

State of Florida



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Public Service Commission

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

DATE: August 4, 2009
TO: Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation
FROM: Dale N. Mailhot, Assistant Director, Division of Regulatory Compliance *DM*
RE: Docket No.: 090002-EG
Company Name: Progress Energy Florida, Inc.
Company Code: EI801
Audit Purpose: Energy Conservation Cost
Audit Control No: 09-028-2-1

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

DNM/ch

Attachment: Audit Report

cc: (With Attachment)
Division of Regulatory Compliance (Salak, Mailhot, File Folder)
Office of Commission Clerk
Office of the General Counsel

Mr. Paul Lewis
106 East College Avenue, Suite 800
Tallahassee, FL 32301-7740

(Without Attachment)
Division of Regulatory Compliance (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

DOCUMENT NUMBER-DATE

08034 AUG-5 8

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

PROGRESS ENERGY FLORIDA, INC.

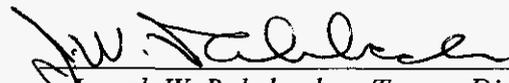
ENERGY CONSERVATION COST RECOVERY CLAUSE AUDIT

HISTORICAL YEAR ENDED DECEMBER 31, 2008

DOCKET NO. 090002-EG

AUDIT CONTROL NO. 09-028-2-1


Ron Mavrides, Audit Manager


Joseph W. Rohrbacher, Tampa District Supervisor

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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DIVISION OF REGULATORY COMPLIANCE

AUDITOR'S REPORT

July 23, 2009

TO: FLORIDA PUBLIC SERVICE COMMISSION

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 schedule prepared by Progress Energy Florida (PEF) in support of its filing for Energy Conservation Cost Recovery in Docket No. 090002-EG.

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 and the report is intended 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, 2008 through December 31, 2008.

Procedures: - We recalculated revenue dollars by month and rate class, using approved Florida Public Service Commission rate factors, and compared these calculations to ECCR revenue amounts in the filing to assure that the rates used complied with the Commission Order. We selected a group of customer bills and recalculated each to verify that approved recovery factors 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 for the period January 1, 2008 through December 31, 2008 per Rule 25-17.015, Florida Administrative Code (F.A.C.)

Procedures: - We reconciled the ECCR filing to the general ledger and to supporting documentation provided by PEF. We performed specific testing as described in the following procedures.

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 selected programs:

- Home Energy Check
- Home Energy Improvement
- Residential New Construction
- Low Income Weatherization Assistance
- Neighborhood Energy Saver
- Business Energy Check
- Better Business
- C/I New Construction
- Innovation Incentive

Procedures: We traced the actual number of program participants, summer kw reductions, winter kw reductions, annual kwh reductions and the per installation cost and the total program cost of the utility to supporting documents.

Objective: - Verify the amounts of Demand Side Management salaries recorded in ECCR.

Procedures: - We selected all employees' time sheets for two programs (Energy Conservation Administration and Home Energy Improvement) for April and September, and we recalculated the employees' salaries by multiplying number of hours worked by the rate and then we reconciled the results to payroll information.

Objective: - To verify that amounts charged for advertising expense are associated with recognizable ECCR programs, were accurately calculated and pertained to 2008.

Procedures: - We selected invoices from the following programs: Business Energy Check, Home Energy Check, Home Energy Improvement, and Renewable Energy Saver to verify compliance with these standards.

Objective: - To verify that amounts paid for sponsorships are related to conservation programs.

Procedures: - We selected invoices for the nine largest months that were expensed as "sponsorships". One invoice was for lobbying costs. See Audit Finding No.1.

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 2008 ECCR filing compared to the previous three years for the approved conservation programs costs. We requested further explanation of any program cost 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.

AUDIT FINDING NO. 1

SUBJECT: SPONSORSHIPS

AUDIT ANALYSIS: Staff performed an analysis of invoices to determine if they qualify as costs appropriate for recovery through conservation programs. \$1,560 paid to the Manufacturer's Association of Central Florida should be removed since it was for lobbying expenses.

EFFECT ON GENERAL LEDGER IF FINDING IS ACCEPTED:

\$1,560 should be removed from account 9090100 and reclassified to account 426.

EFFECT ON THE FILING IF THE FINDING IS ACCEPTED:

Conservation costs will be reduced by \$1,560.

PROGRESS ENERGY FLORIDA
 ENERGY CONSERVATION ADJUSTMENT
 CALCULATION OF TRUE-UP
 FOR THE PERIOD JANUARY 2008 THROUGH DECEMBER 2008

LINE NO.	JAN 08	FEB 08	MAR 08	APR 08	MAY 08	JUN 08	JUL 08	AUG 08	SEP 08	OCT 08	NOV 08	DEC 08	TOTAL FOR THE PERIOD
1A BETTER BUSINESS	0	0	0	0	0	0	0	0	0	0	0	0	0
1B HOME ENERGY IMPROVEMENT	0	0	0	0	0	0	0	0	0	0	0	0	0
1C HOME ENERGY CHECK	0	0	0	0	0	0	0	0	0	0	0	60	60
1D SUBTOTAL - FEES	0	0	0	0	0	0	0	0	0	0	0	60	60
2 CONSERVATION CLAUSE REVENUES	5,247,729	4,844,799	4,809,592	5,113,799	5,481,296	6,754,132	6,416,972	6,946,653	7,547,618	5,949,627	5,465,916	5,058,621	69,636,754
2A CURRENT PERIOD GRT REFUND	0.00	0	0	0	0	0	0	0	0	0	0	0	0
3 TOTAL REVENUES	5,247,729	4,844,799	4,809,592	5,113,799	5,481,296	6,754,132	6,416,972	6,946,653	7,547,618	5,949,627	5,465,916	5,058,681	69,636,814
4 PRIOR PERIOD TRUE-UP OVER/(UNDER)	14,173,827	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,155	14,173,827
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	6,428,881	6,025,951	5,990,744	6,294,951	6,662,448	7,935,284	7,598,124	8,127,805	8,728,770	7,130,779	6,647,068	6,239,836	83,810,641
6 CONSERVATION EXPENSES (CT-3, PAGE 1, LINE 23)	5,544,149	6,712,032	5,783,803	6,634,614	6,640,198	6,039,784	6,340,155	6,830,703	6,596,435	6,947,206	7,049,018	6,495,944	77,594,020
7 TRUE-UP THIS PERIOD (O)/U	(884,732)	686,080	(226,941)	339,663	(22,250)	(1,895,520)	(1,257,969)	(1,297,102)	(2,132,335)	(183,573)	401,950	256,108	(6,216,821)
8 CURRENT PERIOD INTEREST	(47,103)	(33,397)	(27,679)	(23,712)	(19,955)	(18,067)	(18,947)	(19,182)	(30,732)	(32,833)	(16,127)	(6,109)	(293,843)
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	(14,173,827)	(13,924,510)	(12,090,875)	(11,164,142)	(9,667,039)	(8,528,093)	(9,260,526)	(9,356,292)	(9,491,423)	(10,473,339)	(9,508,593)	(7,941,618)	(14,173,827)
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)	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,152	1,181,155	14,173,827
12 END OF PERIOD NET TRUE-UP	(13,924,510)	(12,090,675)	(11,164,142)	(9,667,039)	(8,528,093)	(9,260,526)	(9,356,292)	(9,491,423)	(10,473,339)	(9,508,593)	(7,941,618)	(6,510,464)	(6,510,464)