

State of Florida



Public Service Commission

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

Auditor's Report

Gulf Power Company
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2013

Docket No. 140001-EI
Audit Control No. 14-027-1-2
April 30, 2014

A handwritten signature in black ink that reads "Donna D. Brown".

Donna D. Brown
Audit Manager

A handwritten signature in blue ink that reads "Lynn M. Deamer".

Lynn M. Deamer
Reviewer

Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	5
Exhibit	
1: True Up.....	1

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 27, 2014. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2013 filing for the Capacity Cost Recovery Clause (CCRC) in Docket No. 140001-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

Definition

Utility refers to the Gulf Power Company.
CCRC refers to the Capacity Cost Recovery Clause.

Revenue

Customer Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2013, through December 31, 2013, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the 2013 filing to the Utility's monthly Capacity Revenue Reports. We selected a random sample of residential and commercial customers' bills and recalculated each to verify the use of the correct tariff rate approved in Order No. PSC-12-0664-FOF-EI, issued December 21, 2012 in Docket No. 120001-EI. No exceptions were noted.

Transmission Revenues

Objectives: The objective was to determine whether transmission revenues derived from non-separated, non-energy broker network, wholesale energy sales were credited to the CCRC per Commission Order PSC-99-2512-FOF-EI.

Procedures: We compiled transmission revenues for the twelve-month period ended December 31, 2013 from utility provided documentation and reconciled the revenues and adjustments to the filing and the general ledger. We reviewed the filed transmission revenues and determined that these revenues comply with FPSC Order PSC-99-2512-FOF-EI. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to determine whether operation and maintenance (O&M) expenses listed on the Utility's form CCA-2 filing were 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 also verified twelve months of Intercompany Interchange Contract (IIC) receipts, IIC purchases, and transmission expense as per the filing. The source documentation for selected items were 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 capacity purchase amounts are in accordance with the terms and conditions of the contract.

Procedures: We reviewed three purchase power contracts. We traced the purchase power capacity amounts on the filing to the general ledger. We reconciled invoices for capacity purchases to the contract to determine whether they were recorded according to the terms and conditions of the contract. No exceptions were noted.

Security Costs

Objectives: The objective was to determine whether there were any security costs recovered through CCRC.

Procedures: We reviewed the costs recoverable in the CCRC and determined that there were none. Security costs are recoverable through rate base.

Other Issues

IIC Invoices and Contract

Objectives: The objectives were to determine whether the Southern Company's IIC invoices for capacity purchases are in accordance with the terms and conditions of the IIC contract.

Procedures: We reconciled the Capacity transactions from Schedule A-12 to the respective Capacity contract and amortization of Capacity option schedule. We also verified contract expiration dates to ensure that those expired were no longer being utilized. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form CCA-3 was properly calculated.

Procedures: We traced the December 31, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Financial Commercial Paper rates, and the 2013 CCRC revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2013 to 2012 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 CCA-2

**GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD JANUARY 2013 - DECEMBER 2013**

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1 IIC Payments / (Receipts) (\$)	419,141	(105,345)	341,687	42,050	(4,527)	(2,216)	(3,146)	(3,146)	410,154	17,825	(40,577)	(1,780)	1,070,120
2 Other Capacity Payments / (Receipts)	1,961,029	2,003,882	2,048,096	2,003,745	2,601,116	6,780,108	7,266,443	7,007,226	6,797,704	2,473,170	2,243,716	2,087,604	45,273,839
3 Transmission Revenue (\$)	(9,396)	(10,329)	(11,718)	(9,510)	(10,547)	(9,573)	(9,336)	(9,300)	(1,329)	(6,578)	(6,170)	(12,862)	(106,444)
4 Total Capacity Payments/(Receipts) (Line 1 + 2 + 3) (\$)	2,370,774	1,888,212	2,378,065	2,036,285	2,566,042	6,768,319	7,253,961	6,994,780	7,206,529	2,484,417	2,196,969	2,073,162	46,237,515
5 Jurisdictional %	0.9657346	0.9657346	0.9657346	0.9657346	0.9657346	0.9657346	0.9657346	0.9657346	0.9657346	0.9657346	0.9657346	0.9657346	0.9657346
6 Total Jurisdictional Recovery Amount (Line 4 * 5) (\$)	2,289,538	1,823,512	2,296,580	1,966,511	2,497,430	6,536,400	7,005,401	6,755,101	6,959,594	2,399,287	2,121,689	2,002,124	44,653,167
7 Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	3,089,795	2,775,430	3,144,318	2,852,589	3,479,518	4,343,278	4,362,935	4,439,295	4,078,236	3,224,038	2,893,458	3,990,613	42,673,503
8 True-Up Provision (\$)	(78,807)	(78,807)	(78,807)	(78,807)	(78,807)	(78,807)	(78,807)	(78,807)	(78,807)	(78,807)	(78,807)	(78,807)	(945,684)
9 Jurisdictional Capacity Cost Recovery Revenue (Line 7 + 8) (\$)	3,010,988	2,696,623	3,065,511	2,773,782	3,400,711	4,264,471	4,284,128	4,360,488	3,999,429	3,145,231	2,814,651	3,911,806	41,727,819
10 Over/(Under) Recovery (Line 9 - 6) (\$)	721,450	873,111	768,931	807,271	903,281	(2,271,929)	(2,721,273)	(2,394,613)	(2,960,165)	745,944	692,962	1,909,682	(2,925,348)
11 Interest Provision (\$)	(26)	34	100	147	197	137	5	(109)	(228)	(252)	(239)	(221)	(455)
12 Beginning Balance True-Up & Interest Provision (\$)	(842,908)	(42,677)	909,275	1,757,113	2,643,338	3,625,623	1,432,638	(1,209,823)	(3,525,738)	(6,407,324)	(5,582,825)	(4,811,295)	(842,908)
13 True-Up Collected/(Refunded) (\$)	78,807	78,807	78,807	78,807	78,807	78,807	78,807	78,807	78,807	78,807	78,807	78,807	945,684
14 Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
15 End of Period Total Net True-Up (Lines 10 + 11 + 12 + 13 + 14) (\$)	(42,677)	909,275	1,757,113	2,643,338	3,625,623	1,432,638	(1,209,823)	(3,525,738)	(6,407,324)	(5,582,825)	(4,811,295)	(2,823,027)	(2,823,027)
Average Monthly Interest Rate	0.0058%	0.0079%	0.0075%	0.0067%	0.0063%	0.0054%	0.0046%	0.0046%	0.0046%	0.0042%	0.0046%	0.0058%	
Wall Street Annual Rate	0.05%	0.09%	0.10%	0.08%	0.07%	0.06%	0.05%	0.06%	0.05%	0.05%	0.06%	0.08%	
Average Annual Rate	0.070%	0.095%	0.090%	0.080%	0.075%	0.065%	0.055%	0.055%	0.055%	0.050%	0.055%	0.070%	