

State of Florida



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**DATE:** March 19, 2008  
**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: 080001-EI; Company Name: Progress Energy Florida;  
Audit Purpose: Capacity Cost Recovery Audit; Company Code: EI801;  
Audit Control No: 08-003-2-2;

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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: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

Mr. Paul Lewis, Jr.  
Progress Energy Florida  
106 E. College Ave., Suite 800  
Tallahassee, FL 32301-7740

Mr. John T. Burnett  
Progress Energy Svs Co., LLC  
P.O. Box 14042  
St. Petersburg, FL 33733-4042

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**FLORIDA PUBLIC SERVICE COMMISSION**

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

*TAMPA DISTRICT OFFICE*

**PROGRESS ENERGY FLORIDA**

**CAPACITY COST RECOVERY AUDIT**

**HISTORICAL YEAR ENDED DECEMBER 31, 2007**

**DOCKET NO. 080001-EI  
AUDIT CONTROL NO. 08-003-2-3**

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

*Tomer Kopelovich, Audit Manager*

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

*Joseph W. Rohrbacher, Tampa District Supervisor*

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

**March 12, 2008**

**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 in Docket No. 080001-EI.

This audit is performed following general standards and field work standards found in the AICPA statements on Standards of 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 the company.

**Procedures:** - We compiled Capacity Cost Recovery (CCR) revenue and agreed to the filing. Recomputed CCR revenues using FPSC approved rate factors and company provided KWH sales. We reconciled the revenue in the filing to the general ledger using the utility "revenue recap" report on a test basis. We selected a group of customer bills for one month and recalculated each to verify that FPSC approved rates were in use in the customer billing system.

### **EXPENSES**

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

**Procedures:** - We recomputed capacity costs and agreed to the general ledger.

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

**Procedures:** - We traced transmission revenues derived from non-separated, non-Energy Broker Network, wholesale energy sales from company books to the capacity clause filing.

**Objectives:** - To spot check a power contract to verify that the invoice for capacity purchase amounts are recorded according to the terms and conditions of the contract.

**Procedures:** - We verified the purchase power contract rates and terms between Progress Energy Florida and five qualifying facilities to capacity payment calculations for 2007.

**Objectives:** - To verify that security costs recovered in the capacity clause are incremental to the security costs included in base rates, consistent with the method approved by Order No. PSC-03-1461-FOF-EI, in Docket No. 030001-EI, issued December 22, 2003.

**Procedures:** - We verified the computation of the components of incremental security costs in accordance with Order No. PSC-03-1461-FOF-EI. We agreed incremental security costs to the general ledger.

**Objectives:** - 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 reviewed the 2007 NRC fee invoices and the calculation of the recoverable portion approved for recovery in PSC Order No. PSC-03-1461-FOF-EI.

**Objectives:** - To verify that Progress Energy adjusted its books in accordance with audit finding 1 in the 2006 CCR audit.

**Procedures:** - We requested a proof that the utility made the correct adjustment to its account. The utility provided a journal entry that shows that the correction was made in September 2007.

### **TRUE-UP**

**Objectives:** - To determine if the True-up Calculation and interest provision as filed was properly calculated using the FPSC approved interest rates.

**Procedures:** - Recomputed 2007 CCRC true-up and interest using the FPSC approved recoverable true-up amount, interest rates and jurisdictional separation factor.

Progress Energy Florida  
Capacity Cost Recovery Clause  
Calculation of Actual True-Up  
January Through December 2007

	ACTUAL JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APR	ACTUAL MAY	ACTUAL JUN	ACTUAL JUL	ACTUAL AUG	ACTUAL SEP	ACTUAL OCT	ACTUAL NOV	ACTUAL DEC	YTD
<b>Base Production Level Capacity Charges:</b>													
1 Auburndale Power Partners, L.P. (AUBRDLCF)	535,840	603,840	589,840	589,840	589,840	589,840	589,840	589,840	589,840	589,840	589,840	589,840	6,938,080
2 Auburndale Power Partners, L.P. (AUBSET)	2,549,254	2,810,603	2,679,928	2,679,928	2,679,928	2,679,928	2,679,928	2,679,928	2,679,928	2,679,928	2,679,928	2,679,928	32,156,141
3 Cargill Fertilizer, Inc. (CARGILF)	528,300	582,000	555,150	555,150	555,150	555,150	555,150	555,150	555,150	555,150	555,150	555,150	6,500,158
4 Lake County (LAKCOUNT)	502,478	566,228	534,353	534,353	534,353	534,353	534,353	534,353	534,353	534,353	534,353	534,353	6,412,230
5 Lake County Limited (LAKORDER)	2,864,851	2,834,217	2,799,434	2,799,434	2,799,434	2,799,434	2,799,434	2,799,434	2,799,434	2,799,434	2,799,434	2,799,434	33,953,205
6 Metro-Dade County (METRODADE)	889,880	1,091,340	1,040,800	1,040,800	1,040,800	1,040,800	1,040,800	1,036,845	1,012,781	1,007,839	1,001,398	965,955	12,328,816
7 Orange Cogen (ORANGE0)	2,276,518	2,502,988	2,389,752	2,389,752	2,389,752	2,389,752	2,389,752	2,389,752	2,389,752	2,389,752	2,389,752	2,389,752	28,677,029
8 Orlando Cogen Limited (ORLAGOOL)	2,032,631	2,241,015	2,136,823	2,136,823	2,136,823	2,136,823	2,136,823	2,136,823	2,136,823	2,136,823	2,136,823	2,136,823	25,841,672
9 Pasco Cogen Limited (PASCOOGL)	3,196,384	3,485,505	3,325,945	3,325,945	3,325,945	3,325,945	3,325,945	3,325,945	3,325,945	3,325,945	3,325,945	3,325,945	39,911,335
10 Pasco County Resource Recovery (PASCOUNT)	306,430	1,021,430	983,930	983,930	983,930	983,930	983,930	983,930	983,930	983,930	983,930	983,930	11,567,160
11 Pinellas County Resource Recovery (PINCOUNT)	2,157,898	2,431,448	2,294,573	2,294,573	2,294,573	2,294,573	2,294,573	2,294,573	2,294,573	2,294,573	2,294,573	2,294,573	27,534,670
12 Polk Power Partners, L.P. (MULBERRY)	2,775,628	3,058,028	2,917,327	2,917,327	2,917,327	2,917,327	2,917,327	2,917,327	2,917,327	2,917,327	2,917,327	2,917,327	35,007,927
13 Polk Power Partners, L.P. (ROYSTER)	1,057,309	1,165,582	1,111,436	1,111,436	1,111,436	1,111,436	1,111,436	1,111,436	0	1,111,436	1,111,436	1,111,436	12,226,792
14 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	800,948	800,948	800,948	800,948	800,948	800,948	800,948	800,948	780,822	787,902	787,902	787,902	9,474,213
15 Central Power & Lime Capacity Purchase (133 MW)	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	16,285,180
16 UPS Purchase (414 total mw) - Southern	4,889,449	4,989,815	3,202,476	4,884,802	3,720,148	3,698,218	4,648,703	5,451,328	4,357,108	4,588,839	4,641,810	5,136,758	53,974,172
17 Incremental Security	13,977	72,049	42,118	302,628	109,301	63,713	785,980	20,936	(30,589)	64,848	144,432	1,051,551	2,820,362
18 Subtotal - Base Level Capacity Charges	29,489,056	31,452,294	28,722,587	30,485,186	29,307,414	29,800,897	31,084,973	30,140,127	28,643,228	30,055,848	30,164,970	31,483,084	360,761,523
19 Base Production Jurisdictional Responsibility	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%
20 Base Level Jurisdictional Capacity Charges	27,628,128	29,487,441	26,828,258	28,582,035	27,478,580	27,938,235	29,162,470	28,257,273	26,855,761	28,187,634	28,224,219	29,525,720	338,224,753
<b>Intermediate Production Level Capacity Charges:</b>													
21 TECO Power Purchase (70 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
22 Schedule H Capacity Sales	(4,601)	(4,156)	(4,601)	(4,453)	(4,185)	(4,050)	(4,185)	(4,185)	(4,185)	(4,185)	(4,050)	(4,185)	(50,898)
23 Other Capacity Sales	0	0	0	0	(134,832)	0	0	0	0	(123,520)	(123,520)	(123,520)	(805,192)
24 Subtotal - Intermediate Level Capacity Charges	655,166	655,611	655,166	655,314	650,960	655,717	655,582	655,582	655,582	655,582	655,197	655,062	7,361,126
25 Intermediate Production Jurisdictional Responsibility	79.048%	79.048%	79.048%	79.048%	79.048%	79.048%	79.048%	79.048%	79.048%	79.048%	79.048%	79.048%	79.048%
26 Intermediate Level Jurisdictional Capacity Charges	517,883	518,234	517,883	518,000	411,780	518,318	518,211	518,211	518,318	518,318	420,574	420,574	5,818,678
<b>Peaking Production Level Capacity Charges:</b>													
27 Chattahoochee Capacity Purchase	12,500	11,636	13,384	12,231	12,386	12,630	12,773	14,751	18,082	18,364	14,834	12,366	163,697
28 The Energy Authority Capacity Purchase	200,000	200,000	0	0	0	282,500	925,000	725,000	725,000	0	0	0	3,037,500
29 Reliant - Osceola Capacity Purchase	1,213,440	1,213,440	1,213,440	1,213,440	1,213,440	1,213,440	1,213,440	1,213,440	1,213,440	808,720	808,720	808,720	12,741,120
30 Shady Hill Power Company LLC	0	0	0	2,300,850	995,756	3,873,623	3,873,623	1,807,681	1,807,681	1,361,003	1,361,003	1,361,003	21,381,003
31 Other Capacity Purchases	862,900	862,900	0	0	0	250,000	1,200,000	600,000	600,000	0	0	0	4,375,000
32 Subtotal - Peaking Level Capacity Charges	2,286,440	2,287,976	1,226,804	3,526,321	2,191,562	5,612,193	7,224,836	6,426,814	4,364,213	1,984,087	1,882,357	2,583,117	41,898,320
33 Peaking Production Jurisdictional Responsibility	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%
34 Peaking Level Jurisdictional Capacity Charges	2,036,231	2,035,482	1,081,559	3,137,695	1,950,000	4,960,873	6,426,567	5,718,515	3,883,233	1,785,421	1,785,421	2,288,432	37,102,748
<b>Other Capacity Charges:</b>													
35 Retail Wheeling	(51,197)	(201,963)	(58,718)	(52,917)	(30,001)	(35,237)	(25,499)	(10,207)	(12,621)	(532)	(8,783)	(20,588)	(508,365)
36 Total Jurisdictional Capacity Charges	30,131,043	31,836,145	28,479,021	32,184,803	29,808,399	33,415,969	38,073,775	34,463,682	31,244,681	30,373,087	30,389,898	32,224,160	380,837,812
<b>Capacity Revenues:</b>													
37 Capacity Cost Recovery Revenues (net of tax)	26,199,026	27,708,712	26,488,281	26,720,510	26,782,502	32,302,584	36,338,533	42,018,348	38,400,810	35,180,181	30,452,838	27,102,819	377,893,665
38 Prior Period True-Up Provision	(448,380)	(448,380)	(448,380)	(448,380)	(448,380)	(448,380)	(448,380)	(448,380)	(448,380)	(448,380)	(448,380)	(448,380)	(5,380,585)
39 Current Period CDR Revenues (net of tax)	26,748,846	27,260,332	26,039,901	26,272,130	26,334,122	31,854,204	35,890,153	41,569,968	37,952,430	34,731,801	30,004,458	26,654,439	372,313,400
<b>True-Up Provisions</b>													
40 True-Up Provision - Over/(Under) Recov (line 39-line 36)	(4,381,397)	(4,578,813)	(2,439,111)	(5,892,873)	(1,474,277)	(1,581,778)	(183,823)	7,088,278	6,707,539	4,358,704	(395,540)	(5,566,721)	(8,324,419)
41 Interest Provision for the Month	(47,079)	(64,858)	(76,548)	(85,175)	(108,781)	(115,189)	(117,290)	(104,172)	(70,110)	(20,442)	(40,570)	(212,258)	(1,212,258)
42 Current Cycle Balance - Over/(Under) (line 40 + 41)	(4,428,476)	(4,643,671)	(2,515,259)	(5,978,048)	(1,582,964)	(1,696,967)	(297,113)	6,984,106	6,637,429	4,338,162	(436,090)	(5,828,979)	(9,536,677)
43 Plus Prior Period Balance	(8,762,537)	(8,762,537)	(8,762,537)	(8,762,537)	(8,762,537)	(8,762,537)	(8,762,537)	(8,762,537)	(8,762,537)	(8,762,537)	(8,762,537)	(8,762,537)	(8,762,537)
44 Plus Cumulative True up Provision	448,380	896,761	1,345,141	1,783,522	2,241,802	2,690,283	3,138,663	3,587,043	4,035,424	4,483,804	4,932,185	5,380,585	5,380,585
45 Net True-up Over/(Under) (lines 42 through 44)	(\$12,742,633)	(\$16,897,824)	(\$18,007,202)	(\$24,546,889)	(\$25,682,327)	(\$26,810,812)	(\$28,783,444)	(\$18,332,860)	(\$12,247,150)	(\$7,480,130)	(\$7,456,731)	(\$12,618,643)	(\$12,618,643)