

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, 2012

Docket No. 130002-EG
Audit Control No. 13-004-2-2
June 17, 2013

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

Tomer Kopelovich
Audit Manager

A handwritten signature in blue 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 Economics in its audit service request dated January 3, 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 Energy Conservation Cost Recovery Clause in Docket No. 130002-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, 2012, through December 31, 2012.

Procedures: We obtained the Utility's subsidiary ledger of all ECCR plant balances as of December 31, 2012. We reconciled each to the ECCR 2012 filing. We obtained a subsidiary ledger of load management switches and reconciled it to the ECCR filing. No exceptions were noted.

Revenue

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 ECCR.

Procedures: We reconciled the 2012 Filing to the Utility's monthly ECCR revenue reports which were reconciled to the general ledger. We recalculated 2012 ECCR revenues using the KWH sold in the Utility's monthly revenue reports and the ECCR factors authorized in the Utility's last ECCR proceeding. A random sample of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates in the Utility's Environmental Cost Recovery Clause proceeding, Docket No. 130007-EI. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on the Utility's Form CT-3 filing was supported by adequate documentation and that the expenses were 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. The ten largest advertising invoices were selected from the months of April and September 2012 and tested for compliance with Rule 25-17.015(5) F.A.C. 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 verified and recalculated Depreciation Expense for the program assets using the approved depreciation rates. No exceptions were noted.

True-up

Objective: The objective was to determine whether 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 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 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

FPSC DOCKET NO. 130002-EG
 PROGRESS ENERGY FLORIDA
 WITNESS: Helena T. Guthrie
 EXHIBIT NO. 1 (HTG-11)
 SCHEDULE CT-3
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 May 2, 2013

PROGRESS ENERGY FLORIDA
 ENERGY CONSERVATION ADJUSTMENT
 CALCULATION OF TRUE-UP
 FOR THE PERIOD JANUARY 2012 THROUGH DECEMBER 2012

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	6,873,591	6,507,332	6,710,394	6,972,524	7,402,479	8,454,615	8,398,071	9,677,176	8,710,474	8,350,788	7,411,225	6,333,284	91,801,953
3 TOTAL REVENUES	6,873,591	6,507,332	6,710,394	6,972,524	7,402,479	8,454,615	8,398,071	9,677,176	8,710,474	8,350,788	7,411,225	6,333,284	91,801,953
4 PRIOR PERIOD TRUE-UP OVER/(UNDER)	(19,415,928)	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	19,415,928
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	8,491,584	8,125,326	8,328,388	8,590,518	9,020,473	10,072,609	10,016,065	11,295,170	10,328,468	9,968,782	9,029,219	7,951,278	111,217,881
6 CONSERVATION EXPENSES (CT-3, PAGE 1, LINE 25)	7,079,273	7,571,111	8,383,656	6,802,683	8,131,515	7,532,209	6,289,237	8,169,107	8,064,138	8,097,640	8,143,960	9,463,581	93,728,110
7 TRUE-UP THIS PERIOD (O)/U	(1,412,312)	(554,215)	55,269	(1,787,835)	(888,958)	(2,540,401)	(3,726,829)	(3,126,063)	(2,264,330)	(1,871,142)	(885,259)	1,512,303	(17,489,771)
8 CURRENT PERIOD INTEREST	(1,207)	(1,790)	(1,443)	(1,449)	(1,696)	(1,570)	(1,865)	(2,382)	(1,819)	(1,859)	(2,625)	(1,669)	(21,374)
9 ADJUSTMENTS PER AUDIT	0	0	0	0	0	0	0	0	0	0	0	0	0
10 TRUE-UP & INTEREST PROVISIONS BEGINNING OF PERIOD (O)/U	(19,415,928)	(19,211,453)	(18,149,464)	(16,477,644)	(16,648,934)	(15,921,594)	(16,845,571)	(18,956,270)	(20,466,721)	(21,114,876)	(21,369,883)	(20,639,773)	(19,415,928)
11 PRIOR TRUE-UP REFUNDED/ (COLLECTED)	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	1,617,994	19,415,928
12 END OF PERIOD NET TRUE-UP	(19,211,453)	(18,149,464)	(16,477,644)	(16,648,934)	(15,921,594)	(16,845,571)	(18,956,270)	(20,466,721)	(21,114,876)	(21,369,883)	(20,639,773)	(17,511,145)	(17,511,145)