

MEMORANDUM

January 4, 1996

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) W

RE: DOCKET NO. 960002-EG -- GULF POWER COMPANY
CONSERVATION AUDIT REPORT - PERIOD ENDED SEPTEMBER 30, 1995
AUDIT CONTROL NO. 95-242-1-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Gulf Power Company
Warren E. Tate
P. O. Box 13470
Pensacola, FL 32591-3470

DNV/sp
Attachment

cc: Chairman Clark
Commissioner Deason
Commissioner Johnson
Commissioner Kiesling
Commissioner Garcia
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Haff)
Tallahassee District Office (Grayson)

Office of Public Counsel

DOCUMENT NUMBER-DATE

00147 JAN-5 96

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

YEAR ENDED SEPTEMBER 30, 1995

FIELD WORK COMPLETED

DECEMBER 23, 1995

GULF POWER COMPANY

PENSACOLA, FLORIDA

ESCAMBIA COUNTY

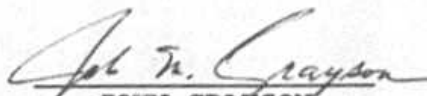
CONSERVATION AUDIT

DOCKET NUMBER 950002-EG

AUDIT CONTROL NUMBER 95-242-1-1



CHRISTOPHER HOLMAN
AUDIT MANAGER



JOHN GRAYSON
REGULATORY SUPERVISOR
TALLAHASSEE DISTRICT OFFICE

DOCUMENT NUMBER-DATE

00147 JAN-58

FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

AUDIT PURPOSE: We have applied the procedures described in Section II and have recalculated the true-up and interest exhibits filed by Gulf Power Company in support of Docket 950002-EG for the twelve months ended September 30, 1995, to determine that the exhibits represent the utility's books and records and that those books and records are maintained in compliance with Commission directives and that facts which may influence the Commission's decision process are disclosed.

SCOPE LIMITATION: There are no confidential working papers associated with this audit.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

OPINION: The calculation of true-up and interest exhibits for the twelve months ended September 30, 1995, are in error and do not represent utility books and records. The Company appears to have used estimated instead of actual numbers. The Company should ensure that its filing is supported by actual accounting data, and would benefit from one person having overall authority for the filing.

SUMMARY FINDINGS: The Company has not filed actual amounts for revenues or expenses.

II. AUDIT SCOPE

The opinions in this report are based on the audit work described below. When used in this report,

COMPILED means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for errors of inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and except as noted performed no other audit work.

CONSERVATION REVENUES: Could not reconcile reported revenues with the general ledger; scheduled revenues for the test period.

CONSERVATION EXPENSES: Could not reconcile reported expenses with the general ledger; scheduled expenses by type, and by program with and without overheads for the test periods; judgementally selected and read documents supporting conservation expenses; requested and reconciled EDP analysis of conservation expenses to the general ledger.

OTHER: Could not reconcile Company filed CT schedules to the Company summary "Monthly Report" forms; determined and disclosed any Company accounting procedures for conservation cost recovery that are not consistent with Rule 25-17.015 FAC; obtained Employee Benefit Schedule and detail; obtained list of employees and audited payroll benefits charged to conservation accounts; read Gulf's procedures under the Gulf Express Energy Conservation Loan Program. Reviewed time planners, payroll reports for Pensacola, Ft. Walton and Panama City field office personnel.

AUDIT EXCEPTION NO. 1

SUBJECT: Company Filing

STATEMENT OF FACT: The Company has not filed actual data in its filing. This is true for revenues, expenses, and interest. The auditor recalculated these amounts.

In addition, the audit staff requested a chart of accounts showing all subaccounts and a description of each subaccount which pertains to conservation. The information provided by the Company was incorrect and incomplete.

AUDIT OPINION: The audit staff requested the conservation chart of accounts to serve as a guide in performing account transaction analysis by the FPSC EDP section. Since the chart of accounts provided was incomplete, the information obtained from the EDP section was incomplete. When the audit staff requested the conservation chart of accounts, it expected to receive all the accounts related to conservation, that when grouped according to revenue and expense, would tie to the filing or enable the auditor to recalculate what should have been filed when the Company has filed in error.

This problem also occurred in the 1994 Surveillance Audit where the audit staff requested that the Company provide the accounts (sub accounts) which comprise each component of working capital. Subsequent to receiving the information and performing extensive Electronic Data Processing work, the audit staff found that the information provided was incomplete. These incorrect or incomplete responses from the utility cause an inordinate amount of duplicate work.

In the future, the utility should ensure that such responses are complete and correct. Failure to do this will be considered a violation of FPSC Rule 25-7.015(b), F.A.C. which requires the utility to fully respond to audit request within the time frame established by the auditor, and will be forwarded to the District Audit Supervisor for further disposition.

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 1.

SUBJECT: Gulf Power Conservation Loans

STATEMENT OF FACT: In response to a disclosure in the prior Conservation Audit, the Company agreed to record the defaulted loans asset along with an associated reserve for uncollectible account starting January 1, 1995. The Company has not accounted for the defaulted loans as agreed upon.

The Company states that, "Accounting entries were not made during this period due to a break in communication between two departments. The problem has been corrected and proper entries are being made."

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 2

SUBJECT: Advertising Expense

STATEMENT OF FACT: The Company failed to record \$3,759.14 in advertising expense for the Company's Good Cents Environmental plan. This amount was traced to the General Ledger.

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 3

SUBJECT: Adjustment to Current Filing.

STATEMENT OF FACT: The Company stated that the \$33,335.34 adjustment to subaccount 908-1096 [Residential - In Concert With the Environmental Program] was the first two payments of a \$50,000 licensing fee for the In Concert With the Environmental Program made in January and March of 1994 . The Company further stated that inclusion of this amount was approved even though it was paid previously. This amount was not found in the General Ledger for the test period.

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 4

SUBJECT: Overhead adjustment

STATEMENT OF FACT: The Company does not record overhead to each subaccount, but multiplies the labor amounts contained in each subaccount by a predetermined rate. The Company used the wrong overhead rate for April 1995, but corrected it in subsequent months.

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 5

SUBJECT: Leasehold Improvement Amortization

STATEMENT OF FACT: The Company reported that it had amortized \$4,112.21 in monthly leasehold improvements for an efficiency store and \$108.70 monthly for desiccant dehumidification. The journal entries were made retroactive to April 1995. The amounts on a going forward basis are leasehold improvements \$4,112.21, and \$108.70 for amortization of desiccant dehumidification.

COMPANY RESPONSE: Company may respond at a later date.

GULF POWER COMPANY

ENERGY CONSERVATION ADJUSTMENT
For the Period: October, 1994 through September, 1995

Conservation Revenues	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
1. a. Residential Conservation Audit Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b. (Other Fees)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Conservation Adjustment Revenues	182,648.71	144,207.16	171,833.32	181,824.16	147,901.07	188,579.84	143,532.81	179,400.18	218,518.87	225,034.29	225,101.57	188,907.79	2,144,474.83
3. Total Revenues	182,648.71	144,207.16	171,833.32	181,824.16	147,901.07	188,579.84	143,532.81	179,400.18	218,518.87	225,034.29	225,101.57	188,907.79	2,144,474.83
4. Adjustment not Applicable to Period - Prior True Up	(11,391.11)	(11,391.11)	(11,391.11)	(11,391.11)	(11,391.11)	(11,391.11)	4,894.48	4,894.48	4,894.48	4,894.48	4,894.48	4,894.48	(38,379.78)
5. Conservation Revenues Applicable to Period	181,455.00	132,818.04	160,232.21	170,433.04	136,509.96	148,188.53	148,827.09	194,294.64	221,511.15	230,028.77	230,005.85	194,002.27	2,108,094.85
6. Conservation Expenses (Form CT-3 Page 6)	180,891.88	218,891.12	177,283.00	177,283.00	177,283.00	177,283.00	177,283.00	177,283.00	177,283.00	177,283.00	177,283.00	177,283.00	2,172,677.00
7. True Up this Period (Line 5 minus Line 6)	(29,425.00)	(86,045.08)	(17,050.79)	(8,850.96)	(40,783.04)	(32,104.47)	(28,785.91)	7,101.64	44,210.15	52,735.77	52,822.85	17,005.27	(86,582.15)
8. Interest Provision this Period (Page 10, Line 10)	373.85	182.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	898.80
9. True Up & Interest Provision Beginning of Month	88,384.94	80,723.94	6,282.72	883.04	5,124.18	(24,287.74)	(44,881.10)	(78,741.48)	(78,834.33)	(37,410.88)	10,330.83	88,138.70	88,384.94
10. Prior True Up Collected or Refunded	11,391.11	11,391.11	11,391.11	11,391.11	11,391.11	11,391.11	(4,894.48)	(4,894.48)	(4,894.48)	(4,894.48)	(4,894.48)	(4,894.48)	38,379.78
End of Period- Net True Up	88,723.94	6,282.72	883.04	5,124.18	(24,287.74)	(44,881.10)	(78,741.48)	(78,834.33)	(37,410.88)	10,330.83	88,138.70	70,748.48	70,748.17

State of Florida

Commissioners:

SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

January 5, 1996

Mr. Warren E. Tate
Gulf Power Company
Post Office Box 13470
Pensacola, Florida 32591-3470

Dear Mr. Tate:

RE: Docket No. 960002-EG -- Gulf Power Company
Conservation Audit Report - Period Ended September 30, 1995
Audit Control #95-242-1-1

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn
Chief, Bureau of Records

KF/mas
Enclosure
cc: Public Counsel