

State of Florida



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-M-E-M-O-R-A-N-D-U-M-

DATE: April 14, 2008
TO: Peter H. Lester, Economic Analyst, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 080001-EI; Company Name: Progress Energy Florida;
Audit Purpose: Fuel and Purchased Power Cost Recovery Clause;
Audit Control No: 08-003-2-1; Company Code EI 801:

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

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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

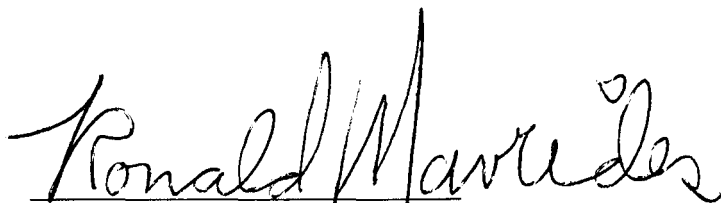
PROGRESS ENERGY FLORIDA

FUEL ADJUSTMENT CLAUSE AUDIT

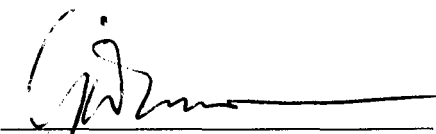
HISTORICAL YEAR ENDED DECEMBER 31, 2007

DOCKET NO. 080001-EI


AUDIT CONTROL NO. 08-003-2-1



Ronald Mavrides, Audit Staff



Simon O Ojada, Audit Manager



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DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE

AUDITOR'S REPORT

March 7, 2008

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 fuel cost recovery, Docket No. 080001-EI.

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: - Verify that Fuel Adjustment Clause (FAC) revenue and KWH sold as filed were completely and properly recorded on the books of Progress Energy Florida (PEF).

Procedures: - We recalculated revenue by month and rate class, and compared these calculations to FAC revenue amounts in the filing to assure that all FAC revenues were recorded. We tested two months of revenues by type in order to match utility revenues by general ledger account. We selected a group of customer bills for one month and recalculated each to verify that FPSC approved recovery rates were in use in the customer billing system.

EXPENSES

Objective:- List those expenses which Progress Energy Florida has recovered through the fuel clause that do not meet the criteria set forth in Order No. 14545, in Docket No. 850001-EI-B, issued July 8, 1985.

Procedures: - We tested recoverable expenses in the various fuel expense work papers. The standards set forth in Order No. 14545 were applied during field work.

Objective: - Verify that Progress Energy Florida has recovered amounts for services for waterborne coal transportation that are limited to those amounts set forth in Order No. PSC-04-0713-AS-EI, in Docket No. 031057-EI, issued July 20, 2004.

Procedures: -We tested the amounts paid for waterborne transportation and recovered through the FAC by testing invoices for coal and tracing the transportation amounts to the contracts.

Objective: - Verify that Progress Energy Florida has credited vendor rebates and refunds to its recoverable fuel costs.

Procedures: - We reviewed Schedule A-2 for refunds and then we traced these refunds from Fuel Stock Details Report to account 1511000 Oil Receipts and from there to the general ledger.

Objective: - Verify that any adjustments to coal inventory due to differences between the "per books" inventory quantities and the semi-annual coal inventory survey quantities have been recorded as set forth in Order No. PSC-97-0359-FOF-EI, in Docket No. 970001-EI, issued March 31, 1997.

Procedures: - We tested the coal inventory adjustments to assure they did not exceed plus or minus three percent of the general ledger balance.

Objective: - Reconcile heat rates, service hours, reserve shutdown hours, and unavailable hours for GPIF units as shown on annual GPIF filings with source documents.

Procedures: - These items were compared on the FAC Schedule A-4 and the GPIF filings for consistency.

Objective: - Verify that Progress Energy Florida has credited generation-related gains derived from non-separated wholesale energy sales to the fuel clause as set for in Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000.

Procedures: -We recalculated generation related gains on the A-6 schedule from PEF documentation and evaluated compliance with Commission Order No. PSC-00-1744-PAA-EI.

Objective: - Verify that energy payments to qualifying facilities are based on the appropriate standard offer or negotiated contract rate.

Procedures: - We traced amounts on the FAC Schedule A-8 to invoices, cogeneration purchase power report and contracts.

Objective: Verify that FTS (firm transportation service) charges for natural gas transportation agree with the appropriate FTS rate schedules from pipeline company tariffs.

Procedure: We traced FTS charges for natural gas transportation for April and August 2007 invoices to FTS rate schedules and found that the correct rates were used.

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 2007 FAC filing compared to previous years. We did not see any need to change the audit scope.

TRUE-UP

Objective: - 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
FUEL AND PURCHASED POWER
COST RECOVERY CLAUSE CALCULATION
YEAR TO DATE - DECEMBER 2007

	\$				MWH				CENTS/KWH			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
1 FUEL COST OF SYSTEM NET GENERATION (SCH A3)	1,683,763,757	1,865,445,051	(181,681,294)	(9.7)	36,875,753	37,313,075	(437,322)	(1.2)	4.5660	4.9994	(0.4334)	(8.7)
2 SPENT NUCLEAR FUEL DISPOSAL COST	5,787,168	5,591,566	195,602	3.5	6,124,417	5,948,474	175,943	3.0	0.0945	0.0940	0.0005	0.5
3 COAL CAR INVESTMENT	808,281	2,781,762	(1,973,481)	(70.9)	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
3a NUCLEAR DECOMMISSIONING AND DECONTAMINATION	60,593	0	60,593	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4 ADJUSTMENTS TO FUEL COST - MISCELLANEOUS	46,329,859	39,912,398	6,417,461	16.1	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4a 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
5 TOTAL COST OF GENERATED POWER	1,736,749,658	1,913,730,776	(176,981,118)	(9.3)	36,875,753	37,313,075	(437,322)	(1.2)	4.7097	5.1288	(0.4191)	(8.2)
6 ENERGY COST OF PURCHASED POWER - FIRM (SCH A7)	260,005,881	261,990,517	(1,984,636)	(0.8)	6,012,716	5,974,305	38,411	0.6	4.3243	4.3853	(0.0610)	(1.4)
7 ENERGY COST OF SCH C,X ECONOMY PURCH - BROKER (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
8 ENERGY COST OF ECONOMY PURCH - NON-BROKER (SCH A9)	59,598,617	56,994,410	2,604,207	4.6	823,930	662,478	161,452	24.4	7.2335	8.6032	(1.3697)	(15.9)
9 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
10 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
11 PAYMENTS TO QUALIFYING FACILITIES (SCH A8)	158,687,814	159,230,743	(542,929)	(0.3)	4,211,701	4,560,548	(348,847)	(7.7)	3.7678	3.4915	0.2763	7.9
12 TOTAL COST OF PURCHASED POWER	478,292,312	478,215,670	76,642	0.0	11,048,347	11,197,331	(148,984)	(1.3)	4.3291	4.2708	0.0583	1.4
13 TOTAL AVAILABLE MWH					47,924,100	48,510,406	(586,306)	(1.2)				
14 FUEL COST OF ECONOMY SALES (SCH A6)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
14a GAIN ON ECONOMY SALES - 100% (SCH A6)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
15 FUEL COST OF OTHER POWER SALES (SCH A6)	(14,742,284)	(19,584,223)	4,841,939	(24.7)	(335,252)	(354,120)	18,868	(5.3)	4.3974	5.5304	(1.1330)	(20.5)
15a GAIN ON OTHER POWER SALES - 100% (SCH A6)	(2,556,198)	(2,176,024)	(380,174)	17.5	(335,252)	(354,120)	18,868	(5.3)	0.7625	0.6145	0.1480	24.1
15b 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
16 FUEL COST OF SEMINOLE BACK-UP SALES (SCH A5)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
17 FUEL COST OF STRATIFIED SALES	(204,934,786)	(164,945,256)	(39,989,530)	24.2	(4,088,151)	(3,008,342)	(1,079,809)	35.9	5.0129	5.4829	(0.4700)	(8.6)
18 TOTAL FUEL COST AND GAINS ON POWER SALES	(222,233,268)	(186,705,503)	(35,527,765)	19.0	(4,423,403)	(3,362,462)	(1,060,941)	31.6	5.0240	5.5526	(0.5286)	(9.5)
19 NET INADVERTENT AND WHEELED INTERCHANGE					42,139	0	42,139					
20 TOTAL FUEL AND NET POWER TRANSACTIONS	1,992,808,703	2,205,240,943	(212,432,240)	(9.6)	43,542,836	45,147,944	(1,605,108)	(3.6)	4.5767	4.8845	(0.3078)	(6.3)
21 NET UNBILLED	4,371,994	4,907,903	(535,909)	(10.9)	(95,528)	(98,086)	2,558	(2.6)	0.0107	0.0116	(0.0009)	(7.8)
22 COMPANY USE	6,828,641	6,969,501	(140,860)	(2.0)	(149,206)	(144,000)	(5,206)	3.6	0.0167	0.0165	0.0002	1.2
23 T & D LOSSES	115,255,672	132,119,048	(16,863,376)	(12.8)	(2,518,334)	(2,703,944)	185,609	(6.9)	0.2826	0.3131	(0.0305)	(9.7)
24 ADJUSTED SYSTEM KWH SALES (SCH A2 PG 1 OF 2)	1,992,808,703	2,205,240,943	(212,432,240)	(9.6)	40,779,768	42,201,914	(1,422,146)	(3.4)	4.8868	5.2255	(0.3387)	(6.5)
25 WHOLESALE KWH SALES (EXCLUDING STRATIFIED SALES)	(73,379,350)	(71,569,089)	(1,810,261)	2.5	(1,498,303)	(1,371,690)	(126,613)	9.2	4.8975	5.2176	(0.3201)	(6.1)
26 JURISDICTIONAL KWH SALES	1,919,429,353	2,133,671,855	(214,242,502)	(10.0)	39,281,465	40,830,224	(1,548,759)	(3.8)	4.8863	5.2257	(0.3394)	(6.5)
27 JURISDICTIONAL KWH SALES ADJUSTED FOR LINE LOSS - 1.00154	1,922,637,656	2,141,822,481	(219,184,825)	(10.2)	39,281,465	40,830,224	(1,548,759)	(3.8)	4.8945	5.2457	(0.3512)	(6.7)
28 PRIOR PERIOD TRUE-UP	(46,480,257)	(46,480,257)	0	0.0	39,281,465	40,830,224	(1,548,759)	(3.8)	(0.1183)	(0.1138)	(0.0045)	4.0
28a MARKET PRICE TRUE-UP	0	0	0	0.0	39,281,465	40,830,224	(1,548,759)	(3.8)	0.0000	0.0000	0.0000	0.0
28b RECOVERY OF PRIOR PERIOD NUCLEAR REPLACEMENT COST	0	0	0	0.0	39,281,465	40,830,224	(1,548,759)	(3.8)	0.0000	0.0000	0.0000	0.0
29 TOTAL JURISDICTIONAL FUEL COST	1,876,157,399	2,095,342,224	(219,184,824)	(10.5)	39,281,465	40,830,224	(1,548,759)	(3.8)	4.7762	5.1319	(0.3557)	(6.9)
30 REVENUE TAX FACTOR									1.00072	1.00072	0.0000	0.0
31 FUEL COST ADJUSTED FOR TAXES									4.7796	5.1356	(0.3560)	(6.9)
32 GPIF	(1,547,048)	(1,547,048)			39,281,465	40,830,224			(0.0039)	(0.0038)	(0.0001)	97.4