

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-

DATE: May 24, 2013
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 130009-EI
Company Name: Progress Energy Florida, Inc.
Company Code: EI801
Audit Purpose: A3f Nuclear Cost Recovery Clause
Audit Control No.: 13-010-2-2

Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of 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 are confidential work papers associated with this audit.

LD/ld

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE
02894 MAY 24 2013
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State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Progress Energy Florida, Inc.
Nuclear Cost Recovery Clause
Levy Nuclear Plant Units 1 & 2

Twelve Months Ended December 31, 2012

Docket No. 130009-EI
Audit Control No. 13-010-2-2
May 14, 2013

Handwritten signature of Jeffery A. Small in black ink.

Jeffery A. Small
Audit Manager

Handwritten signature of Ronald Mavrides in black ink.

Ronald Mavrides
Audit Staff

Handwritten signature of Linda Hill-Slaughter in black ink.

Linda Hill-Slaughter
Reviewer

DOCUMENT NUMBER-DATE

02894 MAY 24 2013

FPSC-COMMISSION CLERK

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Office of Industry Development and Market Analysis in its audit service request dated January 10, 2013. We have applied these procedures to the attached schedule prepared by Progress Energy Florida, Inc. and to several of its related schedules in support of its 2012 Nuclear Cost Recovery Clause for its construction cost expenditures for the Levy Nuclear Plant Units 1 & 2 activity in Docket No. 130009-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

Preconstruction costs are costs that are expended after a site has been selected in preparation for the construction of a nuclear power plant, incurred up to and including the date the utility completes site clearing work.

Construction Costs are costs that are expended to construct the nuclear power plant, but not limited to, the costs of constructing power plant buildings and all associated permanent structures, equipment and systems.

Utility refers to Progress Energy of Florida, Inc.
CCRC refers to Capacity Cost Recovery Clause.
NCRC refers to Nuclear Cost Recovery Clause.

Objective: The objective was to determine whether the Utility's 2012 NCRC filings in Docket No. 130009-EI are consistent and in compliance with Section 366.93, Florida Statutes (F.S.), and Rule 25-6.0423, Florida Administrative Code. (F.A.C.)

Procedure: We performed the following specific objectives and procedures to satisfy the overall objective identified above.

Specific

Objective: The objective was to determine whether the Utility's filing is properly recorded on its books and records according to the Uniform System of Accounts (USoA).

Procedure: We reconciled the Utility's filing to its general ledger and verified that the costs incurred were posted to the proper accounts. No exceptions were noted.

Objectives: The objectives were to determine whether Schedule T-1 – Summary of Jurisdictional Recovery Amounts includes the correct balances from the supporting schedules of the filing and the Final True-Up Amount is accurately calculated.

Procedures: We traced the projected and estimated True-Up adjustments included in the schedule to prior NCRC Orders. We reconciled the monthly Construction, Operation and Maintenance (O&M) Expense and Other Adjustments to the supporting schedules in the filing. We recalculated Schedule T-1 and verified the Final True-Up Amount. No exceptions were noted.

Objectives: The objectives were to determine whether Schedules T-2.2 – Preconstruction Plant Additions, Expenditures, and Carrying Cost and T-2.3 – Construction Plant Additions, Expenditures, and Carrying Cost include the correct balances from the supporting schedules of the filing and the Final Construction Carrying Cost and Under (Over) Recovery amounts are accurately calculated.

Procedures: We traced the projected True-Up adjustments and the beginning balances included in the schedules to prior NCRC Orders. We reconciled the monthly construction cost and plant transfer balances to the supporting schedules in the filing. We traced the Allowance for Funds Used During Construction (AFUDC) rate applied by the Utility to the rate approved in Commission Order No. PSC-10-0604-FOF-EI, issued October 4, 2010. We recalculated Schedules T-2.2 and T-2.3 and verified the Final Pre Construction and Construction Carrying Cost and Under (Over) Recovery balances. No exceptions were noted.

Objectives: The objectives were to determine whether Schedule T-3A.2 – Preconstruction Carrying Cost on Deferred Tax Asset includes the correct balances from the supporting schedules of the filing and the Deferred Tax Return Requirement amounts are accurately calculated.

Procedures: We traced the projected True-Up adjustments and the beginning balances included in the schedule to prior NCRC Orders. We traced the Federal Income Tax and the Return on Equity rates applied by the Utility to the rates approved in Commission Order No. PSC-05-0945-FOF-S-EI, issued September 28, 2005. We traced the AFUDC rate applied by the Utility to the rate approved in Commission Order No. PSC-10-0604-FOF-EI. We recalculated Schedule T-3A.2 and verified the Preconstruction Carrying Cost on DTA and Under (Over) Recovery balance. No exceptions were noted.

Objectives: The objectives were to determine whether O&M Expenditure amounts on Schedule T-4 – CCRC Recoverable O&M Expenditures are supported by adequate source documentation and the Total Jurisdictional O&M Cost is accurately calculated.

Procedures: We traced the estimated True-Up adjustments and the beginning balances included in the schedule to prior NCRC Orders. We sampled and verified the O&M cost expenditures and traced the invoiced amounts to supporting documentation. We verified a sample of salary expense accruals and recalculated the respective overhead burdens the Utility applied. We verified the jurisdictional factors applied. We verified that the Interest Provision calculation used the Commercial Paper rates required by Commission rule. We recalculated Schedule T-4 and verified the Total O&M Cost and Interest balance. No exceptions were noted.

Objectives: The objectives were to determine whether jurisdictional nuclear construction expenditures on Schedules T-6.2 - Preconstruction and T-6.3- Construction Capital Additions and Expenditures are accurately calculated and capital additions are supported by adequate source documentation.

Procedures: We sampled and verified the monthly construction expenditures and traced the invoiced amounts to supporting documentation. We verified a sample of salary expense accruals and recalculated the respective overhead burdens the Utility applied. We verified the jurisdictional factors applied. We recalculated Schedules T-6.2 and T-6.3 and verified the Total Jurisdictional Cost balances. No exceptions were noted.

Audit Findings

None

Exhibit

Exhibit 1: Summary of Jurisdictional Recovery Amounts

LEVY COUNTY NUCLEAR 1 & 2
Site Selection, Preconstruction Costs, and Carrying Costs on Construction Cost Balance
Final True-Up Filing: Summary of Jurisdictional Recovery Amounts

Schedule T-1

EXPLANATION: Provide summary calculation of the monthly Final True-up Amount for each cost category: 1. Site Selection, 2. Preconstruction, and 3. Construction. In the event that no costs were approved for recovery and no costs are being requested, state so. For each category with costs, list and describe the components and levels, identify supporting schedule and line. Include in the final true-up calculation applicable Commission approved projection and estimated true-up amounts for the reported year and identify such orders. [25-6.0423(5)(c)1.a.,F.A.C.]
[25-6.0423 (8)(d),F.A.C.]

COMPANY:
Progress Energy - FL

Witness: Thomas G. Foster

DOCKET NO.:
130009-EI

For Year Ended 12/31/2012

Line No.	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) 6 Month Total
Jurisdictional Dollars							
1. Final Site Selection Costs for the Period [25-6.0423(2)(f),F.A.C.]							
a. Additions (Schedule T-2.1, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.1, line 7)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax Asset (Schedule T-3A.1, line 12)	0	0	0	0	0	0	0
d. Total Site Selection Amount (Lines 1.a through 1.c)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
2. Final Preconstruction Costs for the Period [25-6.0423(2)(g),F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$596,528	\$777,148	\$1,872,221	\$668,453	\$2,695,937	\$928,037	\$7,736,324
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	1,081,753	1,071,577	1,053,260	1,050,481	1,053,362	1,055,485	6,365,897
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	1,812,581	1,816,785	1,820,690	1,821,418	1,822,493	1,823,185	9,717,131
d. Total Preconstruction Amount (Lines 2.a through 2.c)	<u>\$3,290,862</u>	<u>\$3,465,490</u>	<u>\$4,546,170</u>	<u>\$3,340,352</u>	<u>\$5,571,792</u>	<u>\$3,806,686</u>	<u>\$23,821,352</u>
3. Final Construction Costs for the Period [25-6.0423(2)(f),F.A.C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 7)	\$127,547,913	\$127,555,683	\$127,563,151	\$127,585,588	\$127,586,665	\$127,523,575	
a. Carrying Costs on Additions (Schedule T-2.3, line 9)	1,341,983	1,342,064	1,342,143	1,342,379	1,342,390	1,341,727	8,052,686
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	0	0	0	0	0	0	0
c. Total Construction Amount (Lines 3.a through 3.b)	<u>\$1,341,983</u>	<u>\$1,342,064</u>	<u>\$1,342,143</u>	<u>\$1,342,379</u>	<u>\$1,342,390</u>	<u>\$1,341,727</u>	<u>\$8,052,686</u>
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	50,383	73,723	143,333	98,000	101,024	107,152	573,584
5. Other Adjustments	0	0	0	0	0	0	0
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	<u>\$4,683,208</u>	<u>\$4,881,278</u>	<u>\$6,031,646</u>	<u>\$4,780,731</u>	<u>\$7,015,206</u>	<u>\$5,055,584</u>	<u>\$32,447,633</u>
7. Projected Amount for the Period (Order No. PSC 11-0547-FOF-EI)	\$5,918,516	\$7,391,558	\$5,876,728	\$5,872,342	\$6,100,439	\$5,775,627	\$36,935,211
8. Estimated True-up Amount for the Period (Order No. PSC 12-0650-FOF-EI)	\$4,683,208	\$4,881,278	\$4,189,740	\$5,815,003	\$5,087,050	\$4,978,601	\$29,634,881
9. Final True-up Amount for the Period	<u>(\$0)</u>	<u>\$0</u>	<u>\$1,841,906</u>	<u>(\$1,034,272)</u>	<u>\$1,928,155</u>	<u>\$76,963</u>	<u>\$2,812,752</u>

Exhibit 1: (continued)

LEVY COUNTY NUCLEAR 1 & 2
Site Selection, Preconstruction Costs, and Carrying Costs on Construction Cost Balance
Final True-Up Filing: Summary of Jurisdictional Recovery Amounts

Schedule T-1

EXPLANATION: Provide summary calculation of the monthly Final True-up Amount for each cost category: 1. Site Selection, 2. Preconstruction, and 3. Construction. In the event that no costs were approved for recovery and no costs are being requested, state so. For each category with costs, list and describe the components and levels, identify supporting schedule and line. Include in the final true-up calculation applicable Commission approved projection and estimated true-up amounts for the reported year and identify such orders.

[25-6.0423(5)(c)1.a.,F.A.C.]
 [25-6.0423 (8)(d),F.A.C.]

COMPANY:
 Progress Energy - FL

Witness: Thomas G. Foster

DOCKET NO.:
 130009-EI

For Year Ended 12/31/2012

Line No.	(H)	(I)	(J)	(K)	(L)	(M)	(N)
	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	12 Month Total
Jurisdictional Dollars							
1. Final Site Selection Costs for the Period [25-6.0423(2)(f),F.A.C.]							
a. Additions (Schedule T-2.1, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.1, line 7)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax Asset (Schedule T-3A.1, line 12)	0	0	0	0	0	0	0
d. Total Site Selection Amount (Lines 1.a through 1.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Final Preconstruction Costs for the Period [25-6.0423(2)(g),F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$1,403,754	\$2,185,107	\$1,073,471	\$1,350,507	\$1,597,068	\$1,195,492	\$16,543,722
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	1,053,837	1,058,732	1,062,355	1,052,555	1,044,870	1,037,695	12,675,742
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	1,823,088	1,822,908	1,824,368	1,827,687	1,830,776	1,833,417	19,479,375
d. Total Preconstruction Amount (Lines 2.a through 2.c)	\$4,080,680	\$4,866,748	\$3,760,194	\$4,030,749	\$4,272,512	\$3,866,604	\$48,698,839
3. Final Construction Costs for the Period [25-6.0423(2)(i),F.A.C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 7)	\$127,427,075	\$127,317,048	\$127,203,900	\$130,442,834	\$133,945,351	\$134,611,375	
a. Carrying Costs on Additions (Schedule T-2.3, line 9)	1,340,711	1,339,554	1,338,363	1,372,441	1,409,293	1,416,300	16,269,349
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	0	0	0	0	0	0	0
c. Total Construction Amount (Lines 3.a through 3.b)	\$1,340,711	\$1,339,554	\$1,338,363	\$1,372,441	\$1,409,293	\$1,416,300	\$16,269,349
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	62,156	81,451	82,226	57,319	79,569	51,890	988,205
5. Other Adjustments	0	0	0	0	0	0	0
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	\$5,483,547	\$6,287,752	\$5,180,783	\$5,460,509	\$5,761,375	\$5,334,794	\$65,956,393
7. Projected Amount for the Period (Order No. PSC 11-0547-FOF-EI)	\$5,807,598	\$5,894,011	\$6,708,961	\$6,761,017	\$6,614,916	\$6,603,209	\$75,324,920
8. Estimated True-up Amount for the Period (Order No. PSC 12-0650-FOF-EI)	\$4,994,790	\$5,198,731	\$5,223,617	\$5,416,760	\$5,842,093	\$6,000,568	\$62,311,440
9. Final True-up Amount for the Period (Line 6 - line 8)	\$488,757	\$1,089,021	(\$42,834)	\$43,749	(\$80,718)	(\$665,774)	\$3,644,953