



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-

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**DATE:** May 1, 2006  
**TO:** Peter H. Lester, Economic Analyst, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance  
**RE:** **Docket No:** 060001-EI    **Company Name:** Progress Energy Florida  
**Audit Purpose:** Capacity Cost Recovery Clause Audit  
**Audit Control No:** 06-045-2-1

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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 Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV:bj  
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)  
Division of Commission Clerk & 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 AND CONSUMER ASSISTANCE  
BUREAU OF AUDITING*

*TAMPA DISTRICT OFFICE*

**PROGRESS ENERGY FLORIDA**


**CAPACITY COST RECOVERY CLAUSE AUDIT**


**FOR THE PERIOD ENDED DECEMBER 31 2005**

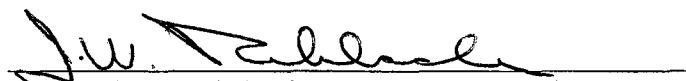
**DOCKET NO. 060001-EI**

**AUDIT CONTROL NO. 06-045-2-1**

**Report Issued April 10, 2006**

  
Thomas E. Stambaugh, Audit Manager

  
Tomer Kopelovich, Staff Auditor

  
Joseph W. Rohrbacher, Tampa District Supervisor

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE**

**AUDITOR'S REPORT**

**APRIL 10, 2006**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Progress Energy Florida in support of its filing for capacity cost recovery, Docket No. 060001-EI.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

## **OBJECTIVES AND PROCEDURES: REVENUES**

**Objective:** - To verify that Capacity Cost Recovery Clause (CCRC) revenue and KWH sold as filed were completely and properly recorded on the books of Progress Energy Florida (PEF).

**Procedures:** – We recalculated revenue dollars by month and rate class, and compared these calculations to CCRC revenue amounts to assure that FPSC-approved rates were in use. We investigated variances by month which equaled or exceeded \$100,000. We selected a group of customer bills and recalculated each to verify that FPSC-approved recovery rates were in use in the customer billing system.

## **EXPENSES**

**Objective:** - To verify that the Capacity Costs agree to the general ledger and are reconcilable to the books and records of PEF.

**Procedures:** - We traced filing amounts to the applicable general ledger accounts.

**Objective:** - To verify that transmission revenues derived from non-separated, non-Energy Broker Network, wholesale energy sales were credited to the CCRC according to FPSC Order PSC-99-2512-FOF-EI.

**Procedures:** - We traced transmission revenues reported on the CCRC filing to Market Based Sales schedules and invoices.

**Objectives:** - To verify that the invoices for capacity purchase amounts are recorded according to the terms and conditions of the contracts.

**Procedures:** - For CCRC expense testing, audit staff selected payables to several qualifying facilities. The purpose was to verify that the transactions were capacity cost expenses, that each had occurred in 2005, that each cost agree to the contract and that the amount of the invoice was correct.

**Objective:** - To verify that security costs recovered in the CCRC filing are incremental to the security costs included in base rates.

**Procedures:** - Audit staff analyzed incremental security costs by scheduling security costs by month from the general ledger and comparing those totals to the CCRC filing. The staff auditor analyzed project 20040962, Maritime Security Assets at the Bartow Station, which totaled \$1,917,766 for 2005. Using Excel files to stratify line items from largest to smallest amounts, and by setting a lower limit of \$20,000 and up for analysis, the staff auditor chose the largest twenty-six transactions (from a population of several hundred) to test. These twenty-six transactions totaled \$1,587,738, or 82.79% of the total project.

## **OBJECTIVES AND PROCEDURES (CONTINUED)**

### **EXPENSES (CONTINUED)**

**Objective:** - To verify that the amount of NRC fee paid and the recoverable portion of the incremental NRC fee increase amount are consistent with the percentage approved for recovery through the clause in Order No. PSC-03-1461-FOF-EI, in Docket No. 030001-EI, issued December 22, 2003.

**Procedures:** - We analyzed the amount of NRC fee billed to the Utility. We verified that the amount billed and the amount allocated to recoverable CCRC expense were accurate.

### **ANALYTICAL REVIEW**

**Objective:** - To identify any matter which might influence the scope or level of risk of the audit.

**Procedures:** - Audit staff performed analytical review of the 2005 CCRC filing compared to previous years and investigated any unusual differences.

### **TRUE-UP**

**Objective:** - To verify that the True-up and interest were properly calculated.

**Procedures:** - We recalculated the true-up to verify that beginning true-up equaled the end of the previous year, that commercial paper interest rates were in use and that the monthly true-up was calculated accurately.

Progress Energy Florida  
 Capacity Cost Recovery Clause  
 Calculation of Actual True-Up  
 January Through December 2005

- Base Production Level Capacity Charges:**
- 1 Auburndale Power Partners, L.P. (AUBRDLFC)
- 2 Auburndale Power Partners, L.P. (AUBSET)
- 3 Bay County (BAYCOUNT)
- 4 Cargill Fertilizer, Inc. (CARGILFL)
- 5 Jefferson Power L.C. (JEFFPOWER)
- 6 Lake County (LAKECOUNT)
- 7 Lake Cogen Limited (LAKEORDEB)
- 8 Metro-Dade County (METRODADE)
- 9 Orange Cogen (ORANGECOG)
- 10 Orlando Cogen Limited (ORLCOGL)
- 11 Orlando Cogen Limited (ORLCOGAS)
- 12 Pasco Cogen Limited (PASCOGL)
- 13 Pasco County Resource Recovery (PASCOUNT)
- 14 Pinellas County Resource Recovery (PINCOUNT)
- 15 Polk Power Partners, L.P. (MULBERRYWOYSTER)
- 16 U.S. Agr-Chemicals (AGRICHEM)
- 17 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)
- 18 Central Power & Line (333 MW)
- 19 UPS Purchase (414 total mw) - Southern
- 20 Incremental Security (5080001, 5240001 & 5490001)
- 21 Subtotal - Base Level Capacity Charges
- 22 Base Production Jurisdictional Responsibility
- 23 Base Level Jurisdictional Capacity Charges
- Intermediate Production Level Capacity Charges:**
- 24 TECO Power Purchase (60 mw)
- 25 Schedules H Capacity Sales
- 26 Subtotal - Intermediate Level Capacity Charges
- 27 Intermediate Production Jurisdictional Responsibility
- 28 Intermediate Level Jurisdictional Capacity Charges
- Peaking Production Level Capacity Charges:**
- 29 Chatahoochee
- 30 Reedy Creek
- 31 Reklam-Vandolah
- 32 The Energy Authority
- 33 CP & Line
- 34 Subtotal - Peaking Level Capacity Charges
- 35 Peaking Production Jurisdictional Responsibility
- 36 Peaking Level Jurisdictional Capacity Charges
- Other Capacity Charges:**
- 37 Retail Wheeling
- 38 Total Jurisdictional Capacity Charges
- 39 Capacity Cost Recovery Revenues (net of tax)
- 40 Prior Period True-Up Provision
- 41 Current Period Revenues (net of tax) (line 39 + 40)
- True-Up Provision**
- 42 True-Up Provision - Over/(Under) Recov (line 41 - 38)
- 43 Interest Provision for the Month
- 44 Current Cycle Balance - Over/(Under) (line 42 + 43)
- 45 Plus: Prior Period Balance
- 46 Plus Cumulative True up Provision
- 47 Net True-up Over/(Under) (lines 44 through 46)

	ACTUAL JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APR	ACTUAL MAY	ACTUAL JUN	ACTUAL JUL	ACTUAL AUG	ACTUAL SEP	ACTUAL OCT	ACTUAL NOV	ACTUAL DEC	TOTAL
1 Auburndale Power Partners, L.P. (AUBRDLFC)	532,270	503,710	503,880	503,880	503,880	503,880	503,880	503,880	503,880	503,880	503,880	503,880	6,074,780
2 Auburndale Power Partners, L.P. (AUBSET)	2,539,288	2,426,332	2,426,332	2,426,332	2,426,332	2,426,332	2,426,332	2,426,332	2,426,332	2,426,332	2,426,332	2,426,332	29,228,940
3 Bay County (BAYCOUNT)	262,020	246,270	246,270	246,270	246,270	246,270	246,270	246,270	246,270	246,270	246,270	246,270	2,992,990
4 Cargill Fertilizer, Inc. (CARGILFL)	525,900	502,650	502,650	502,650	502,650	502,650	502,650	502,650	502,650	502,650	502,650	502,650	6,056,050
5 Jefferson Power L.C. (JEFFPOWER)	(41,466)	0	0	0	8,829	15,228	17,000	17,000	(17,000)	0	0	0	591
6 Lake County (LAKECOUNT)	498,035	472,515	472,515	472,515	472,515	472,515	472,515	472,515	472,515	472,515	472,515	472,515	5,696,700
7 Lake Cogen Limited (LAKEORDEB)	2,572,816	2,534,639	2,534,639	2,534,639	2,534,639	2,534,639	2,534,639	2,534,639	2,534,639	2,534,639	2,534,639	2,534,639	30,553,647
8 Metro-Dade County (METRODADE)	634,857	728,788	720,996	710,593	693,658	684,376	664,209	664,167	540,638	563,755	671,988	684,608	7,962,622
9 Orange Cogen (ORANGECOG)	2,278,516	2,156,899	2,167,999	2,167,999	2,167,999	2,167,999	2,167,999	2,167,999	2,167,999	2,167,999	2,167,999	2,167,999	26,113,495
10 Orlando Cogen Limited (ORLCOGL)	1,391,406	1,657,639	1,655,942	1,653,362	1,591,172	1,419,801	1,540,701	1,788,843	1,867,862	1,874,063	1,881,135	1,865,709	20,187,735
11 Orlando Cogen Limited (ORLCOGAS)	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Pasco Cogen Limited (PASCOGL)	3,267,934	3,157,922	3,157,922	3,157,922	3,157,922	3,157,922	3,157,922	3,157,922	3,157,922	3,157,922	3,157,922	3,157,922	38,025,076
13 Pasco County Resource Recovery (PASCOUNT)	900,220	852,380	852,380	852,380	852,380	852,380	852,380	852,380	852,380	852,380	852,380	852,380	10,276,400
14 Pinellas County Resource Recovery (PINCOUNT)	2,142,915	2,029,035	2,029,035	2,029,035	2,029,035	2,029,035	2,029,035	2,029,035	2,029,035	2,029,035	2,029,035	2,029,035	24,462,300
15 Polk Power Partners, L.P. (MULBERRYWOYSTER)	4,285,585	3,647,053	3,647,053	3,647,053	3,647,053	3,647,053	3,647,053	3,647,053	3,647,053	3,647,053	3,647,053	3,647,053	44,383,148
16 U.S. Agr-Chemicals (AGRICHEM)	41,782	44,631	45,441	48,358	45,855	41,430	37,160	38,149	35,063	35,163	32,018	21,103	484,135
17 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	959,907	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	9,753,871
18 Central Power & Line (333 MW)	4,077,384	4,693,927	4,135,988	3,689,847	4,257,418	4,684,766	4,439,050	5,817,878	4,785,112	4,346,933	4,784,341	5,844,750	55,446,192
19 UPS Purchase (414 total mw) - Southern	33,528	332,951	447,290	521,341	104,488	219,559	1,852,410	523,249	306,893	1,012,980	395,703	964,370	6,124,272
20 Incremental Security (5080001, 5240001 & 5490001)	27,001,879	26,790,377	26,349,278	25,976,122	26,249,341	26,308,881	27,304,151	28,190,685	28,842,169	27,176,505	27,100,435	29,870,421	325,160,274
21 Subtotal - Base Level Capacity Charges	95.957%	95.957%	95.957%	95.957%	95.957%	95.957%	95.957%	95.957%	95.957%	95.957%	95.957%	95.957%	
22 Base Production Jurisdictional Responsibility	25,910,193	25,707,242	25,283,977	24,925,907	25,188,080	25,245,213	26,200,244	27,050,945	25,756,959	26,077,759	26,004,784	28,662,760	312,014,943
<b>Intermediate Production Level Capacity Charges:</b>													
24 TECO Power Purchase (60 mw)	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	7,917,204
25 Schedules H Capacity Sales	(4,195)	(8,815)	(9,221)	(9,086)	(9,357)	(9,217)	(9,357)	(9,357)	(9,217)	(9,357)	(9,217)	(9,357)	(105,153)
26 Subtotal - Intermediate Level Capacity Charges	655,572	650,952	650,546	650,681	650,410	650,550	650,410	650,550	650,550	650,550	650,550	650,410	7,811,451
27 Intermediate Production Jurisdictional Responsibility	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	
28 Intermediate Level Jurisdictional Capacity Charges	567,555	563,555	563,204	563,321	563,086	563,207	563,086	563,207	563,086	563,207	563,086	563,207	6,762,688
<b>Peaking Production Level Capacity Charges:</b>													
29 Chatahoochee	12,500	11,593	13,407	12,834	12,388	12,634	12,368	13,600	14,634	15,869	12,231	12,789	156,603
30 Reedy Creek	150,000	100,000	0	0	0	0	0	0	0	0	0	0	250,000
31 Reklam-Vandolah	797,900	797,900	0	0	0	0	0	0	0	0	0	0	1,595,800
32 The Energy Authority	0	0	0	0	0	900,000	900,000	900,000	900,000	900,000	900,000	900,000	3,600,000
33 CP & Line	0	0	0	0	0	0	0	0	0	0	0	0	0
34 Subtotal - Peaking Level Capacity Charges	950,400	909,493	13,407	12,834	12,388	12,634	12,368	13,600	14,634	15,869	12,231	12,789	5,602,403
35 Peaking Production Jurisdictional Responsibility	74.562%	74.562%	74.562%	74.562%	74.562%	74.562%	74.562%	74.562%	74.562%	74.562%	74.562%	74.562%	
36 Peaking Level Jurisdictional Capacity Charges	716,093	678,136	9,997	9,420	9,220	9,420	9,220	9,420	9,420	9,420	9,420	9,420	4,177,262
<b>Other Capacity Charges:</b>													
37 Retail Wheeling	(89,751)	(38,389)	(56,266)	(8,183)	(8,698)	(18,889)	(2,981)	0	(2,488)	(72,217)	(20,892)	(71,733)	(348,287)
38 Total Jurisdictional Capacity Charges	27,034,096	26,910,544	25,800,912	25,490,465	25,753,688	26,470,009	27,440,627	28,295,229	26,899,647	26,630,480	26,556,399	28,163,634	322,959,702
39 Capacity Cost Recovery Revenues (net of tax)	23,483,030	21,723,897	20,888,492	21,532,671	21,659,506	26,018,878	30,557,792	31,748,496	32,381,751	27,577,211	23,323,378	22,064,338	302,959,442
40 Prior Period True-Up Provision	946,517	946,517	946,517	946,517	946,517	946,517	946,517	946,517	946,517	946,517	946,517	946,517	7,661,393
41 Current Period Revenues (net of tax) (line 39 + 40)	24,429,547	22,670,414	21,835,009	22,479,188	22,606,023	26,965,395	31,504,309	32,695,015	33,328,268	28,523,728	24,269,895	19,314,044	310,620,835
<b>True-Up Provision</b>													
42 True-Up Provision - Over/(Under) Recov (line 41 - 38)	(2,664,543)	(4,240,130)	(3,965,803)	(3,011,277)	(3,147,665)	495,386	4,063,682	4,399,786	6,328,621	1,893,268	(2,286,504)	(9,849,591)	(11,984,868)
43 Interest Provision for the Month	11,811	3,158	(8,085)	(19,250)	(30,406)	(37,934)	(36,478)	(28,984)	(18,853)	(7,462)	(11,798)	(30,592)	(212,872)
44 Current Cycle Balance - Over/(Under) (line 42 + 43)	(2,652,732)	(6,889,704)	(10,863,692)	(13,894,219)	(17,072,290)	(16,614,838)	(12,587,632)	(8,216,830)	(1,905,062)	(18,256)	(2,317,558)	(12,197,741)	(12,197,740)
45 Plus: Prior Period Balance	7,661,393	7,661,393	7,661,393	7,661,393	7,661,393	7,661,393	7,661,393	7,661,393	7,661,393	7,661,393	7,661,393	7,661,393	7,661,393
46 Plus Cumulative True up Provision	(946,517)	(1,893,034)	(2,839,551)	(3,786,068)	(4,732,585)	(5,679,102)	(6,625,619)	(7,572,136)	(8,518,653)	(9,465,170)	(10,411,687)	(11,358,204)	(12,304,721)
47 Net True-up Over/(Under) (lines 44 through 46)	4,062,144	(1,121,345)	(5,041,850)	(10,018,894)	(14,143,482)	(14,632,547)	(11,551,859)	(8,127,673)	(2,762,327)	(1,823,033)	(5,067,852)	(12,197,740)	(12,197,740)