

State of Florida



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: May 20, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 110007-EI
Company Name: Gulf Power Company
Company Code: EI804
Audit Purpose: Environmental Cost Recovery Clause
Audit Control No: 11-005-1-2

RECEIVED-FPSC
MAY 23 AM 8:32
COMMISSION CLERK

Attached is the final audit report for the Utility stated above. Volume two of the audit working papers is forwarded for confidential treatment pursuant to Rule 25-22.006, Florida Administrative Code. The audit report and volume one of the work papers are public and held by the Bureau of Auditing. An attached index lists all confidential material.

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.

CJP:pld

Attachments: Confidential Document Index
Confidential Binders Listed Above

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

03566 MAY 23 --

FPSC-COMMISSION CLERK

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Gulf Power Company
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2010

Docket No. 110007-EI

Audit Control No. 11-005-1-2

May 20, 2011

A handwritten signature in cursive script, reading "Donna D. Brown", written over a horizontal line.

Donna D. Brown
Audit Manager

A handwritten signature in cursive script, reading "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economic Regulation in its audit service request dated January 6, 2011. We have applied these procedures to the attached summary exhibit prepared by Gulf Power Company and to several of its related schedules in support of its filing for the Environmental Cost Recovery Clause (ECRC) in Docket No. 110007-EI.

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

Objectives and Procedures

Revenues

Objectives: The objective was to verify that Environmental Cost Recovery Clause (ECRC) revenue and KWH sold as filed reconciled with the amounts that were recorded on the books of the Utility, and that these amounts were completely and properly recorded.

Procedures: We compiled total ECRC revenues for the twelve month period ended December 31, 2010 from the filing to the general ledger by month. We recalculated revenue using KWH and related information from the bills.

Expenses

Operation and Maintenance Expense

Objectives: The objective was to verify that the Utility's ECRC Operation and Maintenance (O&M) expenses for the year ended December 31, 2010 are representative of the management's assertions displayed in the books and records.

Procedures: We recomputed the Utility's O&M expenses from the monthly general ledger and traced it to the Utility's filing Schedule 5A. We 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. We also compiled a sample of expenses and traced them to supporting vendor invoices. There are no exceptions.

SO2 Expenses

Objectives: The objective was to verify that the Utility's ECRC SO2 expenses for the year ending December 31, 2010 are representative of its books and records.

Procedures: We obtained a schedule, by month, of the SO2 allowance expenses for 2010. We also recomputed and traced the emission allowances to Schedule 8A, page 31 of 31, of the Utility's filing and the general ledger. There are no exceptions.

True-Up

Objectives: The objective was to verify that the true-up and interest provision amount at December 31, 2010 was properly calculated.

Procedures: We recalculated the true-up and interest provision amount as of December 31, 2010 using the Commission approved beginning balance as of December 31, 2009, the Commercial paper rates, and the 2010 ECRC Revenues and Costs. There are no exceptions were.

Investment

Objectives: The objective was to verify that the Utility's Capital Investment Projects for the year ended December 31, 2010 are representative of management's assertions displayed in the books and records. We were to also verify that where an ECRC project involves the replacement of

existing plant assets, the utility is retiring the installed costs of replaced units according to Rule 25-6.0142(4)(b), Florida Administrative Code (FAC).

Procedures: We recalculated the Capital Investment Projects recoverable through the ECRC and traced the total of all projects to the Utility filing Schedule 7A. We traced the total jurisdictional recoverable costs of Capital Investment Projects to the recalculation of the Utility's filed true-up. We also recalculated the appropriate energy jurisdictional factors for each month and traced all Capital Investment Projects, Depreciation Expense, Accumulated Depreciation, and Plant-in-Service balances to Utility filed Schedule 8A. There are no exceptions.

Other

Objectives: The objective was to determine that the Utility's working capital balance is properly calculated in compliance with Commission Order.

Procedures: We obtained source documentation of plant expenditures not included in the 2010 filing, but recorded on the Utility's books and records. We reviewed Order PSC-10-0683-FOF-EI, to ensure that all projects in which Gulf is allowed to recover costs are specified in the Order. We also traced the working capital balance on the Utility's filings to applicable source documentation and Utility schedules in compliance with Commission Order. There are no exceptions.

Audit Findings

None

Schedule 2A

Gold Power Company
Environmental Cost Recovery Clause (ECRC)
Calculation of the Final True-Up Amount
January 2010 - December 2010

Current Period True-Up Amount
(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 ECRC Revenues (net of Revenue Taxes)	13,323,103	12,212,255	10,477,336	10,053,918	13,542,691	15,280,418	16,552,900	15,722,680	14,583,229	11,020,103	9,793,419	13,072,132	155,634,283
2 True-Up Provisions (Order No. PSC-09-0759-FOF-EI)	148,878	148,878	148,878	148,878	148,878	148,878	148,878	148,878	148,878	148,878	148,878	148,878	1,786,538
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	13,471,981	12,361,233	10,626,214	10,202,796	13,691,569	15,429,296	16,701,778	15,871,558	14,732,107	11,168,981	9,942,297	13,221,010	157,420,821
4 Jurisdictional ECRC Costs													
a O & M Activities (Schedule 5E, Line 9)	4,460,559	2,990,947	2,329,042	1,368,033	2,367,264	1,809,330	2,820,229	3,264,049	2,802,495	2,156,003	2,571,589	4,645,818	32,941,528
b Capital Investment Projects (Schedule 7E, Line 9)	9,566,483	9,798,537	9,806,258	9,831,321	9,862,017	9,904,292	9,913,380	11,956,477	10,353,170	10,333,178	10,296,380	10,263,256	123,884,775
c Total Jurisdictional ECRC Costs	14,027,042	12,189,484	12,135,300	11,199,354	12,229,301	11,713,622	12,733,609	17,220,526	13,155,665	12,489,181	12,823,969	14,909,074	156,826,303
5 Over/(Under) Recovery (Line 3 - Line 4c)	(555,061)	171,749	(1,509,086)	(996,564)	1,462,268	3,715,674	3,968,169	(1,348,968)	1,576,242	(1,320,200)	(2,881,672)	(1,688,064)	594,518
6 Interest Provision (Schedule 3E, Line 10)	1,867	1,854	1,754	1,578	2,073	3,212	3,905	3,731	3,532	3,321	2,853	2,348	32,028
7 Beginning Balance True-Up & Interest Provision													
a Actual Total for True-Up Period 2009	10,149,912	9,447,840	9,472,565	7,816,384	6,672,520	7,987,983	11,557,991	15,381,187	13,887,072	15,317,968	13,852,211	10,824,514	10,149,912
b Final True-Up from January 2008 - December 2008 (Order No. PSC-09-0759-FOF-EI)	1,381,411	1,381,411	1,381,411	1,381,411	1,381,411	1,381,411	1,381,411	1,381,411	1,381,411	1,381,411	1,381,411	1,381,411	1,381,411
8 True-Up Collected/(Refunded) (see Line 2)	(148,878)	(148,878)	(148,878)	(148,878)	(148,878)	(148,878)	(148,878)	(148,878)	(148,878)	(148,878)	(148,878)	(148,878)	(1,786,538)
9 Adjustments													
10 End of Period Total True-Up (Lines 5 + 6 + 7a + 7b + 8)	10,829,251	10,853,976	9,197,795	8,053,931	9,368,294	12,935,402	16,762,598	15,268,483	16,699,379	15,233,622	12,205,925	10,371,331	10,371,331

INDEX OF CONFIDENTIAL WORKPAPERS
Gulf Power Company
Environmental cost Recover Clause
Docket 110007-EI Audit Control Number 11-005-1-2

Item No	Description	Number of Pages	Document Request
1	O&M Sample - Actual Invoices	272	ECRC 10