

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 29, 2013
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 130001-EI
Company Name: Progress Energy Florida, Inc.
Company Code: EI801
Audit Purpose: A3a Capacity Cost Recovery Clause
Audit Control No.: 13-016-2-3

Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of 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.

LD/th
Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

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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

Twelve Months Ended December 31, 2012

Docket No. 130001-EI
Audit Control No. 13-016-2-3
April 24, 2013

Tomer Kopelovich
Audit Manager

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 Accounting and Finance in its audit service request dated January 16, 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 Capacity Cost Recovery Clause in Docket No. 130001-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

General

Definitions

Utility refers to Progress Energy Florida, Inc.
CCRC refers to the Capacity Cost Recovery Clause.

Revenues

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 CCRC.

Procedures: We reconciled the 2012 filing to the Utility's monthly CCRC Revenue Reports. We recalculated the 2012 capacity revenues for the months of January through December by multiplying KWH sales by the CCRC recovery factors. We multiplied CCRC Revenue, including tax by the Revenue tax CCRC factor. We deducted tax revenues to arrive at staff's net CCRC Revenues. We compared staff's net CCRC Revenues the Utility's CCRC net Revenues. A sample of residential and commercial customers' bills were recalculated to verify the use of the correct tariff CCRC rates in the Utility's Environmental Cost Recovery Clause proceeding, Docket 130007-EI. No exceptions were noted.

Transmission Revenues

Objective: The objective was to determine whether Transmission Revenues derived from the non-separated, non-Energy Broker Network, wholesale energy sales were credited to the CCRC per Commission 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 CCRC filing. 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 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expense invoices for testing for the months of February, April, June, and August 2012. The source documentation for selected items was reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

Purchase Power Contracts

Objective: The objective was to determine whether the invoices for the capacity purchase amounts are in accordance with the terms and conditions of the contract. **Procedures:** We reviewed the Metro-Dade County, Orange Cogen, and Orange Cogen Limited purchased power contracts that were in effect during 2012. We traced the purchase power contract rates and terms between the Utility and the qualifying facilities to the capacity payment calculations for January, March, May, and July 2012. No exceptions were noted.

True-Up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form WG-2T 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 CCRC Revenues and costs. No exceptions were noted.

Analytical Procedures

Objective: The objective was to perform an analytical review of the Utility's CCRC Revenues and Expenses to determine if there were any material changes or inconsistencies from prior years.

Procedures: We compared 2012 to 2011 and 2010 revenues and expenses. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

Progress Energy Florida Capacity Cost Recovery Clause Calculation of Actual True-Up January Through December 2012													
	ACTUAL JAN	ACTUAL FEB	ACTUAL MAR	ACTUAL APR	ACTUAL MAY	ACTUAL JUN	ACTUAL JUL	ACTUAL AUG	ACTUAL SEP	ACTUAL OCT	ACTUAL NOV	ACTUAL DEC	ACTUAL YTD
1 Base Production Level Capacity Charges:													
2 Auburndale Power Partners, L.P. (AUBRD/LFC)	775,370	775,370	775,370	775,370	775,370	775,370	775,370	775,370	775,370	775,370	775,370	775,370	9,304,440
3 Auburndale Power Partners, L.P. (AUBSET)	3,437,396	3,437,396	3,437,396	3,437,396	3,437,396	3,437,396	3,437,396	3,437,396	3,437,396	3,437,396	3,437,396	3,437,396	41,248,750
4 Lake County (LAKCOUNT)	726,878	726,878	726,878	726,878	726,878	726,878	726,878	726,878	726,878	726,878	726,878	726,878	8,722,536
5 Lake Cogen Limited (LAKORDER)	3,553,265	3,553,265	3,553,265	3,553,264	3,553,265	3,553,265	3,553,264	3,553,265	3,553,265	3,553,265	3,553,264	3,553,264	42,639,177
6 Metro-Dade County (METRDADE)	1,334,720	1,334,720	1,334,720	1,334,720	1,334,720	1,334,720	1,334,720	1,334,720	1,334,720	1,334,720	1,334,720	1,334,720	16,016,640
7 Orange Cogen (ORANGECO)	2,813,601	2,813,601	2,813,601	2,813,601	2,813,601	2,813,601	2,813,601	2,813,601	2,813,600	2,813,601	2,813,601	2,813,601	33,763,211
8 Orlando Cogen Limited (ORLACOGI)	2,682,225	2,675,845	2,676,294	2,740,784	2,740,783	2,740,784	2,740,784	2,740,784	2,740,784	2,740,784	2,740,783	2,740,783	32,701,418
9 Pasco County Resource Recovery (PASCOUNT)	1,311,230	1,311,230	1,311,230	1,311,230	1,311,230	1,311,230	1,311,230	1,311,230	1,311,230	1,311,230	1,311,230	1,311,230	15,734,760
10 Pinellas County Resource Recovery (PINCOUNT)	3,121,298	3,121,298	3,121,298	3,121,298	3,121,297	3,121,298	3,121,297	3,121,297	3,121,297	3,121,297	3,121,297	3,121,297	37,455,571
11 Polk Power Partners, L.P. (MULBERRY)	5,431,879	5,431,880	5,431,880	5,431,880	5,431,879	5,431,878	5,431,880	5,431,880	5,431,879	5,431,880	5,431,880	5,431,880	65,182,555
12 Wheelabrator Ridge Energy, Inc. (RIDGEGEN)	800,947	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	800,946	9,611,353
13 UPS Purchase (414 total mw) - Southern	0	0	(230,855)	0	0	0	0	0	(16,836)	0	0	0	(247,691)
14 Southern - Scherer	1,666,586	1,661,304	1,663,945	1,663,945	2,237,943	1,558,717	1,718,299	1,705,138	1,710,820	1,711,718	1,709,996	1,711,113	20,719,524
15 Subtotal - Base Level Capacity Charges	27,655,395	27,643,733	27,415,968	27,711,312	28,285,308	27,606,083	27,765,664	27,752,505	27,741,350	27,759,085	27,757,361	27,758,480	332,852,244
16 Base Production Jurisdictional Responsibility	1	1	1	1	1	1	1	1	1	1	1	1	1
17 Base Level Jurisdictional Capacity Charges	25,355,295	25,344,604	25,135,782	25,406,562	25,932,819	25,310,085	25,456,394	25,444,329	25,434,102	25,450,362	25,448,781	25,449,807	305,168,923
18 Intermediate Production Level Capacity Charges:													
19 Southern - Franklin	2,163,000	2,163,000	2,163,000	2,768,640	3,289,165	2,291,019	3,063,230	3,006,201	3,361,856	2,999,467	3,027,832	3,030,258	33,325,868
20 Schedule H Capacity Sales-NSB	(11,552)	(10,807)	(11,552)	(11,179)	(11,307)	(10,942)	(11,307)	(11,307)	(10,942)	(11,307)	(14,468)	(14,792)	(141,462)
21 Subtotal - Intermediate Level Capacity Charges	2,151,448	2,152,193	2,151,448	2,757,461	3,277,858	2,280,077	3,051,923	2,994,894	3,350,914	2,988,160	3,012,564	3,015,466	33,184,406
22 Intermediate Production Jurisdictional Responsibility	1	1	1	1	1	1	1	1	1	1	1	1	1
23 Intermediate Level Jurisdictional Capacity Charges	1,388,093	1,388,573	1,388,093	1,779,086	2,114,841	1,471,083	1,969,070	1,932,276	2,161,976	1,927,931	1,943,676	1,945,549	21,410,247
24 Peaking Production Level Capacity Charges:													
25 Chattahoochee Capacity Purchase	12,500	11,513	13,084	12,634	12,366	12,634	12,769	12,500	12,231	12,769	12,231	12,769	150,000
26 Vandolah Capacity - Northern Star	0	0	0	0	0	(1,734)	1,734	0	0	0	0	0	0
27 Seminole Electric Cooperative, Inc	0	0	0	0	0	(47,292)	47,292	0	0	0	0	0	0
28 Reliant - Vandolah Capacity Purchase	1,418,840	1,418,840	1,014,360	1,014,360	1,418,840	5,599,810	5,818,316	5,840,887	2,711,658	1,916,630	2,014,083	2,942,812	33,129,636
29 Shady Hills Power Company LLC	1,965,615	1,965,615	1,404,011	1,362,100	1,908,900	3,879,900	3,879,900	3,879,900	1,840,620	1,363,500	1,363,500	1,969,380	26,752,941
30 Subtotal - Peaking Level Capacity Charges	3,396,955	3,395,958	2,431,455	2,389,094	3,340,106	9,443,318	9,760,011	9,733,287	4,534,509	3,293,099	3,389,814	4,924,561	60,032,577
31 Peaking Production Jurisdictional Responsibility	1	1	1	1	1	1	1	1	1	1	1	1	1
32 Peaking Level Jurisdictional Capacity Charges	3,238,623	3,237,682	2,318,125	2,277,738	3,184,424	9,003,165	9,305,097	9,279,618	4,323,156	3,139,608	3,231,815	4,695,409	57,234,459
33 Other Capacity Charges:													
34 Retail Wheeling	(2,932)	(1,199)	(455)	(3,033)	(1,120)	(2,803)	(12,128)	(2,527)	(1,328)	(2,613)	(2,034)	(995)	(33,167)
35 Total Other Capacity Charges	(2,932)	(1,199)	(455)	(3,033)	(1,120)	(2,803)	(12,128)	(2,527)	(1,328)	(2,613)	(2,034)	(995)	(33,167)
36													
37 Subtotal Jurisdictional Capacity Charges (lines 17+23+32+35)	29,979,079	29,969,660	28,841,545	29,460,354	31,230,964	35,781,530	36,718,433	36,653,696	31,917,906	30,515,288	30,622,238	32,089,769	383,780,461
38													
39 Nuclear Cost Recovery Clause Charges:													
40 Levy Costs	6,337,833	7,810,874	6,296,044	6,291,658	6,519,755	6,194,943	6,226,912	6,313,327	7,128,277	7,180,333	7,034,232	7,022,525	80,356,713
41 CR-3 Uprate Costs	465,111	465,187	465,298	465,445	465,628	465,848	466,105	466,399	466,731	467,101	467,510	467,958	5,594,321
42 Total NCRC Costs - Order No. PSC-11-0095-FOF-EI	6,802,944	8,276,061	6,761,342	6,757,103	6,985,383	6,660,791	6,693,017	6,779,726	7,595,008	7,647,434	7,501,742	7,490,483	85,951,034
43													
44 Total Jurisdictional Capacity Charges (Lines 37 + 42)	36,782,023	38,245,722	35,602,887	36,217,457	38,216,348	42,442,321	43,411,450	43,433,423	39,512,914	38,162,722	38,123,980	39,580,252	469,731,498
45 Capacity Revenues:													
46 Capacity Cost Recovery Revenues (net of tax)	31,537,270	29,146,074	30,584,102	32,837,024	34,730,095	40,480,643	40,243,819	47,278,095	42,140,150	39,838,766	34,515,623	29,875,935	433,207,597
47 Prior Period True-Up Provision	1,722,292	1,722,292	1,722,292	1,722,292	1,722,292	1,722,292	1,722,292	1,722,292	1,722,292	1,722,292	1,722,292	1,722,292	20,667,503
48 Current Period CCR Revenues (net of tax)	33,259,562	30,868,366	32,306,394	34,559,316	36,452,387	42,202,935	41,966,111	49,000,387	43,862,442	41,561,058	36,237,915	31,598,227	453,875,100
49 True-Up Provision - Current Year (Acct 1823203/2543203)													
50 True-Up Provision - Over/(Under) Recov (line 48-line 44)	(3,522,461)	(7,377,355)	(3,296,492)	(1,658,141)	(1,763,961)	(239,386)	(1,445,339)	5,566,965	4,349,528	3,398,336	(1,886,065)	(7,982,025)	(15,856,398)
51 Interest Provision for the Month	860	649	(45)	(430)	(821)	(1,093)	(1,350)	(1,579)	(893)	(700)	(1,137)	(1,386)	(7,924)
52 Total current month over/(under) recovery (Acct 4560097,557)	(3,521,601)	(10,898,307)	(14,194,844)	(15,853,415)	(17,618,197)	(17,858,676)	(19,305,365)	(13,739,979)	(9,391,344)	(5,993,708)	(7,880,910)	(15,864,321)	(15,864,322)
53 Prior Year True-Up & Interest Prov. (Begin Bal)-Over/(Under)	16,277,953	14,555,651	12,833,369	11,111,077	9,388,785	7,666,493	5,944,201	4,221,909	2,499,617	777,325	(944,967)	(2,667,259)	16,277,953
54 Prior Year True-Up Collected/(Refunded)	(1,722,292)	(1,722,292)	(1,722,292)	(1,722,292)	(1,722,292)	(1,722,292)	(1,722,292)	(1,722,292)	(1,722,292)	(1,722,292)	(1,722,292)	(1,722,292)	(20,667,503)
55 Prior Year True-Up & Interest Provision End Bal - (DR)/CR	14,555,661	12,833,369	11,111,077	9,388,785	7,666,493	5,944,201	4,221,909	2,499,617	777,325	(944,967)	(2,667,259)	(4,389,551)	(4,389,550)
56													
57 Net Capacity True-up Over/(Under) (lines 52+55)	11,034,060	1,935,062	(3,083,767)	(6,464,630)	(9,951,704)	(11,914,475)	(15,083,456)	(11,240,362)	(8,614,019)	(6,938,675)	(10,548,169)	(20,253,872)	(20,253,872)