

State of Florida



ORIGINAL

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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**DATE:** May 22, 2007  
**TO:** Peter H. Lester, Economic Analyst, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *DN*  
**RE:** Docket No: 070001-EI; Company Name: Progress Energy Florida;  
Audit Purpose: Capacity Cost Recovery Clause Audit;  
Audit Control No: 07-022-2-4

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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. 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 (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

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

Mr. John T. Burnett  
Progress Energy Svs Co., LLC  
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St. Petersburg, FL 33733-4042

DOCUMENT NUMBER-DATE

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**FLORIDA PUBLIC SERVICE COMMISSION**

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

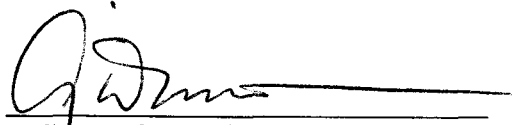
*TAMPA DISTRICT OFFICE*


**PROGRESS ENERGY FLORIDA**

**CAPACITY COST RECOVERY AUDIT**

**HISTORICAL YEAR ENDED DECEMBER 31, 2006**

**DOCKET NO. 070001-EI  
AUDIT CONTROL NO. 07-022-2-4**

  
*Simon O. Ojada, Audit Manager*

  
*Joseph W. Rohrbacher, Tampa District Supervisor*

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

**May 10, 2007**

**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 in support of its filing for Capacity Cost Recovery in Docket No. 070001-EI.

This audit is performed following general standards and field work standards found in the AICPA statements on Standards of 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 Capacity Cost Recovery Clause (CCRC) revenue and KWH sold as filed were completely and properly recorded on the books of the company.

**Procedures:** - We compiled Capacity Cost Recovery (CCR) revenue and agreed to the filing. Recomputed CCR revenues using FPSC approved rate factors and company provided KWH sales. We reconciled the revenue in the filing to the general ledger using the utility "revenue recap" report on a test basis. We selected a group of customer bills for one month and recalculated each to verify that FPSC approved rates were in use in the customer billing system.

### **EXPENSES**

**Objectives:** - To verify that the Capacity Costs agree to the general ledger and are reconcilable to the books and records of the company.

**Procedures:** - We recomputed capacity costs and agreed to the general ledger.

**Objective:** - To verify that transmission revenues derived from non-Energy Broker Network, wholesale energy sales were credited to the clause per Order PSC-99-2512-FOF-EI.

**Procedures:** - We traced transmission revenues derived from non-separated, non-Energy Broker Network, wholesale energy sales from company books to the capacity clause filing.

**Objectives:** - To spot check a power contract to verify that the invoice for capacity purchase amounts are recorded according to the terms and conditions of the contract.

**Procedures:** - We verified the purchase power contract rates and terms between Progress Energy Florida and qualifying facilities to capacity payment calculations for the month of April, 2006.

**Objectives:** - To verify that security costs recovered in the capacity clause are incremental to the security costs included in base rates, consistent with the method approved by Order No. PSC-03-1461-FOF-EI, in Docket No. 030001-EI, issued December 22, 2003.

**Procedures:** - We verified the computation of the components of incremental security costs in accordance with Order No. PSC-03-1461-FOF-EI. We agreed incremental security costs to the general ledger.

**Objectives:** - To verify that the amount of NRC fee paid and the recoverable portion of the incremental NRC fee increase amount are consistent with the percentage approved for recovery through the clause in Order No. PSC-03-1461-FOF-EI, in Docket No. 030001-EI, issued December 22, 2003.

**Procedures:** - We reviewed the 2006 NRC fee invoices and the calculation of the recoverable portion approved for recovery in PSC Order No. PSC-03-1461-FOF-EI. The utility overstated NRC incremental security cost. Audit Finding No. 1 addresses this issue.

#### **TRUE-UP**

**Objectives:** - To determine if the True-up Calculation and interest provision as filed was properly calculated using the FPSC approved interest rates.

**Procedures:** - Recomputed 2006 CCRC true-up and interest using the FPSC approved recoverable true-up amount, interest rates and jurisdictional separation factor.

**AUDIT FINDING NO. 1**

**SUBJECT: INCREMENTAL SECURITY COSTS – NRC FEE**

**AUDIT ANALYSIS:** The Commission authorized Progress Energy Florida (PEF) to recover 62 percent of the NRC fee increase from 2002 to 2003 in Order No. PSC-03-1461-FOF-EI, in Docket No. 030001-EI, issued December 22, 2003.

The utility overstated its incremental NRC fee by \$104,520 in its true-up filings. According to the utility, during 2006, quarterly NRC invoices were received. Of the invoiced amounts, \$100,500 per quarter represents incremental NRC fees related to Homeland Security. At the end of the 3rd quarter, \$301,500 had been posted to the incremental security account. The authorized amount recoverable is \$249,240 ( $\$402,000 \times 62\%$ ); therefore, an adjustment was booked for \$52,260. The entry incorrectly added to the amount put through the capacity clause rather than decreasing the amount. The utility has agreed to make the correction during 2007.

**EFFECT ON THE GENERAL LEDGER IF FINDING IS ACCEPTED:**

5240000 Nuclear Power Expense	\$104,520	
5240001 Recoverable Misc. Power Expense		\$104,520

**EFFECT ON FILING IF FINDING IS ACCEPTED:**

Incremental Security Cost will be reduced by \$104,520.

Progress Energy Florida  
 Capacity Cost Recovery Clause  
 Calculation of Actual True-Up  
 January Through December 2006

	ACTUAL JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APR	ACTUAL MAY	ACTUAL JUN	ACTUAL JUL	ACTUAL AUG	ACTUAL SEP	ACTUAL OCT	ACTUAL NOV	ACTUAL DEC	TOTAL
<b>Base Production Level Capacity Charges:</b>													
1 Auburndale Power Partners, L.P. (AUBRDLE)	535,840	535,840	535,840	535,840	535,840	535,840	535,840	535,840	535,840	535,840	535,840	535,840	6,430,080
2 Auburndale Power Partners, L.P. (AUBRSET)	2,549,254	2,549,254	2,549,254	2,549,254	2,549,254	2,549,254	2,549,254	2,549,254	2,549,254	2,549,254	2,549,254	2,549,254	30,591,061
3 Bay County (BAYCOUNT)	263,780	263,780	263,780	263,780	263,780	263,780	263,780	263,780	263,780	263,780	263,780	263,780	3,165,360
4 Cayuga Fertilizer, Inc. (CAYUGLF)	528,300	528,300	528,300	528,300	528,300	528,300	528,300	528,300	528,300	528,300	528,300	528,300	6,339,600
5 Lake County (LAKCOUNT)	502,478	502,478	502,478	502,478	502,478	502,478	502,478	502,478	502,478	502,478	502,478	502,478	6,029,730
6 Lake County Limited (LAKORDER)	2,664,651	2,664,651	2,664,651	2,664,651	2,664,651	2,664,651	2,664,651	2,664,651	2,664,651	2,664,651	2,664,651	2,664,651	31,975,807
7 Metro-Dade County (METRODADE)	604,154	738,558	749,455	798,056	899,574	908,572	964,602	984,133	1,217,818	980,800	980,800	1,015,118	10,859,750
8 Orange Cogen (ORANGEOCO)	2,276,516	2,276,516	2,276,516	2,276,516	2,276,516	2,276,516	2,276,516	2,276,516	2,276,516	2,276,516	2,276,516	2,276,516	27,318,197
9 Orlando Cogen Limited (ORLACOGEL)	7,220,899	1,963,300	1,963,806	1,912,836	1,895,708	2,032,831	2,032,831	2,032,831	2,107,525	2,032,831	2,032,831	2,032,831	24,348,755
10 Pasco Cogen Limited (PASCOCOGL)	3,166,384	3,166,384	3,166,384	3,166,384	3,166,384	3,166,384	3,166,384	3,166,384	3,166,384	3,166,384	3,166,384	3,166,384	37,998,612
11 Pasco County Resource Recovery (PASCOUNT)	906,430	906,430	906,430	906,430	906,430	906,430	906,430	906,430	906,430	906,430	906,430	906,430	10,877,160
12 Pinellas County Resource Recovery (PINCOUNT)	2,157,698	2,157,698	2,157,698	2,157,698	2,157,698	2,157,698	2,157,698	2,157,698	2,157,698	2,157,698	2,157,698	2,157,698	25,892,370
13 Polk Power Partners, L.P. (POLKPPRFR)	2,775,626	2,775,626	2,775,626	2,775,626	2,775,626	2,775,626	2,775,626	2,775,626	2,775,626	2,775,626	2,775,626	2,775,626	33,307,512
14 Polk Power Partners, L.P. (POLKPPRFR)	1,057,309	1,057,309	1,057,309	1,057,309	1,057,309	1,057,309	1,057,309	1,057,309	1,057,309	1,057,309	1,057,309	1,057,309	12,687,711
15 U.S. Agri Chemicals (AGRICHEM)	(43,838)	0	0	0	0	0	0	0	0	0	0	0	(43,838)
16 Wheelabrator Ridge Energy, Inc. (WDRIDGEEN)	731,406	772,240	763,595	766,949	773,283	791,864	809,587	800,948	835,327	1,066,052	725,113	612,032	9,439,452
17 Cargill Power Marsh	0	0	0	0	0	0	0	0	0	0	0	0	500,000
18 Central Power & Light Capacity Purchase (120 MW)	1,182,713	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	1,357,930	16,119,943
19 UPS Purchase (414 total) - Southern	4,667,122	4,951,688	4,662,176	4,611,375	4,386,328	4,581,817	4,734,663	3,988,157	4,550,057	4,608,017	4,609,659	6,004,790	56,347,347
20 Incremental Security	26,830	30,115	(38,813)	6,029	458,313	43,290	341,573	60,571	23,561	23,561	32,343	648,270	2,182,164
21 Subtotal - Base Level Capacity Charges	28,773,211	29,207,195	28,842,385	28,817,440	28,249,399	29,100,378	29,006,251	28,508,623	29,472,384	29,990,650	29,101,801	31,595,038	352,364,762
22 Base Production Jurisdictional Responsibility	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%
23 Base Level Jurisdictional Capacity Charges	26,975,748	27,352,827	27,040,601	27,035,966	27,422,189	27,282,477	27,156,749	26,812,067	27,631,244	28,117,142	27,311,037	29,583,793	330,352,636
<b>Intermediate Production Level Capacity Charges:</b>													
24 TECO Power Purchase (70 MW)	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	7,917,204
25 Schedule H Capacity Sales	(14,797)	(14,377)	(14,797)	(14,057)	(16,089)	(4,463)	(4,601)	(4,601)	(4,453)	(4,801)	(4,453)	(4,601)	(106,479)
26 Subtotal - Intermediate Level Capacity Charges	644,970	645,390	644,970	645,710	643,678	655,314	655,166	655,166	655,314	655,168	655,314	655,168	7,810,725
27 Intermediate Production Jurisdictional Responsibility	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%
28 Intermediate Level Jurisdictional Capacity Charges	565,853	510,155	509,823	518,934	508,892	518,000	517,882	517,882	518,000	517,882	518,000	517,882	6,174,060
<b>Peak Production Level Capacity Charges:</b>													
29 Chattanooga Capacity Purchase	12,500	11,636	13,364	11,814	12,782	12,834	13,366	20,000	15,135	14,769	14,500	12,500	105,200
30 The Energy Authority Capacity Purchase	0	0	0	0	0	200,000	200,000	200,000	200,000	0	0	418,750	1,218,750
31 Osceola Capacity Purchase	0	0	0	0	0	856,720	606,720	479,325	530,047	606,720	606,720	606,720	4,942,971
32 Peaking Purchases - Summer Peak	0	0	0	0	0	0	27,416	0	0	0	0	0	54,832
33 Peaking Purchases - Winter Peak	0	0	0	0	0	0	0	0	0	0	0	0	862,500
34 Subtotal - Peaking Level Capacity Charges	12,500	11,636	13,364	11,814	12,782	846,970	820,086	726,741	745,181	621,489	621,220	1,000,470	6,344,253
35 Peaking Production Jurisdictional Responsibility	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%
36 Peaking Level Jurisdictional Capacity Charges	11,152	10,354	11,891	10,512	11,373	753,625	729,794	646,644	663,055	552,995	552,756	1,691,019	5,645,053
<b>Other Capacity Charges:</b>													
37 Retail Wires	(12,967)	(60,785)	(60,361)	(26,376)	(45,018)	(11,582)	(16,482)	(4,229)	(3,222)	(23,363)	(47,329)	(24,290)	(345,012)
38 Total Jurisdictional Capacity Charges	27,483,777	27,833,346	27,501,934	27,539,036	27,867,348	28,542,571	28,987,853	27,972,368	28,809,077	29,164,866	28,338,364	31,768,409	341,826,043
39 Capacity Cost Recovery Revenues (net of tax)	26,493,798	24,540,339	23,908,440	24,159,906	21,928,251	32,147,700	32,489,271	37,348,165	34,902,158	29,516,470	26,800,417	26,019,679	345,011,064
40 Prior Period True-Up Provision	(968,039)	(968,039)	(968,039)	(968,039)	(968,039)	(968,039)	(968,039)	(968,039)	(968,039)	(968,039)	(968,039)	(968,039)	(11,018,464)
41 Current Period Revenues (net of tax) (line 39 + 40)	25,525,759	23,572,300	22,940,401	23,191,867	20,960,212	31,179,730	31,521,232	36,380,126	33,934,119	28,548,431	25,832,378	24,851,640	334,292,500
<b>True-Up Provision</b>													
42 True-Up Provision - Over/Under) Revenues (line 41 - 38)	(1,857,968)	(4,261,010)	(4,581,532)	(4,347,168)	(6,937,134)	2,637,209	2,533,379	8,407,758	5,125,043	(556,234)	(2,496,985)	(7,116,764)	(7,531,442)
43 Interest Provision for the Month	(46,595)	(56,100)	(71,315)	(89,057)	(98,359)	(94,299)	(82,238)	(53,895)	(5,489)	(7,957)	(24,806)	(8,181,262)	(8,181,262)
44 Current Cycle Balance - Over/Under) (line 42 + 43)	(2,004,563)	(6,321,709)	(10,954,566)	(15,390,752)	(16,426,294)	(13,883,375)	(11,432,234)	(3,078,371)	2,026,982	1,465,256	(1,039,622)	(8,181,262)	(8,181,262)
45 Plus Prior Period True-Up	(12,197,730)	(12,197,730)	(12,197,730)	(12,197,730)	(12,197,730)	(12,197,730)	(12,197,730)	(12,197,730)	(12,197,730)	(12,197,730)	(12,197,730)	(12,197,730)	(12,197,730)
46 Plus Cumulative True-Up Provision	958,039	1,936,077	2,904,116	3,872,155	4,840,193	5,808,232	6,776,271	7,744,309	8,712,348	9,680,387	10,648,425	11,616,464	11,616,464
47 Net True-Up Over/Under) (lines 44 through 46)	(13,734,263)	(16,583,371)	(20,248,179)	(23,716,376)	(23,783,830)	(20,272,887)	(16,853,703)	(7,531,801)	(1,458,409)	(1,652,103)	(2,589,006)	(8,762,537)	(8,782,537)