

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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DATE: May 25, 2012

TO: Office of Commission Clerk

FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 120001-EI
Company Name: Gulf Power Company
Company Code: EI804
Audit Purpose: A3a Capacity Cost Recovery Clause
Audit Control No: 12-013-1-1

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 confidential work papers associated with this audit.

CJP/klh

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

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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
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2011

Docket No. 120001-EI
Audit Control No. 12-013-1-1

May 25, 2012

A handwritten signature in black ink that reads "Donna D. Brown".

Donna D. Brown
Audit Manager

A handwritten signature in blue ink that reads "Lynn M. Deamer".

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 13, 2012. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2011 filing for the Capacity Cost Recovery Clause (CCRC) in Docket No. 120001-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

General

Definition

Utility refers to the Gulf Power Company.
CCRC refers to the Capacity Cost Recovery Clause.

Revenue

Customer Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2011 through December 31, 2011 and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for CCRC.

Procedures: We reconciled the 2011 filing to the Utility's monthly Capacity Revenue Reports. We selected a random sample of residential and commercial customer's bills and recalculated each to verify use of the correct tariff rate. No exceptions were noted.

Transmission Revenues

Objectives: The objective was to determine that transmission revenues derived from non-separated, non-Energy Broker Network, wholesale energy sales were credited to the CCRC per Commission Order PSC-99-2512-FOF-EI.

Procedures: We compiled transmission revenues for the twelve-month period ended December 31, 2011 from utility provided documentation and traced the revenues and adjustments to the filing. We reviewed the filed transmission revenues and confirmed that they comply with FPSC Order PSC-99-2512-FOF-EI. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that operation and maintenance (O&M) expense listed on the Utility's form CCA-2 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the CCRC.

Procedures: We traced expenses in the filing to the general ledger. We also verified twelve months of Intercompany Interchange Contract (IIC) receipts, IIC purchases, and transmission expense as per the filing. The source documentation for selected items was reviewed to ensure

the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

Purchase Power Contracts

Objectives: The objective was to check a purchase power contract to verify that the invoices for capacity purchase amounts are in accordance with the terms and conditions of the contract.

Procedures: We reviewed the purchase power contract terms between the Utility and each of the three entities. We traced the purchase power capacity amounts on the filing to the general ledger. The source documentation was reviewed to ensure they were in accordance with the applicable contracts.

Security Costs

Objective: The objective was to verify that there were no security costs recovered through the CCRC.

Procedures: We reviewed the Utility provided schedules listing security costs and traced the costs to the general ledger verifying that these general ledger accounts were not included in the CCRC. No exceptions were noted.

Other Issues

IIC Invoices and Contract

Objectives: The objective was to check the Southern Company's IIC to verify that the invoices for capacity purchases are in accordance with the terms and conditions of the IIC contract.

Procedures: We reconciled the Capacity transactions for Schedule A-12 to the respective Capacity contract and amortization of Capacity option schedule. We also verified contract expiration dates to ensure that those expired were no longer being utilized. No exceptions were noted.

True-Up

Objective: The objective was to verify that the True-Up and Interest Provision as filed on Form CCA-2 was properly calculated.

Procedures: We traced the December 31, 2010, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2011, using the Commission approved beginning balance as of December 31, 2010, the Financial Commercial Paper rates, and the 2011 CCRC Revenues and costs. No exceptions were noted.

Analytical Review

Objectives: The objective was to perform an analytical review of the Utility's CCRC Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2010 to 2011 Revenues and Expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

None

Exhibits

Exhibit 1: True-up

SCHEDULE CCA-2

**GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD JANUARY 2011 - DECEMBER 2011**

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. ITC Payments / (Receipts) (\$)	733,616	292,005	7,405	38,154	(493)	(3,324)	14,204	(3,171)	167,091	97,669	86,506	(14,942)	1,396,332
2. Other Capacity Payments / (Receipts)	1,609,746	1,539,890	1,528,815	1,551,634	2,325,013	7,429,397	7,523,243	7,121,152	6,275,622	1,484,666	1,477,131	1,439,020	41,305,351
3. Transmission Revenue (\$)	(10,134)	(4,262)	(3,650)	(7,686)	(36,502)	(11,353)	(11,984)	(5,145)	(568)	(488)	(3,665)	(10,428)	(107,856)
4. Total Capacity Payments/Receipts (Line 1 + 2 + 3) (\$)	2,333,228	1,827,633	1,530,570	1,582,102	2,288,018	7,414,720	7,507,055	7,112,836	6,442,155	1,581,869	1,559,972	1,413,649	42,593,827
5. Jurisdictional %	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582	0.9644582
6. Total Jurisdictional Recovery Amount (Line 4 * 5) (\$)	2,250,201	1,762,676	1,476,171	1,525,871	2,206,698	7,151,188	7,240,241	6,860,003	6,213,189	1,525,666	1,504,528	1,363,405	41,079,967
7. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	3,792,809	3,277,111	2,945,207	3,401,158	3,755,501	4,868,367	4,917,073	5,036,150	3,827,313	3,129,051	2,945,935	2,833,225	44,730,900
8. True-Up Provision (\$)	263,640	263,640	263,640	263,640	263,640	263,640	263,640	263,640	263,640	263,640	263,640	263,640	3,163,680
9. Jurisdictional Capacity Cost Recovery Revenue (Line 7 - 8) (\$)	4,056,449	3,540,751	3,208,847	3,664,798	4,019,141	5,132,007	5,180,713	5,301,790	4,080,953	3,392,691	3,209,575	3,096,865	47,894,580
10. Over/(Under) Recovery (Line 9 - 6) (\$)	1,806,148	1,778,075	1,732,676	2,138,927	1,812,443	(2,019,181)	(2,069,528)	(1,558,243)	(2,122,216)	1,867,025	1,705,047	1,733,460	6,814,613
11. Interest Provision (\$)	1,072	1,390	1,537	1,605	1,668	1,489	1,041	655	335	307	536	424	12,081
12. Beginning Balance True-Up & Interest Provision (\$)	4,381,062	5,924,642	7,440,467	8,911,040	10,787,932	12,338,423	10,057,091	7,734,964	5,913,736	3,528,195	5,131,887	6,573,832	4,381,062
13. True-Up Collected/(Refunded) (\$)	(263,640)	(263,640)	(263,640)	(263,640)	(263,640)	(263,640)	(263,640)	(263,640)	(263,640)	(263,640)	(263,640)	(263,640)	(3,163,680)
14. Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
15. End of Period Total Net True-Up (Lines 10 + 11 + 12 - 13 + 14) (\$)	5,924,642	7,440,467	8,911,040	10,787,932	12,338,423	10,057,091	7,734,964	5,913,736	3,528,195	5,131,887	6,573,832	8,044,076	8,044,076
Average Monthly Interest Rate	0.0208%	0.0208%	0.0188%	0.0183%	0.0145%	0.0133%	0.0117%	0.0096%	0.0071%	0.0071%	0.0092%	0.0058%	
Wall Street Annual Rate	0.25%	0.25%	0.20%	0.19%	0.16%	0.16%	0.12%	0.11%	0.06%	0.11%	0.11%	0.03%	
Average Annual Rate	0.250%	0.250%	0.225%	0.195%	0.175%	0.160%	0.140%	0.115%	0.085%	0.085%	0.110%	0.070%	