

CONFIDENTIAL

050001-EI

DOCKET NO. 030001-EI: Fuel and purchased power cost recovery clause and generating performance incentive factor.

WITNESS: Direct Testimony Of Joseph W. Rohrbacher,
Appearing On Behalf Of Staff

DATE FILED: October 9, 2003

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DIRECT TESTIMONY OF JOSEPH W. ROHRBACHER

1 |
2 | Q. Please state your name and business address.

3 | A. My name is Joseph W. Rohrbacher and my business address is 4950 West
4 | Kennedy Blvd., Suite 310, Tampa, Florida, 33609.

5 | Q. By whom are you presently employed and in what capacity?

6 | A. I am employed by the Florida Public Service Commission as a Regulatory
7 | Analyst Supervisor in the Division of Auditing and Safety.

8 | Q. How long have you been employed by the Commission?

9 | A. I have been employed by the Florida Public Service Commission since
10 | January 1992.

11 | Q. Briefly review your educational and professional background.

12 | A. In 1967, I received a B.B.A. Degree in Accounting from Pace University.
13 | I also received an M.B.A. from Long Island University in 1972. I worked for
14 | approximately 14 years in various controller positions for two companies in
15 | New York before joining the Commission staff. I was hired by the Commission
16 | in 1992 as a Regulatory Analyst I.

17 | Q. Please describe your current responsibilities.

18 | A. Currently, I am a Regulatory Analyst Supervisor with the
19 | responsibilities of administering the Tampa District office, reviewing work
20 | load, and allocating resources to complete field work and issue audit reports
21 | when due. I also supervise, plan, and conduct utility audits of manual and
22 | automated accounting systems for historical and forecasted financial
23 | statements and exhibits.

24 | Q. What is the purpose of your testimony today?

25 | A. The purpose of my testimony is to sponsor three staff audit reports:

1 ● Progress Energy Florida, Inc.: Base Year costs for security and hedging;
2 Docket Number 030001-EI; Audit Control Number 02-340-2-2. A copy of the audit
3 report is filed with my testimony and is identified as JWR-1.

4 ● Progress Energy Florida, Inc.: Fuel Adjustment Clause; Docket Number
5 030001-EI; Audit Control Number 03-034-2-2. This audit report is filed with
6 my testimony and is identified as JWR-2.

7 ● Progress Energy Florida, Inc.: Capacity Cost Recovery Clause; Docket No.
8 030001-EI; Audit Control No. 03-036-2-2. This audit report is filed with my
9 testimony and is identified as JWR-3.

10 Q. Let's begin by discussing the first audit report, the Progress Energy
11 Florida, Inc. (PEF) Base year audit. Did you prepare or cause to be prepared
12 under your supervision, direction, and control this audit report?

13 A. Yes, I was the audit manager in charge of this audit.

14 Q. Could you discuss the work performed in this audit?

15 A. Yes. For hedging, the utility stated it did not incur hedging costs
16 until 2003. For security, the audit staff and I obtained security costs by
17 function for the years 2000, 2001, and 2002. We determined the base year
18 costs on calendar year 2001 and also on years ending September 30, 2001 and
19 2002 for comparative purposes. We also traced a randomly selected sample of
20 security charges to the supporting documentation.

21 Q. Could you summarize your findings in this audit?

22 A. Yes. Disclosure No. 1 restates the fact that the utility did not incur
23 hedging costs during 2002.

24 Disclosure 2 discusses Security Costs. Our review of the 2001 security
25 expenses revealed that liability claims and administration costs were recorded

1 | as security costs in error. PEF staff agreed and determined that the security
2 | costs should have been \$8,192,926. The 2001 security expenses originally
3 | provided to the auditor were overstated by \$921,509. The utility's base rates
4 | were established in its rate case by Order No. PSC-02-0655-AS-EI7 issued May
5 | 14,2002, and were based in part on budgeted security costs of \$7,074,068 for
6 | 2001. Since the actual expenditures are greater than budgeted, the \$8,192,926
7 | should be used for the base year.

8 | Q. Now, in regard to the second audit report regarding the PEF Fuel audit,
9 | did you prepare this audit report?

10 | A. Yes, I was involved in the preparation of this audit report.

11 | Q. Could you discuss the work performed in this audit?

12 | A. Yes, we compiled the Fuel Adjustment Clause (FAC) revenue and agreed it
13 | to the filing. We recomputed FAC revenues using rate factors and KWH sales.
14 | We also reconciled the revenue recap report to the general ledger, on a test
15 | basis. We compiled fuel and purchased power costs and tested the purchases
16 | of coal, heavy oil, light oil, and natural gas by tracing to the general
17 | ledger and journal entries. For the interexchange purchases and sales, we
18 | scheduled the monthly activity and judgementally selected three months of
19 | payments for further analysis. We traced payment activity to the source
20 | documentation. Additionally, we analyzed the "short cut" method of
21 | determining the equity and revenue requirement of Progress Energy Fuels
22 | (formerly Electric Fuels Corporation) and investigated the benchmark price and
23 | its annual escalation for the waterborne transportation costs of coal. We
24 | also verified that heat rates for the Generation Performance Incentive Factor
25 | (GPIF) determination were also used on Schedule A-5 and traced GPIF heat

1 rates, service hours, reserve shutdown hours, and unavailable hours to the
2 July and year-to-date Micro-GADS (Generating Availability Data System) reports
3 published by the utility. We also verified that semi-annual adjustments to
4 the coal inventory were performed according to Commission order.

5 Q. Could you summarize your findings in this audit?

6 A. Yes. Disclosure No. 1 discusses the fuel cost of supplemental sales.
7 The 2002 fuel filing, Schedule A-1, Line 17 indicates Fuel Cost of
8 Supplemental Sales was \$68,144,269. We found two formula errors in the
9 computation which will reduce the total. I recommend that the recoverable
10 jurisdictional fuel dollars be increased for 2002 by \$2,198,475.

11 Disclosure No. 2 discusses the waterborne coal transportation costs.
12 Commission Order No. PSC-92-1231-FOF-EI, authorized a base year waterborne
13 transportation cost of \$23.00, effective January 1, 1993. This per-ton price
14 was to be escalated each year on a weighted average of the change in five
15 economic indexes published by the US Bureau of Labor Statistics (BLS). The
16 utility stated that the BLS adjusts each quarterly index three times
17 (preliminary, advanced and final). On the BLS website and in other computer
18 databases, each set of numbers is overwritten. We analyzed and verified the
19 periodic increases in the cost per gallon of the waterway user tax but were
20 not able to determine the accuracy of the original per ton equivalent used in
21 the base year cost effective at January 1, 1993. We verified that all
22 subsequent increases were accurately computed. We were not able to verify the
23 current benchmark price using the preliminary index amounts. However, the
24 current amount is less than what it would be if final index numbers were used.

25 Q. Now, in regard to the third audit report regarding the PEF Capacity Cost

1 | audit. did you prepare this audit report?

2 | A. Yes, I was involved in the preparation of this audit report.

3 | Q. Could you discuss the work performed in this audit?

4 | A. Yes, we compiled Capacity Cost Recovery (CCR) revenue and agreed it to
5 | the filing. We also recomputed CCR revenues using rate factors and KWH sales
6 | and we reconciled the "revenue recap" report to the general ledger on a test
7 | basis. We also analyzed capacity costs based on prior years charges and
8 | verified variances. We compiled capacity costs and agreed these to billing
9 | statements and performed audit test work to verify that Qualifying Facilities
10 | were paid according to contract for electric power supplied to the utility.
11 | We also verified that security costs recovered in the capacity clause are
12 | incremental to the security costs included in base rates.

13 | Q. Could you summarize your findings in this audit?

14 | A. Yes. There is only one disclosure in this report. It discusses
15 | Security Costs. PEF recorded \$9,114,435 for security expenses on its books
16 | and records for 2001. In my previous discussion of the base year costs, I
17 | indicated that the amount should be \$8,192,926. The utility incurred
18 | \$14,118,094 of security expenses in 2002, an increase of \$5,925,168 over the
19 | base year amount. The Utility is only seeking to recover \$4,831,124 in its
20 | 2002 Capacity Cost Recovery filing. I believe that the 2002 incremental
21 | security expenses of \$4,831,124 were a result of the utility's compliance with
22 | NRC Order No. EA-02-026 and are properly recovered through the Capacity Cost
23 | Recovery Clause.

24 | Q. Does this conclude your testimony?

25 | A. Yes, it does.

DOCKET NO. 030001-EI: Fuel and purchased power cost recovery clause and generating performance incentive factor.

WITNESS: Direct Testimony Of Joseph W. Rohrbacher,
Appearing On Behalf Of Staff

EXHIBIT: JWR-1 - Audit of Base Year Costs For Security and Hedging



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

**PROGRESS ENERGY FLORIDA
(FORMALLY FLORIDA POWER CORPORATION)**

**BASE YEAR SECURITY AND HEDGING COST AUDIT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001**

DOCKET NO. 030001-EI

AUDIT CONTROL NO. 02-340-2-2


Joseph W. Rohrbacher, Audit Manager

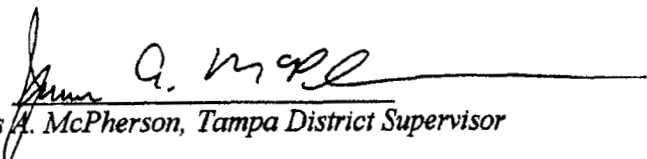

James A. McPherson, Tampa District Supervisor

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

March 17, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the base year security and hedging costs to be used in the fuel and capacity cost recovery clause proceedings for the historical twelve month period ended December 31, 2001 for Progress Energy Florida (formerly Florida Power Corporation). There is no confidential information associated with this audit.

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 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.

HEDGING: The utility stated it did not incur hedging costs until 2003. Therefore, no further audit work was performed to determine base year costs.

SECURITY: Obtained security costs by function for the years 2000, 2001 and 2002. Determined base year costs on calendar year 2001 and also on year ending September 30, 2001 and 2002 for comparative purposes. Tested a randomly selected sample of security charges to supporting documentation.

DISCLOSURES

Disclosure No. 1

Subject: Hedging Costs

Statement of Fact: Commission Order No. PSC - 02 -1484 -FOF -EI recognized the importance of managing price volatility in the fuel and purchased power that each investor-owned electric utility purchases to provide electric service to its customers.

The settlement further allowed that each investor-owned electric utility shall be authorized to recover through the fuel and purchased power cost recovery clause its non-speculative, prudently-incurred gains and losses and incremental operating and maintenance expenses associated with financial and/or physical hedging programs.

In response to Staff's Second Set of Interrogatories, Number 36, the utility responded it would not incur hedging costs until 2003.

Auditor Opinion: Since the utility stated it did not incur hedging costs during 2002, we did not perform any audit work on hedging costs.

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>

DOCKET NO. 030001-EI: Fuel and purchased power cost recovery clause and generating performance incentive factor.

WITNESS: Direct Testimony Of Joseph W. Rohrbacher,
Appearing On Behalf Of Staff

EXHIBIT: JWR-2 - 2002 Fuel Cost Recovery Clause Audit



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

PROGRESS ENERGY FLORIDA


(FORMERLY FLORIDA POWER CORPORATION)

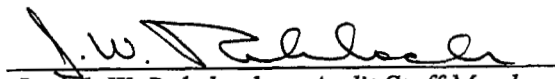
FUEL ADJUSTMENT CLAUSE AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

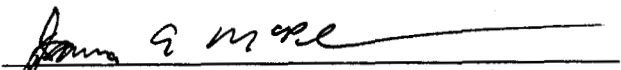
DOCKET NO. 030001-EI

AUDIT CONTROL NO. 03-034-2-2


Thomas E. Stambaugh, Audit Manager


Joseph W. Rohrbacher, Audit Staff Member


Tomer Kopelovich, Audit Staff Member


James A. McPherson, Tampa District Supervisor

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

Docket No. 030001-EI
Exhibit JWR-2 (Page 3 of 8)
Fuel Adjustment Audit Report

APRIL 16, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Fuel Adjustment Clause True-up schedules for the historical twelve month period ended December 31, 2002 for Progress Energy Florida (formerly Florida Power Corporation). These schedules were prepared by the Utility as part of its petition for cost recovery in Docket 020001-EI. This audit does include confidential information. There are no audit staff minority opinions. The audit exit conference was held on Wednesday, April 16, 2003.

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 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. Accounts were scanned for error or inconsistency.

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

REVENUE: Compiled Fuel Adjustment Clause (FAC) revenue and agreed to the filing. Recomputed FAC revenues using approved FPSC rate factors and company-provided KWH sales. Reconciled Utility "revenue recap" report to the general ledger on a test basis.

EXPENSES: Compiled fuel and purchased power costs. Tested the purchases of coal, heavy oil, light oil and natural gas by tracing to the general ledger and journal entries.

TRUE-UP: Recomputed FAC true-up and interest using FPSC approved amounts and interest rates.

INTEREXCHANGE PURCHASES AND SALES: Scheduled monthly activity of interexchange schedules (Sch. A-6, A-7, A-8, A-9). Judgementally selected three months of Schedule A-8, Payments to Qualifying Facilities, for further analysis. Activity of selected months was traced to source documentation.

OTHER: Analyzed the "short cut" method of determining the equity and revenue requirement of Progress Energy Fuels (formerly Electric Fuels Corp). Investigated the benchmark price and its annual escalation for the waterborne transportation costs of coal. Verified that heat rates for Generation Performance Incentive Factor (GPIF) determination were also used on the FAC A-5. Traced GPIF heat rates, service hours, reserve shutdown hours, and unavailable hours to the July and year-to-date Micro-GADS (Generating Availability Data System) reports published by the Utility. Verified that semi-annual adjustments to the coal inventory were performed according to FPSC Order PSC-97-0359-FOF-EI.

DISCLOSURE NO. 1

SUBJECT: FUEL COST OF SUPPLEMENTAL SALES

STATEMENT OF FACT:

In the 2002 Fuel Adjustment Clause filing, the Utility's FAC A-1, line 17, stated its Fuel Cost of Supplemental Sales was \$68,144,269.

AUDIT OPINION:

The Fuel Cost of Supplemental Sales was found to have two formula errors in its computation which led to reductions in the total of Fuel Cost of Supplemental Sales.

On a "system" basis, the two amounts were \$2,202,031 and \$13,039, for a total of \$2,215,070. The effect of these differences changes the Fuel Cost of Supplemental Sales from \$68,144,269 to \$65,929,198 on the FAC A-1, line 17.

The Fuel Cost of Supplemental Sales is a reduction in recoverable fuel dollars. The customers to whom the supplemental sales are delivered pay a portion of the recoverable cost of fuel. Therefore, a reduction in this category increases the amount recoverable from other customers.

Jurisdictionally, the total recoverable amount increases by \$2,198,475, including \$29,276 of interest.

AUDIT CONCLUSION: Increase the recoverable jurisdictional fuel dollars for 2002 by \$2,198,475.

DISCLOSURE NO. 2

SUBJECT: WATERBORNE COAL TRANSPORTATION COSTS

STATEMENT OF FACT:

In FPSC order PSC-93-1331-FOF-EI, the Utility was authorized to use a base year waterborne transportation cost of \$23.00, effective January 1, 1993. This per-ton price was to be escalated each year on a weighted average of the change in five economic indexes published by the US Bureau of Labor Statistics (BLS). We were told by the utility that the BLS adjusts each quarterly index three times (preliminary, advanced and final). On the BLS website and in other computer databases, each set of numbers is overwritten by the following set of numbers. According to the Utility, the FPSC Staff, Florida Industrial Power Users Group and the Office of Public Counsel had agreed to use the preliminary numbers.

AUDIT OPINION: A Utility representative stated that the change in indexes and the subsequent change in the per-ton transportation price is agreed each year between the Utility and FPSC Staff. Since the preliminary index amounts are no longer available, we were not able to independently verify the accuracy of the annual changes.

We did recalculate te 1993 through 2002 benchmark prices using the same preliminary data that the Utility used and determined that the Utility's mathematical calculations were correct.

We also recalculated the annual changes to the benchmark price using the published final index numbers and compared the ending benchmark price to the price the Utility used for 2002. The only exception was 2002, for which only preliminary index numbers were available at the time. The effect of using final instead of preliminary index numbers for 1993 through 2002 yielded a higher benchmark price than the Utility's price. This difference multiplied by the tons of waterborne coal received by Progress Energy Fuels in 2002 yields an underpayment difference of \$5,591,708.

The periodic increases in the cost per gallon of the waterway user tax was analyzed and verified using published information. We were not able to determine the accuracy of the original per ton equivalent used in the base year cost effective at January 1, 1993. All subsequent increases were determined to be accurately computed.

AUDIT CONCLUSION: We were not able to verify the current benchmark price using the preliminary index amounts. However, the current amount is less than what it would be if final index numbers were used.

FUEL AND PURCHASED POWER
COST RECOVERY CLAUSE CALCULATION
TWELVE MONTH PERIOD ENDING - DECEMBER, 2002

	\$				MWH				CENTS/KWH			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
1 FUEL COST OF SYSTEM NET GENERATION (SCH A3)	855,890,122	848,829,151	7,060,971	0.8	34,481,078	32,645,940	1,835,138	5.6	2.4822	2.6001	(0.1179)	(4.5)
2 SPENT NUCLEAR FUEL DISPOSAL COST	6,342,975	6,164,382	178,593	2.9	6,700,267	6,592,923	107,344	1.6	0.0947	0.0935	0.0012	1.3
3 COAL CAR INVESTMENT	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
3b NUCLEAR DECOMMISSIONING AND DECONTAMINATION	1,729,044	0	1,729,044	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4 ADJUSTMENTS TO FUEL COST - MISCELLANEOUS	(30,574,817)	10,962,000	(41,536,817)	(378.9)	(1,412,706)	0	(1,412,706)	0.0	2.1643	0.0000	2.1643	0.0
4a ADJUSTMENTS TO FUEL COST - DISPOSAL COST REFUND	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
5 TOTAL COST OF GENERATED POWER	833,387,324	865,955,533	(32,568,209)	(3.8)	33,068,372	32,645,940	422,432	1.3	2.5202	2.6526	(0.1324)	(5.0)
6 ENERGY COST OF PURCHASED POWER - FIRM (SCH A7)	57,767,866	59,300,216	(1,532,350)	(2.6)	3,202,373	3,319,365	(116,992)	(3.5)	1.8039	1.7865	0.0174	1.0
7 ENERGY COST OF SCH C,X ECONOMY PURCHASES - BROKER (SCH A9)	1,707,361	0	1,707,361	0.0	31,657	0	31,657	0.0	5.3933	0.0000	5.3933	0.0
8 ENERGY COST OF ECONOMY PURCHASES - NON-BROKER (SCH A9)	38,488,012	20,107,161	18,380,851	91.4	742,865	678,000	64,865	9.6	5.1810	2.9657	2.2153	74.7
9 ENERGY COST OF SCH E PURCHASES (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
10 CAPACITY COST OF ECONOMY PURCHASES (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
11 PAYMENTS TO QUALIFYING FACILITIES (SCH A8)	159,374,840	158,644,508	730,332	0.5	6,476,107	6,510,148	(34,041)	(0.5)	2.4610	2.4369	0.0241	1.0
12 TOTAL COST OF PURCHASED POWER	257,338,079	238,051,885	19,286,194	8.1	10,453,002	10,507,513	(54,511)	(0.5)	2.4619	2.2655	0.1964	8.7
13 TOTAL AVAILABLE MWH					43,521,374	43,153,453	367,921	0.9				
14 FUEL COST OF ECONOMY SALES (BROKER) (SCH A6)	(165,155)	0	(165,155)	0.0	(9,798)	0	(9,798)	0.0	1.6856	0.0000	1.6856	0.0
14a GAIN ON ECONOMY SALES (BROKER) - 80% (SCH A6)	0	0	0	0.0	(9,798)	0	(9,798)	0.0	0.0000	0.0000	0.0000	0.0
15 FUEL COST OF OTHER POWER SALES (SCH A6)	(25,472,095)	(34,059,150)	8,587,055	(25.2)	(996,742)	(1,035,000)	38,258	(3.7)	2.5555	3.2907	(0.7352)	(22.3)
15a GAIN ON OTHER POWER SALES - 100% (SCH A6)	(5,628,586)	(4,765,728)	(862,858)	18.1	(996,742)	(1,035,000)	38,258	(3.7)	0.5647	0.4605	0.1042	22.6
16 FUEL COST OF SEMINOLE BACK-UP SALES (SCH A6)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
17 FUEL COST OF SUPPLEMENTAL SALES	(68,144,269)	(71,009,729)	2,865,460	(4.0)	(2,279,110)	(1,800,987)	(478,123)	26.6	2.9900	3.9428	(0.9528)	(24.2)
18 TOTAL FUEL COST AND GAINS ON POWER SALES	(99,410,105)	(109,834,607)	10,424,502	(9.5)	(3,285,650)	(2,835,987)	(449,663)	15.9	3.0256	3.8729	(0.8473)	(21.9)
19 NET INADVERTENT AND WHEELED INTERCHANGE					23,660	0	23,660					
20 TOTAL FUEL AND NET POWER TRANSACTIONS	991,315,297	994,172,811	(2,857,514)	(0.3)	40,259,384	40,317,466	(58,082)	(0.1)	2.4623	2.4659	(0.0036)	(0.2)
21 NET UNBILLED	114,497	(2,650,036)	2,764,533	(104.3)	(4,650)	140,165	(144,815)	(103.3)	0.0003	(0.0069)	0.0072	(104.4)
22 COMPANY USE	2,866,770	3,509,127	(642,357)	(18.3)	(116,427)	(144,000)	27,573	(19.2)	0.0076	0.0092	(0.0016)	(17.4)
23 T & D LOSSES	59,416,087	53,867,853	5,548,234	10.3	(2,413,032)	(2,183,046)	(229,986)	10.5	0.1575	0.1413	0.0162	11.5
24 ADJUSTED SYSTEM KWH SALES (SCH A2 PG 1 OF 4)	991,315,297	994,172,811	(2,857,514)	(0.3)	37,725,275	38,130,585	(405,310)	(1.1)	2.6277	2.6073	0.0204	0.8
25 WHOLESALE KWH SALES (EXCLUDING SUPPLEMENTAL SALES)	(23,360,110)	(26,252,740)	2,892,630	(11.0)	(893,156)	(1,014,477)	121,321	(12.0)	2.6155	2.5878	0.0277	1.1
26 JURISDICTIONAL KWH SALES	967,955,187	967,920,071	35,116	0.0	36,832,119	37,116,108	(283,989)	(0.8)	2.6280	2.6078	0.0202	0.8
27 JURISDICTIONAL KWH SALES ADJUSTED FOR LINE LOSS - 1.00235	970,220,678	972,856,464	(2,635,786)	(0.3)	36,832,119	37,116,108	(283,989)	(0.8)	2.6342	2.6211	0.0131	0.5
28 PRIOR PERIOD TRUE-UP	(1,500,794)	23,640,300	(25,141,094)	(106.4)	36,832,119	37,116,108	(283,989)	(0.8)	(0.0041)	0.0637	(0.0678)	(106.4)
28a MARKET PRICE TRUE-UP	0	0	0	0.0	36,832,119	37,116,108	(283,989)	(0.8)	0.0000	0.0000	0.0000	0.0
28b RECOVERY OF PRIOR PERIOD NUCLEAR REPLACEMENT COST	0	0	0	0.0	36,832,119	37,116,108	(283,989)	(0.8)	0.0000	0.0000	0.0000	0.0
29 TOTAL JURISDICTIONAL FUEL COST	968,719,884	996,496,764	(27,776,880)	(2.8)	36,832,119	37,116,108	(283,989)	(0.8)	2.6301	2.6848	(0.0547)	(2.0)
30 REVENUE TAX FACTOR									1.00072	1.00072	0.0000	0.0
31 FUEL COST ADJUSTED FOR TAXES									2.6320	2.6867	(0.0547)	(2.0)
32 GPIF	266,918	266,919			36,832,119	37,116,108			0.0007	0.0007	0.0000	100.0
33 TOTAL FUEL COST FACTOR ROUNDED TO THE NEAREST .001 CENTS/KWH									2.633	2.687	(0.055)	(2.0)

CALCULATION OF TRUE-UP AND INTEREST PROVISION
 FLORIDA POWER CORPORATION
 DECEMBER 2002

SCHEDULE A2
 PAGE 3 OF 4

	CURRENT MONTH				PERIOD TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT
D . TRUE UP CALCULATION								
1. JURISDICTIONAL FUEL REVENUE (LINE B1c)	\$70,100,479.98	\$76,448,251	(\$6,347,771)	(8.3)	\$937,157,783.56	\$996,762,732	(\$59,604,948)	(6.0)
2. ADJUSTMENTS: PRIOR PERIOD ADJ	0.00	0	0	0.0	0.00	0	0	0.0
2a. TRUE UP PROVISION	23,171,068.79	(1,970,025)	25,141,094	(1,276.2)	1,500,793.79	(23,640,300)	25,141,094	(106.4)
2b. INCENTIVE PROVISION	(22,242.17)	(22,246)	4	(0.0)	(266,917.92)	(266,919)	1	0.0
2c. OTHER: MARKET PRICE TRUE UP	0.00	0	0	0.0	0.00	0	0	0.0
3. TOTAL JURISDICTIONAL FUEL REVENUE	93,249,306.60	74,455,980	18,793,327	25.2	938,391,659.43	972,855,513	(34,463,854)	(3.5)
4. ADJ TOTAL FUEL & NET PWR TRNS (LINE A7)	72,700,785.14	77,797,548	(5,096,763)	(6.6)	991,315,297.44	994,172,811	(2,857,514)	(0.3)
5. JURISDICTIONAL SALES % OF TOT SALES (LINE C4)	98.07	97.57	0.50	0.5				
6. JURISDICTIONAL FUEL & NET POWER TRANSACTIONS (LINE D4 * LINE D5 * .235% *LINE LOSSES")	71,465,209.49	76,293,882	(4,828,673)	(6.3)	970,220,678.11	972,856,464	(2,635,786)	(0.3)
7. TRUE UP PROVISION FOR THE MONTH OVER/(UNDER) COLLECTION (LINE D3 - D6)	21,784,097.11	(1,837,902)	23,621,999	0.0	(31,829,018.68)	(951)	(31,828,068)	0.0
8. INTEREST PROVISION FOR THE MONTH (LINE E10)	(33,435.49)				143,306.29			
9. TRUE UP & INT PROVISION BEG OF MONTH/PERIOD	(30,265,305.18)				1,500,793.82			
10. TRUE UP COLLECTED (REFUNDED)	(23,171,068.79)				(1,500,793.79)	23,640,300	(25,141,094)	0.0
11. END OF PERIOD TOTAL NET TRUE UP (LINES D7 + D8 + D9 + D10)	(31,685,712.35)				(31,685,712.54)			
12. OTHER:				0.19				
13. END OF PERIOD TOTAL NET TRUE UP (LINES D11 + D12)	(31,685,712.35)				(31,685,712.54)			

Docket No. 030001-EI
 Exhibit JWR-2 (Page 8 of 8)
 Fuel Adjustment Audit Report

DOCKET NO. 030001-EI: Fuel and purchased power cost recovery clause and generating performance incentive factor.

WITNESS: Direct Testimony Of Joseph W. Rohrbacher,
Appearing On Behalf Of Staff

EXHIBIT: JWR-3 - 2002 Capacity Cost Recovery Clause Audit



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

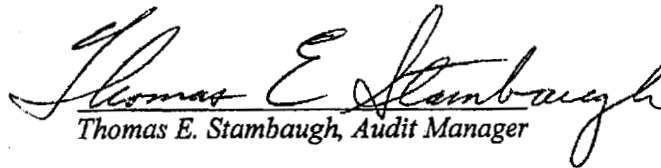
**PROGRESS ENERGY FLORIDA
(FORMERLY FLORIDA POWER CORPORATION)**

CAPACITY COST RECOVERY AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

DOCKET NO. 030001-EI

AUDIT CONTROL NO. 03-036-2-2'


Thomas E. Stambaugh, Audit Manager


Joseph W. Rohrbacher, Audit Staff

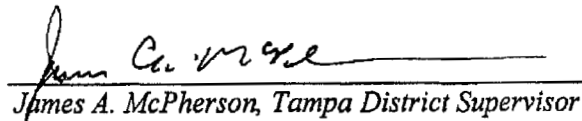

James A. McPherson, Tampa District Supervisor

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

March 5, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Capacity Cost Recovery Clause True-up schedules for the historical twelve month period ended December 31, 2002 for Progress Energy Florida, formerly Florida Power Corporation (FPC). These schedules were prepared by the Utility as part of its petition for cost recovery in Docket 030001-EI. 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 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.

REVENUE: Compiled CCR revenue and agreed to the filing. Recomputed CCR revenues using approved FPSC rate factors and company-provided KWH sales. Reconciled Utility "revenue recap" report to the general ledger on a test basis.

EXPENSES: Performed analysis of capacity costs based on prior years charges and verified variances. Compiled capacity costs. Agreed capacity costs to FPC billing statements. Performed audit test work of capacity cost payments to verify that Qualifying Facilities were paid according to contract for electric power supplied to the utility. Reconciled capacity charges to the General Ledger.

TRUE-UP: Recomputed CCRC true-up and interest using FPSC approved amounts and interest rates.

OTHER: Verified that security costs recovered in the capacity clause are incremental to the security costs included in base rates.

Disclosure No. 1

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 for 2001. In our audit of the 2001 base year costs, we determined this amount was overstated by \$921,509 and should be \$8,192,926. The utility incurred \$14,118,094 of security expenses in 2002, an increase of \$5,925,168 over the base year amount. The Utility is seeking to recover only \$4,831,124 in its 2002 Capacity Cost Recovery filing.

Audit Opinion: The 2002 incremental security expenses of \$4,831,124 were a result of the utility's compliance with NRC Order No. EA-02-026 and are properly recovered through the Capacity Cost Recovery Clause.

FLORIDA POWER CORPORATION
CAPACITY COST RECOVERY CLAUSE
TRUE-UP CALCULATION

FOR THE PERIOD JANUARY 2002 THROUGH DECEMBER 2002

Florida Power Corporation
Docket #030001-EI
Witness Scardino

Exhibit No. (IS-2)
Sheet 2 of 3

Description	2002												(g) 12 Months Cumulative		
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER			
Base Production Level Capacity Charges:															
1 Auburndale Power Partners, L.P. (AUBRD/LAS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	50
2 Auburndale Power Partners, L.P. (AUBRD/LFC)	384,230	419,050	419,050	419,050	419,050	419,050	419,050	419,050	419,050	419,050	419,050	419,050	419,050	419,050	\$5,003,780
3 Auburndale Power Partners, L.P. (AUBSET)	1,807,788	2,089,880	2,089,880	2,089,880	2,089,880	2,089,880	2,089,880	2,089,880	2,089,880	2,089,880	2,089,880	2,089,880	2,089,880	2,089,880	\$24,974,275
4 Bay County (BAYC/OLINT)	184,700	206,910	206,910	206,910	206,910	206,910	206,910	206,910	206,910	206,910	206,910	206,910	206,910	206,910	\$2,470,710
5 Cargill Fertilizer, Inc. (CARG/LLF)	412,050	432,750	432,750	432,750	432,750	432,750	432,750	432,750	432,750	432,750	432,750	432,750	432,750	432,750	\$5,172,300
6 Central Power & Lime (FLAC/RUSH)	18,000	18,000	18,740	18,000	18,480	0	0	0	0	0	0	0	0	0	\$86,220
7 Citrus World	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
8 Jefferson Power L.C. (JEFF/POWER)	0	0	0	0	0	0	0	130,000	65,340	55,835	58,878	58,878	58,878	58,878	\$374,941
9 Lake County (LAK/COUNT)	368,823	382,825	382,825	382,825	382,825	382,825	382,825	382,825	382,825	382,825	382,825	382,825	382,825	382,825	\$4,632,128
10 Lake County Limited (LAK/COGL)	2,099,277	2,311,590	2,311,590	2,311,590	2,311,590	2,311,590	2,311,590	2,311,590	2,311,590	2,311,590	2,311,590	2,311,590	2,311,590	2,311,590	\$28,000,204
11 Metro-Dele County (METRO/DADE)	757,267	811,410	795,837	757,267	835,122	765,648	758,263	744,178	740,381	753,340	742,240	778,917	778,917	778,917	\$9,240,192
12 Metro-Dele County (METRO/DAS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
13 Orange County (ORAN/COGL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
14 Orange County (ORAN/COGL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
15 Orange County (ORAN/COGL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
16 Orange County Limited (ORAN/COGL)	1,785,040	1,873,899	1,873,899	1,873,899	1,873,899	1,873,899	1,873,899	1,873,899	1,873,899	1,873,899	1,873,899	1,873,899	1,873,899	1,873,899	\$22,397,933
17 Orlando County Limited (ORLAN/COGL)	1,584,857	1,666,182	1,666,182	1,666,182	1,666,182	1,666,182	1,666,182	1,666,182	1,666,182	1,666,182	1,666,182	1,666,182	1,666,182	1,666,182	\$19,886,257
18 Osasco County Limited (OSASC/COGL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
19 Pasco County Limited (PASCO/COGL)	2,778,800	2,907,448	2,907,448	2,907,448	2,907,448	2,907,448	2,907,448	2,907,448	2,907,448	2,907,448	2,907,448	2,907,448	2,907,448	2,907,448	\$34,761,727
20 Pasco County Resource Recovery (PAS/COUNT)	606,540	708,860	708,860	708,860	708,860	708,860	708,860	708,860	708,860	708,860	708,860	708,860	708,860	708,860	\$8,484,000
21 PCS Phosphate (OCS/WFCFR)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
22 PCS Phosphate (OCS/WHSPRS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
23 Perpetual Energy (PER/PETUAL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
24 Pinellas County Resource Recovery (PIN/COUNT)	1,598,555	1,687,395	1,687,395	1,687,395	1,687,395	1,687,395	1,687,395	1,687,395	1,687,395	1,687,395	1,687,395	1,687,395	1,687,395	1,687,395	\$20,148,000
25 Polk Power Partners, L.P. (POL/LBERY)	2,238,020	2,328,911	2,328,911	2,328,911	2,328,911	2,328,911	2,328,911	2,328,911	2,328,911	2,328,911	2,328,911	2,328,911	2,328,911	2,328,911	\$28,150,337
26 Polk Power Partners, L.P. (ROY/STER)	824,504	868,837	868,837	868,837	868,837	868,837	868,837	868,837	868,837	868,837	868,837	868,837	868,837	868,837	\$9,774,763
27 St. Joe Forest Products (ST JOE/FOF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
28 Tiger Bay Limited Partnership (ECO/PEAT)	1,160,133	1,160,133	1,160,133	1,160,133	1,160,133	1,160,133	1,160,133	1,160,133	1,160,133	1,160,133	1,160,133	1,160,133	1,160,133	1,160,133	\$13,921,598
29 Tiger Bay Limited Partnership (GEN/PEAT)	4,229,940	4,229,940	4,229,940	4,229,940	4,229,940	4,229,940	4,229,940	4,229,940	4,229,940	4,229,940	4,229,940	4,229,940	4,229,940	4,229,940	\$50,758,280
30 Tiger Bay Limited Partnership (TIM/BEFD)	147,900	147,900	147,900	147,900	147,900	147,900	147,900	147,900	147,900	147,900	147,900	147,900	147,900	147,900	\$1,774,800
31 Timber Energy Resources, Inc. (TIMBER)	380,780	380,780	380,780	380,780	380,780	380,780	380,780	380,780	380,780	380,780	380,780	380,780	380,780	380,780	\$4,569,360
32 U.S. Agri-Chemicals (AGRI/CHEM)	38,208	40,960	41,828	41,828	41,828	41,828	41,828	41,828	41,828	41,828	41,828	41,828	41,828	41,828	\$496,480
33 Wheelabrator Ridge Energy, Inc. (RIDG/GEN)	784,290	784,290	784,290	784,290	784,290	784,290	784,290	784,290	784,290	784,290	784,290	784,290	784,290	784,290	\$9,411,480
34 Tiger Bay (Eco-Peel lease credit)	(88,887)	(88,887)	(88,887)	(88,887)	(88,887)	(88,887)	(88,887)	(88,887)	(88,887)	(88,887)	(88,887)	(88,887)	(88,887)	(88,887)	\$(10,666,444)
35 UPS Purchase (400 total mt)	2,008,338	3,805,481	3,737,087	3,839,883	3,848,022	3,785,324	3,839,784	4,034,804	3,711,595	3,803,443	3,829,368	3,827,857	3,827,857	3,827,857	\$43,668,544
36 Incremental Security Costs (5000001 & 5240001)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
37 Subtotal - Base Level Capacity Charges	28,383,443	29,180,227	28,994,411	28,709,974	28,446,783	28,458,158	27,354,707	28,509,740	28,128,084	28,161,803	28,149,522	28,163,195	28,163,195	28,163,195	\$344,252,855
38 Base Production Jurisdictional Responsibility	88.857%	85.957%	85.957%	85.957%	85.957%	85.957%	85.957%	85.957%	85.957%	85.957%	85.957%	85.957%	85.957%	85.957%	105.080%
39 Base Level Jurisdictional Capacity Charges	25,318,791	28,010,068	27,842,185	27,543,473	27,295,700	27,307,563	26,834,418	27,357,091	26,990,865	27,013,494	27,011,497	27,011,497	27,011,497	27,011,497	\$330,334,712
Intermediate Production Level Capacity Charges:															
40 TECO Power Purchase (80 mw)	565,567	595,567	595,567	565,567	565,567	565,567	565,567	565,567	565,567	565,567	565,567	565,567	565,567	565,567	\$6,788,804
41 Schedule H Capacity Sales	(3,608)	(8,877)	(3,506)	(3,590)	(3,590)	(3,477)	(3,590)	(3,477)	(3,590)	(3,477)	(3,477)	(3,590)	(3,590)	(3,590)	\$(45,484)
42 FP&L - Fleady Ck	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
43 Subtotal - Intermediate Level Capacity Charges	562,059	595,990	592,091	562,091	562,091	562,091	562,091	562,091	562,091	562,091	562,091	562,091	562,091	562,091	\$6,743,320
44 Intermediate Production Jurisdictional Responsibility	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	86.574%	93.986%
45 Intermediate Level Jurisdictional Capacity Charges	485,597	483,853	486,597	486,597	486,597	486,597	486,597	486,597	486,597	486,597	486,597	486,597	486,597	486,597	\$5,830,230
46 Peaking Production Level Capacity Charges	55,822	55,822	0	0	0	0	0	142,768	0	0	0	0	0	0	\$68,897
47 Sebring Base Rate Credits	(114,781)	(281,889)	(321,982)	(338,309)	(338,309)	(338,309)	(338,309)	(338,309)	(338,309)	(338,309)	(338,309)	(338,309)	(338,309)	(338,309)	\$(1,386,961)
48 Adjustments - 2001 FPSC AUDIT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
49 Retail Wheeling	(155,543)	(43,257)	(148,242)	(88,253)	(55,861)	(16,079)	(14,285)	(8,982)	(124,915)	(41,839)	(377,702)	(357,882)	(357,882)	(357,882)	\$(1,400,035)
50 Jurisdictional Capacity Charges	25,288,875	26,212,688	27,840,658	27,583,313	27,749,349	27,779,138	27,296,637	27,377,400	27,382,574	27,458,119	27,120,358	27,120,358	27,120,358	27,120,358	\$334,370,551
51 Capacity Cost Recovery Revenue (net of tax)	27,852,583	22,780,328	33,440,888	34,054,018	30,742,150	29,019,255	32,054,181	32,267,237	33,381,531	30,823,903	29,000,210	25,261,805	25,261,805	25,261,805	\$41,058,242
52 Capacity Cost Revenue Adjustment (Net of Tax)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
53 Prior Period True-Up Provision	(309,344)	(309,344)	(309,344)	(309,344)	(309,344)	(309,344)	(309,344)	(309,344)	(309,344)	(309,344)	(309,344)	(309,344)	(309,344)	(309,344)	\$(3,693,628)
54 Current Period Capacity Cost Recovery Revenue (net of tax) (sum of lines 48 through 53)	27,543,239	22,470,984	33,131,544	33,744,674	30,432,806	28,709,911	31,744,837	31,957,893	33,072,187	30,514,559	28,690,866	25,184,939	25,184,939	25,184,939	\$40,364,614
55 True-Up Provision - Over/(Under) Recovery (line 49 - line 54)	2,254,284	(5,781,708)	(4,708,039)	(3,848,638)	2,886,463	930,773	4,446,180	3,880,850	5,719,813	3,056,440	1,570,809	(14,338,511)	(14,338,511)	(14,338,511)	\$(4,211,965)
56 Interest Provision for the Month	(15,112)	(17,176)	(24,589)	(30,510)	(30,748)	(27,680)	(22,895)	(16,242)	(9,011)	(1,348)	1,348	(1,280)	(1,280)	(1,280)	\$(196,173)
57 Current Cycle Balance (line 50 + line 51) Cumulative	2,239,151	(2,838,739)	(8,273,371)	(12,152,520)	(8,498,805)	(8,583,112)	(4,168,527)	(204,178)	5,506,426	6,560,689	10,132,653	(4,408,138)	(4,408,138)	(4,408,138)	\$0
58 True-Up & Interest Provision (beginning)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	(11,489,856)	\$0
59 Prior Period True-Up Collected (Rounded) Cumulative	308,344	818,689	928,033	1,237,377	1,546,722	1,856,066	2,165,410	2,474,754	2,784,099	3,093,443	3,402,787	3,712,131	4,021,475	4,330,820	\$0
60 Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	\$0
61 End of Period Net True-Up (lines 50 through 55) Over / (Under)	\$(8,951,181)	\$(14,420,701)	\$(16,844,994)	\$(22,414,799)	\$(19,448,740)	\$(18,237,302)	\$(13,502,773)	\$(9,229,078)	\$(3,209,132)	\$154,468	\$2,035,784	\$(4,408,138)	\$(4,408,138)	\$(4,408,138)	\$0

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Capacity Cost Audit Report