

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 25 AM 9:28  
COMMISSION  
CLERK

**DATE:** May 25, 2012

**TO:** Office of Commission Clerk

**FROM:** Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis

**RE:** Docket No.: 120001-EI  
 Company Name: Progress Energy Florida  
 Company Code: EI801  
 Audit Purpose: A3a Capacity Cost Recovery Clause  
 Audit Control No: 12-013-2-2

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

COM \_\_\_\_\_  
 APA \_\_\_\_\_  
 ECR \_\_\_\_\_  
 GCL \_\_\_\_\_  
 RAD \_\_\_\_\_  
 SRC \_\_\_\_\_  
 ADM \_\_\_\_\_  
 OPC \_\_\_\_\_  
 CLK MM

DOCUMENT NUMBER DATE

03344 MAY 25 09

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.  
Capacity Cost Recovery Clause

**Twelve Months Ended December 31, 2011**

Docket No. 120001-EI  
Audit Control No. 12-013-2-2  
**May 21, 2012**

A handwritten signature in blue ink, appearing to read "Tomer".

---

Tomer Kopelovich  
Audit Manager

A handwritten signature in blue ink, appearing to read "Linda Hill-Slaughter".

---

Linda Hill-Slaughter  
Reviewer

DOCUMENT NUMBER-DATE

03344 MAY 25 09

FPSC-COMMISSION CLERK

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

    None..... 4

Exhibit

    1: True-Up..... 5

## 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 13, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Progress Energy Florida, Inc. in support of its 2011 filing for Capacity Cost Recovery Clause in Docket No. 120001-EL.

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**

#### Definition

Utility refers to Progress Energy Florida.  
CCRC refers to the Capacity Cost Recovery Clause.

### **Revenue**

#### Operating Revenues

**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 CCRC.

**Procedures:** We reconciled the 2011 filing to the Utility's monthly CCRC Revenue Reports. We selected a random sample of residential and commercial customers' bills for the month of April 2011 and recalculated each to verify use of the correct tariff rate. No exceptions were noted.

#### Transmission Revenues

**Objective:** The objective was to determine that transmission revenues derived from the non-separated, non-Energy Broker Network, wholesale energy sales were credited to the CCRC per Commission Order No. PSC-99-2512-FOF-EI.

**Procedure:** We traced the wholesale transmission revenues that are derived from the non-separated, non-Energy Broker Network, from the Utility's books to the CCRC filing. 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 4G-2T filing was supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC.

**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 January through December 2011. The source documentation for selected items was reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

### Purchase Power Contracts

**Objective:** The objective was to check a purchase power contract to verify that the invoices for capacity purchase amounts are in accordance with the terms and conditions of the contract.

**Procedures:** We reviewed the purchase power contract rates and terms from a contract between the Utility and an entity with qualifying facilities to the capacity payment calculations for the months of April and August 2011. No exceptions were noted.

### **True-Up**

**Objective:** The objective was to determine if the True-Up and Interest Provision as filed on Form WG-2T 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 CCRC revenues and costs. No exceptions were noted.

### **Analytical Procedures**

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

**Procedures:** We compared 2011 to 2010 and 2009 revenues and expenses. Further follow-up was not required.

Audit Findings

**None**

# Exhibit

## Exhibit 1: True-Up

Progress Energy Florida  
Capacity Cost Recovery Clause  
Calculation of Actual True-Up  
January Through December 2011

	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
<b>1 Base Production Level Capacity Charges:</b>													
2 Auburndale Power Partners, L.P. (AUBRDLFC)	728,960	728,960	728,960	728,960	728,960	728,960	728,960	728,960	728,960	728,960	728,960	728,960	8,747,520
3 Auburndale Power Partners, L.P. (AUBSET)	3,270,177	3,270,177	3,270,177	3,270,177	3,270,177	3,270,177	3,270,177	3,270,177	3,270,177	3,270,177	3,270,177	3,270,177	39,242,125
4 Lake County (LAKCOUNT)	683,528	683,528	683,528	683,528	683,528	683,528	683,528	683,528	683,528	683,528	683,528	683,528	8,202,330
5 Lake Cogen Limited (LAKORDER)	3,381,506	3,381,506	3,381,506	3,381,506	3,381,506	3,381,506	3,381,506	3,381,506	3,381,506	3,381,506	3,381,506	3,381,506	40,578,072
6 Metro-Dade County (METRDADE)	1,269,790	1,269,790	1,269,790	1,269,790	1,269,790	1,269,790	1,269,790	1,269,790	1,269,790	1,269,790	1,269,790	1,269,790	15,237,480
7 Orange Cogen (ORANGECO)	2,905,606	2,905,606	2,905,606	2,905,606	2,905,606	2,905,606	2,905,606	2,905,606	2,905,606	2,905,606	2,905,606	2,905,606	34,867,267
8 Orlando Cogen Limited (ORLACOGL)	2,607,453	2,607,453	2,607,453	2,607,453	2,528,100	2,528,349	2,527,524	2,526,627	2,526,988	2,442,622	2,524,528	2,524,449	30,558,000
9 Pasco County Resource Recovery (PASCOUNT)	1,233,030	1,233,030	1,233,030	1,233,030	1,233,030	1,233,030	1,233,030	1,233,030	1,233,030	1,233,030	1,233,030	1,233,030	14,796,360
10 Pinellas County Resource Recovery (PINCOUNT)	2,935,148	2,935,148	2,935,148	2,935,148	2,935,148	2,935,148	2,935,148	2,935,148	2,935,148	2,935,148	2,935,148	2,935,148	35,221,770
11 Polk Power Partners, L.P. (MULBERRY/ROYSTER)	5,167,518	5,167,518	5,167,518	5,167,518	5,167,518	5,167,518	5,167,518	5,167,518	5,167,518	5,167,518	5,167,518	5,167,518	62,010,217
12 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	907,798	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	9,718,202
13 Other	0	0	0	0	0	0	0	0	0	0	0	0	-
14 UPS Purchase (414 total mw) - Southern	0	0	0	0	0	(497,784)	0	0	0	0	0	0	(27,231)
15 Southern - Scherer	1,129,912	1,519,867	1,322,689	1,322,689	2,696,712	1,552,990	1,844,501	2,240,870	1,084,492	1,664,492	1,664,492	1,664,492	19,708,198
16 Subtotal - Base Level Capacity Charges	26,220,426	26,503,528	26,306,350	26,306,350	27,801,020	25,969,763	26,748,233	27,142,704	25,967,687	26,483,321	26,565,227	27,035,701	318,860,310
17 Base Production Jurisdictional Responsibility	92.792%	92.792%	92.792%	92.792%	92.792%	92.792%	92.792%	92.792%	92.792%	92.792%	92.792%	92.792%	92.792%
18 Base Level Jurisdictional Capacity Charges	24,330,458	24,593,154	24,410,189	24,410,188	25,611,538	24,088,583	24,820,220	25,186,258	24,114,495	24,574,404	24,650,406	25,086,988	295,876,859
<b>19 Intermediate Production Level Capacity Charges:</b>													
20 TECO Power Purchase (70 mw)	659,767	659,767	0	0	0	0	0	0	0	0	0	0	1,319,534
21 Southern - Franklin	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	2,487,450	2,163,000	2,163,000	2,163,000	26,280,450
22 Schedule H Capacity Sales	(11,243)	(10,155)	(11,243)	(10,880)	(11,243)	(11,489)	(11,552)	(11,552)	(11,179)	(11,552)	(11,179)	(11,552)	(134,819)
23 Other	0	0	0	0	0	0	0	0	0	0	0	0	-
24 Subtotal - Intermediate Level Capacity Charges	2,811,524	2,812,612	2,151,757	2,152,120	2,151,757	2,151,511	2,151,448	2,151,448	2,476,271	2,151,448	2,151,821	2,151,448	27,465,165
25 Intermediate Production Jurisdictional Responsibility	72.541%	72.541%	72.541%	72.541%	72.541%	72.541%	72.541%	72.541%	72.541%	72.541%	72.541%	72.541%	72.541%
26 Intermediate Level Jurisdictional Capacity Charges	2,039,508	2,040,297	1,560,906	1,561,169	1,560,906	1,560,728	1,560,682	1,560,682	1,796,312	1,560,682	1,560,962	1,560,682	19,923,505
<b>27 Peaking Production Level Capacity Charges:</b>													
28 Chattahoochee	14,050	11,636	13,364	12,231	12,769	12,231	12,769	12,500	12,231	12,769	12,231	12,769	151,550
29 Vandolah (RRI)	709,420	709,420	507,180	507,180	1,025,420	1,025,420	5,060,740	3,043,080	3,043,080	(609,880)	1,014,360	1,418,840	17,454,260
30 Shady Hills Power Company LLC	1,960,764	1,960,764	1,400,546	1,358,739	1,910,302	3,876,747	3,876,747	3,876,747	1,809,149	1,362,100	1,362,100	1,965,615	26,720,320
31 Vandolah (NSG)	0	0	0	0	0	0	0	0	0	0	0	0	-
32 Other	0	0	0	0	0	0	0	0	0	0	0	0	-
33 Subtotal - Peaking Level Capacity Charges	2,684,234	2,681,820	1,921,090	1,878,150	2,948,491	4,914,398	8,950,256	6,932,327	4,864,460	764,989	2,388,691	3,397,224	44,326,130
34 Peaking Production Jurisdictional Responsibility	91.972%	91.972%	91.972%	91.972%	91.972%	91.972%	91.972%	91.972%	91.972%	91.972%	91.972%	91.972%	91.972%
35 Peaking Level Jurisdictional Capacity Charges	2,468,744	2,466,523	1,768,885	1,727,372	2,711,786	4,519,870	8,231,729	6,375,800	4,473,941	703,576	2,196,927	3,124,495	40,767,628
<b>36 Other Capacity Charges:</b>													
37 Retail Wheeling	(27,046)	(3,353)	(13,748)	(3,619)	(3,373)	(4,853)	(3,297)	(707)	(2,148)	(1,512)	(1,631)	(1,190)	(66,477)
38 Other Jurisdictional Capacity Charges	(27,046)	(3,353)	(13,748)	(3,619)	(3,373)	(4,853)	(3,297)	(707)	(2,148)	(1,512)	(1,631)	(1,190)	(66,477)
39 Subtotal Jurisdictional Capacity Charges (lines 18+26+35+38)	28,811,663	29,096,621	27,724,211	27,695,111	29,880,858	30,164,328	34,609,335	33,122,032	30,382,599	26,837,149	28,406,654	29,770,955	366,501,515
<b>40 Nuclear Cost Recovery Clause Charges:</b>													
41 Levy Costs	12,767,783	14,646,909	11,839,054	11,912,481	12,385,453	11,896,776	11,664,739	12,322,162	11,919,038	11,831,602	12,556,039	11,831,830	147,573,866
42 CR-3 Uprate Costs	1,047,741	1,086,610	1,126,524	1,147,351	1,178,446	1,250,940	1,567,143	1,388,903	1,418,873	1,477,338	1,724,075	1,592,850	16,006,794
43 Total NCRC Costs - Order No. PSC-11-0095-FOF-EI	13,815,524	15,733,519	12,965,578	13,059,832	13,563,899	13,147,716	13,231,882	13,711,065	13,337,911	13,308,940	14,280,114	13,424,680	163,580,660
44 Total Jurisdictional Capacity Charges (lines 39+43)	42,627,187	44,830,140	40,689,789	40,754,943	43,444,757	43,312,044	47,841,217	46,833,097	43,720,510	40,146,089	42,686,768	43,195,635	520,082,175
<b>45 Capacity Revenues:</b>													
46 Capacity Cost Recovery Revenues (net of tax)	39,967,725	34,111,164	29,789,594	32,864,694	39,552,321	44,048,856	46,255,476	50,689,384	47,141,224	39,586,005	34,076,886	31,185,507	469,298,836
47 Prior Period True-Up Provision Over/(Under) Recovery	4,359,256	4,359,256	4,359,256	4,359,256	4,359,256	4,359,256	4,359,256	4,359,256	4,359,256	4,359,256	4,359,256	4,359,256	52,311,070
48 Current Period Revenues (net of tax)	44,356,981	38,470,420	34,148,850	37,223,949	43,911,576	48,408,111	50,614,731	55,048,640	51,500,480	43,945,261	38,436,142	35,544,763	521,609,906
<b>49 True-Up Provision:</b>													
50 True-Up Provision - Over/(Under) Recov (line 48 - line 44)	1,729,794	(6,359,720)	(6,540,939)	(3,530,994)	466,819	5,096,069	2,773,515	8,215,543	7,779,971	3,799,172	(4,250,626)	(7,650,872)	1,527,731
51 Interest Provision for the Month	13,662	12,394	9,162	6,214	4,943	4,079	3,715	3,210	2,502	2,602	2,607	1,114	66,203
52 Current Cycle Balance - Over/(Under)	1,743,456	(4,603,871)	(11,135,649)	(14,660,429)	(14,188,667)	(9,088,519)	(6,311,289)	1,907,464	9,689,937	13,491,711	9,243,692	1,593,934	1,593,934
53 Prior Period Balance - Over/(Under) Recovered	66,995,089	62,635,833	58,276,577	53,917,321	49,558,065	45,198,809	40,839,553	36,480,297	32,121,041	27,761,785	23,402,529	19,043,273	66,995,089
54 Prior Period Cumulative True-up Collected/(Refunded)	(4,359,256)	(4,359,256)	(4,359,256)	(4,359,256)	(4,359,256)	(4,359,256)	(4,359,256)	(4,359,256)	(4,359,256)	(4,359,256)	(4,359,256)	(4,359,256)	(52,311,070)
55 Prior Period True-Up Balance - Over/(Under)	62,635,833	58,276,577	53,917,321	49,558,065	45,198,809	40,839,553	36,480,297	32,121,041	27,761,785	23,402,529	19,043,273	14,684,019	14,684,019
56 Net Capacity True-up Over/(Under) (lines 52+55)	\$64,379,289	\$53,672,706	\$42,781,672	\$34,897,636	\$31,010,142	\$31,751,034	\$30,169,008	\$34,028,505	\$37,451,722	\$36,894,240	\$28,286,965	\$16,277,953	\$16,277,953