energy Florida, Inc. These schedules were prepared by the utility in support of Docket No. 050002-EG. There is no confidential information associated with this audit.

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.

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.

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

REVENUES: Compiled Energy Conservation Cost Recovery (ECCR) revenue and agreed to the filing. Recomputed ECCR revenues using approved FPSC rate factors and company provided KWH sales. Reconciled ECCR revenues per filing to the General Ledger.

EXPENSES: Compiled ECCR expenses and agreed to the filing. Scheduled expenses by program and by categories of expense. Judgmentally tested advertising charges to verify that they were properly recoverable through the ECCR and that they did not compare electric vs. gas technologies.

TRUE-UP: Computed ECCR true-up and interest calculation using FPSC approved beginning true-up amount and interest rates.

OTHER: Identified conservation programs that exceeded the budgeted amount and analyzed expenditures for compliance with program requirements. Verified Demand Side Management annual report information filed for Residential Home Energy Improvement, Residential New Construction, and Interruptible Service for the 12 month period ending December 31, 2004.

LINE NO.	PROGRAM	DEPRECIATION AMORTIZATION & RETURN	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	OUTSIDE SERVICES	ADVERTISING	INCENTIVES	VEHICLES	OTHER	SUB-TOTAL	PROGRAM CREDIT	NET COST
1	RESIDENTIAL NEW CONSTRUCTION	0	15,938	0	0	0	141,448	0	144	157,530	0	157,530
2	COMMERCIAL NEW CONSTRUCTION	0	514,562	8,274	28,240	196,009	1,175,468	0	54,505	1,975,056	0	1,975,056
3	POWER ENERGY IMPROVEMENT	698	370,309	2,798	44,456	60,502	2,108,857	0	25,598	2,613,216	(61,079)	2,552,137
4	COMBUSTIBLE NEW CONSTRUCTION	0	0	0	0	0	17,419	0	0	17,419	0	17,419
5	POWER ENERGY CHECK	2,238	1,589,881	108,746	38,168	2,255,459	25	0	175,370	4,167,639	0	4,167,639
6	LOW VOLT CODE	0	36,312	0	0	36,682	22,930	0	6,300	104,304	0	104,304
7	BUSINESS ENERGY CHECK	988	671,654	3,630	0	20,081	0	0	63,808	700,241	0	700,241
8	COMPUTING FACILITY	0	345,208	1,718	0	0	0	0	59,532	386,456	0	386,456
9	INNOVATION INCENTIVE	0	0	0	0	0	(440)	0	0	(440)	0	(440)
10	ELECTRICITY DEVELOPMENT	0	87,905	37,124	35,801	0	1,488	0	14,982	177,090	0	177,090
11	STATIONARY GENERATION	0	36,921	10,520	11,400	0	717,010	0	12,963	790,014	0	790,014
12	INTEGRATED LOAD MANAGEMENT	0	118,370	50,736	1,749	0	19,076,280	0	20,749	19,275,884	0	19,275,884
13	COMMERCIAL LOAD MANAGEMENT	0	15,155	838	0	0	1,095,746	0	776	1,110,515	0	1,110,515
14	RESIDENTIAL LOAD MANAGEMENT	818,371	1,579,295	34,443	963,397	217,454	19,786,595	0	123,380	23,584,135	0	23,584,135
15	COMMERCIAL LOAD MANAGEMENT	0	2,285	(61)	0	0	639,309	0	3,502	645,025	0	645,025
16	CONSERVATION PROGRAM ADMIN	0	2,314,424	228,009	130,383	235,141	0	0	1,430,239	4,310,196	0	4,310,196
17	TOTAL NET PROGRAMS	820,275	7,700,197	486,783	1,269,335	3,031,328	44,780,113	0	1,980,332	60,076,383	(14,020)	59,962,363

PROGRESS ENERGY FLORIDA
 ENERGY CONSERVATION ADJUSTMENT
 CALCULATION OF TRUE UP
 FOR THE PERIOD JANUARY 2004 THROUGH DECEMBER 2004

LINE NO.	JAN 04	FEB 04	MAR 04	APR 04	MAY 04	JUN 04	JUL 04	AUG 04	SEP 04	OCT 04	NOV 04	DEC 04	TOTAL
1A. DELIVER BUSINESS	0	0	0	0	0	0	0	0	0	0	0	0	0
1B. FUTURE ENERGY IMPROVEMENT	0	290	310	0	390	100	0	0	1,320	0	300	0	4,020
1C. FUTURE ENERGY CHECK	0	0	0	0	0	0	0	0	0	0	0	0	0
1D. SUBTOTAL FEES	0	290	310	0	390	100	0	0	1,320	0	300	0	4,020
2. CONSERVATION CLAUSE REVENUES	4,038,515	4,227,188	4,313,873	4,129,532	4,822,167	5,024,438	6,030,911	5,731,748	5,710,506	5,377,749	4,799,030	4,576,193	56,777,002
2A. CONDUIT PERIOD GRI PERIOD	0.00	0	0	0	0	0	0	0	0	0	0	0	0
3. TOTAL REVENUES	4,038,515	4,227,478	4,314,183	4,129,532	4,822,557	5,024,538	6,031,721	5,731,748	5,711,826	5,377,749	4,799,330	4,576,193	56,777,002
4. PERIOD PERIOD TRUE UP OVERUNDER	614,986	614,986	614,986	614,986	614,986	614,986	614,986	614,986	614,986	614,986	614,986	614,986	7,379,830
5. CONSERVATION REVENUES	5,453,501	4,042,485	4,328,389	4,744,218	5,237,243	6,139,084	7,262,787	6,346,734	6,326,012	5,982,735	5,304,310	5,607,586	66,777,002
6. CONSERVATION EXPENSES	5,217,730	4,024,240	5,747,700	3,893,288	5,383,741	5,254,700	4,791,709	4,829,021	4,089,001	4,349,576	6,305,510	5,404,511	66,777,002
7. TRUE UP THIS PERIOD (DU)	84,237	31,775	810,811	(1,051,230)	126,198	(1,184,616)	(2,460,919)	(1,721,113)	(2,237,811)	(1,630,157)	992,794	2,023,075	4,000,000
8. CUMULATIVE PERIOD INTEREST	(6,131)	(5,348)	(4,388)	(4,065)	(4,058)	(4,586)	(6,409)	(9,383)	(12,207)	(10,911)	(16,919)	(10,266)	(100,000)
9. ADJUSTMENTS PER ABOVE TRUE UP	0	0	0	0	0	0	0	0	0	0	0	0	0
10. TRUE UP & INTEREST PROVISIONS	(7,379,830)	(6,706,730)	(6,085,323)	(4,835,894)	(5,076,203)	(4,339,079)	(4,913,490)	(6,780,237)	(7,082,327)	(9,517,309)	(10,506,041)	(10,972,780)	(100,000)
10A. CUMULATIVE PERIOD GRI PERIOD	0	0	0	0	0	0	0	0	0	0	0	0	0
11. PERIOD TRUE UP REVENUES	614,986	614,986	614,986	614,986	614,986	614,986	614,986	614,986	614,986	614,986	614,986	614,986	7,379,830
11. CUMULATIVE PERIOD TRUE UP	(6,706,730)	(6,085,323)	(4,835,894)	(5,076,203)	(4,339,079)	(4,913,490)	(6,780,237)	(7,082,327)	(9,517,309)	(10,506,041)	(10,972,780)	(100,000)	(100,000)

THIS DOCUMENT CONTAINS
 PROPOSED ENERGY CONSERVATION
 ADJUSTMENTS TO BE MADE
 TO THE RATE SCHEDULE
 FOR THE PERIOD JANUARY 2004
 THROUGH DECEMBER 2004
 MAY 2, 2004