

State of Florida



# Public Service Commission

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**DATE:** July 9, 2012  
**TO:** Office of Commission Clerk  
**FROM:** Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 120002-EG  
Company Name: Progress Energy Florida, Inc.  
Company Code: EI801  
Audit Purpose: A3b Energy Conservation Cost Recovery  
Audit Control No: 12-010-2-4

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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/lmd

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE  
04540 JUL-9 02  
FPSC-COMMISSION CLERK

State of Florida



**Public Service Commission**

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

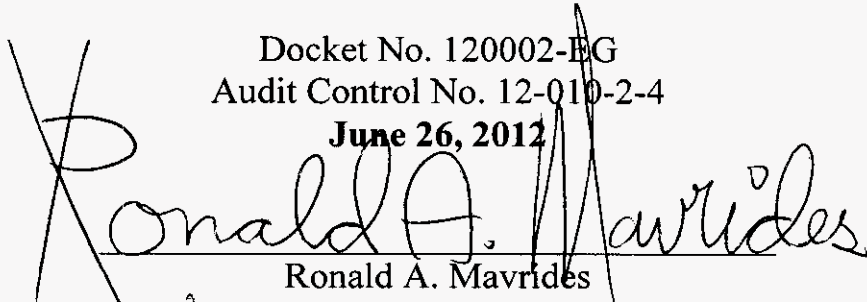
**Auditor's Report**

Progress Energy Florida, Inc.  
Energy Conservation Cost Recovery


**Twelve Months Ended December 31, 2011**

Docket No. 120002-EG  
Audit Control No. 12-010-2-4

**June 26, 2012**

A handwritten signature in cursive script that reads "Ronald A. Mavrides".

Ronald A. Mavrides  
Audit Manager

A handwritten signature in cursive script that reads "Linda Hill-Slaughter".

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 17, 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 the Energy Conservation Cost Recovery Clause in Docket No. 120002-EG.

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 refers to Progress Energy Florida, Inc.

ECCR refers to the Energy Conservation Cost Recovery Clause.

### **Capital Investments**

#### Utility Plant in Service

**Objective:** The objective was to verify the Utility's ECCR project related additions, retirements and adjustments for the period January 1, 2011, through December 31, 2011.

**Procedure:** We obtained a subsidiary ledger of plant balances as of December 31, 2011. We prepared a summary schedule of capital investment balances by conservation project and reconciled each to the ECCR filing. We obtained a subsidiary ledger of load management switches and reconciled them to the ECCR filing in the summary schedule. No exceptions were noted.

### **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 ECCR Clause.

**Procedures:** We reconciled the 2011 filing to the Utility's monthly Energy Conservation Revenue Reports. We computed the factors by rate code and compared them to the last Commission Order No. PSC-09-0794-FOF-EG. 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 CT-3 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECCR Clause.

**Procedures:** We traced expenses in the filing to the general ledger. We judgmentally selected a sample of expenses for testing. The source documentation for selected items was reviewed to ensure the expense was charged to the correct accounts and was appropriately recoverable through the ECCR Clause. No exceptions were noted.

### Depreciation Expense

**Objective:** The objective was to verify that the most recent depreciation rates approved by the Commission in Docket No. 090079 were used in calculating depreciation expense.

**Procedures:** We verified and recalculated depreciation expense for the program assets using the approved depreciation rates. No exceptions were noted.

## **Other Issues**

### Payment Authorization

**Objective:** The objective was to verify that ECCR expenses were being approved for payment by authorized individuals.

**Procedures:** We requested and obtained a list of persons and their titles who are authorized to approve conservation expenses for payment. We traced these to the sampled invoices and credit card expense reports. No exceptions were noted.

## **True-up**

**Objective:** The objective was to determine if the True-Up and Interest Provision as filed on Form CT-3 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 ECCR revenues and costs. No exceptions were noted.

## **Analytical Review**

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

**Procedures:** We compared 2011 to 2010 revenues and expenses. There were no significant variances within these years. Further follow-up was not required.

Audit Findings

**None**



## Exhibit

### Exhibit 1: True Up

FPSC DOCKET NO. 120002-EG  
 PROGRESS ENERGY FLORIDA  
 WITNESS: Helena T. Guthrie  
 EXHIBIT NO. 1 (HTG-1T)  
 SCHEDULE CT-3  
 PAGE 2 OF 5  
 May 3, 2012

PROGRESS ENERGY FLORIDA  
 ENERGY CONSERVATION ADJUSTMENT  
 CALCULATION OF TRUE-UP  
 FOR THE PERIOD JANUARY 2011 THROUGH DECEMBER 2011

LINE NO.	January	February	March	April	May	June	July	August	September	October	November	December	Total for The Period
1 Other Conservation Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
2 CONSERVATION CLAUSE REVENUES	8,664,731	7,585,432	6,639,318	7,156,363	8,344,200	9,193,733	9,606,902	10,357,312	9,738,292	8,364,462	7,390,604	6,799,682	99,841,030
3 TOTAL REVENUES	8,664,731	7,585,432	6,639,318	7,156,363	8,344,200	9,193,733	9,606,902	10,357,312	9,738,292	8,364,462	7,390,604	6,799,682	99,841,030
4 PRIOR PERIOD TRUE-UP OVER/(UNDER)	(11,290,003)	940,834	940,834	940,834	940,834	940,834	940,834	940,834	940,834	940,834	940,834	940,835	11,290,003
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	9,605,564	8,526,266	7,580,152	8,097,196	9,285,033	10,134,566	10,547,735	11,298,145	10,679,125	9,305,295	8,331,438	7,740,517	111,131,033
6 CONSERVATION EXPENSES (CT-3, PAGE 1, LINE 29)	7,647,624	7,415,375	6,597,207	6,592,211	6,810,236	6,852,014	9,242,411	8,175,648	8,763,642	6,989,122	7,769,408	8,883,142	91,738,039
7 TRUE-UP THIS PERIOD (O)/U	(1,957,940)	(1,110,891)	(982,945)	(1,504,985)	(2,474,798)	(3,282,553)	(1,305,324)	(3,122,498)	(1,915,483)	(2,316,173)	(562,030)	1,142,625	(19,392,994)
8 CURRENT PERIOD INTEREST	(2,458)	(2,582)	(2,344)	(2,081)	(2,021)	(2,107)	(2,001)	(1,766)	(1,417)	(1,501)	(1,717)	(938)	(22,933)
9 ADJUSTMENTS PER AUDIT		0	0	0	0	0	0	0	0	0	0	0	0
10 TRUE-UP & INTEREST PROVISIONS BEGINNING OF PERIOD (O)/U	(11,290,003)	(12,309,567)	(12,482,206)	(12,526,662)	(13,092,897)	(14,628,882)	(16,972,708)	(17,339,200)	(19,522,630)	(20,498,697)	(21,875,537)	(21,498,450)	(11,290,003)
11 PRIOR TRUE-UP REFUNDED/ (COLLECTED)	940,834	940,834	940,834	940,834	940,834	940,834	940,834	940,834	940,834	940,834	940,834	940,835	11,290,003
12 END OF PERIOD NET TRUE-UP	(12,309,567)	(12,482,206)	(12,526,662)	(13,092,895)	(14,628,882)	(16,972,708)	(17,339,200)	(19,522,630)	(20,498,697)	(21,875,537)	(21,498,450)	(19,415,927)	(19,415,927)