

State of Florida



Public Service Commission
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COMMISSION
CLERK

DATE: June 7, 2011
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis *CJP*
RE: Docket No.: 110002-EG
Company Name: Gulf Power Company
Company Code: EI804
Audit Purpose: Energy Conservation Cost Recovery
Audit Control No: 11-005-1-3

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.

CJP/ir

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE

03951 JUN-8 =

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
Energy Conservation Cost Recovery

Twelve Months Ended December 31, 2010

Docket No. 110002-EG
Audit Control No. 11-005-1-3

June 10, 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

DOCUMENT NUMBER-DATE

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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 5, 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 Energy Conservation Cost Recovery Clause (ECCR) in Docket No. 110001-EG.

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

Revenue

Objective: The objective was to verify that the revenues and Kilowatt Hours (KWH) sold were completely and properly recorded on the books of the Utility and those revenues on the Energy Conservation Cost Recovery Clause filing agreed with the Utility's general ledger.

Procedures: We compiled the ECCR revenues from Utility source documents and reconciled to the filing as well as the general ledger. We verified that the Utility used the Commission approved factors in the billing of the manual bills. We also selected a judgmental sample of computerized customer bills to test that the applicable factors for ECCR were used in billing customers. No exceptions found.

Expense

Objective: The objective was to verify that cost items not recoverable through the ECCR are not included for recovery in the filing.

Procedures: We compiled program expenses by month, traced them to the Utility filed true-up, and verified depreciation and return on investment rates. We also recalculated expenses by month and traced them to the general ledger FERC account 908 – Customer Assistance Expenses and 909 – Informational and Instructional Advertising Expenses. No exceptions found.

Objective: The objective was to ensure advertising costs charged to the ECCR are consistent with Rule 25-17.015(5), F.A.C. which states that advertising costs recovered through energy conservation shall be directly related to an approved conservation program and shall not mention a competing energy source, and shall not be utility image enhancing.

Procedure: We selected a judgmental sample of transactions and traced amounts to invoices verifying the advertising was expensed in the proper period, proper account, and applicable to conservation. No exceptions found.

Objective: The objective was to identify the programs and dollar amounts for conservation programs that exceeded the budgeted amounts.

Procedure: We reviewed the supporting documentation from the Utility which noted the programs that exceeded the budgeted amounts. No exceptions found.

True-up

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

Procedures: We recalculated the 2010 ECCR true-up and interest provision. We reconciled the beginning true-up amount to FPSC Order No. PSC-10-0703-FOF-EG, issued November 29, 2010 and the interest rates to the 30-day Commercial Paper rates. No exceptions found.

Audit Findings

None

Gulf Power Company
Energy Conservation Cost Recovery (ECCR)
Calculation of the Final True-Up Amount
For the Period: January 2010 - December 2010

Energy Conservation Adjustment
Calculation of Over/Under Recovery

Conservation Revenues	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Energy Select RSVP Fees	61,944.04	59,828.19	60,536.73	55,122.11	58,485.41	71,125.13	72,735.49	76,106.85	73,006.90	66,396.22	57,280.14	55,985.96	768,551.11
2. Over/(Under) Recovery	1,000,637.40	913,381.83	781,078.01	743,374.65	1,006,672.31	1,143,298.17	1,237,714.58	1,175,980.68	1,088,834.69	818,023.90	724,652.40	670,140.88	11,583,789.50
3. Total Revenues	1,062,581.44	973,207.96	841,614.74	798,496.76	1,065,157.72	1,214,423.30	1,310,450.07	1,251,987.53	1,161,941.59	884,420.12	781,932.54	926,126.84	12,272,340.61
4. Adjustment not Applicable to Period - Prior True Up	(4,418.58)	(4,418.58)	(4,418.58)	(4,418.58)	(4,418.58)	(4,418.58)	(4,418.58)	(4,418.58)	(4,418.58)	(4,418.58)	(4,418.58)	(4,418.58)	(53,023.00)
5. Conservation Revenues Applicable to Period	1,058,162.86	968,789.38	837,196.16	794,078.18	1,060,739.14	1,210,004.72	1,306,031.49	1,247,568.95	1,157,523.01	880,001.54	777,513.96	921,708.22	12,219,317.61
6. Conservation Expenses (CT-3, Page 3, Line 13)	767,587.46	832,108.30	674,227.58	683,483.38	664,693.48	661,008.57	641,032.64	617,414.85	612,183.36	659,432.89	648,475.12	1,196,300.78	10,627,958.41
7. True Up this Period (Line 5 - 6)	290,565.40	76,681.08	(37,031.42)	(89,405.20)	196,045.66	548,996.15	464,998.85	430,154.10	545,339.65	10,568.65	(170,961.16)	(274,592.56)	1,591,359.20
8. Interest Provision this Period (CT-3, Page 5, Line 11)	236.68	274.76	285.75	288.63	387.89	549.04	608.44	647.33	688.40	697.95	682.31	636.86	5,985.94
9. True Up & Interest Provision Beginning of Month	1,272,569.44	1,567,790.10	1,649,164.52	1,616,837.43	1,532,139.44	1,732,991.37	2,086,955.14	2,556,982.01	2,882,202.02	3,342,659.65	3,358,344.83	3,192,484.56	1,272,569.44
10. Prior True Up Collected or Refunded	4,418.58	4,418.58	4,418.58	4,418.58	4,418.58	4,418.58	4,418.58	4,418.58	4,418.58	4,418.58	4,418.58	4,418.58	53,023.00
11. End of Period - Net True Up	1,567,790.10	1,649,164.52	1,616,837.43	1,532,139.44	1,732,991.37	2,086,955.14	2,556,982.01	2,882,202.02	3,342,659.65	3,358,344.83	3,192,484.56	2,822,947.58	2,822,947.58

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Exhibit 1: Schedule CT-3 - Calculation of Over/Under Recovery

Exhibits