

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 16, 2006
TO: Lee R. Colson, Utilities System/Engineering Specialist, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *DN*
RE: **Docket No:** 060002-EG; **Company Name:** Gulf Power Company
Audit Request: Energy Conservation Cost Recovery Clause Audit
Audit Control No: 06-040-1-1

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 the response to the Division of Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV:bj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk & Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Ms. Susan D. Ritenour
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

Beggs & Lane Law Firm
Attention: J. Stone/ R. Badders/ S. Griffin
P.O. Box 12950
Pensacola, FL 32591-2950

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING*

Tallahassee District Office

GULF POWER COMPANY

ENERGY CONSERVATION COST RECOVERY AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2005

DOCKET NO. 060002-EG

AUDIT CONTROL NO. 06-040-1-1


Michael Buckley, Audit Manager


Lynn M. Deamer, Audit Supervisor

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

June 6, 2006

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. We have applied these procedures to the attached schedules prepared by Gulf Power Company in support of its filing for Energy Conservation Cost Recovery (ECCR) True-Up for the 12-month period ending December 31, 2005, Docket 060002-EG.

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 which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - To verify that Energy Conservation Cost Recovery (ECCR) revenue and KWH sold as filed were completely and properly recorded on the books of the company.

Procedures: - We compiled ECCR revenues from company source documents and traced these revenues to the filing and General Ledger. We recalculated ECCR Charge on selected customer bills from various rate classes and determined that the company used the correct rates approved by this Commission..

EXPENSES

Objective: - To verify the accuracy of information filed by the Company regarding actual energy sales and conservation costs and revenues for the period January 1, 2005 through December 31, 2005 per Commission Rule 25-17.015F.A.C.

Procedures:- We footed, Cross Footed, and Cross Referenced the Total Cost Schedule to the Company filed CT-3 Schedule, Page 3 of 5. We agreed the Monthly Expense by Program Schedules to the Company Books. We determined that the Company is including expenses to repair and replace equipment applicable to the Good Cents program that was damaged by hurricanes. The Company states that it is not seeking recovery of these expenses in any other docket. See Finding 1 of this report for additional information.

Objective: - Verify that advertising costs charged to ECCR are consistent with Rule 25-17.015(5), F.A.C.

Procedures:- Using judgmental review, we selected twelve advertising charges to ECCR from the Cost by Program Schedules by Company. We reviewed the invoices for these charges and found that they met the criteria established in the rule.

Objective: - Identify the programs and dollar amount difference between budgeted and actual expenses for all conservation programs that exceed the budgeted amount.

Procedures:- We reviewed the company provided supporting documentation for amounts that exceed budgeted amounts. Good Cents Select, Commercial/Industrial Good Cents Buildings, and Commercial/Industrial Mail in Audits were over budget. Good Cents Select was highest over budget at 2.9% . This was mostly due to additional expenses from Hurricanes Dennis and Katrina.

Objective: - Verified that the information provided pursuant to Rule 25-17.0021(5), h, I, and m is accurate for the following programs: Residential Good Cents Select and Commercial/Industrial Real Time Pricing Pilot.

Procedures:- We compared the Company provided “Florida Energy Efficiency and Conservation Act” (FEECA) Program Progress Report for Residential Good Cents Select and Commercial/Industrial Real Time Pricing Pilot to Rule 25-17.0021(5), F.A.C. We traced the program participants, the penetration level, the Commission approved goals, the total achieved, and the variance. The Residential Winter and Summer peak mW reduction do not meet goals.

TRUE-UP

Objective:- To determine if the true-up calculation and interest provision as filed with this Commission was calculated correctly.

Procedures:-We recalculated the 2005 ECCR True-up and interest schedules using the FPSC approved recoverable true-up amount, interest rates and jurisdictional separation factor.

AUDIT FINDING 1

Subject: Recovery of Costs Attributable to Hurricanes Dennis and Katrina

Statement of Facts:

Audit Staff found the total amount charged to Materials was \$3,909,947.33. This is \$165,674.13 more than estimated. \$3,594,722.72 of that amount was charged to "Good Cents Select" Account 908-1161, Materials. The amount charged to "Good Cents Select" was over budget by \$181,371.00.

The Company provided the following additional information.

"Maintenance costs are not sub-categorized by activity. Therefore, there is no means of precisely determining the maintenance cost attributable to Hurricanes Dennis and Katrina. However, conversations with Installation and Maintenance Contractor personnel during the time period immediately following these hurricanes indicated an increase in both service/maintenance calls pertaining to storm damaged residences and equipment. After reviewing a trend line of maintenance activities and costs by month for 2005, a sharp increase in both service calls and costs is noted for the time period following Hurricanes Dennis and Katrina, the months of July, August, and September. Therefore, we believe there is a high probability of occurrence that this spike in maintenance costs is attributable to damage incurred from Hurricanes Dennis and Katrina."

Recommendation:

This information is provided for use by the analyst.

GULF POWER COMPANY
ENERGY CONSERVATION ADJUSTMENT
CALCULATION OF OVER/UNDER RECOVERY
For the Period: January, 2005 through December, 2005

Conservation Revenues	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Good Cents Select RSVP Fees	36,986.93	38,359.08	37,437.46	37,044.35	40,611.58	48,510.13	51,504.27	52,304.20	54,897.66	51,441.16	44,527.15	42,804.56	536,428.53
2. Conservation Adjustment Revenues	719,921.22	609,446.86	667,813.64	625,518.79	784,480.94	946,628.28	984,929.80	966,259.03	960,821.07	735,056.32	674,639.71	770,809.53	9,446,325.19
3. Total Revenues	756,908.15	647,805.94	705,251.10	662,563.14	825,092.52	995,138.41	1,036,434.07	1,018,563.23	1,015,718.73	786,497.48	719,166.86	813,614.09	9,982,753.72
4. Adjustment not Applicable to Period - Prior True Up	(15,530.92)	(15,530.92)	(15,530.92)	(15,530.92)	(15,530.92)	(15,530.92)	(15,530.92)	(15,530.92)	(15,530.92)	(15,530.92)	(15,530.92)	(15,530.88)	(186,371.00)
5. Conservation Revenues Applicable to Period	741,377.23	632,275.02	689,720.18	647,032.22	809,561.60	979,607.49	1,020,903.15	1,003,032.31	1,000,187.81	770,966.56	703,635.94	798,083.21	9,796,382.72
6. Conservation Expenses (CT-3, Page 3, Line 12)	558,586.27	681,253.58	642,864.42	752,805.26	666,957.38	695,309.66	603,419.37	728,853.23	893,497.51	817,873.24	802,370.77	1,521,391.78	9,363,182.47
7. True Up this Period (Line 5 - 6)	182,790.96	(48,978.56)	46,855.76	(105,773.04)	142,604.22	284,297.83	417,483.78	276,179.08	106,690.30	(46,906.68)	(98,734.83)	(723,308.57)	433,200.25
8. Interest Provision this Period (CT-3, Page 5, Line 10)	624.71	842.96	923.43	948.34	1,082.26	1,741.02	2,870.57	4,105.01	4,987.48	5,392.41	5,503.84	4,301.36	33,303.39
9. True Up & Interest Provision Beginning of Month	210,611.90	409,558.49	376,953.81	440,263.92	350,970.14	510,187.54	811,757.31	1,247,642.58	1,543,457.59	1,670,646.29	1,644,662.94	1,566,962.87	210,611.90
10. Prior True Up Collected or Refunded	15,530.92	15,530.92	15,530.92	15,530.92	15,530.92	15,530.92	15,530.92	15,530.92	15,530.92	15,530.92	15,530.92	15,530.88	186,371.00
11. End of Period- Net True Up	409,558.49	376,953.81	440,263.92	350,970.14	510,187.54	811,757.31	1,247,642.58	1,543,457.59	1,670,646.29	1,644,662.94	1,566,962.87	863,486.54	863,486.54

GULF POWER COMPANY
 COMPUTATION OF INTEREST EXPENSE
 ENERGY CONSERVATION ADJUSTMENT
 For the Period: January, 2005 through December, 2005

Interest Provision	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Beginning True up Amount	210,611.90	409,558.49	376,953.81	440,263.92	350,970.14	510,187.54	811,757.31	1,247,642.58	1,543,457.59	1,670,646.29	1,644,662.94	1,566,962.87	
2. Ending True up before Interest	408,933.78	376,110.84	439,340.48	350,021.79	509,105.29	810,016.28	1,244,772.02	1,539,352.58	1,665,678.81	1,639,270.53	1,561,459.03	859,185.18	
3. Total beginning & ending	619,545.67	785,669.33	816,294.29	790,285.71	860,075.43	1,320,203.82	2,056,529.33	2,786,995.15	3,209,136.39	3,309,916.81	3,206,121.96	2,426,148.05	
4. Average True up Amount	309,772.84	392,834.67	408,147.15	395,142.86	430,037.72	660,101.91	1,028,264.67	1,393,497.58	1,604,568.20	1,654,958.41	1,603,060.98	1,213,074.03	
5. Interest Rate First Day Reporting Business Month	2.3400	2.5000	2.6500	2.7800	2.9800	3.0600	3.2700	3.4300	3.6400	3.7900	4.0300	4.2100	
6. Interest Rate First Day Subsequent Business Month	2.5000	2.8500	2.7800	2.9800	3.0600	3.2700	3.4300	3.6400	3.7900	4.0300	4.2100	4.3000	
7. Total of Lines 5 and 6	4.8400	5.1500	5.4300	5.7600	6.0400	6.3300	6.7000	7.0700	7.4300	7.8200	8.2400	8.5100	
8. Average Interest rate (50% of Line 7)	2.4200	2.5750	2.7150	2.8800	3.0200	3.1650	3.3500	3.5350	3.7150	3.9100	4.1200	4.2550	
9. Monthly Average Interest Rate Line 8 \ 12	0.002017	0.002146	0.002263	0.002400	0.002517	0.002638	0.002792	0.002946	0.003096	0.003258	0.003433	0.003546	
10. Interest Adjustment													
11. Interest Provision (Line 4 X 9)	624.71	842.96	923.43	948.34	1,082.26	1,741.02	2,870.57	4,105.01	4,967.48	5,392.41	5,503.84	4,301.36	33,303.39