

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: May 14, 2013
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 130007-EI
Company Name: Progress Energy Florida, Inc.
Company Code: EI801
Audit Purpose: A3d Environmental Cost Recovery Clause
Audit Control No.: 13-015-2-1

RECEIVED FPSC
13 MAY 14 PM 1:30
COMMISSION CLERK

Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of 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.

LD/lid

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER - DATE
02641 MAY 14 2013
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, 2012

Docket No. 130007-EI
Audit Control No. 13-015-2-1
May 14, 2013

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

Tomer Kopelovich
Audit Manager

A handwritten signature in black ink, appearing to read "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 Engineering in its audit service request dated January 15, 2013. 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 2012 filing for the Environmental Cost Recovery Clause in Docket No. 130007-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 refers to Progress Energy Florida, Inc.

ECRC refers to the Environmental Cost Recovery Clause.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2012, through December 31, 2012.

Procedures: We reconciled Plant in Service (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2012 Form 42-8A. No exceptions were noted.

Construction Work in Progress

Objectives: The objectives were to verify net investments associated with the following capital projects and to verify that any project which involved the replacement or retirement of an existing plant asset is retired at the installed costs by the Utility in accordance with Florida Public Service Commission Rule 25-6.0142(4)(b), Florida Administrative Code.

- 1) Project 7.4 - CAIR/CAMR Crystal River AFUDC – Base
- 2) Project 11.1 - Crystal River Thermal Discharge Compliance Project
- 3) Project 16 – National Pollutant Discharge Elimination System - Intermediate

Procedures: We selected a sample of the additions to the capital projects. We determined whether additions had appropriate supporting documentation and were recorded to the correct project and account. We determined whether items that were replaced had a corresponding retirement. We compared the ledger to the Depreciation Base and the Non-Interest Bearing amounts on Form 42-8A. No exceptions were noted.

Revenues

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2012, through December 31, 2012, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2012 filing to the Utility's monthly ECRC Revenue Reports. We recalculated revenue for the months of January through December by multiplying KWH sales by the ECRC recovery factors. We multiplied ECRC Revenue, including tax, by the Revenue tax ECRC factor. We deducted that amount to arrive at Staff's net ECRC Revenues. We compared staff's net ECRC Revenues to ECRC net Revenues per the Utility. We selected a random sample of residential and commercial customers' bills for the month of May 2012 and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

Expenses

Operation and Maintenance Expense

Objectives: The objectives were to determine whether the 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 traced a sample of 2012 O&M Expenses to the source documentation to ensure that the expenses were charged correctly to ECRC accounts and in the correct amounts. No exceptions were noted.

Depreciation and Amortization

Objective: The objective was to verify that the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

Procedures: We traced total year Depreciation Expense for each capital project listed on Form 42-8A to the general ledger detail. We recalculated 2012 Depreciation Expense on a test basis using the plant balances and depreciation rates per Commission Order No. PSC-10-0131-FOF-EI. No exceptions were noted.

Other Issues

SO₂ Allowances

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

Procedures: We traced 2012 consumption for SO₂ allowances from the Utility's detailed allowances reports to the total emission schedule on Form 42-5E. We recalculated amounts included in Working Capital, Form 42-8A page 5. We traced the jurisdictional factors used in all projects to Commission Order 11-0553-FOF-EI. We verified the wholesale portion of the NOx Allowance Expense. 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, 2011, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2012, using the Commission approved beginning balance as of December 31, 2011, the Financial Commercial Paper Rates, and the 2012 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 year.

Procedures: We compared 2012 to 2011 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: True Up

PROGRESS ENERGY FLORIDA
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-up Amount
January 2012 through December 2012

Form 42-2A

Decket No. 130097-0
 Progress Energy Florida
 Witness: L.G. Foster
 Exh. No. __ (DF-1)
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End-of-Period True-Up Amount
 (in Dollars)

Line	Description	Actual January 12	Actual February 12	Actual March 12	Actual April 12	Actual May 12	Actual June 12	Actual July 12	Actual August 12	Actual September 12	Actual October 12	Actual November 12	Actual December 12	End of Period Total
1	ECRC Revenues (net of Revenue Taxes)	\$14,370,536	\$13,401,006	\$14,006,701	\$15,031,317	\$15,786,345	\$18,161,275	\$18,053,690	\$20,875,137	\$18,902,177	\$17,860,059	\$15,702,731	\$13,380,451	\$195,531,405
2	True-Up Provision (Order No. PSC-11-0553-FOF-EI)	\$8,785,176	732,098	732,098	732,098	732,098	732,098	732,098	732,098	732,098	732,098	732,098	732,098	8,785,176
3	ECRC Revenues Applicable to Period (Lines 1 + 2)	\$15,102,614	14,133,104	14,738,799	15,763,415	16,518,443	18,893,373	18,785,788	21,607,235	19,634,275	18,592,157	16,434,829	14,112,549	204,316,581
4	Jurisdictional ECRC Costs													
a.	O & M Activities (Form 42-5A, Line 9)	\$2,203,308	2,771,589	3,844,806	3,363,802	2,573,755	3,340,912	2,756,740	3,120,377	2,869,313	2,596,208	3,141,226	1,566,501	33,948,537
b.	Capital Investment Projects (Form 42-7A, Line 9)	13,223,958	13,200,102	13,180,713	13,164,382	13,153,376	13,143,309	13,149,738	13,129,300	13,114,423	13,099,881	13,091,734	13,091,584	157,742,500
c.	Other													0
d.	Total Jurisdictional ECRC Costs	\$15,427,266	15,971,691	17,025,519	16,528,184	15,727,131	16,284,221	15,906,478	16,249,677	15,983,736	15,696,089	16,232,960	14,658,085	191,691,037
5	Over/(Under) Recovery (Line 3 - Line 4d)	(\$324,652)	(1,838,588)	(2,286,720)	(764,769)	791,313	2,609,152	2,879,310	5,357,558	3,650,539	2,896,068	201,869	(545,536)	12,625,544
6	Interest Provision (Form 42-3A, Line 10)	394	475	157	(27)	(102)	(5)	196	642	821	1,050	1,623	1,042	6,266
7	Beginning Balance True-Up & Interest Provision	8,785,176	7,728,820	5,158,610	2,139,949	648,054	702,167	2,579,216	4,726,624	9,352,726	12,271,988	14,437,006	13,908,402	8,785,176
a.	Deferred True-Up - January 2011 to December 2011 (Order No. PSC-12-0613-FOF-EI)	(1,688,551)	(1,688,551)	(1,688,551)	(1,688,551)	(1,688,551)	(1,688,551)	(1,688,551)	(1,688,551)	(1,688,551)	(1,688,551)	(1,688,551)	(1,688,551)	(1,688,551)
8	True-Up Collected/(Refunded) (see Line 2)	(732,098)	(732,098)	(732,098)	(732,098)	(732,098)	(732,098)	(732,098)	(732,098)	(732,098)	(732,098)	(732,098)	(732,098)	(8,785,176)
9	End of Period Total True-Up (Lines 5+6+7+8)	\$6,040,269	3,470,059	451,398	(1,045,497)	(986,384)	890,665	3,038,073	7,664,175	10,583,437	12,748,457	12,219,851	10,943,259	10,943,259
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 (Over/(Under) (Lines 9 + 10)	\$6,040,269	\$3,470,059	\$451,398	(\$1,045,497)	(\$986,384)	\$890,665	\$3,038,073	\$7,664,175	\$10,583,437	\$12,748,457	\$12,219,851	\$10,943,259	\$10,943,259