

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: April 27, 2009
TO: Kaley Giles, Regulatory Analyst II, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance *DW*
RE: Docket No: 090001-EI; Company Name: Progress Energy Florida, Inc.;
Audit Purpose: Fuel Cost Recovery Clause; Company Code: EI801;
Audit Control No: 09-041-2-5;

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 the Commission Clerk. There are no confidential work papers associated with this audit.

DNV/tbm

Attachment: Audit Report

CC: Division of Regulatory Compliance (Salak, Mailhot, Harvey,
District Offices, File Folder)
Office of Commission Clerk (2)
General Counsel
Office of Public Counsel

Mr. Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 East College Avenue, Suite 800
Tallahassee, FL 32301-7740

Mr. John T. Burnett
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042

DOCUMENT NUMBER - DATE

03975 APR 29 8

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE
BUREAU OF AUDITING*

TAMPA DISTRICT OFFICE

PROGRESS ENERGY FLORIDA, INC.

FUEL ADJUSTMENT CLAUSE AUDIT

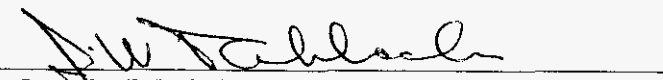
HISTORICAL YEAR ENDED DECEMBER 31, 2008

DOCKET NO. 090001-EI

AUDIT CONTROL NO. 09-041-2-5



Simon Ojada, Audit Manager



Joseph W. Rohrbacher, Tampa District Supervisor

DOCUMENT NUMBER-DATE

03975 APR 29 8

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DIVISION OF REGULATORY COMPLIANCE

AUDITOR'S REPORT

April 8, 2009

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

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 February 6, 2009. We have applied these procedures to the attached schedules prepared by Progress Energy Florida in support of its filing for fuel cost recovery, Docket No. 090001-EI.

This audit is 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 Fuel Adjustment Clause (FAC) revenue and KWH sold were completely and properly recorded on the books of Progress Energy Florida (PEF).

Procedures: - We recalculated revenue by month and rate class, and compared these calculations to FAC revenue amounts in the filing to assure that all FAC revenues were recorded. We tested two months of revenues by type in order to match utility revenues by general ledger account. We selected a group of customer bills for one month and recalculated each to verify that Florida Public Service Commission approved recovery rates were used in the customer billing system.

EXPENSES

Objective:- Review expenses which Progress Energy Florida has included in the fuel clause filing to identify those that do not meet the criteria set forth in Order No. 14546, in Docket No. 850001-EI-B, issued July 8, 1985.

Procedures: - We tested filed expenses in the fuel expense work papers. We found those expenses we examined complied with the standards set forth in Order No. 14546.

Objective: - Verify that filed amounts for services for waterborne coal transportation agreed to contract rates.

Procedures: - We tested the amounts paid for waterborne transportation and included in the FAC by testing invoices for coal and tracing the transportation amounts to the contracts.

Objective: - Verify that Progress Energy Florida has credited vendor rebates and refunds to its fuel costs filed.

Procedures: - There were no vendor rebates and refunds except for re-bills which are demurrage charges. We traced a sample of the demurrage charges to supporting source documentation.

Objective: - Verify that any adjustments to coal inventory due to differences between the "per books" inventory quantities and the semi-annual coal inventory survey quantities have been recorded as set forth in Order No. PSC-97-0359-FOF-EI, in Docket No. 970001-EI, issued March 31, 1997.

Procedures: - We tested the coal inventory adjustments to assure they did not exceed plus or minus three percent of the general ledger balance as directed in the Commission order.

Objective: - Reconcile heat rates, service hours, reserve shutdown hours, and unavailable hours for GPIF units as shown on annual GPIF filings with source documents.

Procedures: - These items were compared between the FAC Schedule A-4 and the GPIF filings for consistency and traced to source documents.

Objective: - Verify that Progress Energy Florida has credited generation-related gains derived from non-separated wholesale energy sales to the fuel clause as set forth in Order No. PSC-00-1744-PAA-EI, in Docket No. 991779-EI, issued September 26, 2000.

Procedures: - We recalculated generation related gains on the FAC schedule A-6 from PEF documentation to ensure the company was in compliance with Commission Order No. PSC-00-1744-PAA-EI.

Objective: - Verify that energy payments to qualifying facilities are based on the appropriate standard offer or negotiated contract rate.

Procedures: - We traced amounts on the FAC Schedule A-8 to invoices, cogeneration purchase power report and contracts.

Objective: Verify that FTS (firm transportation service) charges for natural gas transportation agree with the appropriate FTS rate schedules from pipeline company tariffs.

Procedure: We traced FTS charges for natural gas transportation for April and August 2008 invoices to FTS rate schedules and found that the correct rates were used.

ANALYTICAL REVIEW

Objective: - Perform analytical review to identify any matter which might influence the scope or level of risk of the audit.

Procedures: - We performed analytical review of the 2008 FAC filing compared to previous years. We did not see any need to change the audit scope.

TRUE-UP

Objective: - Verify that the true-up and interest were properly calculated.

Procedures: - We verified that the beginning true-up equaled the end of the previous year. We recalculated the true-up to verify that the correct commercial interest rates were in use and that each monthly true-up was calculated accurately.

PROGRESS ENERGY FLORIDA
FUEL AND PURCHASED POWER
COST RECOVERY CLAUSE CALCULATION
YEAR TO DATE - DECEMBER 2008

	\$				MWH				CENTS/KWH			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT	%
1 FUEL COST OF SYSTEM NET GENERATION (SCH A3)	1,977,031,884	1,921,245,832	55,786,052	2.9	37,594,800	38,786,785	(1,171,985)	(3.0)	5.2588	4.9559	0.3029	8.1
2 SPENT NUCLEAR FUEL DISPOSAL COST	6,041,570	6,235,810	(194,240)	(3.1)	6,424,712	6,633,840	(209,128)	(3.2)	0.0940	0.0940	0.0000	0.0
3 COAL CAR INVESTMENT	601,345	636,943	(35,598)	(5.6)	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
3a NUCLEAR DECOMMISSIONING AND DECONTAMINATION	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4 ADJUSTMENTS TO FUEL COST - MISCELLANEOUS	(9,715,492)	(11,103,378)	1,387,886	(12.5)	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
4a ADJUSTMENTS TO FUEL COST - DISPOSAL COST REFUND	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
5 TOTAL COST OF GENERATED POWER	1,973,958,307	1,917,015,206	56,944,101	3.0	37,594,800	38,766,785	(1,171,985)	(3.0)	5.2506	4.9450	0.3056	6.2
6 ENERGY COST OF PURCHASED POWER - FIRM (SCH A7)	270,849,596	245,062,379	25,787,217	10.5	5,199,339	5,692,323	(492,984)	(8.7)	5.2093	4.3051	0.9042	21.0
7 ENERGY COST OF SCH C,X ECONOMY PURCH - BROKER (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
8 ENERGY COST OF ECONOMY PURCH - NON-BROKER (SCH A9)	99,648,059	48,955,777	50,692,282	103.6	1,204,459	677,976	526,483	77.7	8.2733	7.2209	1.0524	14.8
9 ENERGY COST OF SCH E PURCHASES (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
10 CAPACITY COST OF ECONOMY PURCHASES (SCH A9)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
11 PAYMENTS TO QUALIFYING FACILITIES (SCH A8)	167,234,465	149,188,340	18,046,125	12.1	3,763,734	4,317,642	(553,908)	(12.8)	4.4433	3.4553	0.9880	28.8
12 TOTAL COST OF PURCHASED POWER	537,732,121	443,206,496	94,525,625	21.3	10,167,532	10,687,941	(520,409)	(4.9)	5.2887	4.1468	1.1419	27.5
13 TOTAL AVAILABLE MWH					47,762,332	49,454,726	(1,692,394)	(3.4)				
14 FUEL COST OF ECONOMY SALES (SCH A6)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
14a GAIN ON ECONOMY SALES - 100% (SCH A6)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
15 FUEL COST OF OTHER POWER SALES (SCH A6)	(10,317,907)	(32,008,721)	21,690,814	(67.8)	(157,856)	(487,122)	329,266	(67.6)	8.5363	6.5710	(0.9347)	(0.5)
15a GAIN ON OTHER POWER SALES - 100% (SCH A6)	(1,080,438)	(3,819,149)	2,738,710	(71.7)	(157,856)	(487,122)	329,266	(67.6)	0.8844	0.7840	(0.0996)	(12.7)
15b GAIN ON TOTAL POWER SALES - 20% (SCH A6)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
16 FUEL COST OF SEMINOLE BACK-UP SALES (SCH A6)	0	0	0	0.0	0	0	0	0.0	0.0000	0.0000	0.0000	0.0
17 FUEL COST OF STRATIFIED SALES	(254,571,807)	(188,806,955)	(65,964,852)	51.0	(4,917,706)	(3,022,884)	(1,894,824)	62.7	5.1766	5.5777	(0.4011)	(7.2)
18 TOTAL FUEL COST AND GAINS ON POWER SALES	(265,970,153)	(204,434,825)	(61,535,328)	30.1	(5,075,564)	(3,510,006)	(1,565,558)	44.6	5.2402	5.6243	(0.5841)	(10.0)
19 NET INADVERTENT AND WHEELED INTERCHANGE					59,193	0	59,193					
20 TOTAL FUEL AND NET POWER TRANSACTIONS	2,245,721,274	2,155,786,877	89,934,397	4.2	42,745,961	45,944,720	(3,198,759)	(7.0)	5.2536	4.6921	0.5615	12.0
21 NET UNBILLED	(6,487,937)	5,843,405	(12,331,342)	(211.0)	123,494	(68,927)	192,421	(279.2)	(0.0161)	0.0135	(0.0296)	(219.3)
22 COMPANY USE	7,540,555	6,698,272	842,283	12.6	(143,530)	(144,000)	470	(0.3)	0.0187	0.0155	0.0032	20.7
23 T & D LOSSES	129,883,815	122,033,911	7,649,704	6.3	(2,468,450)	(2,601,414)	132,964	(5.1)	0.3221	0.2829	0.0392	13.9
24 ADJUSTED SYSTEM KWH SALES (SCH A2 PG 1 OF 2)	2,245,721,274	2,155,786,877	89,934,397	4.2	40,257,475	43,130,379	(2,872,904)	(6.7)	5.5764	4.9983	0.5801	11.6
25 WHOLESALE KWH SALES (EXCLUDING STRATIFIED SALES)	(98,942,991)	(76,884,718)	(20,278,273)	26.5	(1,701,766)	(1,539,311)	(162,455)	10.6	5.6966	4.9805	0.7161	14.4
26 JURISDICTIONAL KWH SALES	2,148,778,284	2,079,122,160	69,656,124	3.4	38,555,709	41,591,068	(3,035,359)	(7.3)	5.5732	4.9990	0.5742	11.5
27 JURISDICTIONAL KWH SALES ADJUSTED FOR LINE LOSS - 1.00187	2,152,756,246	2,082,324,008	70,432,238	3.4	38,555,709	41,591,068	(3,035,359)	(7.3)	5.5835	5.0067	0.5768	11.5
28 PRIOR PERIOD TRUE-UP	(169,376,547)	(169,376,547)	0	0.0	38,555,709	41,591,068	(3,035,359)	(7.3)	(0.4393)	(0.4072)	(0.0321)	7.9
28a MARKET PRICE TRUE-UP	0	0	0	0.0	38,555,709	41,591,068	(3,035,359)	(7.3)	0.0000	0.0000	0.0000	0.0
28b RECOVERY OF PRIOR PERIOD NUCLEAR REPLACEMENT COST	0	0	0	0.0	38,555,709	41,591,068	(3,035,359)	(7.3)	0.0000	0.0000	0.0000	0.0
29 TOTAL JURISDICTIONAL FUEL COST	1,983,379,699	1,912,947,461	70,432,238	3.7	38,555,709	41,591,068	(3,035,359)	(7.3)	5.1442	4.5995	0.5447	11.8
30 REVENUE TAX FACTOR									1.00072	1.00072	0.0000	0.0
31 FUEL COST ADJUSTED FOR TAXES									5.1479	4.6028	0.5451	11.8
32 GPIF	607,201	607,201			38,555,709	41,591,068			0.0016	0.0015	0.0001	93.8
33 TOTAL FUEL COST FACTOR ROUNDED TO THE NEAREST .001 CENTS/KWH									5.150	4.604	0.545	11.8

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