

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-

RECEIVED-FPSC
12 MAY 18 PM 1:14
COMMISSION
CLERK

DATE: May 18, 2012
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120007-EI
Company Name: Progress Energy Florida, Inc.
Company Code: EI801
Audit Purpose: A3d Environmental Cost Recovery Clause
Audit Control No: 12-019-2-1

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

CJP/klh

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER - DATE

03168 MAY 18 2012

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

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

Auditor's Report

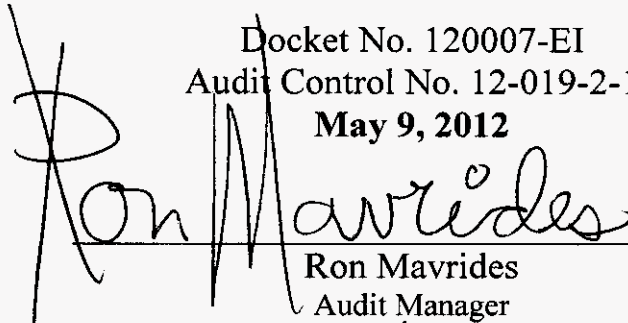
Progress Energy Florida, Inc.
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2011

Docket No. 120007-EI

Audit Control No. 12-019-2-1

May 9, 2012



Ron Mavrides
Audit Manager



Linda Hill-Slaughter
Reviewer

DOCUMENT NUMBER DATE

03168 MAY 18 2012

FPSC-COMMISSION CLERK

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	5
Exhibit	
1: Final True-Up.....	6

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 19, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Progress Energy Florida, Inc. (PEF) in support of its 2011 filing for the Environmental Cost Recovery Clause in Docket No. 120007-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

General

Definitions

Utility or PEF refers to Progress Energy Florida, Inc.

ECRC refers to the Environmental Cost Recovery Clause

Capital Investment

Utility Plant in Service

Objectives: The objectives were to verify all ECRC project related plant additions, retirements and adjustments for the period January 1, 2011, through December 31, 2011, and to verify that any project which involved the replacement or retirement of an existing asset is retired at the installed costs by the Utility in accordance with Florida Public Service Commission Rule 25-6.0142(4)(b), F.A.C.

Procedure: We reconciled Plant in Service (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2011 Form 42-8A. No exceptions were noted.

Construction Work in Progress

Objective: The objective was to verify net investments associated with the following capital projects:

- 1) Project 1 - Crystal River Thermal Discharge Compliance Project
- 2) Project 3.1 - Pipeline Integrity Management
- 3) Project 4.1 - Above Ground Secondary Containment - Peaking
- 4) Project 7.4 - CAIR/CAMR Crystal River AFUDC -- Base

Procedures: We selected a sample of the additions to the capital projects. We verified that additions had appropriate supporting documentation and were recorded to the correct project and account. No exceptions were noted.

Revenue

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2011, through December 31, 2011, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2011 filing to the Utility's monthly revenue report. We computed the factors by rate code for the months of June and October 2011 and compared them to the last Commission order. We selected a random sample of residential and commercial customers' bills for the month of April 2011 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expense listed on the Utility's Form 42-5A filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses for testing for the months of May and September 2011. The source documentation for selected items was reviewed to ensure the expense was related to the ECRC and that the expense was charged to the correct accounts. No exceptions were noted.

Other Issues

SO₂ Allowances

Objectives: The objectives were to verify investments, inventory, expensed amounts, allowance auctions proceeds. We also verified amounts included in Working Capital, Form 42-8A.

Procedures: We traced 2011 consumption for SO₂ allowances from the Utility's detailed allowances reports to the total emission schedule on Form 42-5E. We traced the jurisdictional factors to PSC Order 10-0683-FOF-EI. No exceptions were noted.

True-Up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A was properly calculated.

Procedures: We traced the December 31, 2010, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates and the 2011 ECRC revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECRC Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior three years.

Procedures: We compared 2011 to the 2008, 2009, and 2010 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: Final True-Up

Exhibit 1- Final True up

PROGRESS ENERGY FLORIDA
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-up Amount
January 2011 through December 2011

Form 42-2A

		End-of-Period True-Up Amount (in Dollars)												
Line	Description	Actual January 11	Actual February 11	Actual March 11	Actual April 11	Actual May 11	Actual June 11	Actual July 11	Actual August 11	Actual September 11	Actual October 11	Actual November 11	Actual December 11	End of Period Total
1	ECRC Revenues (net of Revenue Taxes)	\$15,126,181	\$13,098,247	\$11,705,358	\$12,859,417	\$15,274,316	\$16,831,036	\$17,500,000	\$19,144,489	\$17,875,891	\$15,283,147	\$13,309,168	\$12,446,424	\$180,453,673
2	True-Up Provision	\$38,881,686	3,240,141	3,240,141	3,240,141	3,240,141	3,240,141	3,240,141	3,240,141	3,240,141	3,240,141	3,240,141	3,240,141	38,881,686
3	ECRC Revenues Applicable to Period (Lines 1 + 2)	\$18,366,321	16,338,387	14,945,499	16,099,558	18,514,456	20,071,177	20,740,141	22,384,629	21,116,031	18,523,287	16,549,309	15,686,564	219,335,359
4	Jurisdictional ECRC Costs													
	a. O & M Activities (Form 42-5A, Line 9)	\$3,290,933	3,258,044	4,181,938	4,247,023	3,872,417	5,811,433	4,839,565	5,930,036	5,525,205	5,218,110	3,244,689	3,869,029	53,288,422
	b. Capital Investment Projects (Form 42-7A, Line 9)	13,896,577	13,879,846	13,856,980	13,829,334	13,804,505	13,786,002	13,760,234	13,732,180	13,702,790	13,678,616	13,658,980	13,642,581	165,228,624
	c. Other													0
	d. Total Jurisdictional ECRC Costs	\$17,187,510	17,137,890	18,038,918	18,076,357	17,676,922	19,597,435	18,599,799	19,662,216	19,227,995	18,896,726	16,903,669	17,511,610	218,517,046
5	Over/(Under) Recovery (Line 3 - Line 4d)	\$1,178,811	(799,503)	(3,093,419)	(1,976,799)	837,534	473,742	2,140,342	2,722,414	1,888,036	(373,439)	(354,360)	(1,825,046)	818,313
6	Interest Provision (Form 42-3A, Line 10)	9,258	8,619	6,814	4,815	3,944	3,082	2,614	2,097	1,403	1,229	1,117	481	45,473
7	Beginning Balance True-Up & Interest Provision	38,881,686	36,829,614	32,798,590	26,471,845	21,259,720	18,861,057	16,097,740	15,000,556	14,484,926	13,134,225	9,521,874	5,928,491	38,881,686
	a. Deferred True-Up from January 2010 to December 2010 (Order No. PSC-11-0553-FOF-EI)	6,232,839	6,232,839	6,232,839	6,232,839	6,232,839	6,232,839	6,232,839	6,232,839	6,232,839	6,232,839	6,232,839	6,232,839	6,232,839
8	True-Up Collected/(Refunded) (see Line 2)	(3,240,141)	(3,240,141)	(3,240,141)	(3,240,141)	(3,240,141)	(3,240,141)	(3,240,141)	(3,240,141)	(3,240,141)	(3,240,141)	(3,240,141)	(3,240,141)	(38,881,686)
9	End of Period Total True-Up (Lines 5+6+7a+8)	\$43,062,453	39,031,429	32,704,684	27,492,559	25,093,896	22,330,579	21,233,395	20,717,765	19,367,064	15,754,713	12,161,330	7,096,625	7,096,625
10	Adjustments to Period Total True-Up Including Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
11	End of Period Total True-Up (Lines 9 + 10)	\$43,062,453	\$39,031,429	\$32,704,684	\$27,492,559	\$25,093,896	\$22,330,579	21,233,395	\$20,717,765	\$19,367,064	\$15,754,713	\$12,161,330	\$7,096,625	\$7,096,625