

State of Florida



Public Service Commission

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COMMISSION
CLERK

DATE: May 29, 2012
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120009-EI
Company Name: Progress Energy Florida, Inc.
Company Code: EI801
Audit Purpose: A3f Nuclear Levy Units 1 & 2
Audit Control No: 12-010-2-1

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 confidential work papers associated with this audit.

CJP/klh

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

03389 MAY 29 2012
PPSC-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
Levy Nuclear Plant Units 1 & 2

As of December 31, 2011

Docket No. 120009-EI
Audit Control No. 12-010-2-1
May 9, 2012

Handwritten signature of Jeffery A. Small in black ink.

Jeffery A. Small
Audit Manager

Handwritten signature of Ronald Mavrides in black ink.

Ronald Mavrides
Audit Staff

Handwritten signature of Linda Hill-Slaughter in black ink.

Linda Hill-Slaughter
Reviewer

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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 11, 2012. We have applied these procedures to the attached schedule prepared by Progress Energy Florida, Inc. and to several of its related schedules in support of its 2011 Nuclear Cost Recovery Clause for its preconstruction and construction costs expenditures for the Levy Nuclear Plant Units 1 & 2 activity in Docket No. 120009-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

Definitions

“Preconstruction costs” are costs that are expended after a site has been selected in preparation for the construction of a nuclear power plant, incurred up to and including the date the utility completes site clearing work.

“Construction Costs” 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 2011 NCRC filings in Docket No. 120009-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

Objective: Our objective was to verify that the Company’s filing is properly recorded on its books and records according to 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.

Objectives: Our objectives were to verify that: 1) Schedule T-1 – Summary of Jurisdictional Recovery amounts are accurately calculated, and, 2) They include the correct balances from the supporting schedules of the Company’s 2011 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 2011 NCRC filing.

Objectives: Our objectives were to verify that: 1) Schedules T-2.2 – Preconstruction Plant Additions, Expenditures, and Carrying Cost and T-2.3 – Construction Plant Additions,

Expenditures, and Carrying Cost are accurately calculated, and, 2) They include the correct balances from the supporting schedules of the Company's 2011 NCRC filing.

Procedures: We reconciled the monthly preconstruction, and construction carrying cost balances displayed on Schedules T-2.2, and T-2.3, respectively, to the supporting schedules in the Company's 2011 NCRC filing. We recalculated the schedules 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.

Objectives: Our objectives were to verify that: 1) The Deferred Tax Return Requirement amounts displayed on Schedule T-3A.2 – Preconstruction Carrying Cost on Deferred Tax Asset which roll forward to Schedule T-1, are accurately calculated, and, 2) They include the correct balances from the supporting schedules of the Company's 2011 NCRC filing.

Procedures: We reconciled the monthly preconstruction deferred tax carrying cost accruals displayed on Schedule T-3A.2 to the supporting schedules in the Company's 2011 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.

Objectives: Our objectives were to verify that: 1) The CCRC Recoverable Operation and Maintenance (O&M) Expenditure amounts displayed on Schedule T-4, which roll forward to Schedule T-1, are accurately calculated, and, 2) They are supported by original source documentation.

Procedures: We recalculated a sample of the monthly recoverable O&M expenditures displayed on Schedule T-4 of the Company's 2011 NCRC filing. We sampled and verified the O&M cost accruals and traced the invoiced amounts to supporting documentation. We verified a sample of salary expense accruals and recalculated the respective overhead burdens the Company applied.

Objectives: Our objectives were to verify that: 1) The jurisdictional nuclear construction amounts, displayed on Schedules T-6.2 - Preconstruction and T-6.3- Construction Capital Additions and Expenditures, which roll forward to Schedules T-2.2, and T-2.3, are accurately calculated, and, 2) They are supported by original source documentation.

Procedures: We recalculated a sample of monthly jurisdictional nuclear construction accruals displayed on Schedules T-6.2, and T-6.3, respectively, of the Company's 2011 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.

Audit Findings

None

Exhibit

Exhibit 1: Summary of Jurisdictional Recovery Amounts

LEVY COUNTY NUCLEAR UNITS 1 & 2							
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. [25-6.0423(5)(c)1.b., F.A.C.] [25-6.0423 (8)(d), F.A.C.]</p>							
COMPANY: Progress Energy - FL							Witness: Will Garrett
DOCKET NO.: 120008-EI							For Year Ended 12/31/2011
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 [25-6.0423(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)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
2. Final Preconstruction Costs for the Period [25-6.0423(2)(g), F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$982,027	\$1,442,098	\$1,555,245	\$1,264,039	\$1,352,444	\$2,501,642	\$9,098,395
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	2,007,250	1,921,036	1,817,774	1,742,193	1,664,953	1,587,858	10,741,064
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	1,214,374	1,249,357	1,286,080	1,317,845	1,350,797	1,384,513	7,802,765
d. Total Preconstruction Amount (Lines 2.a through 2.c)	<u>\$4,203,651</u>	<u>\$4,612,491</u>	<u>\$4,659,100</u>	<u>\$4,324,077</u>	<u>\$4,368,195</u>	<u>\$5,474,313</u>	<u>\$27,642,224</u>
3. Final Construction Costs for the Period [25-6.0423(2)(i), F.A.C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 7)							
	\$75,125,729	\$81,034,823	\$84,684,816	\$86,210,225	\$88,084,176	\$90,248,652	
a. Carrying Costs on Additions (Schedule T-2.3, line 9)	790,428	852,600	891,003	938,617	1,010,940	1,044,235	5,527,822
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	0	0	0	0	0	0	0
c. Total Construction Amount (Lines 3.a through 3.b)	<u>\$760,428</u>	<u>\$852,600</u>	<u>\$891,003</u>	<u>\$938,617</u>	<u>\$1,010,940</u>	<u>\$1,044,235</u>	<u>\$5,527,822</u>
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	71,003	80,502	134,460	86,275	81,164	178,241	631,704
5. Other Adjustments	0	0	0	0	0	0	0
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	<u>\$5,065,142</u>	<u>\$5,545,591</u>	<u>\$5,684,562</u>	<u>\$5,346,368</u>	<u>\$5,460,269</u>	<u>\$6,698,788</u>	<u>\$33,801,750</u>
7. Projected Amount for the Period (Order No. PSC 11-0065-FOF-EI)	\$8,741,592	\$8,620,717	\$5,812,862	\$5,888,289	\$8,359,262	\$5,870,584	\$39,291,307
8. Estimated True-up Amount for the Period (Order No. PSC 11-0647-FOF-EI)	\$5,078,738	\$5,568,739	\$4,278,965	\$5,615,660	\$5,820,789	\$5,852,160	\$32,213,071
9. Final True-up Amount for the Period (Line 8 - line 8)	<u>(\$11,590)</u>	<u>(\$23,148)</u>	<u>\$1,405,577</u>	<u>(\$266,292)</u>	<u>(\$360,490)</u>	<u>\$844,828</u>	<u>\$1,588,679</u>

Exhibit 1: (continued)

LEVY COUNTY NUCLEAR UNITS 1 & 2
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.

[25-6.0423(5)(c)1 b., F.A.C.]
 [25-6.0423 (8)(d), F.A.C.]

COMPANY:
 Progress Energy - FL

Witness: Will Garrett

DOCKET NO.:
 120009-EI

For Year Ended 12/31/2011

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 [25-6.0423(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 [25-6.0423(2)(g), F.A.C.]							
a. Additions (Schedule T-2.2, line 1)	\$1,878,388	\$1,467,483	\$2,379,299	\$682,071	\$1,773,850	\$992,234	\$18,572,598
b. Carrying Costs on Additions (Schedule T-2.2, line 9)	1,518,098	1,444,955	1,368,165	1,294,391	1,217,159	1,131,820	18,715,752
c. Carrying Costs on Deferred Tax (Schedule T-3A.2, line 12)	1,417,157	1,450,761	1,484,585	1,517,467	1,551,997	1,588,733	18,811,463
d. Total Preconstruction Amount (Lines 2.a through 2.c)	\$4,813,641	\$4,363,179	\$5,232,049	\$3,794,828	\$4,543,006	\$3,710,887	\$54,099,813
3. Final Construction Costs for the Period [25-6.0423(2)(i), F.A.C.]							
Avg. Net Additions Balance (Schedule T-2.3, line 7)	\$100,893,158	\$113,740,828	\$125,783,539	\$128,591,764	\$127,402,359	\$128,213,177	
a. Carrying Costs on Additions (Schedule T-2.3, line 9)	1,061,537	1,196,714	1,323,419	1,331,923	1,340,451	1,348,982	13,130,849
b. Carrying Costs on Deferred Tax (Schedule T-3A.3, line 12)	0	0	0	0	0	0	0
c. Total Construction Amount (Lines 3.a through 3.b)	\$1,061,537	\$1,196,714	\$1,323,419	\$1,331,923	\$1,340,451	\$1,348,982	\$13,130,849
4. Allocated or Assigned O&M Amounts (Schedule T-4, line 43)	41,397	98,020	178,291	49,814	51,252	103,990	1,154,469
5. Other Adjustments	0	0	0	0	0	0	0
6. Total Final Period Amount (Lines 1.d + 2.d + 3.c + 4 + 5)	\$5,918,575	\$5,657,912	\$8,733,759	\$5,176,565	\$5,934,710	\$5,163,859	\$68,385,131
7. Projected Amount for the Period (Order No. PSC 11-0065-FOF-EI)	\$5,638,547	\$6,295,971	\$5,862,846	\$5,805,410	\$6,529,847	\$5,805,839	\$75,259,568
8. Estimated True-up Amount for the Period (Order No. PSC 11-0547-FOF-EI)	\$5,759,657	\$5,957,204	\$5,789,076	\$7,065,100	\$5,688,557	\$18,562,124	\$81,034,786
9. Final True-up Amount for the Period (Line 6 - line 8)	\$156,918	(\$299,292)	\$944,683	(\$1,888,535)	\$246,153	(\$13,398,265)	(\$12,649,655)