

Gulf Power Company
900 Bayfront Parkway
Post Office Box 1151
Tallahassee, FL 32302-0720
Telephone 904 444-6365

Jack L. Haskins
Manager of Rates and Regulatory Matters
and Assistant Secretary

the southern electric system

January 17, 1996

Ms. Kay Flynn, Chief
Bureau of Records
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0873

Dear Ms. Flynn

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

Enclosed is the response of Gulf Power Company to the above referenced audit report. Please forward this response to the responsible staff analyst. Thank you for your assistance.

Sincerely,



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Attachment

cc: Office of the Public Counsel

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DOCUMENT NUMBER-DATE

00633 JAN 18 96

"Our business is customer satisfaction"

FPSC-RECORDS/REPORTING

Audit Exception No. 1: 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.

Response:

1. The ECCR True-up filing for November, 1995, contained Projection documents instead of True-up documents for the C-3 schedules. The correct schedules were used for the calculations, but the wrong schedules were included at the time of mailing. Upon learning of the error, the Company submitted a revised filing on December 20, 1995. While preparing the revised filing, the Company chose to include additional expenses previously missed when preparing the original filing. (See Response to Audit Disclosure No. 2.)

The Company has revised filings in the past. Past revisions have never been classified as an audit exception and the Company does not feel it should be an exception now.

2. The Company is aware that the chart of accounts information was initially incomplete, but has no knowledge that the chart of accounts was incorrect.

The omission of three pages for the chart of accounts showing all subaccounts which pertain to conservation was an unintentional error on the part of the Company. The omitted subaccounts were for new programs that required different FERC accounts than those normally included as conservation accounts in the past. These FERC accounts became a part of the conservation accounts during the audit period. They were overlooked when the initial chart of accounts request was made, but the auditor subsequently received the additional three pages during the field data collection. This is the first time such an error has been made in an ECCR audit and the Company does not feel it is of the severity to be noted as an exception.

DOCUMENT NUMBER-DATE

00633 JAN 18 88

FPSC-RECORDS/REPORTING

Audit Disclosure No. 1: 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.

Response:

The Company agrees with the statement of fact and the problem has been corrected. Proper accounting entries are being made. These accounting entries have no bearing on the recoverable amounts included in filings. They merely reflect the current status of defaulted conservation loans.

Audit Disclosure No. 2: 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.

Response:

The Company agrees with the statement of fact. The Good Cents Environmental Home is a new program. This expense was correctly recorded in the program account. However, the Company failed to capture this expense in preparing the November 17, 1995, True-up filing. These expenses were added when the Company refiled on December 20, 1995.

Audit Disclosure No. 3: 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 Environment Program) was the first two payments of a \$50,000 licensing fee for the In Concert With the Environment 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.

Response:

Two-thirds of the program licensing fee expense was incurred outside the period. The licensing fees were included in the approved cost effectiveness evaluation of this program. Therefore, the Company included the actual amounts incurred in prior periods as an adjustment to the current period expenses.

Audit Disclosure No. 4: 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.

Response:

The Company agrees with the statement of fact. The old overhead factor was used in error for April. In May, April's overhead amount was recalculated using the correct overhead factor.

Audit Disclosure No. 5: 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.

Response:

Leasehold improvements are amortized over the life of the lease. The lease for the Company's Efficiency Store began April, 1995. Most of the expenses associated with the leasehold improvements were not booked until June, 1995. The journal entries were made retroactive to April to ensure the leasehold improvements were amortized over the correct time period.