

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: June 19, 2006
TO: Lee R. Colson, Utilities System/Engineering Specialist, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: **Docket No:** 060002-EG; **Company Name:** Progress Energy Florida, Inc.
Audit Purpose: Energy Conservation Cost Recovery Clause Audit
Audit Control No: 06-040-2-1

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

DNV:bj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk & Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 E. College Ave., Suite 800
Tallahassee, FL 32301-7740

DOCUMENT NUMBER DATE

05329 JUN 20 06

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

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

TAMPA DISTRICT OFFICE

PROGRESS ENERGY FLORIDA

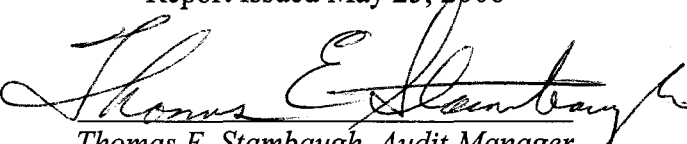
ENERGY CONSERVATION COST RECOVERY CLAUSE AUDIT


HISTORICAL YEAR ENDED DECEMBER 31, 2005

DOCKET NO. 060002-EG

AUDIT CONTROL NO. 06-040-2-1

Report Issued May 25, 2006


Thomas E. Stambaugh, Audit Manager


Tomer Kopelovich, Staff Auditor

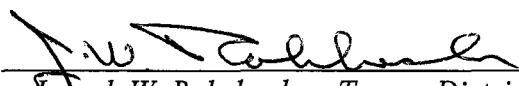

Joseph W. Rohrbacher, Tampa District Supervisor

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DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

AUDITOR'S REPORT

May 25, 2006

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Progress Energy Florida (PEF) in support of its filing for Energy Conservation Cost Recovery in Docket No. 060002-EG.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - To verify that PEF has applied approved Energy Conservation Cost Recovery Clause (ECCR) adjustment factors to energy (kwh) sales during the period January 1, 2005 through December 31, 2005.

Procedures: - We recalculated revenue dollars by month and rate class, using approved FPSC rate factors, and compared these calculations to ECCR revenue amounts to assure that the rates used complied with the Commission Order. We investigated variances by month which equaled or exceeded plus or minus \$46,000. We selected a group of customer bills and recalculated each to verify that FPSC-approved recovery rates were in use in the customer billing system.

EXPENSES

Objective: - To verify the accuracy of information filed by PEF regarding actual energy sales and conservation costs and revenues for the period January 1, 2005 through December 31, 2005 per Commission Rule 25-17.015, F. A.C.

Procedures: - We reconciled the ECCR filing to the general ledger and to the supporting documentation provided by PEF. Performed specific testing as described in other paragraphs.

Objective:- For all conservation programs which exceed the budgeted amount, identify the program and total dollar differences between budgeted and actual expenses.

Procedures: - We identified those programs over budget and requested written explanations of the reasons for these variances. We read the explanations and evaluated their relevance to the affected ECCR programs.

Objective: - Verify that the information provided pursuant to Rule 25-17.0021(5), h, l, and m is accurate for the following programs:

- Residential Home Energy Improvement
- Residential New Construction
- Interruptible Service

Procedures: - We traced all expenses to the Business Objects Report and tested advertising and payroll expenses for these programs.

Objective: - Verify the amounts of Demand Side Management Salaries and Benefits in ECCR.

Procedures: - We tested these amounts back to allocation matrixes and supporting timesheets.

OBJECTIVES AND PROCEDURES: (Continued)

EXPENSES (Continued)

Objective: - To verify that amounts paid for advertising expense are associated with recognizable ECCR programs, were accurately calculated and pertained to 2005.

Procedures: - We tested 72% of advertising expenses from the three largest programs to verify compliance with these standards.

ANALYTICAL REVIEW

Objective: - Perform analytical review to identify any matter which might influence the scope or level of risk of the audit.

Procedures: - We performed analytical review of the 2005 ECCR filing compared to previous years. We requested further explanation of any cost category or program which varied from the overall trend. We evaluated these responses as part of determining the scope and level of risk of the audit.

TRUE-UP

Objective: - To verify that the true-up and interest were properly calculated.

Procedures: - We verified that the beginning true-up equaled the end of the previous year. We recalculated the true-up to verify that the correct commercial interest rates were in use and that each monthly true-up was calculated accurately.

PROGRESS ENERGY FLORIDA
 ENERGY CONSERVATION ADJUSTMENT
 CALCULATION OF TRUE-UP
 FOR THE PERIOD JANUARY 2005 THROUGH DECEMBER 2005

LINE NO.	JAN 05	FEB 05	MAR 05	APR 05	MAY 05	JUN 05	JUL 05	AUG 05	SEP 05	OCT 05	NOV 05	DEC 05	TOTAL FOR THE PERIOD
1A BETTER BUSINESS	0	0	0	0	0	0	0	0	0	0	0	0	0
1B HOME ENERGY IMPROVEMENT	150	0	90	30	0	0	300	210	30	250	0	110	1,170
1C HOME ENERGY CHECK	0	0	0	0	0	0	0	0	0	0	0	0	0
1D SUBTOTAL - FEES	150	0	90	30	0	0	300	210	30	250	0	110	1,170
2 CONSERVATION CLAUSE REVENUES	4,683,791	4,333,609	4,171,573	4,310,099	4,329,855	5,187,468	6,078,304	6,304,917	6,437,018	5,493,315	4,656,514	4,322,686	60,309,149
2A CURRENT PERIOD GRT REFUND	0.00	0	0	0	0	0	0	0	0	0	0	0	0
3 TOTAL REVENUES	4,683,941	4,333,609	4,171,663	4,310,129	4,329,855	5,187,468	6,078,604	6,305,127	6,437,048	5,493,565	4,656,514	4,322,796	60,310,319
4 PRIOR PERIOD TRUE-UP OVER(UNDER)	8,154,738	679,562	679,562	679,562	679,562	679,562	679,562	679,562	679,562	679,562	679,562	679,556	8,154,738
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	5,363,503	5,013,171	4,851,225	4,989,691	5,009,417	5,867,030	6,758,166	6,984,689	7,116,610	6,173,127	5,336,076	5,002,352	68,465,057
6 CONSERVATION EXPENSES (CT-3, PAGE 1, LINE 73)	5,422,578	4,710,444	4,826,083	4,641,099	4,622,029	4,450,709	4,954,062	4,964,796	4,901,984	4,636,600	5,756,496	5,257,545	59,144,425
7 TRUE-UP THIS PERIOD (O)U	59,075	(302,727)	(25,142)	(348,592)	(387,388)	(1,416,321)	(1,804,104)	(2,019,893)	(2,214,626)	(1,536,527)	420,420	255,193	(9,320,632)
8 CURRENT PERIOD INTEREST	(15,701)	(15,543)	(15,257)	(15,038)	(15,023)	(16,370)	(19,971)	(24,763)	(30,551)	(36,152)	(37,800)	(35,565)	(277,734)
9 ADJUSTMENTS PER AUDIT \ RDC Order		0	0	0	0	0	0	0	0	0	0	0	0
10 TRUE-UP & INTEREST PROVISIONS BEGINNING OF PERIOD (O)U	(8,154,738)	(7,431,802)	(7,070,510)	(6,431,347)	(6,115,415)	(5,838,264)	(6,591,393)	(7,735,906)	(9,101,000)	(10,666,615)	(11,559,732)	(10,497,550)	(8,154,738)
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)	679,562	679,562	679,562	679,562	679,562	679,562	679,562	679,562	679,562	679,562	679,562	679,556	8,154,738
12 END OF PERIOD NET TRUE-UP	(7,431,802)	(7,070,510)	(6,431,347)	(6,115,415)	(5,838,264)	(5,591,393)	(7,735,906)	(9,101,000)	(10,666,615)	(11,559,732)	(10,497,550)	(9,598,366)	(9,598,366)