

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 12, 2005
TO: Jim Breman, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DN*
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.:** 050007-EI; **Company Name:** Progress Energy Florida, Inc.;
Audit Purpose: Environmental Cost Recovery Clause Audit for period from
January 1, 2004 - December 31, 2004 ; **Audit Control No.:** 05-033-2-2

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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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

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

TAMPA DISTRICT OFFICE

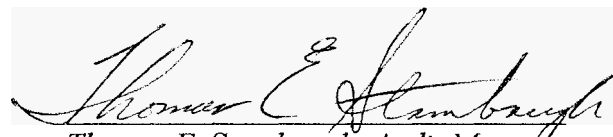
PROGRESS ENERGY FLORIDA

ENVIRONMENTAL COST RECOVERY AUDIT

FOR THE TWELVE MONTHS ENDED DECEMBER 31 2004

DOCKET NO. 050007-EI

AUDIT CONTROL NO. 05-033-2-2


Thomas E. Stambaugh, Audit Manager



Joseph W. Rohrbacher, Tampa District Supervisor

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DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

AUDITOR'S REPORT

May 6, 2005

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Environmental Cost Recovery Clause (ECRC) True-up schedules for the historical twelve month period ended December 31, 2004 for Progress Energy Florida (PEF). These schedules were prepared by the Utility as part of its petition for cost recovery in Docket 050007-EI. No confidential information is 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.

REVENUE: Compiled Environmental Cost Recovery (ECR) revenue and agreed to the filing. Recomputed ECR revenues using approved Florida Public Service Commission (FPSC) rate factors and company provided KWH sales. Reconciled Utility "revenue recap" report to the general ledger on a test basis. Tested customer bills on a spot-check basis to verify that approved rates were in use during 2004. Verified that the use of an incorrect recovery factor in the previous audit had been corrected in July, 2004.

EXPENSES: Performed analysis of environmental costs based on prior years and current year charges. Compiled environmental costs. Agreed environmental costs to vendor invoices submitted to Progress Energy Florida (PEF).

TRUE-UP: Recomputed Environmental Cost Recovery Clause true-up and interest using FPSC approved amounts and interest rates.

OTHER: Performed analytical review.

PROGRESS ENERGY FLORIDA
Environmental Cost Recovery Clause (ECRC)

Calculation of the Final True-Up Amount
January 2004 to December 2004

End-of-Period True-Up Amount
(In Dollars)

Line	Description	Actual	January 04	February 04	March 04	April 04	May 04	June 04	July 04	August 04	September 04	October 04	November 04	December 04	Actual	End of Period
1	ECRC Revenue (net of Revenue Taxes)	\$1,658,785	\$1,449,855	\$1,478,087	\$1,408,342	\$1,582,598	\$1,596,438	\$2,154,472	\$1,988,482	\$1,958,787	\$1,844,009	\$1,824,645	\$1,651,219	\$20,774,788	\$20,774,788	
2	True-Up Provision	(810,536)	(805,148)	(805,148)	(805,148)	(805,148)	(805,148)	(805,148)	(805,148)	(805,148)	(805,148)	(805,148)	(805,148)	(805,148)	(805,148)	(10,867,185)
3	ECRC Revenues Applicable to Period (Lines 1 + 2)	748,249	644,707	672,939	603,194	777,450	791,290	1,349,324	1,183,334	1,153,639	1,038,861	1,019,500	846,071	11,907,640	11,907,640	
4	Additional ECRC Costs	493,310	556,730	816,183	817,307	666,480	806,617	608,815	277,755	682,057	5,032,105	3,607,148	3,607,148	7,770,254	21,843,282	
	a. O & M Activities (Form 42-6A, Line 8)	493,310	556,730	816,183	817,307	666,480	806,617	608,815	277,755	682,057	5,032,105	3,607,148	3,607,148	7,770,254	21,843,282	
	b. Capital Investment Projects (Form 42-7A, Line 8)	4,491	8,945	35,297	5,801	1,767	1,078	90	89,912	147,246	166,713	140,637	140,637	7,810,891	815,472	
	c. Total Additional ECRC Costs	497,801	565,675	851,480	823,108	668,240	807,694	608,905	277,845	682,204	5,198,817	3,747,786	3,747,786	7,818,145	22,558,754	
5	Over/Under Recovery (Line 3 - Line 4c)	250,448	(20,898)	(378,541)	(148,809)	6,127	283,004	738,331	785,458	292,880	(4,240,480)	(3,054,364)	(3,054,364)	(7,184,821)	(12,851,843)	
6	Interest Provision (Form 42-3A, Line 10)	(8,122)	(8,889)	(8,250)	(5,889)	(5,297)	(5,059)	(4,730)	(3,047)	(1,316)	(2,114)	(8,225)	(17,037)	(75,058)	(12,851,843)	
7	Beginning Balance True-Up & Interest Provision a. Deferred True-Up from January 2003 to December 2003 (Order No. PSC-03-1348-FOF-E1)	(10,867,185)	(9,714,303)	(8,837,012)	(8,186,855)	(7,585,986)	(6,660,007)	(5,478,818)	(4,178,848)	(2,488,288)	(1,282,774)	(4,631,230)	(6,788,871)	(10,867,185)	(10,867,185)	
8	True-Up Collected/Refunded (see Line 2)	810,536	805,148	805,148	805,148	805,148	805,148	805,148	805,148	805,148	805,148	805,148	805,148	805,148	805,148	10,867,185
9	End of Period Total True-Up (Lines 5+8+7+7a+8)	(8,762,888)	(7,885,575)	(7,585,575)	(7,585,218)	(6,814,548)	(6,708,870)	(4,826,481)	(2,886,731)	(1,537,851)	(341,337)	(3,878,783)	(5,837,234)	(12,113,843)	(11,775,284)	
10	Adjustments to Period Total True-Up Including Interest (a)	0	0	0	0	0	0	0	(338,878)	0	0	0	0	0	(338,878)	
11	End of Period Total True-Up (Lines 9 + 10)	(\$8,762,888)	(\$7,885,575)	(\$7,585,575)	(\$7,585,218)	(\$6,814,548)	(\$6,708,870)	(\$4,826,481)	(\$3,225,411)	(\$1,537,851)	(\$341,337)	(\$3,878,783)	(\$5,837,234)	(\$12,113,843)	(\$12,113,843)	

(b)
(c) Adjustment - 2003 PSC Audit - Docket #0007-EI, Audit Control No. 04-444-2-