

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: July 25, 2002
TO: Division of Economic Regulation (Colson)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: **Docket No.** 020002-EG; **Company:** Florida Power Corporation;
Audit Purpose: Energy Conservation Recovery Clause;
Audit Control No. 02-064-2-1

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 the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Paul Lewis, Jr.
Florida Power Corporation
106 East College Avenue
Tallahassee, FL 32301-7740

DOCUMENT NUMBER DATE
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-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

FLORIDA POWER CORPORATION

ENERGY CONSERVATION COST RECOVERY AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2001

**Docket No. 020002-EG
Audit Control Number 02-064-2-1**

A handwritten signature in black ink, appearing to read "Simon O. Ojada", written over a horizontal line.

**Simon O. Ojada
Audit Manager**

A handwritten signature in black ink, appearing to read "Vincent Aldridge", written over a horizontal line.

**Vincent Aldridge
Audit Staff**

A handwritten signature in black ink, appearing to read "James A. McPherson", written over a horizontal line.

**James A. McPherson
Tampa District Supervisor**

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

JULY 3, 2002

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the Energy Conservation Cost Recovery (ECCR) schedules for the twelve month period ended December 31, 2001 prepared by Florida Power Corporation in support of Docket No. 020002-EG. There is no confidential information associated with this audit and there are no audit staff minority opinions.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT FINDINGS: Florida Power Corporation included in its 2001 ECCR filings a prepaid advertising expense in the amount of \$800,000 for advertising and creative media to be developed and broadcast during the year 2002.

Florida Power also received credit in January 2002 for \$19,920 for Translucent Envelopes that were not printed. This amount was also included in the 2001 ECCR filing.

SUMMARY OF SIGNIFICANT PROCEDURES:

Our audit was performed by examining on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

REVENUES: Compiled Energy Conservation Cost Recovery (ECCR) revenue and agreed to the filing. Recompute revenues using approved FPSC rate factors and company provided KWH sales.

EXPENSES: Compiled ECCR expenses and agreed to the filing. Scheduled expenses by program and by categories of expense. Judgmentally tested advertising charges to verify that they were properly recoverable through the ECCR and that they did not compare electric vs. gas technologies. Verified that expenditures associated with the Business Energy Check, and Commercial Load Management programs were in compliance with program requirements.

TRUE-UP: Recompute ECCR true-up and interest calculation using FPSC approved amounts and interest rates.

Other: Ascertained that the utility is in compliance with Rule 25-17.015, F.A.C., pertaining to Energy Conservation Cost Recovery. Identified conservation programs that exceeded the budgeted amount and analyzed expenditures for compliance with program requirements.

Disclosure No. 1

SUBJECT: Non-Recoverable ECCR Advertising Expenses

STATEMENT OF FACT: Advertising expense charged to the Energy Conservation Recovery Program totaled \$1,159,110 for the twelve months ended December 31, 2001. Florida Power prepaid \$800,000 in December 2001 to BBDO South (An Agency of the BBDO Worldwide Network) for ads and creative media developed and broadcast during the year 2002. The company provided invoices dated January and February 2002 totaling \$327,803 to support part of the \$800,000. According to the company's response, Florida Power will be receiving a refund on the remaining amount of \$472,197 in June of 2002 which will be credited to the Home Energy Improvement Program.

The company also made a payment of \$19,920 to Harperprints in December 2001 for Translucent Envelopes that were also to be used in the Home Energy Improvement program. These envelopes were not printed. The company was given credit for the payment in January 2002.

RECOMMENDATION: The 2001 ECCR Home Energy Improvement program advertising costs are overstated by a total of \$819,920. Since the company actually incurred \$327,803 out of the \$819,920 in January and February 2002 and received a refund or credit to their account for the rest, the effect to the ratepayer is the interest expense associated with these timing differences.

We have estimated the amount of interest as of the end of June 2002 to be \$4,580. We were told by the company spokesperson that this adjustments (plus any additional interest) would be made before the end of the year.

Disclosure No. 2

SUBJECT: Calculation of True-Up and Interest Provision

STATEMENT OF FACT: Florida Power Corporation used incorrect interest rates in February through July 2001 in the calculation of its ECCR true up resulting in a \$10,146 overstatement of interest as of December 31, 2001.

RECOMMENDATION: Florida Power should correct this interest miscalculation in its 2002 filing by decreasing the over recovery amount by \$10,146 plus any additional interest accrued until the adjustment is made.

FLORIDA POWER CORPORATION

ACTUAL ENERGY CONSERVATION PROGRAM COSTS PER PROGRAM
 FOR THE PERIOD JANUARY 2001 THROUGH DECEMBER 2001

LINE NO	PROGRAM	DEPRECIATION AMORTIZATION & RETURN	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	OUTSIDE SERVICES	ADVERTISING	INCENTIVES	VEHICLES	OTHER	SUB-TOTAL	PROGRAM REVENUES (CREDIT)	TOTAL
1	BETTER BUSINESS	0	24,610	0	0	0	99,797	190	2,057	125,654	0	125,654
2	RESIDENTIAL NEW CONSTRUCTION	0	398,634	6,566	13,776	34,460	280,326	25,789	50,171	797,712	0	797,712
3	HOME ENERGY IMPROVEMENT	0	450,684	17,352	54,135	991,516	1,935,505	22,614	468,025	3,839,831	(2,570)	3,937,261
4	COMM / IND NEW CONSTRUCTION	0	4,699	0	0	0	57,790	46	0	62,475	0	62,475
5	HOME ENERGY CHECK	892	1,734,895	150,942	238,414	90,010	300	110,453	159,330	2,484,006	(430)	2,483,576
6	LOW INCOME	0	24,551	0	2,000	0	23,085	1,622	6,461	57,719	0	57,719
7	BUSINESS ENERGY CHECK	0	459,476	8,382	5,203	5,714	0	21,081	54,320	552,176	0	552,176
8	QUALIFYING FACILITY	2,298	269,604	4,378	193	0	0	1,807	28,451	306,731	0	306,731
9	INNOVATION INCENTIVE	0	1,674	0	0	0	0	0	0	1,674	0	1,674
10	TECHNOLOGY DEVELOPMENT	0	19,870	220	91,618	0	(625)	1,290	1,920	114,263	0	114,283
11	STANDBY GENERATION	0	13,657	5,145	32,407	0	576,234	557	247	628,247	0	628,247
12	INTERRUPT LOAD MANAGEMENT	0	63,144	2,267	6,311	0	17,672,440	5,504	4,790	17,744,456	0	17,744,456
13	CURTAL LOAD MANAGEMENT	0	0	0	0	0	693,039	0	1	693,040	0	693,040
14	RESIDENTIAL LOAD MANAGEMENT	1,973,229	1,827,239	77,705	3,024,426	37,410	27,126,438	91,725	289,736	34,447,908	0	34,447,908
15	COMMERCIAL LOAD MANAGEMENT	0	12,637	0	2,403	0	709,240	418	0	724,698	0	724,698
16	CONSERVATION PROGRAM ADMIN	14,940	855,794	80,940	86,997	0	6,150	33,645	1,071,541	2,151,007	0	2,151,007
17	TOTAL ALL PROGRAMS	1,991,329	5,139,968	351,887	3,657,863	1,159,110	49,178,859	316,711	2,136,050	64,831,597	(3,000)	64,828,597

FLORIDA POWER CORPORATION
 ENERGY CONSERVATION ADJUSTMENT
 CALCULATION OF TRUE-UP
 FOR THE PERIOD JANUARY 2001 THROUGH DECEMBER 2001

LINE NO	JAN 01	FEB 01	MAR 01	APR 01	MAY 01	JUN 01	JUL 01	AUG 01	SEP 01	OCT 01	NOV 01	DEC 01	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	380	170	60	0	30	320	0	650	840	0	140	2,570
1C HOME ENERGY CHECK	430	0	0	0	0	0	0	0	0	0	0	0	430
1D SUBTOTAL - FEES	430	380	170	60	0	30	320	0	650	840	0	140	3,000
2 CONSERVATION CLAUSE REVENUES	6,082,888	4,653,395	4,118,204	4,471,605	4,523,774	5,778,916	5,810,280	5,907,825	6,362,652	4,941,653	4,596,867	4,423,521	61,672,580
2A CURRENT PERIOD GRT REFUND	0 00	0	0	0	0	0	0	0	0	0	0	0	0
3 TOTAL REVENUES	6,083,318	4,653,955	4,118,374	4,471,665	4,523,774	5,779,946	5,810,600	5,907,825	6,363,302	4,942,493	4,596,867	4,423,661	61,675,580
4 PRIOR PERIOD TRUE-UP OVER(UNDER)	9,617,291	801,441	801,441	801,441	801,441	801,441	801,441	801,441	801,441	801,441	801,441	801,438	9,617,289
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	6,884,759	5,455,396	4,919,815	5,273,106	5,325,215	6,581,387	6,612,041	6,709,098	7,184,743	5,740,934	5,398,308	5,225,099	71,292,899
6 CONSERVATION EXPENSES (CT-3, PAGE 1, LINE 73)	6,618,118	5,531,759	4,942,323	4,805,318	4,737,874	5,443,267	5,212,732	5,449,251	5,380,157	4,889,322	5,576,250	6,243,216	64,831,597
7 TRUE-UP THIS PERIOD (O)U	(286,841)	176,363	22,506	(867,788)	(587,341)	(1,138,120)	(1,399,308)	(1,259,805)	(1,784,586)	(754,612)	179,942	1,018,117	(6,461,272)
8 CURRENT PERIOD INTEREST	(48,944)	(37,190)	(30,482)	(28,765)	(27,896)	(27,212)	(28,836)	(27,504)	(23,210)	(19,485)	(18,098)	(12,231)	(325,863)
9 ADJUSTMENTS PER AUDIT \ ROC Order		0	0	0	0	0	0	0	0	0	0	0	0
10 TRUE-UP & INTEREST PROVISIONS BEGINNING OF PERIOD (O)U	(9,617,291)	(9,129,435)	(8,188,821)	(7,395,364)	(7,290,476)	(7,104,272)	(7,468,163)	(8,094,866)	(8,580,734)	(9,587,069)	(8,559,746)	(8,564,461)	(9,617,291)
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)	801,441*	801,441	801,441	801,441	801,441	801,441	801,441	801,441	801,441	801,441	801,441	801,438	9,617,289
12 END OF PERIOD NET TRUE-UP	(9,129,435)	(8,188,821)	(7,395,364)	(7,290,476)	(7,104,272)	(7,468,163)	(8,094,866)	(8,580,734)	(9,587,069)	(8,559,746)	(8,594,461)	(6,787,137)	(6,787,137)