



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 9, 2010

TO: Devlin Higgins, Regulatory Analyst III, Division of Economic Regulation

FROM: Clarence Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CP*

RE: Docket No.: 100002-EG
 Company Name: Gulf Power Company
 Company Code: EI804
 Audit Purpose: Energy Conservation Cost Recovery
 Audit Control No: 09-350-1-1

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 a response to the Office of Commission Clerk. There were no confidential work papers associated with this audit.

CP/ip
Attachment: Audit Report

cc: (With Attachment)
 Office of Auditing and Performance Analysis (Mailhot, File Folder)
 Office of Commission Clerk
 Office of the General Counsel

(Without Attachment)
 Office of Auditing and Performance Analysis (Harvey, Tampa District Office, Miami District Office, Tallahassee District Office)

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FLORIDA PUBLIC SERVICE COMMISSION

OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
BUREAU OF AUDITING

Tallahassee District Office

GULF POWER COMPANY

ENERGY CONSERVATION COST RECOVERY AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2009

DOCKET NO. 100002-EG
AUDIT CONTROL NO. 09-350-1-1

V. Hymavathi

Hymavathi Vedula, Audit Manager

Lynn M. Deamer

Lynn M. Deamer, District Audit Supervisor

DOCUMENT NUMBER-DATE

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**OFFICE OF AUDITING AND PERFORMANCE ANALYSIS
AUDITOR'S REPORT**

May 20, 2009

TO: FLORIDA PUBLIC SERVICE COMMISSION

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 twelve month period ending December 31, 2009, Docket No. 100002-EG.

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

I. OBJECTIVES AND PROCEDURES

REVENUES

Objective: To verify that the Energy Conservation Cost Recovery (ECCR) revenue and KWHs sold as filed are 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. 100001-EI, Audit Control Number 10-004-1-1.

EXPENSES

Objective: To verify that cost items recoverable through the ECCR are included for recovery in the filing.

Procedures: From The Monthly Expenditure by Program Reports, we compiled program expenses by month, traced them to the company filed true-up, and verified depreciation and return on investment rates. We recalculated expenses by month and traced them to the general ledger FERC accounts 908 - Customer Assistance Expenses and 909 – Informational and Instructional Advertising Expenses.

Objective: To ensure advertising costs charged to the ECCR are consistent with Rule 25-17.015(5), F.A.C., with documentation to demonstrate the allocation is reasonable.

Procedures: The audit staff selected a judgmental sample of transactions and traced amounts to invoices noting the proper period, proper account, appropriate advertisement, and applicable to conservation. No exceptions were noted.

Objective: To identify the programs and dollar amounts for conservation programs that exceeded the budgeted amounts.

Procedures: The audit staff reviewed the supporting documentation from the company which noted the programs that exceeded the budgeted amounts. Audit staff was satisfied with explanations.

Objective: To verify that the information provided in the 2009 annual Florida Energy Efficiency and Conservation Act (FEECA) Program Progress Report pursuant to Rule 25-17.0021(5) h, l, and m, F.A.C., is accurate.

Procedures: The audit staff reviewed Rule 25-17.0021, F.A.C., and the 2009 FEECA Program Progress Report. We traced the report to the current and detailed computations of KWh and KW savings provided by the company noting compliance to the rule.

TRUE-UP

Objective: To verify that the true-up amount, including the interest calculation, is correctly reflected on the filed schedules.

Procedures: We recalculated the 2009 ECCR true-up and interest provision. The audit staff reconciled the beginning true-up amount to FPSC Order No. PSC-09-0794-FOF-EG, issued December 1, 2009 and the interest rates to the 30-Day Commercial Paper rates.

III. EXHIBITS

EXHIBIT NO. 1 – Schedule CT-3

GULF POWER COMPANY
ENERGY CONSERVATION ADJUSTMENT
CALCULATION OF OVERNIGHT RECOVERY
For the Period January, 2009 Through December, 2009

Conservation Program	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Energy Select Rebate Fees	64,538.80	64,511.84	54,378.47	51,784.65	53,397.26	63,949.57	72,272.40	70,719.26	60,338.26	64,526.24	61,276.89	53,823.57	724,684.24
2. Over/Under Recovery	891,778.14	892,114.30	892,029.02	828,028.44	747,458.86	857,118.64	827,754.12	879,829.10	892,824.84	0.00	763,684.16	811,083.87	8,281,272.82
3. Total Revenue	796,300.12	846,626.14	846,407.52	877,751.26	800,896.24	1,000,068.21	960,028.42	944,888.46	871,887.86	640.00	804,969.22	862,510.80	8,284,977.02
4. Adjustment Not Applicable to Period - Prior Time Up	215,791.23	215,791.23	215,791.23	215,791.23	215,791.23	215,791.23	215,791.23	215,791.23	215,791.23	215,791.23	215,791.23	215,791.23	2,399,488.10
5. Conservation Revenue Applicable to Period	942,091.42	860,317.47	878,198.84	860,342.82	1,016,687.27	1,208,479.24	1,185,817.86	1,164,784.81	1,087,748.22	0.00	1,020,760.52	878,182.23	10,793,871.86
6. Conservation Expenses [CT-3, Page 3, Line 10]	808,785.65	749,118.46	854,785.08	877,823.87	1,105,140.50	907,831.26	1,051,603.96	1,026,246.01	865,488.72	0.00	1,282,229.23	798,728.82	11,392,883.70
7. Time Up the Period (Line 5 - 6)	42,306.80	131,703.88	24,484.77	164,084.59	188,827.79	329,827.88	144,211.49	103,208.80	207,429.43	0.00	192,084.78	44,372.85	841,894.42
8. Unrecovered the Period (CT-3, Page 6, Line 11)	1,065.46	1,781.02	1,287.24	917.24	888.09	528.24	528.10	420.83	391.19	0.00	315.84	268.89	8,216.48
9. Total Up & Unrecovered Beginning of Month	2,291,988.05	2,798,798.01	2,857,276.09	2,487,427.71	2,746,487.37	1,884,741.40	1,979,206.10	1,807,244.78	1,861,422.88	1,827,872.15	1,827,888.19	1,809,208.02	1,442,188.23
10. Prior Time Up Collected or Returned	(215,791.23)	(215,791.23)	(215,791.23)	(215,791.23)	(215,791.23)	(215,791.23)	(215,791.23)	(215,791.23)	(215,791.23)	(215,791.23)	(215,791.23)	(215,791.23)	(2,399,488.10)
11. End of Period - Net Time Up	2,776,196.82	2,657,215.55	2,426,210.63	2,056,345.25	1,884,741.40	1,278,249.17	1,463,414.87	1,591,453.55	1,645,631.65	1,612,080.92	1,613,096.96	1,593,416.79	1,272,690.13

No interest adjustment was made in September as a result of regulatory rate proceedings. Energy Storage Disposal costs were previously booked in O&M.