

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: June 16, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 110009-EI
Company Name: Progress Energy Florida, Inc.
Company Code: EI801
Audit Purpose: Nuclear Cost Recovery Clause – CR3 Uprate
Audit Control No: 11-024-2-1

RECEIVED-FPSC
11 JUN 16 PM 1:56
COMMISSION
CLERK

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 Commission Clerk. There were no confidential work papers associated with this audit.

CJP/ir

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

04141 JUN 16 =

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Progress Energy Florida, Inc.
Nuclear Cost Recovery Clause

As of December 31, 2010

Docket No. 110009-EI
Audit Control No. 11-024-2-1
June 1, 2011

A handwritten signature in cursive script, appearing to read "Jeffery A. Small".

Jeffery A. Small
Audit Manager

A handwritten signature in cursive script, appearing to read "Linda Hill-Slaughter".

Linda Hill-Slaughter
Reviewer

DOCUMENT NUMBER-DATE

04141 JUN 16 =

FPSC-COMMISSION CLERK

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 25, 2011. We have applied these procedures to the attached summary exhibit prepared by Progress Energy Florida, Inc. and to several of its related schedules in support of its 2010 Nuclear Cost Recovery Clause relief for its construction cost expenditures for the Crystal River 3 Uprate activity in Docket No. 110009-EI.

This audit was performed following general standards and fieldwork standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

Information

Definitions¹

“Construction Cost” are costs that are expended to construct the nuclear power plant, but not limited to, the costs of constructing power plant buildings and all associated permanent structures, equipment and systems.

Abbreviations

CCRC	Capacity Cost Recovery Clause
NCRC	Nuclear Cost Recovery Clause
PEF/Company	Progress Energy of Florida, Inc.

General

Objective: Our overall objective in this engagement was to verify that the Company’s 2010 NCRC filings in Docket No. 110009-EI are consistent and in compliance with Section 366.93, F.S., and Rule 25-6.0423, F.A.C.

Procedures: We performed the following specific objectives and procedures to satisfy the overall objective identified above.

Specific

1. **Objective:** Our objective was to verify that the Company’s filing is properly recorded on its books and records according to the Code of Federal Regulations (CFR) and the Uniform System of Accounts (USoA).

Procedures: We reconciled the Company’s filing to its general ledger and verified that the costs incurred were posted to the proper accounts.

2. **Objectives:** Our objectives were to verify that Schedule T-1 – Summary of Jurisdictional Recovery Amounts is accurately calculated and that it includes the correct balances from the supporting schedules of the Company’s 2010 NCRC filing.

Procedures: We reconciled and recalculated a sample of the monthly revenue requirement accruals displayed on Schedule T-1 to the supporting schedules in the Company’s 2010 NCRC filing.

3. **Objectives:** Our objectives were to verify that Schedule T-2.3 – Construction Plant Additions, Expenditures and Carrying Cost was accurately calculated and that it includes the correct balances from the supporting schedules of the Company’s 2010 NCRC filing.

¹ Rule 25-6.0423, Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery.

Procedures: We reconciled the monthly construction carrying cost balances displayed on Schedule T-2.3 to the supporting schedules in the Company's 2010 NCRC filing. We recalculated the schedule and reconciled the Allowance for Funds Used During Construction (AFUDC) rates applied by the Company to the rates approved in Order No. PSC-05-0945-FOF-EI, issued September 28, 2005.

4. **Objectives:** Our objectives were to verify that the Deferred Tax Return Requirement amounts displayed on Schedule T-3A.3 – Construction Carrying Cost on Deferred Tax Asset which rolls forward to Schedule T-1, are accurately calculated and that they include the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

Procedures: We reconciled the monthly construction deferred tax carrying cost accruals displayed on Schedule T-3A.3 to the supporting schedules in the Company's 2010 NCRC filing. We recalculated a sample of the monthly carrying cost balances for deferred tax assets based on the equity and debt components established in Order No. PSC-05-0945-FOF-EI.

5. **Objectives:** Our objectives were to verify that the Construction Period Interest (CPI) amounts displayed on Schedule T-3B.3, which rolls forward to Schedule T-3A.3, is accurately calculated and that it includes the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

Procedures: We reconciled and recalculated a sample of the monthly CPI accruals displayed on Schedule T-3B.3 to the supporting schedules in the Company's 2010 NCRC filing. We recalculated the Company's CPI rate and reconciled the component balances to the Company's general ledger.

6. **Objectives:** Our objectives were to verify that the CCRC Recoverable O&M Expenditure amount displayed on Schedule T-4, which rolls forward to Schedule T-1, is accurately calculated and that it includes the correct balances from the supporting schedules of the Company's 2010 NCRC filing.

Procedures: We recalculated a sample of the monthly recoverable O&M expenditures displayed on Schedule T-4 of the Company's 2010 NCRC filing. We sampled and verified the O&M cost accruals and traced the invoiced amounts to supporting documentation. We verified salary expense accruals and recalculated the respective overhead burdens the Company applied. We reconciled the jurisdictional factors applied by the Company to the eligible carrying cost to the factors approved in Order No. PSC-06-0972-FOF-EI, issued November 22, 2006, in Docket No. 060007-EI and in Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No. 090079-EI.

7. **Objectives:** Our objectives were to verify that the jurisdictional nuclear construction amounts, displayed on Schedule T-6.3, which rolls forward to Schedule T-2.3, are accurately calculated and are supported by original source documentation.

Procedures: We recalculated a sample of monthly jurisdictional nuclear construction accruals displayed on Schedule T-6.3 of the Company's 2010 NCRC filing. We sampled and verified the generation cost accruals and traced the invoiced amounts to supporting documentation. We verified a sample of salary expense accruals and recalculated a sample of the respective overhead burdens that the Company applied. We reconciled the jurisdictional factors applied by the Company to the eligible carrying cost to the factors approved in Order Nos. PSC-06-0972-FOF-EI and PSC-10-0131-FOF-EI.

Audit Findings

None:

Exhibits

Exhibit 1: Summary of Jurisdictional Recovery Amounts

CRYSTAL RIVER UNIT 3 UPRATE							
Site Selection, Preconstruction Costs, and Carrying Costs on Construction Cost Balance							
Final True-Up Filing: Summary of Jurisdictional Recovery Amounts							
Schedule T-1							
<p>EXPLANATION: Provide summary calculation of the monthly Final True-up Amount for each cost category: 1. Site Selection, 2. Preconstruction, and 3. Construction. In the event that no costs were approved for recovery and no costs are being requested, state so. For each category with costs, list and describe the components and levels, identify supporting schedule and line. Include in the final true-up calculation applicable Commission approved projection and estimated true-up amounts for the reported year and identify such orders. [25-0.0423(5)(c)1 a. F.A.C.]</p>							
COMPANY: Progress Energy - FL							[25-0.0423(9)(d)1 F.A.C.]
DOCKET NO.: 110009-EI							Witness: W.F. Garrett
							For Year Ended 12/31/2010
Line No	(A) Actual January	(B) Actual February	(C) Actual March	(D) Actual April	(E) Actual May	(F) Actual June	(G) 6 Month Total
Jurisdictional Dollars							
1. Final Site Selection Costs for the Period [25-0.0423(2)(f), F.A.C.]							
a. Additions (Schedule T-2.1, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.1, line 7)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax Asset (Schedule T-3A.1, line 12)	0	0	0	0	0	0	0
d. Total Site Selection Amount (Lines 1.a through 1.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Final Preconstruction Costs for the Period [25-0.0423(2)(g), F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	0	0	0	0	0	0	0
d. Total Preconstruction Amount (Lines 2.a through 2.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. Final Construction Costs for the Period [25-0.0423(2)(h), F.A.C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 8)	\$52,237,341	\$56,061,550	\$58,815,575	\$71,717,267	\$75,465,909	\$78,573,469	
a. Carrying Costs on Additions (Schedule T-2.3, line 10)	549,810	621,410	702,993	754,568	793,902	826,703	4,249,185
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	18,042	17,369	18,067	18,825	19,805	20,422	110,981
c. Total Construction Amount (Lines 3.a through 3.b)	\$58,805,193	\$63,900,329	\$67,536,635	\$80,290,660	\$85,069,616	\$89,620,594	\$4,380,166
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	9,950	30,523	389,320	305,552	81,002	(209,033)	604,224
5. Other Adjustments (Note A)	(158,693)	(246,105)	(246,734)	(247,389)	(248,011)	(246,659)	(1,395,571)
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	\$414,410	\$423,227	\$583,687	\$631,575	\$846,498	\$350,433	\$3,583,919
7. Projected Amount for the Period (Order No. PSC 09-0783-FOF-EI)	\$122,576	\$283,160	\$382,467	\$404,741	\$432,622	\$483,879	\$3,049,464
8. Estimated True-up Amount for the Period (Order No. PSC 11-0096-FOF-EI)	\$301,545	\$365,002	\$786,052	\$701,582	\$411,724	\$474,912	\$9,053,777
9. Final True-up Amount for the Period (Line 6 - line 8)	\$112,865	\$29,225	\$94,615	\$130,013	\$234,774	(\$86,479)	\$615,042

Note A: January-December adjustment represents a (\$249,065) refund to customers for Depreciation and Property Tax on the Uprate assets that are in base rates, but not yet in-service (See Appendix A) and the amounts from Appendix B, Line 9. January also includes \$87,288 correction from Audit Finding No. 1 from Audit Control No. 10-006-2-2 and (\$488) correction from 2009 T-4 Incremental O&M schedule per Discovery Response to Staff Rog #24c from Docket 100009-EI.

CRYSTAL RIVER UNIT 3 UPRATE
Site Selection, Preconstruction Costs, and Carrying Costs on Construction Cost Balance
Final True-Up Filing: Summary of Jurisdictional Recovery Amounts

Schedule T-1

EXPLANATION: Provide summary calculation of the monthly Final True-up Amount for each cost category: 1. Site Selection, 2. Preconstruction, and 3. Construction. In the event that no costs were approved for recovery and no costs are being requested, state so. For each category with costs, list and describe the components and levels, identify supporting schedule and line. Include in the final true-up calculation applicable Commission approved projection and estimated true-up amounts for the reported year and identify such orders. [25-8-0423(5)(c)1 a., F.A.C.] [25-8-0423(8)(d), F.A.C.]

COMPANY:
Progress Energy - FL

Witness: Will Garrett

DOCKET NO.:

110009-EI

For Year Ended 12/31/2010

Line No	(H) Actual July	(I) Actual August	(J) Actual September	(K) Actual October	(L) Actual November	(M) Actual December	(N) 12 Month Total
Jurisdictional Dollars							
1. Final Site Selection Costs for the Period [25-8.0423(2)(f), F.A.C.]							
a. Additions (Schedule T-2.1, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.1, line 7)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax Asset (Schedule T-3A.1, line 12)	0	0	0	0	0	0	0
d. Total Site Selection Amount (Lines 1.a through 1.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2. Final Preconstruction Costs for the Period [25-8.0423(2)(g), F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	0	0	0	0	0	0	0
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	0	0	0	0	0	0	0
d. Total Preconstruction Amount (Lines 2.a through 2.c)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. Final Construction Costs for the Period [25-8.0423(2)(h), F.A.C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 8)	\$81,068,852	\$84,057,460	\$87,161,588	\$89,015,520	\$92,184,171	\$95,599,281	9,854,218
a. Carrying Costs on Additions (Schedule T-2.3, line 10)	882,427	893,871	917,082	948,037	980,428	1,026,267	8,854,218
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	21,277	22,155	23,028	23,898	24,903	25,641	252,232
c. Total Construction Amount (Lines 3.a through 3.b)	\$883,724	\$916,027	\$940,110	\$971,935	\$1,005,331	\$1,051,908	\$10,106,450
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	40,126	48,121	61,431	20,630	19,424	31,442	823,467
5. Other Adjustments (Note A)	(249,315)	(249,977)	(260,647)	(251,323)	(262,006)	(252,697)	(2,001,536)
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	\$674,584	\$712,170	\$750,683	\$739,282	\$772,749	\$809,653	\$8,029,381
7. Projected Amount for the Period (Order No. PSC 09-0793-FOF-EI)	\$500,335	\$535,835	\$556,103	\$562,444	\$633,862	\$671,011	\$5,539,904
8. Estimated True-up Amount for the Period (Order No. PSC 11-0095-FOF-EI)	\$694,755	\$721,341	\$775,439	\$824,855	\$898,152	\$951,480	\$7,019,779
9. Final True-up Amount for the Period (Line 6 - line 8)	(\$20,171)	(\$19,171)	(\$24,556)	(\$89,573)	(\$115,403)	(\$141,667)	\$109,602

Note A: January-December adjustment represents a (\$249,095) refund to customers for Depreciation and Property Tax on the Uprate assets that are in base rates, but not yet in-service (See Appendix A) and the amounts from Appendix B, Line 9. January also includes \$37,288 correction from Audit Finding No. 1 from Audit Control No. 10-008-2-2 and (\$498) correction from 2009 T-4 Incremental O&M schedule per Discovery Response to Staff Rog #24c from Docket 100009-EI.