

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: March 26, 2003
TO: Division of Economic Regulation (Bohrman)
FROM: Division of Auditing and Safety (Parrish) *JCP*
RE: **Docket No.** 030001-EI (formerly 020001-EI); **Company Name:** Progress Energy Florida, Inc. (formerly Florida Power Corporation); **Audit Purpose:** Audit base year costs for security and hedging costs to be allowed in Fuel Cost Recovery Clause; **Audit Control No.** 02-340-2-2

Attached is a copy of page 4 of the final audit report forwarded to you on March 21, 2003, for the utility stated above. Page 4 was inadvertently excluded from the report. A copy of page 4 will be sent to all the persons who received the audit report.

JCP/s
Attachment

cc: Division of Auditing and Safety (Hoppe, Vandiver, 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.
Progress Energy Florida, Inc. (formerly Florida Power Corporation)
106 East College Avenue, Suite 800
Tallahassee, FL 32301-7740

DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK

Disclosure No. 2

Subject: Security Costs

Statement of Fact: The Nuclear Regulatory Commission (NRC) issued Order No. EA-02-026, dated February 25, 2002, requiring electric utilities to implement certain security measures as a result of the September 11, 2001 attacks.

Progress Energy Florida (formerly Florida Power Corporation) recorded \$9,114,435 for security expenses on its books and records during 2001.

Audit Opinion: A review of the 2001 security expenses revealed that liability claims and administration costs were recorded as security costs in error. Progress Energy Florida staff agreed and determined that the security costs should have been \$8,192,926. The 2001 security expenses originally provided to the auditor were overstated by \$921,509.

The utility's base rates were established in its rate case by Order No. PSC-02-0655-AS-EI, issued May 14, 2002, and were based in part on budgeted security costs of \$7,074,068 for 2001. Since the actual expenditures are greater than budgeted, the \$8,192,926 should be used for the base year.

Schedule of Base Year Costs

	<u>Actual 2001</u>	<u>Budget 2001</u>
Generation	\$ 6,750,175	
Transmission	6,150	
Distribution	1,255	
Other	<u>1,435,346</u>	<u> </u>
Total	<u>\$ 8,192,926</u>	<u>\$ 7,074,068</u>