

State of Florida



RECEIVED-FPSC

08 JUN 19 AM 10:28

COMMISSION
CLERK

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: June 18, 2008
TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 080002-EG; Company Name: Progress Energy Florida;
Audit Purpose: Energy conservation cost Recovery Audit; Company Code: EI801;
Audit Control No: 08-037-2-1;

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 32301-7740

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

DOCUMENT NUMBER-DATE

05237 JUN 19 8

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, 2007

DOCKET NO. 080002-EG

AUDIT CONTROL NO. 08-037-2-1

A handwritten signature in cursive script, appearing to read "Tomer".

Tomer Kopelovich, Audit Auditor

A handwritten signature in cursive script, appearing to read "Joseph W. Rohrbacher".

Joseph W. Rohrbacher, Tampa District Supervisor

DOCUMENT NUMBER-DATE

05237 JUN 19 08

FPSC-COMMISSION CLERK

TABLE OF CONTENTS

AUDITOR'S REPORT	PAGE
I. PURPOSE.....	1
II. OBJECTIVES AND PROCEDURES.....	2
III. EXHIBITS	
COST RECOVERY CLAUSE CALCULATION FOR 2007.....	4

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

AUDITOR'S REPORT

June 11, 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 schedule prepared by Progress Energy Florida (PEF) in support of its filing for Energy Conservation Cost Recovery in Docket No. 080002-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, 2007 through December 31, 2007.

Procedures: - We recalculated revenue dollars by month and rate class, using approved FPSC rate factors, and compared these calculations to ECCR revenue amounts in the filing 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 for the period January 1, 2007 through December 31, 2007 per Commission Rule 25-17.015, F. A.C.

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

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.

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

- Home Energy Check
- Home Energy Improvement
- Res New Construction
- Low Income Weatherization Assistance
- Neighborhood Energy Saver
- Business Energy Check
- Better Business
- C/I New Construction
- Innovation Incentive
- Standby Generation
- Interruptible Service

Procedures: We traced the actual number of program participants, summer kw reductions, winter kw reductions, annual kwh reductions and the per installation cost and the total program cost of the utility to supporting documents.

Objective: - Verify the amounts of Demand Side Management salaries recorded in ECCR.

Procedures: - We selected six employees' time sheets and we recalculated the employees salaries by multiplying number of hours worked by rate and then we reconciled the results to payroll information.

Objective: - To verify that amounts paid for advertising expense are associated with recognizable ECCR programs, were accurately calculated and pertained to 2007.

Procedures: - We selected invoices from the following programs: Home Energy Check, Home Energy Improvement and Residential Energy Management 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 analytical review of the 2007 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 end 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 2007 THROUGH DECEMBER 2007

LINE NO.	JAN 07	FEB 07	MAR 07	APR 07	MAY 07	JUN 07	JUL 07	AUG 07	SEP 07	OCT 07	NOV 07	DEC 07	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	0	0	0	0	0	30	0	0	0	0	0	30	60
1D SUBTOTAL - FEES	0	0	0	0	0	30	0	0	0	0	0	30	60
2 CONSERVATION CLAUSE REVENUES	4,807,919	5,068,096	4,856,656	4,910,110	5,277,687	5,905,437	6,619,634	7,625,758	6,996,241	6,413,483	5,590,495	4,987,370	69,058,886
2A CURRENT PERIOD GRT REFUND	0.00	0	0	0	0	0	0	0	0	0	0	0	0
3 TOTAL REVENUES	4,807,919	5,068,096	4,856,656	4,910,110	5,277,687	5,905,467	6,619,634	7,625,758	6,996,241	6,413,483	5,590,495	4,987,400	69,059,946
4 PRIOR PERIOD TRUE-UP OVER/(UNDER) 11,528,273	960,689	960,689	960,689	960,689	960,689	960,689	960,689	960,689	962,210	960,689	960,689	960,684	11,529,794
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	5,768,608	6,028,785	5,817,345	5,870,799	6,238,376	6,866,156	7,580,323	8,586,447	7,958,451	7,374,172	6,551,184	5,948,094	80,586,740
6 CONSERVATION EXPENSES (CT-3, PAGE 1, LINE 23)	4,315,836	5,890,410	4,890,660	5,057,719	5,068,822	4,913,440	5,989,011	5,266,385	5,310,277	6,378,339	7,135,247	6,003,829	67,106,875
7 TRUE-UP THIS PERIOD (O)U	(1,452,772)	(138,375)	(936,785)	(813,080)	(1,149,554)	(1,952,716)	(1,611,312)	(3,316,062)	(2,648,174)	(967,833)	584,063	955,735	(13,478,865)
8 CURRENT PERIOD INTEREST	(51,660)	(51,113)	(49,483)	(49,324)	(49,830)	(52,536)	(66,267)	(85,145)	(73,283)	(70,907)	(66,035)	(61,100)	(696,483)
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	(11,528,273)	(12,072,016)	(11,300,615)	(11,326,394)	(11,228,109)	(11,466,604)	(12,511,166)	(13,218,057)	(15,640,576)	(17,399,822)	(17,507,873)	(16,029,156)	(11,528,273)
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)	960,689	960,689	960,689	960,689	960,689	960,689	960,689	960,689	962,210	960,689	960,689	960,684	11,529,794
12 END OF PERIOD NET TRUE-UP	(12,072,016)	(11,300,615)	(11,326,394)	(11,228,109)	(11,466,604)	(12,511,166)	(13,218,057)	(15,640,575)	(17,399,822)	(17,507,873)	(16,029,156)	(14,173,827)	(14,173,827)

-7-