

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: December 31, 2007
TO: Bernard M. Windham, Engineering Specialist III, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 070001-EI; Company Name: Progress Energy Florida, Inc.;
Audit Purpose: Reconcile Coal Purchases on Fuel Schedule;
Audit Control No: 07-260-2-1:

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. There are no confidential work papers associated with this audit.

DNV:sbj
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, Inc.
106 E. College Avenue, Suite 800
Tallahassee, FL 32301-7740

John T. Burnett
Progress Energy Svs. Co., LLC
P.O. Box 14042
St. Petersburg, FL 33733-4042

DOCUMENT NUMBER-DATE

11304 DEC 31 5

FPSC-COMMISSION CLERK



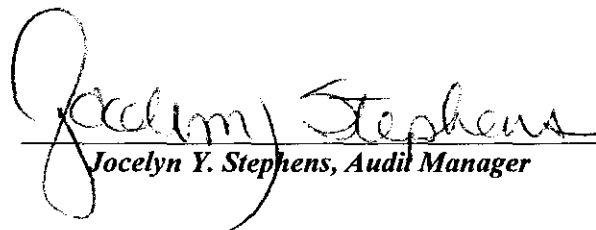
FLORIDA PUBLIC SERVICE COMMISSION
DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tampa District Office

PROGRESS ENERGY FLORIDA, INC
RECONCILIATION OF COAL PURCHASES
ON
FUEL SCHEDULES A-5 AND FORM 423

FOR THE MONTHS OF JANUARY TO AUGUST 2007


DOCKET NO. 070001-EI
AUDIT CONTROL NO. 07-260-2-1



Jocelyn Y. Stephens, Audit Manager



Simon Ojada, Audit Staff



Joseph W. Rohrbacher, District Supervisor

DOCUMENT NO. DATE
11304-07 12/31/07
FPSC - COMMISSION CLERK

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

December 14, 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 dated September 17, 2007. We have applied these procedures to the attached schedules prepared by Progress Energy Florida, Inc. in support of its Fuel Clause filing in Docket No. 070001-EI.

This audit was 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.

DOCUMENT NO. DATE

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OBJECTIVES AND PROCEDURES

Objectives

- 1) Review company policies for recording coal purchases on Schedule A-5 and Form 423.
- 2) Using selected months, test the transactions reflected on the forms and reconcile the differences. Identify the reconciling items.

Procedures

- 1) We obtained copies of Schedule A-5 (Fuel Filing) and Sch 2B (Form 423)-Redacted, for the months January – August 2007.
- 2) We prepared an analysis of dollars and tons charged for coal purchases on Form 423 and on Schedule A-5 for the months January – August 2007 and identified all differences.
- 3) We obtained and read company procedures used in recording coal purchases into inventory
- 4) For the months of January, April and July, we requested that the company reconcile differences.
- 5) We obtained and reviewed the reconciliations for the above months and selected April 2007 for further analysis.
- 6) For the month of April, we requested that the company provide documentation used in support of the reconciling items.
- 8) Except for minor differences, documentation provided by the company supported the reconciliation of coal purchases between Sch A5(Fuel Filing) and Sch 2B (Form 423) for the month of April 2007.
- 7) We also verified that Sch A-5 purchases agreed to those recorded in the G/L

PROGRESS ENERGY FLORIDA, INC.
SYSTEM GENERATION FUEL COST
Schedule A-5

		Actual	Estimated	Difference	Difference (%)
COAL	35 PURCHASES				
	36 Units (TON)	367,172	441,638	-74,466	-16.9%
	37 Unit Cost (\$/TON)	84.47	80.77	3.70	4.6%
	38 Amount (\$)	31,013,963	35,670,792	-4,656,829	-13.1%
	39 BURNED				
	40 Units (TON)	401,100	441,638	-40,538	-9.2%
	41 Unit Cost (\$/TON)	81.34	80.77	0.57	0.7%
	42 Amount (\$)	32,624,318	35,670,790	-3,046,472	-8.5%
	43 ADJUSTMENTS				
	44 Units (TON)	0			
	45 Amount (\$)	-542			
	46 ENDING INVENTORY				
	47 Units (TON)	958,276	768,000	190,276	24.8%
	48 Unit Cost (\$/TON)	81.31	80.77	0.54	0.7%
	49 Amount (\$)	77,913,204	62,030,822	15,882,382	25.6%
	50				
	51 DAYS SUPPLY	71	52	19	36.5%
OTHER	52				
	53				
	54				
	55				
	56				
	57				
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MONTHLY REPORT OF COST AND QUALITY OF COAL FOR ELECTRIC PLANTS
ORIGIN, TONNAGE, DELIVERED PRICE AND AS RECEIVED QUALITY

**SPECIFIED
CONFIDENTIAL**

1. Report for: Mo. 04/2007
2. Reporting Company: Florida Power Corporation
3. Plant Name: Crystal River 1 & 2

4. NAME, TITLE, TELEPHONE NUMBER OF CONTACT PERSON CONCERNING DATA
SUBMITTED ON THIS FORM: Jon Putnam, Business Financial Analyst, (919) 546-6368

5. Signature of Official Submitting Report : Joe Rutledge
Joe Rutledge - Lead Business Financial Analyst

6. DATE COMPLETED: 6/12/2007

Line No.	Supplier Name	Mine Location	Shipping Point	Transportation Mode	Tons	Effective Purchase Price (\$/Ton)	Additional Shorthaul & Loading Charges (\$/Ton)	Rail Rate (\$/Ton)	Other Rail Charges (\$/Ton)	River Barge Rate (\$/Ton)	Trans-loading Rate (\$/Ton)	Ocean Barge Rate (\$/Ton)	Other Water Charges (\$/Ton)	Other Related Charges (\$/Ton)	Transportation Charges (\$/Ton)	F.O.B. Plant Price (\$/Ton)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1	B&W Resources Inc	8, KY, 51	Resource, KY	UR	11,185	██████████	N/A	██████████	██████████	N/A	N/A	N/A	N/A	N/A	██████████	\$77.48
2	CAM Mining LLC - PEF	8, KY, 195	Damron Fork, KY	UR	11,241	██████████	N/A	██████████	██████████	N/A	N/A	N/A	N/A	N/A	██████████	\$83.43
3	Consol Energy Inc	8, KY, 119	Mousie, KY	UR	22,260	██████████	N/A	██████████	██████████	N/A	N/A	N/A	N/A	N/A	██████████	\$81.75
4	Constellation Energy Commodities Group Inc	8, KY, 195	Damron Fork, KY	UR	10,925	██████████	N/A	██████████	██████████	N/A	N/A	N/A	N/A	N/A	██████████	\$83.31
5	Massey Utility Sales Company - PEF	8, KY, 195	Goff, KY	UR	9,712	██████████	N/A	██████████	██████████	N/A	N/A	N/A	N/A	N/A	██████████	\$78.02
6	Transfer Facility	N/A	Plaquemines, Pa	GB	2,922	██████████	N/A	N/A	N/A	N/A	N/A	██████████	N/A	██████████	██████████	\$85.62

MONTHLY REPORT OF COST AND QUALITY OF COAL FOR ELECTRIC PLANTS
ORIGIN, TONNAGE, DELIVERED PRICE AND AS RECEIVED QUALITY

**SPECIFIED
CONFIDENTIAL**

1. Report for: Mo. 04/2007
2. Reporting Company: Florida Power Corporation
3. Plant Name: Crystal River 4 & 5

4. NAME, TITLE, TELEPHONE NUMBER OF CONTACT PERSON CONCERNING DATA
SUBMITTED ON THIS FORM: Jon Putnam, Business Financial Analyst, (919) 546-6368

5. Signature of Official Submitting Report : Joel R. Rudge
Joel Rudge - Lead Business Financial Analyst

6. DATE COMPLETED: 6/12/2007

Line No.	Supplier Name	Mine Location	Shipping Point	Transportation Mode	Tons	Effective Purchase Price (\$/Ton)	Additional Shorthaul & Loading Charges (\$/Ton)	Rail Rate (\$/Ton)	Other Rail Charges (\$/Ton)	River Barge Rate (\$/Ton)	Trans-loading Rate (\$/Ton)	Ocean Barge Rate (\$/Ton)	Other Water Charges (\$/Ton)	Other Related Charges (\$/Ton)	Transportation Charges (\$/Ton)	F.O.B. Plant Price (\$/Ton)
1	Alliance MC Mining - PEF	8, KY, 195	Scotts Branch, KY	UR	96,738	██████████	N/A	██████████	██████████	N/A	N/A	N/A	N/A	N/A	██████████	\$87.76
2	Massey Utility Sales Company - PEF	8, WV, 5	Sylvester, WV	UR	53,178	██████████	N/A	██████████	██████████	N/A	N/A	N/A	N/A	N/A	██████████	\$89.32
3	Transfer Facility	N/A	Gulf Barges	GB	16,534	██████████	N/A	N/A	N/A	N/A	N/A	██████████	██████████	N/A	██████████	\$77.75
4	Transfer Facility	N/A	Plaquemines, Pa	GB	110,344	██████████	N/A	N/A	N/A	N/A	N/A	██████████	██████████	N/A	██████████	\$82.01

EXHIBIT 4

PROGRESS ENERGY FLORIDA

Apr-07

COAL PURCHASES

	<u>TONS</u>	<u>P/P</u>	<u>\$</u>
SCH A-5	367,172		31,013,963
CR 1 & 2	11,185	77.48	
	11,241	83.43	
	22,260	81.75	
	10,925	83.31	
	9,712	78.02	
	2,922	85.62	
	68,245		5,542,279
CR 4 & 5	96,738	87.760	
	53,178	89.320	
	16,534	77.750	
	110,344	82.010	
	276,794		23,574,416
Form 423	345,039		29,116,695
Difference	<u>(22,133)</u>		<u>(1,897,268)</u>

2 more trains received than purchased

Trains purchased in Mar, received in Apr:	(11,030)	(785,076)
	(10,828)	(812,417)
	(10,908)	(832,154)
	(10,803)	(920,423)
	(10,848)	(911,524)
Trains purchased in Apr, received in May:	10,685	914,200
	10,840	915,172
	10,759	908,292
Total:	<u>(22,133)</u>	<u>(1,523,930)</u>

Quality adjustments for periods prior to Apr entered in Apr: (550,992)

Shipment adjustments & charges for periods prior to Apr entered in Apr: (148,246)

Items affecting inventory not reported in 423: (113,618)

Quality adjustments for Apr entered after Apr: 213,419

Shipment adjustments & charges for Apr entered after Apr: 222,824

Total: (1,900,543)

(3,274.86) Difference