

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-**

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**DATE:** July 2, 2007  
**TO:** Lee R. Colson, Utilities System/Engineering Specialist, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *W*  
**RE:** **Docket No: 070002-EG; Company Name: Progress Energy Florida, Inc.**  
**Audit Purpose: Energy Conservation Cost Recovery Clause;**  
**Audit Control No: 07-071-2-4**

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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. There are no confidential work papers associated with this audit.

DNV:sbj  
Attachments

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

Mr. Paul Lewis, Jr.  
Progress Energy Florida  
106 E. College Ave., suite 800  
Tallahassee, FL 32301

Mr. John T. Burnett  
Progress Energy Svs Co., LLC  
P.O. Box 14042  
St. Petersburg, FL 33733

DOCUMENT NUMBER-DATE

05361 JUL-25

FPSC-COMMISSION CLERK



**FLORIDA PUBLIC SERVICE COMMISSION**

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
BUREAU OF AUDITING*

*TAMPA DISTRICT OFFICE*

**PROGRESS ENERGY FLORIDA, INC.**

**ENERGY CONSERVATION COST RECOVERY CLAUSE AUDIT**

**HISTORICAL YEAR ENDED DECEMBER 31, 2006**

**DOCKET NO. 070002-EG**

**AUDIT CONTROL NO. 07-071-2-4**

A handwritten signature in black ink, appearing to read "Tomer Kopelovich".

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*Tomer Kopelovich, Audit Manager*

A handwritten signature in black ink, appearing to read "Joseph W. Rohrbacher".

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*Joseph W. Rohrbacher, Tampa District Supervisor*

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE**

**AUDITOR'S REPORT**

**June 15, 2007**

**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, Inc. (PEF) in support of its filing for Energy Conservation Cost Recovery in Docket No. 070002-EG.

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 PEF has applied approved Energy Conservation Cost Recovery Clause (ECCR) adjustment factors to energy (kwh) sales during the period January 1, 2006 through December 31, 2006.

**Procedures:** - We calculated revenue dollars by month and rate class, using approved FPSC rate factors, and compared these calculations to ECCR revenue amounts to assure that the rates used complied with the Commission Order. 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 the accuracy of information filed by PEF regarding actual energy sales and conservation costs and revenues for the period January 1, 2006 through December 31, 2006 per Commission Rule 25-17.015, F. A.C.

**Procedures:** - We reconciled the ECCR filing to the general ledger and to the supporting documentation provided by PEF. Performed specific testing as described in other paragraphs.

**Objective:-** For all conservation programs which exceed the budgeted amount, identify the program and total dollar differences between budgeted and actual expenses.

**Procedures:** - We identified those programs over budget and requested written explanations of the reasons for these variances. We read the explanations and evaluated their relevance to the affected ECCR programs. Our audit work showed the explanations to be reasonable.

**Objective:** - Verify that the information provided pursuant to Rule 25-17.0021(5), h, l, and m is accurate for the following programs:

- Residential Home Energy Improvement
- Residential New Construction
- Interruptible Service

**Procedures:** - We traced all expenses to the Business Objects Report and tested advertising and payroll expenses for these programs.

**Objective:** - Verify the amounts of Demand Side Management Salaries and Benefits in ECCR.

**Procedures:** - We tested these amounts back to allocation matrixes and supporting timesheets.

**Objective:** - To verify that amounts paid for advertising expense are associated with recognizable ECCR programs, were accurately calculated and pertained to 2006.

**Procedures:** - We tested advertising expenses from the three largest programs, as noted above, to verify compliance with these standards.

### **ANALYTICAL REVIEW**

**Objective:** - Perform analytical review to identify any matter which might influence the scope or level of risk of the audit.

**Procedures:** - We performed an analytical review of the 2006 ECCR filing compared to previous years. We requested further explanation of any cost category or program which varied from the overall trend. We evaluated these responses as part of determining the scope and level of risk of the audit.

### **TRUE-UP**

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

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

PROGRESS ENERGY FLORIDA  
 ENERGY CONSERVATION ADJUSTMENT  
 CALCULATION OF TRUE-UP  
 FOR THE PERIOD JANUARY 2006 THROUGH DECEMBER 2006

LINE NO	JAN 06	FEB 06	MAR 06	APR 06	MAY 06	JUN 06	JUL 06	AUG 06	SEP 06	OCT 06	NOV 06	DEC 06	TOTAL FOR THE PERIOD
1A BETTER BUSINESS	0	0	0	0	0	0	0	0	0	0	0	0	0
1B HOME ENERGY IMPROVEMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
1C HOME ENERGY CHECK	(150)	0	0	(120)	(60)	0	0	(330)	0	0	(80)	0	(740)
1D SUBTOTAL - FEES	(150)	0	0	(120)	(60)	0	0	(330)	0	0	(80)	0	(740)
2 CONSERVATION CLAUSE REVENUES	4,615,580	4,234,527	4,220,040	4,244,674	4,937,841	5,674,990	5,699,461	6,568,853	6,152,687	5,218,386	4,749,675	4,548,915	60,863,437
2A CURRENT PERIOD GRT REFUND	0.00	0	0	0	0	0	0	0	0	0	0	0	0
3 TOTAL REVENUES	4,615,430	4,234,527	4,220,040	4,244,554	4,937,781	5,674,990	5,699,461	6,568,323	6,152,687	5,218,386	4,749,595	4,548,915	60,862,697
4 PRIOR PERIOD TRUE-UP OVER/(UNDER)	9,698,258	799,855	799,855	799,855	799,855	799,855	799,855	799,855	799,855	799,855	799,855	799,852	9,598,257
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	5,415,285	5,034,382	5,019,895	5,044,409	5,737,636	6,474,853	6,499,316	7,366,178	6,952,542	6,018,241	5,549,450	5,348,767	70,460,954
6 CONSERVATION EXPENSES (CT-3, PAGE 1, LINE 73)	4,819,721	4,667,814	4,781,186	4,325,417	4,510,817	5,550,785	4,652,704	4,831,992	5,211,574	4,893,869	5,029,153	6,185,335	59,460,367
7 TRUE-UP THIS PERIOD (O)/U	(595,564)	(366,568)	(238,709)	(718,993)	(1,226,819)	(924,068)	(1,846,612)	(2,534,186)	(1,740,968)	(1,124,372)	(520,207)	836,568	(11,000,588)
8 CURRENT PERIOD INTEREST	(34,859)	(34,699)	(33,941)	(34,344)	(36,017)	(38,546)	(42,625)	(48,893)	(54,517)	(57,532)	(57,828)	(53,883)	(527,684)
9 ADJUSTMENTS PER AUDIT \ RDC Order		0	0	0	0	0	0	0	0	0	0	0	0
10 TRUE-UP & INTEREST PROVISIONS BEGINNING OF PERIOD (O)/U	(9,598,258)	(9,428,826)	(9,030,238)	(8,503,033)	(8,456,515)	(8,919,496)	(9,082,255)	(10,171,637)	(11,954,861)	(12,950,491)	(13,332,540)	(13,110,810)	(9,598,258)
10 A CURRENT PERIOD GRT REFUNDED	0	0	0	0	0	0	0	0	0	0	0	0	0
11 PRIOR TRUE-UP REFUNDED/ (COLLECTED)	799,855	799,855	799,855	799,855	799,855	799,855	799,855	799,855	799,855	799,855	799,855	799,852	9,598,257
12 END OF PERIOD NET TRUE-UP	(9,428,826)	(9,030,238)	(8,503,033)	(8,456,515)	(8,919,496)	(9,082,255)	(10,171,637)	(11,954,861)	(12,950,491)	(13,332,540)	(13,110,810)	(11,528,273)	(11,528,273)