



# 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:** June 9, 2010

**TO:** Jenny Wu, Economic Analyst, Division of Economic Regulation

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

**RE:** Docket No.: 100007-EI  
 Company Name: Gulf Power Company  
 Company Code: EI804  
 Audit Purpose: Environmental Cost Recovery Clause  
 Audit Control No: 09-363-1-1

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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STATE OF FLORIDA



FLORIDA PUBLIC SERVICE COMMISSION

OFFICE OF AUDITING AND PERFORMANCE ANALYSIS  
BUREAU OF AUDITING

Tallahassee District Office

GULF POWER COMPANY

ENVIRONMENTAL COST RECOVERY CLAUSE AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2009

DOCKET NO. 100007-EI

AUDIT CONTROL NO. 09-363-1-1

A handwritten signature in cursive script, reading "Donna Brown".

Donna Brown, Audit Manager

A handwritten signature in cursive script, reading "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, 2010**

**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 Environmental Cost Recovery Clause (ECRC) True-up for the twelve month period ending December 31, 2009, Docket No. 100007-EI.

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.

## **OBJECTIVES AND PROCEDURES**

### **REVENUES**

Objective: To determine that the revenues filed by the company for each cost recovery clause are supported by company documentation and agree to the general ledger. To verify that the appropriate clause factors are utilized by the company in billing the customers.

Procedures: ECRC 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, ACN 10-004-1-1. No exceptions found.

### **EXPENSES**

#### **O & M Expenses**

Objective: To verify that the company's ECRC Operation and Maintenance expenses for the year ended December 31, 2009 are representative of management's assertions displayed in the books and records.

Procedures: The audit staff recomputed the company's O&M expenses from the monthly general ledger and agreed it to the company's filing Schedule 5A. The audit staff verified adjustments to O&M expenses for costs recovered in base rates as per FPSC Order PSC-94-0044-FOF-EI, issued January 12, 1994. In addition, audit staff compiled a sample of expenses and traced them to supporting vendor invoices.

#### **SO2 Expenses**

Objective: To verify that the company's ECRC SO2 expenses and revenues for the year ending December 31, 2009 are representative of its books and records.

Procedures: The audit staff compiled the SO2 allowance expenses for 2009 including revenues, inventory, expensed amounts and the amount included in working capital by month. Recomputed and traced the emission allowances to Schedule 8A, page 31 of 31 of the company's filing and the general ledger.

#### **Depreciation Expense**

Objective: To verify the company's ECRC depreciation on Schedule 8A is correctly computed and omits dismantlement expense for the period ended December 31, 2009.

Procedures: Audit staff reviewed the Depreciation and Dismantlement Study filed in Docket No. 050381-EI, FPSC Order PSC-06-0348-PAA-EI, issued May 19, 2006, and FPSC Order PSC-07-0013-PAA-EI, issued January 2, 2007. Recalculated monthly depreciation expense excluding dismantlement expense, and reconciled it to the company's filing or Plant Expenditure's (PE's) on Schedule 8A.

## **TRUE-UP**

Objective: To determine if the true-up calculation and interest provision for the period ended December 31, 2009 as filed with this Commission was calculated correctly.

Procedures: Recalculated the company's total true-up and interest provision for the period ended December 31, 2009 and agreed it to the company filing Schedule 2A. Traced the beginning true-up amount to the 2008 ECRC audit and the true-up provision to FPSC Order PSC-08-0775-FOF-EI, issued November 24, 2008. Audit staff traced the interest rate to the 30 day commercial paper rates.

## **INVESTMENT**

Objective: To verify that the company's Capital Investment Projects for the year ended December 31, 2009 are representative of management's assertions displayed in the books and records. To verify that where an ECRC project involves the replacement of existing plant assets, the company is retiring the installed costs of replaced units according to Rule 25-6.0142(4)(b),F.A.C.

Procedures: Prepared a schedule which recalculated the Capital Investment Projects recoverable through the ECRC and reconciled it to the company filing Schedule 7A. Agreed the total jurisdictional recoverable costs of Capital Investment Projects to the recalculation of company's true-up. Recalculated the appropriate energy jurisdictional factors for each month and agreed all Capital Investment Projects, depreciation expense, accumulated depreciation, and plant in service balances to Schedule 8A.

## **OTHER**

### **Deferred Accounting**

Objective: To determine that the utility's Working Capital balance is properly calculated in compliance with Commission rules.

Procedures: The audit staff obtained source documentation of plant expenditures not included in the 2009 filing which were recorded in a deferred account. In addition, the audit staff obtained FPSC Order PSC-09-0759-S-EI, issued November 18, 2009, which is an updated filing, that reflects all changes to Gulf's compliance plan since the initial plans were approved (PSC-07-0721-S-EI). The audit staff also traced deferred amounts to FERC Account 183 for three future projects that had preliminary expenditures during 2009.

### **Positive Accumulated Depreciation**

Objective: To verify all Positive Accumulated Depreciation (negative depreciation expense).

Procedures: Audit staff recalculated accumulated depreciation and reconciled a list of all Plant Expenditure (PE) with debit balances in accumulated depreciation to the proper documentation.

III. EXHIBITS

EXHIBIT NO. 1 - Schedule 2A

Gold River Cleanup  
 Environmental Cost Recovery/Claim (ECRC)  
 Calculation of the Final True-Up Amount  
 January 2009 - December 2009  
 Current Period True-Up Amount  
 (in Dollars)

Schedule 2A

Line	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	Actual Period
1	6,097,061	5,402,835	5,434,031	5,599,141	6,655,802	8,490,566	8,004,946	7,803,972	7,144,818	6,591,558	5,924,939	9,094,731	81,363,730
2	(111,652)	(111,652)	(111,652)	(111,652)	(111,652)	(111,652)	(111,652)	(111,652)	(111,652)	(111,652)	(111,652)	(111,652)	(1,239,819)
3	5,985,410	5,291,184	5,322,379	5,487,490	6,544,150	8,378,914	7,893,294	7,692,320	7,033,166	6,480,306	5,813,287	8,983,079	80,123,911
4	349,748	1,311,706	1,190,305	1,459,214	2,241,236	2,593,337	3,224,328	3,206,130	3,035,123	2,424,032	2,344,218	2,282,277	23,801,587
5	3,281,259	3,208,480	2,333,293	3,421,103	3,457,804	3,333,199	3,608,703	3,579,438	3,352,566	3,532,928	3,377,649	5,934,812	44,295,482
6	3,611,087	4,600,186	4,533,598	4,880,317	5,699,140	6,038,496	6,823,624	6,785,346	6,587,489	5,954,969	6,161,887	8,217,039	69,297,669
7	2,344,403	690,898	780,781	601,173	835,010	2,390,418	1,110,592	904,534	442,671	523,346	(1,248,590)	766,849	10,126,895
8	703	1,462	2,034	1,808	1,500	1,930	2,438	2,309	2,131	2,094	1,983	1,181	22,487
9	(1,428,379)	1,827,379	1,832,290	2,734,657	3,455,499	4,423,731	6,877,731	8,102,423	9,122,918	9,879,178	10,316,274	6,181,309	(1,428,379)
10	1,470,471	1,470,471	1,470,471	1,470,471	1,470,471	1,470,471	1,470,471	1,470,471	1,470,471	1,470,471	1,470,471	1,470,471	14,704,710
11	111,652	111,652	111,652	111,652	111,652	111,652	111,652	111,652	111,652	111,652	111,652	111,652	1,239,819
12	2,498,330	3,207,261	4,203,332	4,035,960	5,944,202	8,348,202	9,572,984	10,993,289	11,680,649	11,766,343	10,651,780	11,631,333	113,313,322

\*Adjustment to reverse carrying costs related to PE 1285 which was temporarily included CWIP in December, 2008

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**Gulf Power Company**  
**Environmental Cost Recovery Clause (ECRC)**  
**Calculation of the Final True-Up Amount**  
**January 2009 - December 2009**

Interest Provision  
 (in Dollars)

Line	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	End of Period Amount
1 Beg. True-Up Amount (Schedule 2A, Lines 7a + 7b)	41,592	2,498,350	3,302,861	4,205,328	4,925,960	5,894,202	8,348,522	9,572,894	10,593,389	11,149,649	11,766,745	10,651,780	
2 Ending True-Up Amount Before Interest (Line 1 + Schedule 2A, Lines 5 + 8)	<u>2,497,647</u>	<u>3,300,999</u>	<u>4,203,293</u>	<u>4,924,152</u>	<u>5,892,622</u>	<u>8,346,272</u>	<u>9,570,466</u>	<u>10,591,080</u>	<u>11,147,518</u>	<u>11,784,647</u>	<u>10,649,817</u>	<u>11,529,472</u>	
3 Total of Beginning & Ending True-up (Lines 1 + 2)	<u>2,539,239</u>	<u>5,799,349</u>	<u>7,506,154</u>	<u>9,129,480</u>	<u>10,818,581</u>	<u>14,240,474</u>	<u>17,918,988</u>	<u>20,163,974</u>	<u>21,740,907</u>	<u>22,934,295</u>	<u>22,436,562</u>	<u>22,181,252</u>	
4 Average True-Up Amount (Line 3 x 1/2)	<u>1,269,619</u>	<u>2,899,675</u>	<u>3,753,077</u>	<u>4,564,740</u>	<u>5,409,291</u>	<u>7,120,237</u>	<u>8,959,494</u>	<u>10,081,987</u>	<u>10,870,453</u>	<u>11,467,148</u>	<u>11,218,281</u>	<u>11,090,626</u>	
5 Interest Rate (First Day of Reporting Business Month)	0.005400	0.007900	0.007300	0.003500	0.004000	0.003000	0.003500	0.003000	0.002500	0.002200	0.002200	0.002000	
6 Interest Rate (First Day of Subsequent Business Month)	0.007900	0.007500	0.005500	0.004000	0.003000	0.003500	0.003000	0.002500	0.002200	0.002200	0.002000	0.002000	
7 Total of Beginning and Ending Interest Rates (Line 5 + Line 6)	<u>0.013300</u>	<u>0.015400</u>	<u>0.013000</u>	<u>0.009500</u>	<u>0.007000</u>	<u>0.006500</u>	<u>0.006500</u>	<u>0.005500</u>	<u>0.004700</u>	<u>0.004400</u>	<u>0.004200</u>	<u>0.004000</u>	
8 Average Interest Rate (Line 7 x 1/2)	<u>0.006650</u>	<u>0.007700</u>	<u>0.006500</u>	<u>0.004750</u>	<u>0.003500</u>	<u>0.003250</u>	<u>0.003250</u>	<u>0.002750</u>	<u>0.002350</u>	<u>0.002200</u>	<u>0.002100</u>	<u>0.002000</u>	
9 Monthly Average Interest Rate (Line 8 x 1/12)	<u>0.000554</u>	<u>0.000642</u>	<u>0.000543</u>	<u>0.000396</u>	<u>0.000292</u>	<u>0.000271</u>	<u>0.000271</u>	<u>0.000229</u>	<u>0.000196</u>	<u>0.000183</u>	<u>0.000175</u>	<u>0.000167</u>	