

State of Florida



ORIGINAL

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: August 6, 2007
TO: Daniel Q. Lee, Engineering Specialist IV, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 070002-EG; Company Name: Gulf Power Company.
Audit Purpose: Energy Conservation Cost Recovery Clause;
Audit Control No: 07-071-1-2

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 Commission Clerk. There are no confidential work papers associated with this audit.

DNV:sbj
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of Commission Clerk (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Ms Susan D. Ritenour
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Beggs & Lane Law Firm
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FLORIDA PUBLIC SERVICE COMMISSION

*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING*

Tallahassee District Office

GULF POWER COMPANY

ENERGY CONSERVATION COST RECOVERY AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2006

DOCKET NO. 070002-EG

AUDIT CONTROL NO. 07-071-1-2

Michael Buckley
Michael Buckley, Audit Manager

Lynn M. Deamer, Audit Supervisor

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

July 6, 2007

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Gulf Power Company in support of its filing for Energy Conservation Cost Recovery (ECCR) True-Up for the 12-month period ending December 31, 2006, Docket No. 070002-EG.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

OBJECTIVES AND PROCEDURES:

REVENUES

Objective: - To verify that Energy Conservation Cost Recovery (ECCR) revenue and KWH sold as filed were completely and properly recorded on the books of the company.

Procedures: - We compiled ECCR revenues from company source documents and traced these revenues to the filing and General Ledger. We recalculated the ECCR Charge on selected customer bills from various rate classes and determined that the company used the correct rates approved by this Commission.

EXPENSES

Objective: - To verify the accuracy of information filed by the Company regarding actual energy sales and conservation costs and revenues for the period January 1, 2006 through December 31, 2006 per Commission Rule 25-17.015F.A.C.

Procedures:- We footed, Cross Footed, and Cross Referenced the Total Cost Schedule to the Company filed CT-3 Schedule, Page 3 of 5. We agreed the Monthly Expense by Program Schedules to the Company Books.

Objective: - Verify that advertising costs charged to ECCR are consistent with Rule 25-17.015(5), F.A.C.

Procedures:- Using judgmental review, we selected several advertising charges to ECCR from the Cost by Program Schedules. We reviewed the invoices for these charges. Finding 1 shows the only invoice that did not meet the criteria established in the rule.

Objective: - Identify the programs and dollar amount difference between budgeted and actual expenses for all conservation programs that exceed the budgeted amount.

Procedures:- We reviewed the company provided supporting documentation for amounts that exceed budgeted amounts. Residential Energy Surveys (\$69,359) 7.9%, Good Cents Select (\$59,827) Less than 1%, Commercial/Industrial Energy Analysis (\$17,138) 2.5%, Commercial/Industrial Good Cents Buildings (\$38,330) 6.4%, and Commercial Geothermal Heat Pump (\$819) 1.6% were over budget.

Objective: - Verified that the information provided pursuant to Rule 25-17.0021(5), h, I, and m is accurate for the following programs: Residential Good Cents Select and Commercial/Industrial Real Time Pricing Pilot.

Procedures:- We compared the Company provided “Florida Energy Efficiency and Conservation Act” (FEECA) Program Progress Report for Residential Good Cents Select and Commercial/Industrial Real Time Pricing Pilot to Rule 25-17.0021(5), F.A.C. We traced the Total Number of Eligible Customers, Projected Cumulative Number of Program Participants, Actual Annual Number of Program Participants, Actual Cumulative Number of Program Participants, Actual Cumulative Penetration Level, and Actual Participation Over (Under) Projected participants. The Commission set Goals for the Residential Good Cents Select and Commercial/Industrial Real Time Pricing Pilot to reduce Summer and Winter Peak mW . The Residential Winter and Summer peak mW reduction did not meet the stated goals.

TRUE-UP

Objective:- To determine if the true-up calculation and interest provision as filed with this Commission was calculated correctly.

Procedures:- We recalculated the 2006 ECCR True-up and interest schedules using the FPSC approved recoverable true-up amount, interest rates and jurisdictional separation factor. We traced the beginning true-up to the prior order PSC-06-0994-FOF-EG.

AUDIT FINDING NO. 1

SUBJECT: Advertising

AUDIT ANALYSIS:

Gulf Power paid \$445.50, for an newspaper ad for Beach Home Showcase. A small corner of the 5 x 6.5 inch ad shows GoodCents Select and small print on the bottom shows "Sponsored by Gulf Power". Four Homes are advertised in the newspaper ad.

Gulf Power paid \$54.50, for part of an newspaper ad for Country Club Drive Open House. The ad was, 2 x 5 inches. The remainder was to be paid by Koehnemann Construction. Gulf Power is not mentioned in the ad.

Advertisements for conservation should include more information describing specific conservation programs.

EFFECT ON GENERAL LEDGER AND FILING:

These amounts are immaterial but are disclosed for future reference. The company should follow commission precedent in recording conservation costs. We will follow up on this in future audits.

GULF POWER COMPANY
ENERGY CONSERVATION ADJUSTMENT
CALCULATION OF OVER/UNDER RECOVERY
For the Period: January, 2006 through December, 2006

Conservation Revenues	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. GoodCents Select RSVP Fees	45,458.89	46,118.05	45,472.83	44,221.30	50,412.47	60,683.43	62,322.24	64,721.68	64,715.34	58,978.60	50,768.40	49,595.83	643,469.16
2. Conservation Adjustment Revenues	669,120.82	681,873.95	632,361.80	705,771.06	856,012.08	997,329.63	1,024,487.41	1,054,046.18	875,994.64	734,280.97	674,859.62	707,645.02	9,593,783.18
3. Total Revenues	714,579.71	707,992.00	677,834.73	749,992.36	906,424.55	1,058,013.06	1,086,809.65	1,118,767.86	940,709.98	793,259.57	725,628.02	757,240.85	10,237,252.34
4. Adjustment not Applicable to Period - Prior True Up	40,540.92	40,540.92	40,540.92	40,540.92	40,540.92	40,540.92	40,540.92	40,540.92	40,540.92	40,540.92	40,540.92	40,540.88	486,491.00
5. Conservation Revenues Applicable to Period	755,120.63	748,532.92	718,375.65	790,533.28	946,965.47	1,098,553.98	1,127,350.57	1,159,308.78	981,250.90	833,800.49	766,168.94	797,781.73	10,723,743.34
6. Conservation Expenses (CT-3, Page 3, Line 12)	932,874.40	615,567.21	845,232.13	737,736.52	781,551.62	779,332.13	754,611.73	811,306.04	862,038.53	765,720.71	759,789.09	1,559,806.96	10,205,567.07
7. True Up this Period (Line 5 - 6)	(177,753.77)	132,965.71	(126,856.48)	52,796.76	165,413.85	319,221.85	372,738.84	348,002.74	119,212.37	68,079.78	6,379.85	(762,025.23)	518,176.27
8. Interest Provision this Period (CT-3, Page 5, Line 10)	2,769.05	2,614.72	2,557.54	2,371.24	2,721.91	3,689.64	5,186.78	6,616.59	7,430.46	7,696.06	7,707.97	5,907.93	57,269.89
9. True Up & Interest Provision Beginning of Month	863,486.54	647,980.90	743,000.41	578,160.55	592,787.63	720,382.47	1,002,753.04	1,340,137.74	1,654,216.15	1,740,318.06	1,775,552.98	1,749,099.88	863,486.54
10. Prior True Up Collected or Refunded	(40,540.92)	(40,540.92)	(40,540.92)	(40,540.92)	(40,540.92)	(40,540.92)	(40,540.92)	(40,540.92)	(40,540.92)	(40,540.92)	(40,540.92)	(40,540.88)	(486,491.00)
11. End of Period- Net True Up	647,960.90	743,000.41	578,160.55	592,787.63	720,382.47	1,002,753.04	1,340,137.74	1,654,216.15	1,740,318.06	1,775,552.98	1,749,099.88	952,441.70	952,441.70

GULF POWER COMPANY
 COMPUTATION OF INTEREST EXPENSE
 ENERGY CONSERVATION ADJUSTMENT
 For the Period: January, 2006 through December, 2006

Interest Provision	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Beginning True up Amount	863,486.54	647,960.90	743,000.41	578,160.55	592,787.63	720,382.47	1,002,753.04	1,340,137.74	1,654,216.15	1,740,318.06	1,775,552.98	1,749,099.88	
2. Ending True up before Interest	645,191.85	740,385.68	575,603.00	590,416.38	717,660.57	999,063.39	1,334,950.97	1,647,599.56	1,732,887.60	1,767,856.92	1,741,391.91	946,533.77	
3. Total beginning & ending	1,508,678.38	1,388,346.58	1,318,603.41	1,168,576.93	1,310,448.20	1,719,445.86	2,337,704.01	2,987,737.29	3,387,103.74	3,508,174.97	3,516,944.88	2,695,633.65	
4. Average True up Amount	754,339.19	694,173.29	659,301.71	584,288.47	655,224.10	859,722.93	1,168,852.01	1,493,868.65	1,693,551.87	1,754,087.49	1,758,472.44	1,347,816.83	
5. Interest Rate First Day Reporting Business Month	4.3000	4.5100	4.5300	4.7800	4.9600	5.0100	5.2900	5.3600	5.2700	5.2600	5.2700	5.2500	
6. Interest Rate First Day Subsequent Business Month	4.5100	4.5300	4.7800	4.9600	5.0100	5.2900	5.3600	5.2700	5.2600	5.2700	5.2500	5.2700	
7. Total of Lines 5 and 6	8.8100	9.0400	9.3100	9.7400	9.9700	10.3000	10.6500	10.6300	10.5300	10.5300	10.5200	10.5200	
8. Average Interest rate (50% of Line 7)	4.4050	4.5200	4.6550	4.8700	4.9850	5.1500	5.3250	5.3150	5.2650	5.2650	5.2600	5.2600	
9. Monthly Average Interest Rate Line 8 \ 12	0.003671	0.003767	0.003879	0.004058	0.004154	0.004292	0.004438	0.004429	0.004388	0.004388	0.004383	0.004383	
10. Interest Adjustment													
11. Interest Provision (Line 4 X 9)	2,769.05	2,614.72	2,557.54	2,371.24	2,721.91	3,689.64	5,186.78	6,616.59	7,430.46	7,696.06	7,707.97	5,907.93	57,269.89