

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: June 24, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*
RE: Docket No.: 110002-EG
Company Name: Progress Energy Florida, Inc.
Company Code: EI801
Audit Purpose: Energy Conservation Cost Recovery Clause
Audit Control No: 11-005-2-5

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/ir

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

04374 JUN 24 =

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

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

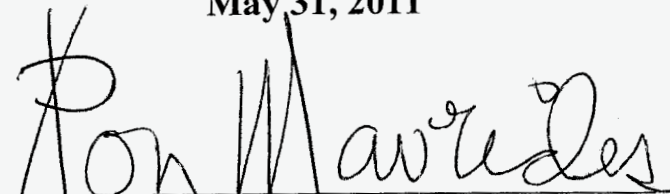
Auditor's Report

Progress Energy Florida, Inc.
Energy Conservation Cost Recovery

Twelve Months Ended December 31, 2010

Docket No. 110002-EG
Audit Control No. 11-005-2-5

May 31, 2011



Ronald A. Mavrides
Audit Manager



Linda Hill-Slaughter
Reviewer

DOCUMENT NUMBER-DATE

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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 5, 2011. We have applied these procedures to the attached summary exhibit prepared by Progress Energy Florida, Inc. (PEF or the Company) and to several of its related schedules in support of its filing for the Energy Conservation Cost Recovery Clause (ECCR) in Docket No. 110002-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

Revenues

Objectives: Our objectives were to verify that ECCR revenues and kilowatt hours sold, as filed, agreed with the amounts that were recorded on the books of the Company and that these amounts were completely and properly recorded.

Procedures: We recalculated annual revenue dollars by rate class, using rate factors approved by the Florida Public Service Commission (FPSC). We compared these calculations to ECCR revenue amounts in the filing to ensure that the rates used complied with the Commission Order No. PSC-09-0794-FOF-EG.

We selected a random group of customer bills and recalculated each to verify that approved recovery factors were in use in the customer billing system.

We reconciled revenues from the filing to revenues recorded in the general ledger. No material discrepancies were discovered.

Expenses

Objectives: Our objectives were as follows: 1) reconcile ECCR costs from the filing to ECCR cost recorded in the general ledger, 2) verify that ECCR expenses include all and only properly recoverable items, 3) verify the accuracy of conservation costs filed by PEF for the period January 1, 2010, through December 31, 2010, per Rule 25-17.015, Florida Administrative Code (F.A.C.), and 4) verify that applicable allocated costs are reasonable and that the allocation basis is documented.

Procedures: On a sample basis, we verified conservation cost for the following selected programs and resource codes:

Programs

Business Energy Check

Home Energy Improvement

Residential Energy Management

Energy Conservation Administration

Resource Codes

Offsite Management Consulting Service

Onsite Contractor Labor

Offsite Contractor Labor

Meals, Travel, Lodging

Base Company Labor

Other Burden Taxes

Other Pension Burden

Exceptional Hours Burdening

Other Burden Benefits

Base Company Labor

Overtime Company Labor

Advertisements

During our review of expenses, we selected sample charges from the general ledger details and traced them to the invoices. We traced sample payroll charges to employee pay stubs and the reported employee hours to time sheets. We recalculated all of the types of burdening charges and checked selected expenses for the proper amount, account, period, inclusion under the conservation clause, and authorization to pay. We viewed paper copies of advertising targeted to selected conservation programs and reviewed randomly selected contracts with advertisers.

We reconciled the conservation costs recorded in the general ledger to the ECCR filing. No material discrepancies were noted.

True-up

Objective: Our objective was to verify that the True-Up calculation and interest provision at December 31, 2010, was properly calculated.

Procedures: We recalculated the True-Up and interest provision as of December 31, 2010, using the Commission approved beginning balance as of December 31, 2009, the 2010 commercial paper rates and the 2010 energy conservation revenues and costs.

Capital Investment

Objective: Our objective was to reconcile the Company's general ledger to the filing amount for Energy Conservation and Load Management Plant.

Procedures: We obtained a subsidiary ledger of the plant balances as of December 31, 2010. We prepared a summary schedule of capital investment balances by conservation project and reconciled these 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 material discrepancies were noted.

Audit Findings

None

Exhibit

Exhibit 1: Calculation of True-Up

PROGRESS ENERGY FLORIDA
ENERGY CONSERVATION ADJUSTMENT
CALCULATION OF TRUE-UP
FOR THE PERIOD JANUARY 2010 THROUGH DECEMBER 2010

LINE NO.	January	February	March	April	May	June	July	August	September	October	November	December	Total for The Period
	0	0	0	0	0	0	0	0	0	0	0	0	0
1 Other Conservation Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
2 CONSERVATION CLAUSE REVENUES	8,018,193	7,021,841	7,244,204	6,391,025	7,305,811	8,743,389	9,105,715	9,356,038	8,880,443	7,701,622	7,431,477	7,477,223	94,676,982
3 TOTAL REVENUES	8,018,193	7,021,841	7,244,204	6,391,025	7,305,811	8,743,389	9,105,715	9,356,038	8,880,443	7,701,622	7,431,477	7,477,223	94,676,982
4 PRIOR PERIOD TRUE-UP OVER/(UNDER)	(1,951,910)	162,659	162,659	162,659	162,659	162,659	162,659	162,659	162,659	162,659	162,659	162,659	1,951,910
5 CONSERVATION REVENUES APPLICABLE TO PERIOD	8,180,852	7,184,500	7,406,863	6,553,684	7,468,470	8,906,048	9,268,374	9,518,697	9,043,103	7,864,281	7,594,136	7,639,883	96,623,691
6 CONSERVATION EXPENSES (CT-3, PAGE 1, LINE 23)	6,773,351	7,161,448	8,186,940	6,569,335	6,653,295	7,292,216	6,151,333	6,796,591	7,759,262	7,097,012	7,677,721	7,436,419	85,354,923
7 TRUE-UP THIS PERIOD (O)/U	(1,407,501)	(23,052)	780,077	(184,349)	(815,175)	(1,613,832)	(3,117,041)	(2,722,106)	(1,283,840)	(767,269)	83,585	(203,463)	(11,273,968)
8 CURRENT PERIOD INTEREST	(257)	(534)	(453)	(390)	(585)	(1,011)	(1,502)	(1,978)	(2,279)	(2,330)	(2,368)	(2,347)	(16,034)
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	(1,951,910)	(3,197,009)	(3,057,936)	(2,115,654)	(2,137,736)	(2,790,837)	(4,243,021)	(7,198,905)	(9,760,330)	(10,883,790)	(11,490,730)	(11,246,854)	(1,951,910)
11 PRIOR TRUE-UP REFUNDED/ (COLLECTED)	162,659	162,659	162,659	162,659	162,659	162,659	162,659	162,659	162,659	162,659	162,659	162,659	1,951,910
12 END OF PERIOD NET TRUE-UP	(3,197,009)	(3,057,936)	(2,115,654)	(2,137,734)	(2,790,837)	(4,243,021)	(7,198,905)	(9,760,330)	(10,883,790)	(11,490,730)	(11,246,854)	(11,290,003)	(11,290,003)