

State of Florida



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DATE: May 18, 2009
TO: Kaley Giles, Regulatory Analyst II, Division of Economic Regulation
FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DM*
RE: Docket No: 090001-EI; Company Name: Tampa Electric Company;
Audit Purpose: Capacity Cost Recovery Clause; Company Code: EI801;
Audit Control No: 09-041-2-3;

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 a response to the Office of the Commission Clerk. There are no confidential work papers associated with this audit.

DNM/tbm

Attachment: Audit Report

CC: Division of Regulatory Compliance (Salak, Mailhot, Harvey,
District Offices, File Folder)
Office of Commission Clerk (2)
General Counsel

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

Mr. John T. Burnett
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042

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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING*

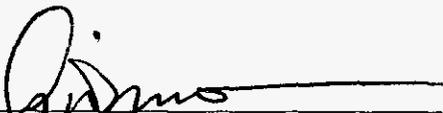
TAMPA DISTRICT OFFICE

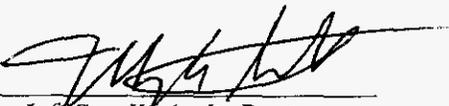
PROGRESS ENERGY FLORIDA, INC.

CAPACITY COST RECOVERY AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2008

**DOCKET NO. 090001-EI
AUDIT CONTROL NO. 09-041-2-3**


Simon Ojada, Audit Manager


Jeff Small, Audit Reviewer

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**DIVISION OF REGULATORY COMPLIANCE
AUDITOR'S REPORT**

May 08, 2009

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 February 6, 2009. We have applied these procedures to the attached schedules prepared by Progress Energy Florida in support of its filing for Capacity Cost Recovery, Docket No. 090001-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 and the report is intended only for internal Commission use.

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OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - 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 recalculated revenue by month and rate class, and compared these calculations to revenue amounts in the filing to assure that all CCRC 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 Florida Public Service Commission approved recovery rates were used in the customer billing system.

EXPENSES

Objectives: - 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: - Verify that transmission revenues derived from non-Energy Broker Network, wholesale energy sales were credited to the clause per Order No. 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: - 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 months of January and December, 2008.

Objectives: - 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 and confirmed by Order No. PSC-04-1276-FOF-EI, in Docket No. 040001-EI, issued December 23, 2004.

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: - Verify that the amount of Nuclear Regulatory Commission (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 2008 NRC fee invoices and the calculation of the recoverable portion approved for recovery in PSC Order No. PSC-03-1461-FOF-EI.

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: - We recomputed the 2008 CCRC true-up and interest using the FPSC approved recoverable true-up amount, interest rates and jurisdictional separation factor.

Progress Energy Florida
 Capacity Cost Recovery Clause
 Calculation of Actual True-Up
 January Through December 2008

	ACTUAL JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APR	ACTUAL MAY	ACTUAL JUN	ACTUAL JUL	ACTUAL AUG	ACTUAL SEP	ACTUAL OCT	ACTUAL NOV	ACTUAL DEC	YTD
Base Production Level Capacity Charges:													
1 Auburndale Power Partners, L.P. (AUBRDLFC)	606,050	606,050	606,050	606,050	606,050	606,050	606,050	606,050	606,050	606,050	606,050	606,050	7,272,800
2 Auburndale Power Partners, L.P. (AUBSET)	2,816,140	2,816,140	2,816,140	2,816,140	2,816,140	2,816,140	2,816,140	2,816,140	2,816,140	2,816,140	2,816,140	2,816,140	33,793,876
3 Cargill Fertilizer, Inc. (CARGILLF)	(833)	833	0	0	0	0	0	0	0	0	0	0	-
4 Lake County (LAKCOUNT)	568,268	568,268	568,268	568,268	568,268	568,268	568,268	568,268	568,268	568,268	568,268	568,268	6,819,216
5 Lake Cogen Limited (LAKORDER)	3,046,337	2,807,783	2,927,060	2,927,060	2,927,060	2,927,060	2,927,060	2,927,060	2,927,060	2,927,060	2,927,060	2,927,060	35,124,720
6 Metro-Dade County (METRDADE)	1,021,597	1,047,376	918,094	1,067,095	1,129,732	1,089,084	1,093,490	1,093,490	1,093,490	1,093,490	1,093,490	1,093,490	12,831,918
7 Orange Cogen (ORANGECO)	2,691,279	2,509,279	2,327,279	2,509,279	2,509,279	2,509,279	2,509,279	2,509,279	2,509,279	2,509,279	2,509,279	2,509,279	30,107,049
8 Orlando Cogen Limited (ORLACOGL)	2,245,430	2,245,430	2,254,154	1,320,299	1,550,323	1,400,895	1,420,165	(1,254,672)	1,825,018	2,152,309	2,157,828	2,492,709	19,810,547
9 Pasco Cogen Limited (PASCCOGL)	3,481,959	3,481,959	3,481,959	3,481,959	3,481,959	3,481,959	3,481,959	3,481,959	3,481,959	3,481,959	3,481,959	3,481,959	41,783,508
10 Pasco County Resource Recovery (PASCOUNT)	1,025,110	1,025,110	1,025,110	1,025,110	1,025,110	1,025,110	1,025,110	1,025,110	1,025,110	1,025,110	1,025,110	1,025,110	12,301,320
11 Pinellas County Resource Recovery (PINCOUNT)	2,440,208	2,440,208	2,440,208	2,440,208	2,440,208	2,440,208	2,440,208	2,440,208	823,440	(9,259,237)	0	2,440,208	13,526,070
12 Polk Power Partners, L.P. (MULBERRY/ROYSTER)	4,234,229	4,234,229	4,234,229	4,234,229	4,234,229	4,234,229	4,234,229	4,234,229	4,234,229	4,234,229	4,234,229	4,234,229	50,810,744
13 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	691,492	738,662	737,318	744,214	728,746	664,947	737,134	740,917	734,546	737,573	727,034	729,968	8,712,652
14 Central Power & Lime Capacity Purchase (133 MW)	(481,846)	0	0	0	0	0	0	0	0	0	0	0	(481,846)
15 UPS Purchase (414 total mw) - Southern	4,857,915	4,394,462	4,995,735	5,010,788	4,791,347	4,771,939	4,563,853	4,817,827	4,783,448	4,735,743	4,862,162	5,461,541	58,068,760
16 Incremental Security	188,903	118,130	75,046	794,038	292,369	89,731	698,433	110,342	89,148	1,474,891	526,590	1,397,802	5,856,422
17 Subtotal - Base Level Capacity Charges	29,432,238	29,033,919	29,404,650	29,545,397	29,100,820	28,624,899	29,121,377	26,116,206	27,517,184	19,088,551	27,555,198	31,783,812	336,334,256
18 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%
19 Base Level Jurisdictional Capacity Charges	27,593,606	27,220,170	27,567,742	27,699,696	27,282,892	26,836,702	27,302,166	24,484,727	25,798,186	17,905,465	25,833,825	29,798,277	315,323,455
Intermediate Production Level Capacity Charges:													
20 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
21 Schedule H Capacity Sales	(4,185)	(3,915)	(4,185)	(4,050)	(4,185)	(4,050)	(7,586)	(14,982)	(14,489)	(14,982)	(14,489)	(14,982)	(106,099)
22 Other Capacity Sales	(123,520)	(123,520)	(123,520)	(123,520)	(123,520)	0	0	0	0	0	0	0	(617,600)
23 Subtotal - Intermediate Level Capacity Charges	532,062	532,332	532,062	532,197	532,062	655,717	652,181	644,785	645,268	644,785	645,268	644,785	7,193,505
24 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%
25 Intermediate Level Jurisdictional Capacity Charges	420,574	420,787	420,574	420,680	420,574	518,318	515,523	509,677	510,059	509,677	510,059	509,677	5,686,178
Peaking Production Level Capacity Charges:													
26 Chattahoochee Capacity Purchase	12,903	3,448	21,552	12,231	12,769	12,231	12,769	12,500	12,231	12,769	4,583	20,417	150,403
27 The Energy Authority Capacity Purchase	0	0	0	0	0	0	0	0	0	0	0	0	-
28 Reliant - Osceola Capacity Purchase	1,317,720	1,317,720	1,317,720	1,317,720	1,317,720	896,400	1,322,836	1,310,652	1,425,928	1,409,866	1,461,249	591,241	15,008,772
29 Shady Hills Power Company LLC	1,964,031	1,964,031	1,402,880	1,361,003	1,905,404	3,873,623	3,873,623	3,771,275	1,783,809	1,274,150	1,274,150	1,783,809	26,231,786
30 Other Capacity Purchases	0	0	0	0	0	875,000	875,000	875,000	875,000	0	0	0	3,500,000
31 Subtotal - Peaking Level Capacity Charges	3,294,654	3,285,199	2,742,152	2,690,954	3,235,893	5,657,254	6,084,228	5,969,427	4,096,968	2,696,785	2,739,962	2,395,467	44,888,961
32 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%
33 Peaking Level Jurisdictional Capacity Charges	2,931,550	2,923,137	2,439,939	2,394,384	2,879,265	5,033,768	5,413,685	5,311,536	3,645,441	2,399,572	2,438,009	2,131,463	39,941,749
Other Capacity Charges:													
34 Retail Wheeling	(75,174)	(70,133)	(33,090)	(2,526)	(4,323)	(6,848)	(3,763)	(2,561)	(1,620)	(1,235)	(39,662)	(92,832)	(333,768)
35 Adjustments	0	0	0	0	0	0	0	0	0	12,544	0	0	12,544
36 Total Jurisdictional Capacity Charges	30,870,556	30,493,961	30,395,165	30,512,234	30,578,408	32,361,940	33,227,610	30,303,379	29,952,066	20,826,023	28,742,231	32,346,585	360,630,158
Capacity Revenues:													
37 Capacity Cost Recovery Revenues (net of tax)	29,343,331	27,019,779	26,743,854	28,494,164	30,531,880	37,908,906	35,977,285	39,029,509	42,474,886	33,261,136	30,355,304	30,175,399	391,315,433
38 Prior Period True-Up Provision	(1,233,322)	(1,233,322)	(1,233,322)	(1,233,322)	(1,233,322)	(1,233,322)	(1,233,322)	(1,233,322)	(1,233,322)	(1,233,322)	(1,233,322)	(1,233,322)	(14,799,865)
39 Current Period CCR Revenues (net of tax)	28,110,009	25,786,457	25,510,532	27,260,842	29,298,558	36,675,584	34,743,963	37,796,187	41,241,564	32,027,814	29,121,982	28,942,077	375,515,568
True-Up Provision													
40 True-Up Provision - Over/(Under) Recov (line 39-line 38)	(2,760,546)	(4,707,504)	(4,884,631)	(3,251,391)	(1,279,849)	4,293,646	1,516,354	7,492,808	11,289,497	11,201,780	379,753	(3,404,507)	15,885,410
41 Interest Provision for the Month	(44,938)	(40,935)	(46,485)	(51,101)	(51,692)	(42,239)	(34,090)	(22,456)	(1,250)	39,717	35,401	16,058	(244,010)
42 Current Cycle Balance - Over/(Under) (line 40 + 41)	(2,805,484)	(7,553,923)	(12,485,039)	(15,787,531)	(17,119,072)	(12,867,865)	(11,385,401)	(3,915,049)	7,373,198	18,614,895	19,029,949	15,641,400	15,641,400
43 Plus: Prior Period Balance	(12,618,636)	(12,618,636)	(12,618,636)	(12,618,636)	(12,618,636)	(12,618,636)	(12,618,636)	(12,618,636)	(12,618,636)	(12,618,636)	(12,618,636)	(12,618,636)	(12,618,636)
44 Plus: Cumulative True up Provision	1,233,322	2,466,644	3,699,966	4,933,288	6,166,610	7,399,932	8,633,254	9,866,576	11,099,898	12,333,220	13,566,542	14,799,865	14,799,865
45 Net True-up Over/(Under) (lines 42 through 44)	(\$14,190,798)	(\$17,705,915)	(\$21,403,709)	(\$23,472,879)	(\$23,571,098)	(\$18,086,369)	(\$15,370,783)	(\$6,667,109)	\$5,854,460	\$18,329,279	\$19,977,755	\$17,822,629	\$17,822,629