

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: April 11, 2005
TO: Todd Bohrmann, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.** 050001-EI ; **Company Name:** Progress Energy Florida ; **Audit Purpose:** Fuel Adjustment Clause ; **Audit Control No.** 05-028-2-2

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 Regulatory Compliance and Consumer Assistance (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

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DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

PROGRESS ENERGY FLORIDA

FUEL ADJUSTMENT CLAUSE AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

DOCKET NO. 050001-EI

AUDIT CONTROL NO. 05-028-2-2

A handwritten signature in black ink, appearing to read "Tom Stambaugh".

Tom Stambaugh, Staff Auditor

A handwritten signature in black ink, appearing to read "Tomer Kopelovich".

Tomer Kopelovich, Audit Manager

A handwritten signature in black ink, appearing to read "Joseph W. Rohrbacher".

Joseph W. Rohrbacher, Tampa District Supervisor

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING
AUDITOR'S REPORT**

MARCH 28, 2004

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 schedules for the historical twelve month period ended December 31, 2004 for Progress Energy Florida. These schedules were prepared by the Utility as part of its petition for cost recovery in Docket 050001-EI. This audit does not include confidential information.

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 two months of Schedule A-6, A7, A8, & A9, Payments to Qualifying Facilities, for further analysis. Activity of selected months was traced to source documentation.

OTHER: Verified that semi-annual adjustments to the coal inventory were performed according to FPSC Order PSC-97-0359-FOF-EI. Verified that PEF did not receive rebates and refunds. Reconciled service hours, reserve shutdown hours, and unavailable hours for GPIF to source documents. Verified that PEF has credited generation related gains to the fuel clause as set forth in Order No. PSC-00-1744-PAA-EI. Verified that amounts PEF has recovered for services provided by Progress Fuels for waterborne coal transportation is limited to those amounts set forth in Order No. PSC-04-0713-AS-EI. Reconciled heat rate as shown on the monthly schedule A4 for GPIF units with annual GPIF filings and source documents. Verified that accounting treatment for futures, options, and swaps contracts between Progress Energy Florida and one or more counterparties are consistent with Order No. PSC-02-1484-FOF-EI. Verified that gains(losses) for each financial hedging instrument that Progress Energy Florida implemented is consistent with Order No. PSC-02-1484-FOF-EI. Verified that the average delivered price for synthetic coal was less than the average delivered price for non-synthetic coal for 2004. Reconciled revenues from sales of natural gas to general ledger.

PROGRESS ENERGY,
A
FUEL AND PURCHASED POWER
COST RECOVERY CLAUSE CALCULATION
YEAR TO DATE - DECEMBER 2004

\$

MWH

CENTS/KWH

	ACTUAL	ESTIMATED	DIFFERENCE	%	ACTUAL	ESTIMATED	DIFFERENCE	%	ACTUAL	ESTIMATED	DIFFERENCE	%
	AMOUNT	AMOUNT	AMOUNT		AMOUNT	AMOUNT	AMOUNT		AMOUNT	AMOUNT	AMOUNT	
FUEL COST OF SYSTEM NET GENERATION (SCH A3)	1,120,546,004	1,002,316,024	126,229,980	12.6	36,622,299	36,127,393	494,906	1.4	3,0816	2,7744	0,3072	11.1
SPENT NUCLEAR FUEL DISPOSAL COST	6,291,458	6,222,543	68,915	1.1	6,703,023	6,655,126	47,897	0.7	0,0939	0,0935	0,0004	0.4
COAL CAR INVESTMENT	0	0	0	0.0	0	0	0	0.0	0,0000	0,0000	0,0000	0.0
NUCLEAR DECOMMISSIONING AND DECONTAMINATION	1,705,287	0	1,705,287	0.0	0	0	0	0.0	0,0000	0,0000	0,0000	0.0
ADJUSTMENTS TO FUEL COST - MISCELLANEOUS	39,094,792	44,457,547	(6,362,755)	(14.3)	0	0	0	0.0	0,0000	0,0000	0,0000	0.0
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
TOTAL COST OF GENERATED POWER	1,174,697,542	1,052,996,114	121,701,427	11.6	36,622,299	36,127,393	494,906	1.4	3,2076	2,9147	0,2929	10.1
ENERGY COST OF PURCHASED POWER - FIRM (SCH A7)	70,755,693	57,264,214	13,490,679	23.6	3,767,579	3,255,878	511,701	15.7	1,8780	1,7588	0,1192	6.8
ENERGY COST OF SCH C X ECONOMY PURCH - BROKER (SCH A9)	11,000	0	11,000	0.0	200	0	200	0.0	5,5000	0,0000	5,5000	0.0
ENERGY COST OF ECONOMY PURCH - NON-BROKER (SCH A9)	66,254,103	23,227,445	43,026,738	165.2	982,217	614,002	368,215	60.0	6,7454	3,7830	2,9624	78.3
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
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
PAYMENTS TO QUALIFYING FACILITIES (SCH A8)	129,566,701	129,110,247	(456,454)	(0.4)	4,694,821	5,367,739	(682,918)	(12.7)	2,7443	2,4053	0,3390	14.1
TOTAL COST OF PURCHASED POWER	265,596,976	209,601,906	55,995,070	26.7	9,434,917	9,237,619	197,198	2.1	2,9150	2,2990	0,6160	24.1
TOTAL AVAILABLE MWH					46,057,116	45,365,012	692,104	1.5				
FUEL COST OF ECONOMY SALES (SCH A6)	(761)	0	(761)	0.0	(24)	0	(24)	0.0	3,1719	0,0000	3,1719	0.0
GAIN ON ECONOMY SALES - 100% (SCH A6)	(308)	0	(308)	0.0	(24)	0	(24)	0.0	1,2853	0,0000	1,2853	0.0
FUEL COST OF OTHER POWER SALES (SCH A6)	(27,859,306)	(30,411,259)	10,551,953	(27.5)	(799,732)	(1,144,002)	344,270	(30.1)	3,4836	3,3576	0,1260	3.8
GAIN ON OTHER POWER SALES - 100% (SCH A6)	(5,330,344)	(4,584,880)	(745,464)	16.3	(799,732)	(1,144,002)	344,270	(30.1)	0,6655	0,4008	0,2657	66.3
GAIN ON TOTAL POWER SALES - 20% (SCH A6)	0	0	0	0.0	0	0	0	0.0	0,0000	0,0000	0,0000	0.0
FUEL COST OF SEMI-NOLE BACK-UP SALES (SCH A6)	0	0	0	0.0	0	0	0	0.0	0,0000	0,0000	0,0000	0.0
FUEL COST OF STRATIFIED SALES	(86,501,540)	(59,979,005)	(26,522,535)	44.2	(2,718,693)	(1,596,144)	(1,122,549)	70.3	3,1817	3,7577	(0,5760)	(15.3)
TOTAL FUEL COST AND GAINS ON POWER SALES	(119,692,260)	(102,975,144)	(16,717,116)	16.2	(3,510,449)	(2,740,146)	(770,303)	28.4	3,4018	3,7580	(0,3562)	(9.5)
NET INADVERTENT AND WHEELED INTERCHANGE					10,258	0	10,258					
TOTAL FUEL AND NET POWER TRANSACTIONS	1,320,592,258	1,159,622,876	160,969,382	13.9	42,548,925	42,624,866	(75,941)	(0.2)	3,1037	2,7205	0,3832	14.1
NET UNBILLED COMPANY USE	8,003,488	(799,196)	8,802,684	(1,101.4)	(257,869)	51,365	(309,234)	(602.0)	0,0201	(0,0020)	0,0221	(1,105.0)
T & D LOSSES	3,688,003	3,896,979	(208,976)	(5.4)	(118,826)	(144,000)	25,174	(17.5)	0,0082	0,0097	(0,0005)	(5.2)
ADJUSTED SYSTEM KWH SALES (SCH A2 PG 1 OF 2)	71,281,083	65,938,732	5,322,351	8.1	(2,296,002)	(2,424,450)	128,448	(5.3)	0,1787	0,1644	0,0143	8.7
WHOLESALE KWH SALES (EXCLUDING STRATIFIED SALES)	1,320,592,258	1,159,622,876	160,969,382	13.9	39,876,228	40,107,781	(231,553)	(0.6)	3,3117	2,8913	0,4204	14.5
JURISDICTIONAL KWH SALES	(60,391,281)	(33,957,989)	(26,433,292)	77.8	(1,663,123)	(1,177,317)	(505,806)	43.0	3,5880	2,9844	0,7036	24.4
JURISDICTIONAL KWH SALES ADJUSTED FOR LINE LOSS - 1,00097	1,260,200,977	1,125,664,887	134,536,090	12.0	39,193,105	39,930,464	(737,359)	(1.9)	3,2296	2,8915	0,4181	14.1
PRIOR PERIOD TRUE-UP	1,264,929,987	1,129,942,414	134,987,574	12.0	39,193,105	39,930,464	(737,359)	(1.9)	3,3119	2,9025	0,4094	14.1
MARKET PRICE TRUE UP	211,227,363	210,426,260	801,103	0.4	39,193,105	39,930,464	(737,359)	(1.9)	0,5531	0,5406	0,0126	2.3
RECOVERY OF PRIOR PERIOD NUCLEAR REPLACEMENT COST	0	0	0	0.0	39,193,105	39,930,464	(737,359)	(1.9)	0,0000	0,0000	0,0000	0.0
TOTAL JURISDICTIONAL FUEL COST	1,476,157,350	1,340,368,674	135,788,677	10.1	39,193,105	39,930,464	(737,359)	(1.9)	3,8650	3,4430	0,4220	12.3
REVENUE TAX FACTOR									1,00072	1,00072	0,0000	0.0
FUEL COST ADJUSTED FOR TAXES	2,781,223	2,781,223			39,193,105	39,930,464			3,8878	3,4455	0,4423	12.3
GPIF									0,0073	0,0071	0,0002	97.3
TOTAL FUEL COST FACTOR ROUNDED TO THE NEAREST .001 CENTS/KWH									3,875	3,453	0,423	12.2

PROGRESS ENERGY FLORIDA
CALCULATION OF TRUE-UP AND INTEREST PROVISION
DECEMBER 2004

	CURRENT MONTH				YEAR TO DATE			
	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT	ACTUAL	ESTIMATED	DIFFERENCE	PERCENT
TRUE UP CALCULATION								
1. JURISDICTIONAL FUEL REVENUE	✓\$100,189,929	\$102,847,164	(\$2,657,235)	(2.6)	\$1,311,093,483	\$1,343,146,167	(\$32,052,684)	(2.4)
2. ADJUSTMENTS: PRIOR PERIOD ADJ	0	0	0	0.0	0	0	0	0.0
2a. TRUE UP PROVISION	(18,336,625)	(17,535,518)	(801,107)	4.6	(211,227,363)	(210,426,260)	(801,103)	0.4
2b. INCENTIVE PROVISION	(231,769)	(231,764)	(5)	0.0	(2,781,223)	(2,781,223)	0	0.0
2c. OTHER: MARKET PRICE TRUE UP	0	0	0	0.0	0	0	0	0.0
3. TOTAL JURISDICTIONAL FUEL REVENUE	81,621,536	85,079,882	(3,458,347)	(4.1)	1,097,084,897	1,129,938,684	(32,853,787)	(2.9)
4. ADJ TOTAL FUEL & NET PWR TRNS (LINE A7)	99,391,234	83,262,305	16,128,930	19.4	1,320,592,258	1,159,622,876	160,969,382	13.9
5. JURISDICTIONAL SALES % OF TOT SALES (LINE B4)	95.32	97.10	(1.78)	(1.8)	95.78	97.06	(1.28)	(1.3)
6. JURISDICTIONAL FUEL & NET POWER TRANSACTIONS (LINE C4 * LINE C5 * 1.00097 LOSS MULTIPLIER)	94,831,622	81,151,250	13,680,372	16.9	1,264,929,987	1,129,942,414	134,987,574	12.0
7. TRUE UP PROVISION FOR THE MONTH OVER/(UNDER) COLLECTION (LINE C3 - C6)	(13,210,086)	3,928,632	(17,138,719)	(436.3)	(167,845,090)	(3,729)	(167,841,361)	4,500,725.5
8. INTEREST PROVISION FOR THE MONTH (LINE D10)	(328,018)	(10,516)	(317,502)	3,019.2	(2,560,456)	(1,227,173)	(1,333,283)	108.7
9. TRUE UP & INT PROVISION BEG OF MONTH/PERIOD	(175,204,391)	(22,684,536)	(152,519,855)	672.4	(211,227,688)	(210,426,260)	(801,428)	0.4
10. TRUE UP COLLECTED (REFUNDED)	18,336,625	17,535,518	801,107	4.6	211,227,363	210,426,260	801,103	0.4
1. END OF PERIOD TOTAL NET TRUE UP (LINES C7 + C8 + C9 + C10)	(170,405,871)	(1,230,902)	(169,174,969)	13,744.0	(170,405,871)	(1,230,902)	(169,174,969)	13,744.0
2. OTHER:								
13. END OF PERIOD TOTAL NET TRUE UP (LINES C11 + C12)	(\$170,405,871)	(1,230,902)	(169,174,969)	13,744.0	(\$170,405,871)	(1,230,902)	(169,174,969)	13,744.0

INTEREST PROVISION

BEGINNING TRUE UP (LINE C9)	(\$175,204,391)	N/A					
ENDING TRUE UP (LINES C7 + C9 + C10 + C12)	(170,077,853)	N/A					
TOTAL OF BEGINNING & ENDING TRUE UP	(345,282,244)	N/A	--			NOT	
AVERAGE TRUE UP (50% OF LINE D3)	(172,641,122)	N/A	--				
INTEREST RATE - FIRST DAY OF REPORTING MONTH	2.220	N/A	--				
INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	2.340	N/A	--				
TOTAL (LINE D5 + LINE D6)	4.560	N/A	--			APPLICABLE	
AVERAGE INTEREST RATE (50% OF LINE D7)	2.280	N/A	--				
MONTHLY AVERAGE INTEREST RATE (LINE D8/12)	0.190	N/A	--				
0. INTEREST PROVISION (LINE D4 * LINE D9)	(\$328,018)	N/A					