



# 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:** June 10, 2010

**TO:** Kenneth Franklin, Regulatory Analyst II, Division of Economic Regulation

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

**RE:** Docket No.: 100001-EI  
 Company Name: Progress Energy Florida  
 Company Code: EI801  
 Audit Purpose: Capacity Cost Recovery Clause  
 Audit Control No: 10-004-2-3

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.

CP/ip  
Attachment: Audit Report

cc: (With Attachment)  
Office of Auditing and Performance Analysis (Mailhot, File Folder)  
Office of Commission Clerk  
Office of the General Counsel

(Without Attachment)  
Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

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**FLORIDA PUBLIC SERVICE COMMISSION**

*OFFICE OF AUDITING AND PERFORMANCE ANALYSIS  
BUREAU OF AUDITING*

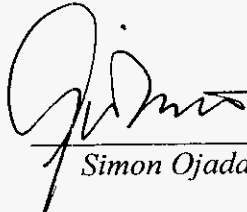
*TAMPA DISTRICT OFFICE*


**PROGRESS ENERGY FLORIDA, INC.**

**CAPACITY COST RECOVERY AUDIT**

**HISTORICAL YEAR ENDED DECEMBER 31, 2009**

**DOCKET NO. 100001-EI  
AUDIT CONTROL NO. 10-004-2-3**

  
\_\_\_\_\_  
*Simon Ojada, Audit Manager*

  
\_\_\_\_\_  
*Linda Hill-Slaughter, Tampa District Supervisor*

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS  
AUDITOR'S REPORT**

**May 28, 2010**

**TO: FLORIDA PUBLIC SERVICE COMMISSION**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request dated December 23, 2009. We have applied these procedures to the attached schedules prepared by Progress Energy Florida in support of its filing for Capacity Cost Recovery, Docket No. 100001-EI.

This audit was performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures and the report is intended only for internal Commission use.

## **OBJECTIVES AND PROCEDURES:**

### **REVENUES**

**Objective:-**Verify that Capacity Cost Recovery Clause (CCRC) revenue and KWH sold were completely and properly recorded on the books of the company.

**Procedures:** - We compiled CCRC revenues and reconciled it to the filing. We computed CCRC revenues using approved Florida Public Service Commission (FPSC) rate factors and company provided KWH sales and verified that the rates used comply with Commission Order No. PSC-08-0824-FOF-EI. We tested two months of revenues by type and traced it to the appropriate general ledger account. We selected a group of customer bills for one month and recalculated each to verify that the FPSC approved rates were used in the customer billing system. No discrepancies were discovered.

### **EXPENSES**

**Objective:** - Verify that the capacity costs agree to the general ledger and are reconcilable to the books and records of the company.

**Procedures:** - We recomputed capacity costs and traced it to the general ledger.

**Objective:** - Verify that transmission revenues derived from non-Energy Broker Network, wholesale energy sales were credited to the clause per Order No. PSC-99-2512-FOF-EI.

**Procedures:** - We traced the wholesale transmission revenues that are derived from the non-separated, non-Energy Broker Network, from the company books to the capacity clause filing. No discrepancies were discovered.

**Objective:** - Spot check a purchase power contract to verify that the invoice for capacity purchase amounts are recorded according to the terms and conditions of the contract.

**Procedures:** - We verified the purchase power contract rates and terms from a contract between Progress Energy Florida and an entity with qualifying facilities to the capacity payment calculations for the months of March and October, 2009. No discrepancies were discovered.

**Objective:** - Verify that security costs recovered in the capacity clause are incremental to the security costs included in base rates, consistent with the method approved by Order No. PSC-03-1461-FOF-EI, in Docket No. 030001-EI, issued December 22, 2003 and confirmed by Order No. PSC-04-1276-FOF-EI, in Docket No. 040001-EI, issued December 23, 2004.

**Procedures:** - We verified the computation of the components of incremental security costs in accordance with Order No. PSC-03-1461-FOF-EI. We traced incremental security costs to the general ledger. No discrepancies were discovered.

**Objective:** - Verify that the amount of Nuclear Regulatory Commission (NRC) fee paid and the recoverable portion of the incremental NRC fee increase amount are consistent with the percentage approved for recovery through the clause in Order No. PSC-03-1461-FOF-EI, in Docket No. 030001-EI, issued December 22, 2003.

**Procedures:** - We reviewed the 2009 NRC fee invoices and the calculation of the recoverable portion approved for recovery in PSC Order No. PSC-03-1461-FOF-EI. No discrepancies were discovered.

#### **TRUE-UP**

**Objective:** - Verify that the true-up and interest provision was properly calculated.

**Procedures:** - We recomputed the 2009 CCRC true-up and interest using the FPSC approved recoverable true-up amount, interest rates and jurisdictional separation factor. No discrepancies were discovered.

Progress Energy Florida  
 Capacity Cost Recovery Clause  
 Calculation of Actual True-Up  
 January Through December 2009

	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)	644,640	644,640	644,640	644,640	644,640	644,640	644,640	644,640	644,640	644,640	644,640	644,640	7,735,680
3 Auburndale Power Partners, L.P. (AUBSET)	2,961,210	2,961,210	2,961,210	2,961,210	2,961,210	2,961,210	2,961,210	2,961,210	2,961,210	2,961,210	2,961,210	2,961,210	35,534,522
4 Lake County (LAKCOUNT)	604,350	604,350	604,350	604,350	604,350	604,350	604,350	604,350	604,350	604,350	604,350	604,350	7,252,200
5 Lake Cogen Limited (LAKORDER)	3,060,651	3,060,651	3,060,651	3,060,651	3,060,651	3,060,651	3,060,651	3,060,651	3,060,651	3,060,651	3,060,651	3,060,651	36,727,807
6 Metro-Dade County (METRDADE)	1,186,657	1,149,820	1,149,820	1,149,820	1,149,820	1,149,820	1,149,820	1,149,820	1,149,820	1,149,820	1,149,820	1,149,820	13,834,677
7 Orange Cogen (ORANGECO)	2,635,097	2,635,097	2,635,097	2,635,097	2,635,097	2,635,097	2,635,097	2,635,097	2,635,097	2,635,097	2,635,097	2,635,097	31,621,166
8 Orlando Cogen Limited (ORLACOGL)	2,247,694	2,326,170	2,474,317	2,361,101	2,361,101	2,361,101	2,361,101	2,361,101	2,361,101	2,361,101	2,361,101	2,361,101	28,298,987
9 Pasco Cogen Limited (PASCCOGL)	(14,709)	0	0	0	0	0	0	0	0	0	0	0	(14,709)
10 Pasco County Resource Recovery (PASCOUNT)	1,090,200	1,090,200	1,090,200	1,090,200	1,090,200	1,090,200	1,090,200	1,090,200	1,090,200	1,090,200	1,090,200	1,090,200	13,082,400
11 Pinellas County Resource Recovery (PINCOUNT)	1,806,963	2,595,150	2,595,150	2,595,150	2,595,150	2,595,150	2,595,150	2,595,150	2,595,150	1,268,740	1,730,100	1,730,100	27,297,103
12 Polk Power Partners, L.P. (MULBERRY/ROYSSTER)	4,450,191	4,450,191	4,450,191	4,450,191	4,450,191	4,450,191	4,450,191	4,450,192	4,450,192	4,840,866	4,878,699	4,878,699	54,478,493
13 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	750,408	763,765	763,752	754,660	741,533	740,971	744,811	758,948	802,980	786,497	739,476	780,484	9,128,285
14 Other	0	0	0	0	0	0	0	0	0	0	0	0	0
15 UPS Purchase (414 total mw) - Southern	5,079,228	5,330,448	4,960,966	5,642,070	5,158,552	4,329,434	5,338,495	6,860,679	4,431,633	5,472,801	3,649,358	5,421,931	61,675,615
16 Incremental Security	22,399	292,162	100,887	728,058	357,069	142,307	687,887	134,076	38,002	969,838	117,269	1,364,852	4,954,806
17 Subtotal - Base Level Capacity Charges	28,524,979	27,903,853	27,491,251	28,677,199	27,809,565	26,765,122	28,323,604	29,306,114	27,215,701	27,883,644	25,421,971	28,483,135	331,606,132
18 Base Production Jurisdictional Responsibility	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%	93.753%
19 Base Level Jurisdictional Capacity Charges	24,867,963	26,160,699	25,773,873	26,865,734	26,072,301	25,093,105	26,554,226	27,475,361	25,515,536	25,954,246	23,833,860	26,703,794	310,890,697
<b>20 Intermediate Production Level Capacity Charges:</b>													
21 TECO Power Purchase (70 mw)	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	659,767	7,917,204
22 Schedule H Capacity Sales	(14,982)	(13,532)	(14,982)	(14,982)	(14,982)	(11,731)	(12,122)	(12,122)	(12,122)	(12,122)	(11,732)	(12,122)	(153,799)
23 Subtotal - Intermediate Level Capacity Charges	644,785	646,235	644,785	645,268	647,645	648,036	647,645	647,645	648,036	647,645	648,036	647,645	7,763,405
24 Intermediate Production Jurisdictional Responsibility	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%	79.046%
25 Intermediate Level Jurisdictional Capacity Charges	509,677	510,823	509,677	510,059	511,937	512,247	511,937	511,937	512,247	511,937	512,246	511,937	6,136,662
<b>26 Peaking Production Level Capacity Charges:</b>													
27 Chattahoochee Capacity Purchase	12,500	11,636	13,364	8,064	16,936	12,231	12,769	12,500	4,167	20,833	12,231	12,769	150,000
28 Reliant - Osceola Capacity Purchase	576,470	690,467	138,637	0	0	0	0	0	0	0	0	0	1,405,574
29 Shady Hills Power Company LLC	1,938,085	2,153,760	1,384,346	1,319,766	1,910,416	3,899,623	3,883,812	3,883,812	1,812,446	1,364,583	1,364,583	1,969,197	26,884,429
30 Other Capacity Purchases	0	0	0	0	0	0	0	0	0	0	0	0	0
31 Subtotal - Peaking Level Capacity Charges	2,527,065	2,855,863	1,536,347	1,327,830	1,927,352	3,911,854	3,896,581	3,896,312	1,816,613	1,385,416	1,376,814	1,981,966	28,440,004
32 Peaking Production Jurisdictional Responsibility	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%	88.979%
33 Peaking Level Jurisdictional Capacity Charges	2,248,548	2,541,118	1,367,026	1,181,490	1,714,939	3,480,729	3,487,139	3,466,899	1,616,404	1,232,729	1,225,075	1,763,534	25,305,631
<b>34 Other Capacity Charges:</b>													
35 Retail Wheeling	(55,628)	(6,921)	(67,322)	(20,470)	(20,294)	(42,301)	(35,508)	(22,047)	(28,174)	(45,570)	(17,686)	(126,616)	(488,537)
36 Other Jurisdictional Capacity Charges	(55,628)	(6,921)	(67,322)	(20,470)	(20,294)	(42,301)	(35,508)	(22,047)	(28,174)	(45,570)	(17,686)	(126,616)	(488,537)
37 Subtotal Jurisdictional Capacity Charges (lines 19+25+33+36)	27,570,560	29,205,719	27,583,254	28,556,813	28,278,883	29,043,780	30,497,796	31,432,150	27,616,013	27,653,342	25,553,495	28,652,649	341,844,454
<b>38 Nuclear Cost Recovery Clause Charges:</b>													
39 Levy Costs	28,305,716	30,829,472	31,563,306	31,968,605	32,321,617	33,418,860	33,708,361	34,095,980	33,559,643	34,089,320	34,389,218	36,394,516	394,644,614
40 CR-3 Uprate Costs	1,601,324	1,681,117	1,735,787	1,781,018	1,843,483	1,902,183	1,967,636	2,044,774	2,123,001	2,222,861	2,328,087	2,435,251	23,666,522
41 Subtotal - Order No. PSC-08-0749-FOF-EI	29,907,040	32,510,589	33,299,093	33,749,623	34,165,100	35,321,043	35,675,997	36,140,754	35,682,644	36,312,181	36,717,305	38,829,767	418,311,136
42 Less Levy Deferral - Order No. PSC-09-0208-PAE-EI												(198,000,000)	(198,000,000)
43 Total Nuclear Cost Recovery Clause Charges	29,907,040	32,510,589	33,299,093	33,749,623	34,165,100	35,321,043	35,675,997	36,140,754	35,682,644	36,312,181	36,717,305	(159,170,233)	220,311,136
44 Total Jurisdictional Capacity Charges (lines 37+43)	57,477,600	61,716,308	60,882,347	62,306,436	62,443,983	64,364,823	66,173,793	67,572,904	63,298,657	63,965,523	62,270,800	(130,317,584)	562,155,590
<b>45 Capacity Revenues:</b>													
46 Capacity Cost Recovery Revenues (net of tax)	50,828,987	54,947,481	46,750,217	30,936,618	34,753,339	40,889,027	45,153,664	42,282,367	44,043,557	40,960,353	38,115,087	31,817,053	501,477,750
47 Prior Period True-Up Provision	1,274,415	1,274,415	1,274,415	1,274,414	1,274,414	1,274,414	1,274,414	1,274,414	1,274,415	1,274,415	1,274,415	1,274,415	15,292,976
48 Current Period CCR Revenues (net of tax)	52,103,402	56,221,896	48,024,632	32,211,031	36,027,752	42,163,440	46,428,077	43,556,782	45,317,972	42,234,768	39,389,502	33,091,468	516,770,726
<b>49 True-Up Provision</b>													
50 True-Up Provision - Over/(Under) Recov (line 48 - line 44)	(5,374,198)	(5,494,412)	(12,857,714)	(30,095,404)	(26,416,230)	(22,201,382)	(19,745,715)	(24,016,121)	(17,980,685)	(21,730,755)	(22,881,298)	163,409,052	(45,384,862)
51 Interest Provision for the Month	8,032	4,990	(1,430)	(10,160)	(15,933)	(21,746)	(27,759)	(28,978)	(29,659)	(30,502)	(34,751)	(37,928)	(225,824)
52 Current Cycle Balance - Over/(Under) (line 50 + 51)	(5,366,166)	(10,855,588)	(23,714,732)	(53,820,296)	(80,252,459)	(102,475,587)	(122,249,061)	(146,294,160)	(164,304,504)	(186,065,761)	(208,981,810)	(45,610,686)	(45,610,686)
53 Plus: Prior Period Balance	17,822,629	17,822,629	17,822,629	17,822,629	17,822,629	17,822,629	17,822,629	17,822,629	17,822,629	17,822,629	17,822,629	17,822,629	17,822,629
54 Plus: Cumulative True up Provision	(1,274,415)	(2,548,830)	(3,823,245)	(5,097,659)	(6,372,073)	(7,646,487)	(8,920,901)	(10,195,316)	(11,469,731)	(12,744,146)	(14,018,561)	(15,292,976)	(15,292,976)
55 Prior Period True-Up Balance - Over/(Under)	16,548,214	15,273,799	13,999,384	12,724,970	11,450,556	10,176,142	8,901,728	7,627,313	6,352,898	5,078,483	3,804,068	2,529,653	2,529,653
56 Net Capacity True-up Over/(Under) (lines 52+55)	\$11,182,048	\$4,418,211	(\$9,715,348)	(\$41,095,326)	(\$68,801,903)	(\$92,299,445)	(\$113,347,333)	(\$138,666,847)	(\$157,951,606)	(\$180,987,278)	(\$205,177,742)	(\$43,081,033)	(\$43,081,033)