

State of Florida



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

DATE: May 23, 2008
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: 080002-EG; Company Name: Gulf Power Company;
Audit Purpose: Energy Conservation Cost Recovery; Company Code: EI804;
Audit Control No: 08-137-1-1;

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 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
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

Mr. Gary Livingston
Gulf Power Company
101 N. Monroe St., Suite 1060
Tallahassee, FL 32301-1547

Beggs & Lane Law Firm
J. Stone / R. Badders / S. Griffin
P.O. Box 12950
Pensacola, FL 32591

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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, 2007

DOCKET NO. 080002-EG

AUDIT CONTROL NO. 08-037-1-1

Handwritten signature of Hymavathi Vedula in cursive script.

Hymavathi Vedula, Audit Staff

Handwritten signature of Donna Brown in cursive script.

Donna Brown, Audit Staff

Handwritten signature of Lynn M. Deamer in cursive script.

Lynn M. Deamer, Audit Supervisor

DOCUMENT NUMBER-DATE

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

May 25, 2008

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, 2007, Docket No. 080002-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: - ECCR revenues were audited jointly with the revenue portions of the other clause audits of Gulf Power Company. The work product is contained in Docket No. 080001-EI, ACN: 08-003-1-1.

EXPENSES

Objective: - To verify the accuracy of information filed by the Company regarding actual conservation costs for the period January 1, 2007 through December 31, 2007 per Commission Rule 25-17.015, F.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 General Ledgers.

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 and other supporting documentation for these charges to determine that these costs are properly recoverable through the ECCR clause.

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.

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 to documentation provided by the

company. The current computations of kwh & Kw savings comply with Rule 25-17.0021(5) Florida Administrative Code.

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 2007 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 FPSC Order PSC-07-0933-FOF-EG, issued November 6, 2007.

ANALYTICAL REVIEW

Objective:- To determine if there are any material changes or inconsistencies in the expenses categories.

Procedures:- We scheduled Conservation expenses and programs from 2004 to 2007, using the percentage method to evaluate changes from year to year. We also compared the ratios of individual Conservation programs and expenses to the totals of these each year.

GULF POWER COMPANY
ENERGY CONSERVATION COST RECOVERY
ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL compared to ESTIMATED/ACTUAL
For the Period: January, 2007 Through December, 2007

	Actual	Est/Actual	Difference
	\$	\$	\$
1. Depreciation, Return & Property Tax	1,939,611.15	1,941,565.94	(1,954.79)
2. Payroll & Benefits	3,349,332.36	3,483,853.00	(134,520.64)
3. Materials & Supplies	4,041,267.87	4,865,399.00	(824,111.13)
4. Advertising	481,157.34	687,138.00	(205,980.66)
5. Adjustments	0.00	0.00	0.00
6. Other	0.00	0.00	0.00
7. Subtotal	<u>9,811,388.72</u>	<u>10,977,955.94</u>	<u>(1,166,567.22)</u>
8. Program Revenues	<u>704,196.57</u>	<u>733,373.41</u>	<u>(29,176.84)</u>
9. Total Program Costs	<u>9,107,192.15</u>	<u>10,244,582.53</u>	<u>(1,137,390.38)</u>
10. Less: Payroll Adjustment	0.00	0.00	0.00
11. Amounts inc. in Base Rate	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
12. Conservation Adjustment Revenues	<u>9,677,622.47</u>	<u>9,491,013.19</u>	<u>186,609.28</u>
13. Rounding Adjustment	<u>9,677,622.00</u>	<u>9,491,013.00</u>	<u>186,609.00</u>
14. True-up Before Adjustment Over/(Under) Recovery	570,430	(753,570)	1,324,000
15. Interest Provision	74,784	57,335	17,449
16. Prior Period True-up	952,442	952,442	0
17. Other	<u>0</u>	<u>0</u>	<u>0</u>
18. End of Period True-up	<u>1,597,656</u>	<u>256,207</u>	<u>1,341,449</u>

GULF POWER COMPANY
 COMPUTATION OF INTEREST EXPENSE
 ENERGY CONSERVATION ADJUSTMENT
 For the Period: January, 2007 through December, 2007

Interest Provision	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Beginning True up Amount	952,441.70	1,116,564.93	1,136,904.89	1,082,147.88	1,050,902.71	1,088,630.89	1,314,033.58	1,497,046.37	1,887,225.14	2,076,024.82	2,183,199.78	1,769,126.04	
2. Ending True up before Interest	1,112,035.96	1,131,976.64	1,077,295.09	1,046,238.00	1,093,930.13	1,308,747.38	1,490,896.89	1,879,585.51	2,067,234.39	2,174,548.09	1,761,343.78	1,590,844.97	
3. Total beginning & ending	2,064,477.66	2,248,541.57	2,214,199.78	2,128,385.88	2,144,832.84	2,407,378.27	2,804,930.47	3,376,631.88	3,954,459.53	4,250,572.91	3,944,543.56	3,359,971.01	
4. Average True up Amount	1,032,238.84	1,124,270.79	1,107,099.89	1,064,192.94	1,072,416.42	1,203,689.14	1,402,466.24	1,888,315.94	1,977,228.77	2,125,266.46	1,972,271.78	1,678,985.51	
5. Interest Rate First Day Reporting Business Month	5.2700	5.2600	5.2800	5.2600	5.2800	5.2800	5.2800	5.2400	5.6200	5.0500	4.7200	4.7500	
6. Interest Rate First Day Subsequent Business Month	5.2600	5.2800	5.2600	5.2600	5.2600	5.2800	5.2400	5.6200	5.0500	4.7200	4.7500	4.9800	
7. Total of Lines 5 and 6	10.5300	10.5200	10.5200	10.5200	10.5200	10.5400	10.5200	10.8600	10.6700	9.7700	9.4700	9.7300	
8. Average Interest rate (50% of Line 7)	5.2650	5.2600	5.2600	5.2600	5.2600	5.2700	5.2600	5.4300	5.3350	4.8850	4.7350	4.8650	
9. Monthly Average Interest Rate Line 8 x 12	0.004388	0.004383	0.004383	0.004383	0.004383	0.004392	0.004383	0.004525	0.004446	0.004071	0.003948	0.004054	
10. Interest Adjustment													
11. Interest Provision (Line 4 X 9)	4,528.95	4,928.05	4,652.79	4,664.71	4,700.76	5,286.20	6,147.48	7,639.63	8,790.43	8,651.89	7,782.26	6,810.94	74,783.89