

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Gulf Power Company
Energy Conservation Cost Recovery

Twelve Months Ended December 31, 2012

Docket No. 130002-EG
Audit Control No. 13-004-1-1
June 24, 2013

A handwritten signature in dark ink, appearing to read "Debra M. Dobiac", written over a horizontal line.

Debra M. Dobiac
Audit Manager

A handwritten signature in blue ink, appearing to read "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer
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 Economics in its audit service request dated January 3, 2013. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2012 filing for the Energy Conservation Cost Recovery in Docket No. 130002-EG.

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

Definition

Utility refers to the Gulf Power Company.
ECCR refers to the Energy Conservation Cost Recovery.

Capital Investments

Utility Plant in Service

Objectives: The objective was to verify all ECCR project-related plant additions, retirements and adjustments for the period January 1, 2012, through December 31, 2012.

Procedure: We reconciled plant additions, retirements, and adjustments from the subsidiary ledgers to the ECCR filing Schedule CT-4. We recalculated Total Accumulated Depreciation, Property Taxes, and Return (line 16) for February, April, May, and August. No exceptions were noted.

Revenue

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 ECCR Clause.

Procedures: We reconciled the 2012 filing to the Utility's monthly Energy Conservation Revenue Reports. These revenues were audited in Docket No. 130001-EI, the Fuel and Purchased Power Cost Recovery Clause, with the other cost recovery clause revenues for Gulf Power Company. In that audit, a random sample of residential and commercial customers' bills were recalculated to verify the use of the correct tariff rates. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether the operation and maintenance (O&M) expenses listed on the Utility's Schedule CT-3 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECCR Clause.

Procedures: We reconciled expenses in the filing to the general ledger. We traced a sample of O&M expenses to source documentation to ensure the expenses were related to the ECCR Clause and that the expenses were charged to the correct accounts. We traced a sample of advertising expenses to source documentation to ensure that the expenses complied with Rule 25-17.015(5), Florida Administrative Code. No exceptions were noted.

Depreciation and Amortization

Objective: The objective was to determine that the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

Procedures: We recalculated depreciation expense using Commission approved rates. We traced total year Depreciation Expense from subsidiary ledgers to each capital project listed on the Utility's Schedule CT-4 filing. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule CT-3 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 ECCR revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2012 to 2011 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True Up

Schedule CT-3
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Gulf Power Company
ENERGY CONSERVATION COST RECOVERY (ECCR)
Calculation of the Final True-Up Amount
For the Period: January 2012 - December 2012

Conservation Costs By Program
Calculation of Over/Under Recovery

Conservation Revenues	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. EnergySelect RSVP Fees	13,386.95	12,376.18	10,971.00	3,351.23	0.00	(240.00)	0.00	0.00	(108.50)	0.00	0.00	(60.00)	39,676.86
2. Over/(Under) Recovery	1,873,515.00	1,785,399.12	1,918,241.07	1,769,035.64	2,327,612.02	2,463,514.34	2,762,413.68	2,560,255.02	2,293,065.37	2,022,828.85	1,713,116.83	1,653,291.26	25,142,288.20
3. Total Revenues	1,886,901.95	1,797,775.30	1,929,212.07	1,772,386.87	2,327,612.02	2,463,274.34	2,762,413.68	2,560,255.02	2,292,956.87	2,022,828.85	1,713,116.83	1,653,231.26	25,181,965.06
4. Adjustment not Applicable to Period - Prior True Up	(628,113.83)	(628,113.83)	(628,113.83)	(628,114.51)	(628,114.00)	(628,114.00)	(628,114.00)	(628,114.00)	(628,114.00)	(628,114.00)	(628,114.00)	(628,112.00)	(7,537,366.00)
5. Conservation Revenues Applicable to Period	1,258,788.12	1,169,661.47	1,301,098.24	1,144,272.36	1,699,498.02	1,835,160.34	2,134,299.68	1,932,141.02	1,664,842.87	1,394,714.85	1,085,002.83	1,025,119.26	17,644,599.06
6. Conservation Expenses (CT-3, Page 3, Line 27)	1,478,462.45	1,562,431.51	1,474,564.72	1,732,800.82	1,942,346.38	2,558,263.67	2,359,057.44	2,029,030.07	1,786,959.91	1,893,703.57	2,248,557.24	1,859,325.32	22,925,503.10
7. True Up this Period (Line 5 - 6)	(219,674.33)	(392,770.04)	(173,466.48)	(588,528.46)	(242,848.36)	(723,103.33)	(224,757.76)	(96,889.05)	(122,117.04)	(498,988.72)	(1,163,554.41)	(834,206.06)	(5,280,904.04)
8. Interest Provision this Period (CT-3, Page 5, Line 11)	(178.78)	(211.57)	(155.41)	(170.37)	(180.71)	(185.48)	(179.48)	(113.02)	(41.27)	(12.72)	(41.99)	(61.84)	(1,532.64)
9. True Up & Interest Provision Beginning of Month	(3,133,285.79)	(2,656,477.46)	(2,421,345.24)	(1,966,853.30)	(1,927,437.62)	(1,542,352.69)	(1,637,527.50)	(1,234,350.74)	(703,238.81)	(197,283.12)	(68,170.56)	(603,652.96)	(3,064,738.18)
10. Adjustment for Prior Period - 2011 (Note A)	68,547.61												
11. Adjusted True Up & Interest Provision Beginning of Mo.	(3,064,738.18)												
10. Prior True Up Collected or Refunded	628,113.83	628,113.83	628,113.83	628,114.51	628,114.00	628,114.00	628,114.00	628,114.00	628,114.00	628,114.00	628,114.00	628,112.00	7,537,366.00
11. End of Period- Net True Up	(2,656,477.46)	(2,421,345.24)	(1,966,853.30)	(1,927,437.62)	(1,542,352.69)	(1,637,527.50)	(1,234,350.74)	(703,238.81)	(197,283.12)	(68,170.56)	(603,652.96)	(809,808.86)	(809,808.86)

Note A: An adjustment of 2011 expenses booked in January 2012 and reflected in the revised January 2012 beginning balance.