

State of Florida



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Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: May 31, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance *CJP*
Analysis
RE: Docket No.: 110001-EI
Company Name: Progress Energy Florida, Inc.
Company Code: EI801
Audit Purpose: Capacity Cost Recovery Clause
Audit Control No: 11-006-2-1

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

03784 JUN-1 =

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.
Capacity Cost Recovery Clause

12 Months Ending December 31, 2010

Docket No. 110001-EI
Audit Control No. 11-006-2-1

May 24, 2011

Handwritten signature of Simon O. Ojada.

Simon O. Ojada
Audit Manager

Handwritten signature of Linda Hill-Slaughter.

Linda Hill-Slaughter
Reviewer

DOCUMENT NUMBER-DATE

03784 JUN-1 =

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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 6, 2011. We have applied these procedures to the attached summary exhibit prepared by Progress Energy Florida, Inc. (PEF or the Utility) and to several of its related schedules in support of its filing for the Capacity Cost Recovery Clause in Docket No. 110001-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

Revenue

Objectives: Our objectives were to verify that Capacity Cost Recovery Clause (CCRC) revenue and KWH sold, as filed, agreed with the amounts that were recorded on the books of the Utility, and that these amounts were completely and properly recorded.

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 utility provided KWH sales. 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.

Expense

Objective: Our objective was to verify that the capacity costs, as filed, agreed to the general ledger.

Procedures: We recomputed capacity costs and reconciled it to the general ledger.

Objective: Our objective was to verify that transmission revenues derived from non-Energy Broker Network, wholesale energy sales were credited to the clause and thereby reduce Capacity expenses per Order No. PSC-99-2512-FOF-EI.

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

Objective: Our objective was to 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 April and September, 2010. No discrepancies were discovered.

True-up

Objective: The objective was to verify that the true-up and interest provision amount at December 31, 2010, were properly calculated.

Procedure: We recalculated the true-up and interest provision amount as of December 31, 2010 using the Commission approved beginning balance as of December 31, 2009, the Commercial paper rates, and the 2010 CCRC revenues and costs.

Audit Findings

Finding: None.

Exhibit

Exhibit 1: Final True-up Calculation 12 Months Ended 12/31/10

Progress Energy Florida
Capacity Cost Recovery Clause
Calculation of Actual True-Up
January Through December 2010

Docket No. 110001-EI
Witness: Ganett
Exhibit No. (WG-2T)
Sheet 2 of 3

	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
1 Base Production Level Capacity Charges:													
2 Auburndale Power Partners, L.P. (AUBRDLFC)	685,440	685,440	685,440	685,440	685,440	685,440	685,440	685,440	685,440	685,440	685,440	685,440	8,225,280
3 Auburndale Power Partners, L.P. (AUBSET)	3,110,710	3,110,710	3,110,710	3,110,710	3,110,710	3,110,710	3,110,710	3,110,710	3,110,710	3,110,710	3,110,710	3,110,710	37,328,523
4 Lake County (LAKCOUNT)	642,728	642,728	642,728	642,728	642,728	642,728	642,728	642,728	642,728	642,728	642,728	642,728	7,712,730
5 Lake Cogen Limited (LAKORDER)	3,216,904	3,216,904	3,216,904	3,216,904	3,216,904	3,216,904	3,216,904	3,216,904	3,216,904	3,216,904	3,216,904	3,216,904	38,602,843
6 Metro-Dade County (METRDADE)	1,143,384	1,083,532	1,065,175	1,074,009	1,086,609	1,108,718	1,097,046	1,098,031	1,115,282	1,122,215	1,168,148	1,163,282	13,325,453
7 Orange Cogen (ORANGECC)	2,480,304	2,480,304	2,480,304	2,480,304	2,480,304	2,480,304	2,480,304	2,480,304	2,480,304	2,480,304	2,480,304	2,480,304	29,763,648
8 Orlando Cogen Limited (ORLACOGL)	1,159,430	1,159,430	1,159,430	1,159,430	1,159,430	1,159,430	1,159,430	1,159,430	1,159,430	1,159,430	1,159,430	1,159,430	13,913,160
9 Pasco County Resource Recovery (PASCOUNT)	3,206,425	2,759,948	2,759,948	2,759,948	2,759,948	2,759,948	2,759,948	2,759,948	2,759,948	2,759,948	2,759,948	2,759,948	33,565,847
10 Pinellas County Resource Recovery (PINCOUNT)	4,916,873	4,916,873	4,916,873	4,916,873	4,916,873	4,916,873	4,916,873	4,916,873	4,916,873	4,916,873	4,916,873	4,916,873	59,002,482
11 Polk Power Partners, L.P. (MULBERRY/ROYSTER)	745,267	745,810	756,464	759,841	778,656	41,338	(754,025)	694,093	800,946	800,946	800,946	800,946	6,879,509
12 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	0	0	0	0	0	0	0	0	0	0	0	0	-
13 Other	5,957,831	8,180,328	5,876,728	6,190,519	6,294,062	(255,267)	65,713	0	(42,337)	0	61,694	174,312	30,603,583
14 UPS Purchase (414 total mw) - Southern	0	0	0	0	0	944,620	1,337,104	1,078,032	1,111,405	1,111,405	1,099,044	1,111,405	7,793,015
15 Southern - Scherer	30,033,288	29,749,999	29,536,696	29,764,699	29,899,656	23,579,737	23,486,167	24,610,484	24,633,915	24,774,895	24,870,161	24,990,263	318,931,980
16 Subtotal - Base Level Capacity Charges	91,089%	91,089%	91,089%	91,089%	91,089%	91,089%	91,089%	91,089%	91,089%	91,089%	91,089%	91,089%	
17 Base Production Jurisdictional Responsibility	27,357,021	27,098,977	26,906,503	27,112,366	27,235,298	21,478,547	21,393,315	22,417,444	22,438,787	22,587,203	22,653,981	22,763,399	291,422,841
18 Base Level Jurisdictional Capacity Charges													
19 Intermediate Production Level Capacity Charges:													
20 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
21 Southern - Franklin	0	0	0	0	0	2,183,000	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	2,163,000	15,141,000
22 Schedule H Capacity Sales	(12,122)	(10,849)	(12,122)	(11,731)	(11,243)	(10,880)	(11,243)	(11,243)	(10,880)	(11,243)	(10,880)	(11,243)	(135,779)
23 Other	0	0	0	0	0	0	0	0	0	0	0	0	0
24 Subtotal - Intermediate Level Capacity Charges	647,645	648,918	647,645	648,036	648,524	2,811,887	2,811,524	2,811,524	2,811,687	2,811,524	2,811,687	2,811,524	22,922,425
25 Intermediate Production Jurisdictional Responsibility	58,962%	58,962%	58,962%	58,962%	58,962%	58,962%	58,962%	58,962%	58,962%	58,962%	58,962%	58,962%	
26 Intermediate Level Jurisdictional Capacity Charges	381,684	382,556	381,684	382,095	382,383	1,657,945	1,657,731	1,657,731	1,657,945	1,657,731	1,657,945	1,657,731	13,515,521
27 Peaking Production Level Capacity Charges:													
28 Chattahoochee Capacity Purchase	12,500	11,188	13,408	12,218	13,188	11,815	14,882	12,500	13,000	14,100	13,134	14,719	156,650
29 FP&L	103,500	0	0	0	0	0	0	0	0	0	0	0	103,500
30 Vandolah (RR)	0	0	0	0	316,000	1,521,540	1,521,540	1,521,540	709,420	507,180	507,180	709,420	7,313,820
31 Shady Hills Power Company LLC	1,969,198	1,969,198	1,406,570	1,364,583	1,910,416	3,883,812	3,853,872	3,867,179	1,804,684	1,358,739	1,358,739	1,960,764	26,707,754
32 Indian River	0	0	0	0	0	0	1,200,000	1,200,000	1,200,000	(203,543)	0	0	3,396,457
33 NEIL Replacement Power Reimbursement	0	0	0	0	0	(316,000)	0	(1,193,570)	0	(1,117,534)	0	(1,085,254)	(3,712,458)
34 Other	0	0	0	0	0	0	0	0	0	0	0	0	0
35 Subtotal - Peaking Level Capacity Charges	2,085,198	1,980,386	1,419,978	1,376,801	2,239,602	5,101,167	6,590,284	5,407,648	3,727,104	568,842	1,878,053	1,599,649	33,985,723
36 Peaking Production Jurisdictional Responsibility	91,248%	91,248%	91,248%	91,248%	91,248%	91,248%	91,248%	91,248%	91,248%	91,248%	91,248%	91,248%	
37 Peaking Level Jurisdictional Capacity Charges	1,902,701	1,807,063	1,295,702	1,256,303	2,043,592	4,654,713	6,013,511	4,934,372	3,400,808	509,832	1,714,598	1,459,648	30,993,043
38 Other Capacity Charges:													
39 Retail Wheeling	(52,333)	(59,264)	(37,116)	(7,294)	(5,719)	(17,014)	(19,312)	(14,127)	(5,227)	(2,642)	(5,044)	(3,458)	(228,550)
40 Other Jurisdictional Capacity Charges	(52,333)	(59,264)	(37,116)	(7,294)	(5,719)	(17,014)	(19,312)	(14,127)	(5,227)	(2,642)	(5,044)	(3,458)	(228,550)
41 Subtotal Jurisdictional Capacity Charges (lines 18+26+37+40)	29,589,253	29,229,332	28,546,953	28,743,470	29,655,584	27,774,191	29,045,245	28,995,420	27,492,413	24,732,224	26,021,480	25,877,320	335,702,655
42 Nuclear Cost Recovery Clause Charges:													
43 Levy Costs	16,914,539	16,569,231	16,816,512	16,729,276	16,645,154	16,699,472	16,673,461	16,874,273	16,594,227	16,622,789	16,723,333	16,932,328	200,794,595
44 CR-3 Uprate Costs	170,345	310,949	410,266	452,510	480,391	511,648	548,104	581,604	606,872	640,213	681,451	718,779	8,113,132
45 Total NCR Costs - Order No. PSC-09-0783-FOF-EI	17,084,884	16,880,180	17,226,778	17,181,786	17,125,545	17,211,120	17,221,565	17,455,877	17,201,099	17,263,002	17,404,784	17,651,107	208,907,727
46 Total Jurisdictional Capacity Charges (lines 41+46)	46,674,137	46,109,512	45,773,731	45,925,256	46,781,099	44,985,311	46,266,810	46,451,297	44,693,512	41,995,226	43,426,264	43,528,427	542,610,582
47 Capacity Revenues:													
48 Capacity Cost Recovery Revenues (net of tax)	56,710,847	49,357,484	50,728,583	42,449,788	49,058,455	61,494,374	64,198,742	65,941,989	62,792,806	52,891,346	49,547,261	47,498,960	652,670,637
49 Prior Period True-Up Provision Over/(Under) Recovery	(4,771,847)	(4,771,847)	(4,771,847)	(4,771,847)	(4,771,847)	(4,771,847)	(4,771,847)	(4,771,847)	(4,771,847)	(4,771,847)	(4,771,847)	(4,771,847)	(57,262,162)
50 Current Period Revenues (net of tax)	51,939,000	44,585,637	45,956,736	37,677,940	44,286,607	56,722,526	59,426,894	61,170,142	58,020,959	48,119,499	44,775,414	42,727,113	595,408,475
51 True-Up Provisions													
52 True-Up Provision - Over/(Under) Recov (line 50 - line 48)	5,284,863	(1,523,875)	183,006	(8,247,315)	(2,494,491)	11,737,216	13,160,085	14,718,848	13,327,448	6,124,274	1,349,151	(801,314)	52,797,894
53 Interest Provision for the Month	(5,356)	(5,343)	(4,920)	(4,787)	(6,528)	(5,165)	(155)	4,168	8,121	10,798	12,587	13,649	16,066
54 Current Cycle Balance - Over/(Under)	5,279,507	3,729,289	3,907,375	(4,344,727)	(6,845,746)	4,886,304	10,046,234	32,769,244	46,104,815	52,239,887	53,601,625	52,813,960	52,813,960
55 Prior Period Balance - Over/(Under) Recovered	(43,081,033)	(38,309,186)	(33,537,339)	(28,765,493)	(23,993,646)	(19,221,799)	(14,449,952)	(9,678,105)	(4,906,258)	(134,412)	4,637,435	9,409,282	(43,081,033)
56 Prior Period Cumulative True-up Collected/(Refunded)	4,771,847	4,771,847	4,771,847	4,771,847	4,771,847	4,771,847	4,771,847	4,771,847	4,771,847	4,771,847	4,771,847	4,771,847	57,262,162
57 Prior Period True-Up Balance - Over/(Under)	(38,309,186)	(33,537,339)	(28,765,492)	(23,993,646)	(19,221,799)	(14,449,952)	(9,678,105)	(4,906,258)	(134,411)	4,637,435	9,409,282	14,181,129	14,181,129
58 Net Capacity True-up Over/(Under) (lines 64+67)	(\$33,050,679)	(\$29,808,050)	(\$24,858,117)	(\$28,338,373)	(\$26,067,545)	(\$9,563,648)	\$8,368,129	\$27,862,988	\$45,970,404	\$56,877,322	\$63,010,907	\$66,995,089	\$66,995,089



AUDIT TRACKING SYSTEM

Company Progress Energy Florida, Inc.

Industry Code EI

Audit Purpose A3a; Capacity Cost Recovery Clause

STATUS: COMPLETED

Access Codes	
Record No	6064
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PSC Involvement	
Audit Manager	OJADA
Analyst	K. Franklin
Audit Hours	122

COMMENT: