

STATE OF FLORIDA

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Public Service Commission

August 6, 1999

Warren E. Tate  
Gulf Power Company  
One Energy Place  
Pensacola, Fl 32520-0780

**Re: Docket No. 990002-EG; Gulf Power Company  
Audit Report; Conservation - Historical Period from April 1998 through December 1998  
Audit Control No. 99-062-1-2**

Mr. Tate:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

Denise N. Vandiver  
Bureau Chief - Auditing Services

- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
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- OPC \_\_\_\_\_
- RRR \_\_\_\_\_
- SEC \_\_\_\_\_
- WAW \_\_\_\_\_
- OTH \_\_\_\_\_

DNV: sp

- cc.  Division of Records and Reporting
- Division of Auditing and Financial Analysis (Devlin/Causseaux/Harvey/File Folder)
- Division of Electric and Gas (Colson)
- Tallahassee District Office (Hicks)
- Division of Legal Services

Office of Public Counsel

DOCUMENT NUMBER - DATE  
09461 AUG -98  
PSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
BUREAU OF AUDITING SERVICES

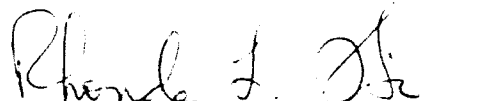
TALLAHASSEE DISTRICT OFFICE

GULF POWER COMPANY  
CONSERVATION AUDIT

HISTORICAL PERIOD FROM APRIL, 1998 THROUGH DECEMBER, 1998

DOCKET NO. 990002-EG  
AUDIT CONTROL NO. 99-062-1-2

  
Chris Holman, Audit Manager

  
Rhonda Hicks, Audit Supervisor

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
AUDITOR'S REPORT**

**July 15, 1999**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the accompanying Energy Conservation Cost Recovery (ECCR) schedules for the historical 9-month period ended December, 1998, for Gulf Power Company. These schedules were prepared by the utility as part of its ECCR filing in Docket No. 990002-EG. There is no confidential information associated with this audit.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and other matters which were noted during our examination.

## **SUMMARY OF SIGNIFICANT FINDINGS**

The previous ending balance and factors are incorrect on the previous Conservation Order and the previous filing ending balance is also incorrect. Minor amounts in the filing including interest are incorrect. The Company charged prepaid advertising. The Company charged amounts where there was no activity or completions.

## **SUMMARY OF SIGNIFICANT PROCEDURES**

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

**Scanned** - The documents or accounts were read quickly looking for obvious errors.

**Compiled** - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Reviewed** - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

**Examined** - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

**CONSERVATION REVENUE:** Traced the approved ECCR adjustment factors from the Commission's Orders to the Utility's energy sales (KWH) during the nine month period to determine Conservation Revenue.

**CONSERVATION EXPENSE:** Electronic Data Processing runs were produced by months for ECCR expense. Compiled the resulting amounts. Reviewed the listing of all items for the ECCR filing. Examined all advertising amounts and copies of ads and compared pictures to description on accounts payable. The auditor scanned a list of all ECCR expenses.

**OTHER:** Recalculated the Company filed CT schedules for revenue, expense, and interest. Reconciled these amounts to the general ledger. Obtained schedules calculating employee salary and benefits. Recalculated benefits. Determined the advertising costs to ECCR. Obtained vouchers for advertising and selected expense accounts. Reviewed all vouchers for the month of April, 1998.

## DISCLOSURES

### Disclosure No. 1

#### **Subject: End of Period Over(Under) Recovery.**

**Statement of Fact:** The previous Conservation filing, for the period October 1997 to March 1998, stated that the Projected True-up was \$977,179.97. The Adjusted Net True-up, which is Actual versus Estimated, was reported as being \$167,207.93. In fact the \$977,179.97 is the actual end of period over recovery amount.

In Order No. PSC-98-16688-FOF-EG, page 2, the final True-up amount for Gulf Power was reported as an over recovery of \$167,208. This amount is wrong and the subsequent factors found on page 3 are also wrong.

The Company used the correct amount of \$977,179.97 as the beginning balance for the April 1998 through December 1998 period, and used the factors in the above Order.

Schedule CT2 page 1 of 1 shows the Est/Actual True-Up adjustment as being \$\$191,212, using the Company's amounts from this Schedule, the True-Up should be \$877,853 under recovery. The Schedule contains a mathematical error.

**Recommendation:** The beginning over recovery amount for this period should be reflected in the next ECCR order as being \$977,179.97.

**Disclosure No. 2**

**Subject: Company Filing**

**Statement of Fact:** The Company reversed an amount of \$108.21 for April and \$150.43 for May for the GOOD CENTS HOME program because the Company stated that these amounts related to a program that ended in March 1998.

The Company charged \$225 to ECCR, which was for an event called Golf Scramble 2. A review of the supporting voucher did not show the amount to be Conservation related.

The Company miscalculated interest in the amount of \$64.59.

**Recommendation:** The Company should increase the over recovery by \$42.22 for the corrections to the Good Cents Home program. ECCR expenses should be reduced by \$225 for golf charges and interest should be reduced by \$64.59.

### **Disclosure No. 3**

#### **Subject: Advertising**

**Statement of Fact:** A monthly fee is charged for advertising by Lewis Advertising. The Company allocates an amount to ECCR based on estimates of the amount of ECCR advertising. During April, 1998, the ECCR advertising fee in the amount of \$12,114 was paid for January, February, and March, 1998. During the test period, the Company also paid \$7,938 for January, February, March, 1999 for ECCR advertising. Thus the Company paid three months before the test period and three months after the test period. These amounts are related to a general fee, and are not related to any specific project.

**Recommendation:** This information is provided to the analyst to decide whether the fees are the proper amounts for the audit period. The amounts of the fee should relate to the period that rates are to be set.



**Disclosure No. 4**

**Subject: Rebates paid for Conversion**

**Statement of Fact:** The Company paid rebates in the amount of \$2,520 for the conversion of gas to electric hot water heaters and charged this to ECCR. These amounts were paid during the period at the rebate amount of \$140 each. There is no ECCR program that allows for these rebates.

In another two instances rebates were paid for a replacement system to Trade Alley. This was paid in two invoices of \$5,000 and \$3,000. There does not appear to be any relation to the ECCR clause.

**Recommendation:** This amount should not be charged to ECCR. Expenses should be reduced by \$10,520.

**Disclosure No. 5**

**Subject: Program Activity**

**Statement of Fact:** The Utility charged \$16,360.86 for the program, In Concert With The Environment. The Company stated that the program was presented to no students during the test period. This program is supposed to be an environmental and energy awareness program that is being implemented in the 8th and 9th grade science classes. The program shows students how everyday energy use impacts the environment and how using energy wisely increases environmental quality.

Another Program is entitled Duct Leakage repair. This program provides the customer with a means to identify house air duct leakage and recommends repairs that can reduce customer energy demand. No Duct Leakage Repair units were completed during the period.

**Recommendation:** These programs show no activity or completions during the period and these amounts should be reviewed as to whether the expense should be allowed.

**Disclosure No. 6**

**Subject: Legal Expense**

**Statement of Fact:** The Company erroneously charged \$926 to ECCR subaccount 1331.

**Recommendation:** This amount should be removed from the ECCR expenses.

GULF POWER COMPANY  
ENERGY CONSERVATION ADJUSTMENT  
For the Period: April, 1998 through December, 1998

Conservation Revenues	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	DECEMBER REVISION	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
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
c	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	120,223 73	181,538 85	185,441 44	184,070 01	189,559 98	182,383 00	141,722 60	117,934 98	130,235 18		1,403,107 73
3 Total Revenues	120,223 73	181,538 85	185,441 44	184,070 01	189,559 98	182,383 00	141,722 60	117,934 98	130,235 18	0 00	1,403,107 73
4 Adjustment not Applicable to Period - Prior True	87,646 58	87,646 58	87,646 58	87,646 58	87,646 58	87,646 58	135,293 18	135,293 18	135,293 18		811,758 98
5 Conservation Revenues Applicable to Period	187,870 31	229,183 43	253,088 02	261,718 59	257,206 54	230,029 58	277,015 78	253,228 14	265,528 32	0 00	2,214,886 69
6 Conservation Expenses (Form CT-3 Page 8)	173,000 85	209,848 88	212,920 00	208,124 28	189,749 41	211,987 48	239,352 89	183,788 27	412,770 71	3,249 59	2,042,773 18
7 True Up this Period (Line 5 minus Line 6)	14,869 46	19,334 55	40,168 02	55,592 31	67,457 13	18,042 10	37,663 07	69,458 87	(147,242 39)	(3,249 59)	172,093 53
8 Interest Provision this Period (Page 10, Line 10)	4,389 49	4,157 56	4,027 91	3,976 49	3,938 08	3,723 45	3,277 30	3,392 71	2,222 83	57 48	33,183 10
9 True Up & Interest Provision Beginning of Month	877,179 97	828,792 34	884,837 87	881,187 22	853,109 44	858,858 07	810,977 04	718,624 25	654,182 67	373,869 75	877,179 97
10 Prior True Up Collected or Refunded	(87,646 58)	(87,646 58)	(87,646 58)	(87,646 58)	(87,646 58)	(87,646 58)	(135,293 18)	(135,293 18)	(135,293 18)	0 00	(811,758 98)
End of Period - Net True Up	828,792 34	884,837 87	881,187 22	853,109 44	858,858 07	810,977 04	718,624 25	654,182 67	373,869 75	373,869 75	370,877 84

\*\* Note: A journal voucher accounting December 1998 expenses of \$3,249.59 was entered after the Conservation Clause was calculated. This adjustment and interest was booked in January, 1999.

Florida Public Service Commission  
 Docket No. 990002-EG  
 GULF POWER COMPANY  
 Witness: Margaret D. Neyman  
 Exhibit No. \_\_\_\_\_ (MDN-1)  
 Schedule CT-3  
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GULF POWER COMPANY  
 COMPUTATION OF INTEREST EXPENSE  
 ENERGY CONSERVATION ADJUSTMENT  
 For the Period: April, 1998 through December, 1998

Interest Provision	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	DECEMBER REVISION	TOTAL
1. Beginning True up Amount	977,179.97	928,792.34	884,637.87	861,187.22	853,109.44	856,858.07	810,977.04	718,624.25	654,182.67	373,869.75	
2. Ending True up before Interest	924,402.85	880,480.31	857,159.31	849,132.95	852,919.99	807,253.59	713,346.95	650,789.98	371,847.12	370,620.16	
3. Total beginning & ending	1,901,582.82	1,809,272.65	1,741,797.18	1,710,320.17	1,708,029.43	1,664,111.66	1,524,323.99	1,367,414.21	1,025,829.79	744,489.91	
4. Average True up Amount	950,791.41	904,838.33	870,898.59	855,160.09	853,014.72	832,055.83	762,162.00	683,707.11	512,914.90	372,244.96	
5. Interest Rate First Day Reporting Business Month	5.5500	5.5300	5.5000	5.6000	5.5600	5.5200	5.2200	5.1000	5.5000		
6. Interest Rate First Day Subsequent Business Month	5.5300	5.5000	5.6000	5.5600	5.5200	5.2200	5.1000	5.5000	4.9000		
7. Total of Lines 5 and 6	11.0800	11.0300	11.1000	11.1600	11.0800	10.7400	10.3200	10.6000	10.4000	0.0000	
8. Average Interest rate (50% of Line 7)	5.5400	5.5150	5.5500	5.5800	5.5400	5.3700	5.1600	5.3000	5.2000	0.0000	
9. Monthly Average Interest Rate Line 8 \ 12	0.004617	0.004596	0.004625	0.004650	0.004617	0.004475	0.004300	0.004417	0.004333	0.000000	
9a. Interest for Audit Adjustment								373.00			
10. Interest Provision (line 4 X 9)	4,389.49	4,157.56	4,027.91	3,978.49	3,938.08	3,723.45	3,277.30	3,382.71	2,222.63	57.48	33,163.10

Florida Public Service Commission  
 Docket No. 990002-EG  
 GULF POWER COMPANY  
 Witness: Margaret D. Neyman  
 Exhibit No. \_\_\_\_\_ (MDN-1)  
 Schedule CT-3  
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