



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 11, 2010

TO: Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation

FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis **CP**

RE: Docket No.: 100002-EG
 Company Name: Progress Energy Florida, Inc.
 Company Code: EI801
 Audit Purpose: Energy Conservation Cost Recovery
 Audit Control No: 09-350-2-1

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 a response to the Office of Commission Clerk. There were no confidential work papers associated with this audit.

CP/ip
Attachment: Audit Report

cc: (With Attachment)
Office of Auditing and Performance Analysis (Mailhot, File Folder)
Office of Commission Clerk
Office of the General Counsel

(Without Attachment)
Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

RECEIVED-PPSC
10 JUN 11 PM 3:09
COMMISSION
CLERK

DOCUMENT NUMBER-DATE
04860 JUN 11 @
PPSC-COMMISSION CLERK

State of Florida



FLORIDA PUBLIC SERVICE COMMISSION

OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
BUREAU OF AUDITING

TAMPA DISTRICT OFFICE


PROGRESS ENERGY FLORIDA, INC.

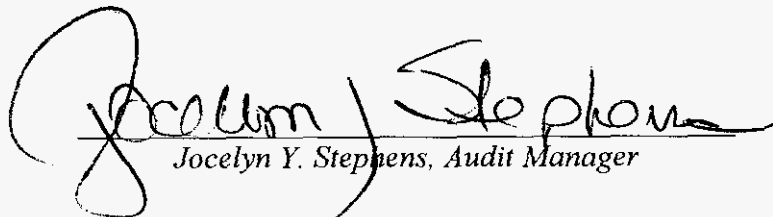
ENERGY CONSERVATION COST RECOVERY CLAUSE AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2009

DOCKET NO. 100002-EG

AUDIT CONTROL NO. 09-350-2-1


Ron Mavrides, Audit Staff


Jocelyn Y. Stephens, Audit Manager


Linda Hill-Slaughter, Tampa District Supervisor

TABLE OF CONTENTS

AUDITOR'S REPORT	PAGE
I. PURPOSE.....	1
II. OBJECTIVES AND PROCEDURES.....	2
III. AUDIT FINDING	
1. BEGINNING TRUE-UP AMOUNT.....	4
IV. EXHIBITS	
ENERGY CONSERVATION TRUE-UP CALCULATION FOR 2009.....	5

OFFICE OF AUDITING AND PERFORMANCE ANALYSIS

AUDITOR'S REPORT

June 07, 2010

TO: FLORIDA PUBLIC SERVICE COMMISSION

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 (PEF) in support of its filing for Energy Conservation Cost Recovery in Docket No. 100002-EG.

This audit was 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 and the report is intended only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES

Objectives: - To verify that ECCR revenues include all and only properly recoverable items.
To verify that PEF has applied the approved Energy Conservation Cost Recovery Clause (ECCR) adjustment factors to kilowatt hour sales during the period January 1, 2009 through December 31, 2009.

To reconcile revenues to the company's general ledger following current audit guidelines.

Procedures: - We recalculated annual revenue dollars by rate class, using rate factors approved by the Florida Public Service Commission and compared these calculations to ECCR revenue amounts in the filing to ensure that the rates used complied with the Commission Order No. PSC-08-0783-FOF-EG.

We selected a group of customer bills and recalculated each to verify that approved recovery factors were in use in the customer billing system.

We reconciled revenues from the filing to revenues recorded in the general ledger.

No material discrepancies were discovered.

EXPENSES

Objectives: - To verify that ECCR expenses include all and only properly recoverable items.
To reconcile ECCR costs from the filing to ECCR cost recorded in the general ledger.
To verify the accuracy of conservation costs filed by PEF for the period January 1, 2009 through December 31, 2009 per Rule 25-17.015, Florida Administrative Code (F.A.C.).
To verify that applicable allocated costs are reasonable and that the allocation basis is documented.

Procedures: - On a test basis, we verified conservation cost for the following selected programs and Resource Codes:

Programs

Energy Conservation Administration
Interruptible Service Program
Residential Energy Management - Advertising

Resource Codes

Base Company Labor
Outside Professional Services-Engineering-Offsite
Offsite Contractor Labor
Onsite Contractor Labor
Advertisements
Other Pension Burden
Other Burden Benefits
Exceptional Hours Burdening
Customer Incentives
Meals, Travel, Lodging

As part of our test procedures, we traced selected third-party conservation charges to vendor invoices; we traced selected payroll costs to employee pay stubs and employee hours to time sheets; we recalculated burdening charges; we analyzed all selected expense line items for applicable attributes such as proper accounting period, proper amount, proper charge to conservation, adequate supporting documentation and approval/authorization to pay; and, we viewed paper and media copy of advertising targeted to selected Energy Conservation programs .

We reconciled the conservation costs recorded in the ECCR filing to the general ledger. No material discrepancies were discovered.

TRUE-UP

Objective: - To verify that the true-up amount and interest calculation were properly calculated and reflected on the filed schedules.

Procedures: We attempted to agree the current period beginning true-up to the ending true-up from the previous year.

We recalculated the monthly true-up to verify that the correct commercial interest rates were in use and that each monthly true-up was calculated accurately.

See Audit Finding No. 1 for additional information.

CAPITAL INVESTMENT

Objective: To reconcile the company's general ledger with its filing amount for Energy Conservation and Load Management Plant.

Procedures: We obtained a detailed schedule of Electric Plant (EPIS) balances at 12/31/2009. We added non-depreciable plant to the EPIS balance and reconciled the sum to the general ledger.

Using the ECCR filing, we prepared a summary schedule of capital investment balances by conservation project.

We tied the summary total to the energy conservation amount in the detail EPIS schedule. We traced the balance of Load Management – Investment at 12/31/2009 to the general ledger.

No material discrepancies were discovered.

AUDIT FINDING NO. 1

SUBJECT: BEGINNING TRUE-UP AMOUNT

AUDIT ANALYSIS: Staff performed an analysis of the true-up schedule as included in the ECCR filing prepared by the company. We noted that the company's filing included the estimated beginning true-up amount instead of the actual beginning true-up amount. The difference between company and staff's current period ending true-up was \$814. This amount is immaterial. However, the company should be required to correct its true-up filing to reflect the correct amount.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

None.

EFFECT ON THE FILING IF THE FINDING IS ACCEPTED:

Ending True-Up would be reduced by \$841.

PROGRESS ENERGY FLORIDA
 ENERGY CONSERVATION ADJUSTMENT
 CALCULATION OF TRUE-UP
 FOR THE PERIOD JANUARY 2009 THROUGH DECEMBER 2009

LINE NO.	JAN 09	FEB 09	MAR 09	APR 09	MAY 09	JUN 09	JUL 09	AUG 09	SEP 09	OCT 09	NOV 09	DEC 09	TOTAL FOR THE PERIOD
1A BETTER BUSINESS	0	0	0	0	0	0	0	0	0	0	0	0	0
	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
	0	0	0	0	0	0	0	0	0	0	0	0	0
1C HOME ENERGY CHECK	0	0	0	0	0	0	0	0	0	0	0	0	0
1D SUBTOTAL - FEES	0	0	0	0	0	0	0	0	0	0	0	0	0
2 CONSERVATION CLAUSE REVENUES	5,577,390	5,978,517	5,291,044	5,333,656	5,959,573	6,974,115	7,686,163	7,204,736	7,510,049	6,978,530	6,533,964	5,347,703	76,375,440
2A CURRENT PERIOD GRT REFUND	0.00	0	0	0	0	0	0	0	0	0	0	0	0
3 TOTAL REVENUES	5,577,390	5,978,517	5,291,044	5,333,656	5,959,573	6,974,115	7,686,163	7,204,736	7,510,049	6,978,530	6,533,964	5,347,703	76,375,440
4 PRIOR PERIOD TRUE-UP OVER/(UND (6,511,304)	542,609	542,609	542,609	542,609	542,609	542,609	542,609	542,609	542,609	542,609	542,609	542,605	6,511,304
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	6,119,999	6,521,126	5,833,653	5,876,265	6,502,182	7,516,724	8,228,772	7,747,345	8,052,658	7,521,139	7,076,573	5,890,308	82,886,744
6 CONSERVATION EXPENSES (CT-3,PAGE 1, LINE 23)	5,654,680	6,947,328	6,456,032	5,378,676	6,504,713	6,674,927	6,824,706	6,482,739	7,084,034	7,078,025	7,867,264	8,000,948	80,954,071
7 TRUE-UP THIS PERIOD (O)/U	(465,319)	426,203	622,379	(497,589)	2,531	(841,797)	(1,404,066)	(1,264,606)	(968,624)	(443,114)	790,691	2,110,640	(1,932,673)
8 CURRENT PERIOD INTEREST	(3,587)	(3,820)	(2,649)	(1,687)	(1,165)	(1,049)	(1,206)	(1,202)	(1,140)	(1,098)	(922)	(546)	(20,081)
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	(6,511,304)	(6,437,601)	(5,472,609)	(4,310,269)	(4,266,947)	(3,722,972)	(4,023,210)	(4,885,873)	(5,609,072)	(6,036,228)	(5,937,831)	(4,605,453)	(6,511,304)
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)	542,609	542,609	542,609	542,609	542,609	542,609	542,609	542,609	542,609	542,609	542,609	542,605	6,511,304
12 END OF PERIOD NET TRUE-UP	(6,437,601)	(5,472,609)	(4,310,269)	(4,266,947)	(3,722,972)	(4,023,210)	(4,885,873)	(5,609,072)	(6,036,228)	(5,937,831)	(4,605,453)	(1,952,754)	(1,952,754)