

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: September 12, 2002
TO: Division of Economic Regulation (Colson)
FROM: Division of Auditing and Safety (Vandiver)
RE: **Docket No.** 020002-EI; **Company Name:** Gulf Power Company; **Audit Purpose:** Energy Conservation Cost Recovery Clause; **Audit Control No.** 02-064-1-1

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

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Ronnie Labrato
Chief Financial Officer & Comptroller
Gulf Power Company
One Energy Place
Pensacola, Florida 32520

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

DOCUMENT NUMBER 11413
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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING
Tallahassee District Office

Gulf Power Company

Energy Conservation Cost Recovery Audit

HISTORICAL YEAR ENDED DECEMBER 31, 2001

DOCKET NO. 020002-EG
AUDIT CONTROL NO. 02-064-1-1

A handwritten signature in cursive script that reads "Robert Moore".

Robert Moore, Audit Manager

A handwritten signature in cursive script that reads "Lynn M. Deamer".

Lynn M. Deamer, Audit Supervisor

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

September 10, 2002

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) True Up Filing for the historical 12-month period ended December 31, 2001 for Gulf Power Company. These schedules were prepared by the utility as part of its petition filed in Docket No. 020002-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.

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.

Confirmed - Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

Verify - The item was tested for accuracy, and compared to the substantiating documentation.

CONSERVATION EXPENSES: Compiled advertising costs. Tested a sample of advertising costs for conservation content. Tested a sample of material and expense costs in account 908.01161, Good Cents Select program for relationship to Energy Conservation Cost Recovery (ECCR) content. Scanned the contract governing one contractor installing GoodCents Select equipment in customer homes. Verified that costs of Electric vs. Gas Technologies were not recovered through ECCR. Scanned salary and benefits for Demand Side Management programs. Scanned investment documents. Scanned KWH & KW savings. Scanned compliance with cost effective tests.

CONSERVATION REVENUES: Test of revenue is included in the operating revenue sharing refund audit for 2001.

OTHER: Verified calculation of company true-up and interest provision from amounts filed. Agreed the beginning true-up to the ending balance in the prior filing. Agreed the company interest rate used in the interest calculation to the 30 Day Commercial Paper Rate.

DISCLOSURES

Disclosure No. 1

Subject: Property Taxes

Statement of Fact: The company is seeking to recover property taxes under the Energy Conservation Cost Recovery Clause on equipment installed in customer homes for the Good Cents Select program. Property taxes related to this program have not been requested for recovery under the Conservation Cost Recovery Clause prior to this year. Property taxes for 2000 were not recovered in the prior audit. Property taxes related to this equipment was excluded from recovery in base rates from the most recent Rate Case, Docket 010949-EI. The company assumes all Good Cents Select program property is located in Escambia County to impute the property taxes.

The company included imputed property taxes for years 2000 and 2001 as part of the \$539,872.36 for amortization and return on schedule CT- 4 and on the line below line 6 on schedule CT-3, page 3. The following schedules depict these taxes by year.

Imputed Property Taxes as filed:

\$ 7,762.80	July 2001 thru December 2001	[per Company filed schedule CT-4]
<u>\$18,394.44</u>	January 2000 thru June 2001	[per Company filed schedule CT-4]
<u>\$26,157.24</u>	Total for Year 2000 + Year 2001	

The portion of Imputed Property Taxes applicable to year 2000:

	\$18,394.44	July 2000 thru June 2001	[per Company filed schedule CT-4]
less	<u>\$ 7,762.80</u>	January 2001 thru June 2001	[per Company documentation]
	<u>\$10,631.64</u>	Total for year 2000	

The portion of Imputed Property Taxes applicable to year 2001:

	\$ 7,762.80	July 2001 thru December 2001	[per Company filed schedule CT-4]
Plus	<u>\$ 7,762.80</u>	January 2001 thru June 2001	[per Company documentation]
	<u>\$15,525.60</u>	Total for year 2001	

Recommendation: Disclosure provided for informational purposes.

GULF POWER COMPANY
ENERGY CONSERVATION ADJUSTMENT
For the Period: January, 2001 through December, 2001

Conservation Revenues	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Good Cents Select RSVP Fees	5,618.53	5,608.69	6,517.50	6,840.67	8,971.65	11,623.15	12,841.50	13,122.56	13,930.97	12,669.29	11,307.98	11,160.95	120,213.44
2. Conservation Adjustment Revenues	447,178.16	328,703.71	364,934.66	371,607.86	433,120.16	489,687.18	531,243.00	511,930.84	449,172.69	386,779.70	352,837.69	408,491.53	5,075,687.18
3. Total Revenues	452,796.69	334,312.40	371,452.16	378,448.53	442,091.81	501,310.33	544,084.50	525,053.40	463,103.66	399,448.99	364,145.67	419,652.48	5,195,900.62
4. Adjustment not Applicable to Period - Prior True Up	(78,837.83)	(78,837.83)	(78,837.83)	(78,837.83)	(78,837.83)	(78,837.83)	(78,837.83)	(78,837.83)	(78,837.83)	(78,837.83)	(78,837.83)	(78,837.83)	(946,054.00)
5. Conservation Revenues Applicable to Period	373,958.86	255,474.57	292,614.33	299,610.70	363,253.98	422,472.50	465,246.67	446,215.57	384,265.83	320,611.16	285,307.84	340,814.61	4,249,846.62
6. Conservation Expenses (Form CT-3 Page 8)	224,651.32	214,447.70	249,000.45	487,947.48	711,257.82	339,714.36	602,356.97	453,034.43	333,070.46	347,336.46	562,751.41	458,720.41	4,984,289.27
7. True Up this Period (Line 5 minus Line 6)	149,307.54	41,026.87	43,613.88	(188,336.78)	(348,003.84)	82,758.14	(137,110.30)	(6,818.86)	51,195.37	(26,725.30)	(277,443.57)	(117,905.80)	(734,442.65)
8. Interest Provision this Period (Page 10, Line 10)	(3,781.44)	(2,598.88)	(1,963.89)	(1,795.35)	(2,254.03)	(2,280.14)	(2,697.66)	(1,965.84)	(1,418.35)	(946.93)	(956.62)	(1,048.49)	(23,707.62)
9. True Up & Interest Provision Beginning of Month	(867,222.69)	(642,858.76)	(525,592.94)	(405,105.12)	(516,399.42)	(787,819.46)	(628,503.63)	(689,473.76)	(619,420.63)	(490,805.78)	(439,640.18)	(639,202.54)	(867,222.69)
10. Prior True Up Collected or Refunded	78,837.83	78,837.83	78,837.83	78,837.83	78,837.83	78,837.83	78,837.83	78,837.83	78,837.83	78,837.83	78,837.83	78,837.83	946,054.00
11. End of Period- Net True Up	(642,858.76)	(525,592.94)	(405,105.12)	(516,399.42)	(787,819.46)	(628,503.63)	(689,473.76)	(619,420.63)	(490,805.78)	(439,640.18)	(639,202.54)	(679,318.96)	(679,318.96)

July Includes 16,686.80 of Audit Adjustment Expenses
and (655.08) of Audit Adjustment Interest

GULF POWER COMPANY
 COMPUTATION OF INTEREST EXPENSE
 ENERGY CONSERVATION ADJUSTMENT
 For the Period: January, 2001 through December, 2001

Interest Provision	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Beginning True up Amount	(867,222.69)	(642,858.76)	(525,592.94)	(405,105.12)	(516,399.42)	(787,819.46)	(628,503.63)	(689,473.76)	(619,420.63)	(490,805.78)	(439,640.18)	(639,202.54)	
2. Ending True up before Interest	(639,077.32)	(522,994.06)	(403,141.23)	(514,604.07)	(785,565.43)	(626,223.49)	(686,776.10)	(617,454.79)	(489,387.43)	(438,693.25)	(638,245.92)	(678,270.47)	
3. Total beginning & ending	(1,506,300.01)	(1,165,852.82)	(928,734.17)	(919,709.19)	(1,301,964.85)	(1,414,042.95)	(1,315,279.73)	(1,306,928.55)	(1,108,808.06)	(929,499.03)	(1,077,886.10)	(1,317,473.01)	
4. Average True up Amount	(753,150.01)	(582,926.41)	(464,367.09)	(459,854.60)	(650,982.43)	(707,021.48)	(657,639.87)	(653,464.28)	(554,404.03)	(464,749.52)	(538,943.05)	(658,736.51)	
5. Interest Rate First Day Reporting Business Month	6.5000	5.5500	5.1500	5.0000	4.3700	3.9400	3.8000	3.7500	3.4700	2.6700	2.2200	2.0400	
6. Interest Rate First Day Subsequent Business Month	5.5500	5.1500	5.0000	4.3700	3.9400	3.8000	3.7500	3.4700	2.6700	2.2200	2.0400	1.7800	
7. Total of Lines 5 and 6	12.0500	10.7000	10.1500	9.3700	8.3100	7.7400	7.5500	7.2200	6.1400	4.8900	4.2600	3.8200	
8. Average Interest rate (50% of Line 7)	6.0250	5.3500	5.0750	4.6850	4.1550	3.8700	3.7750	3.6100	3.0700	2.4450	2.1300	1.9100	
9. Monthly Average Interest Rate Line 8 x 12	0.005021	0.004458	0.004229	0.003904	0.003463	0.003225	0.003146	0.003008	0.002558	0.002038	0.001775	0.001592	
10. Interest Provision (line 4 X 9)	(3,781.44)	(2,598.88)	(1,963.89)	(1,795.35)	(2,254.03)	(2,280.14)	(2,697.66)	(1,965.84)	(1,418.35)	(946.93)	(956.62)	(1,048.49)	(23,707.62)

July Includes (655.08) Audit Adjustment Interest

Florida Public Service Commission
 Docket No. 020002-EG
 GULF POWER COMPANY
 Witness: Michael J. McCarthy
 Exhibit No. _____ (MJM-1)
 Schedule CF-3
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