

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
CLERK

DATE: June 27, 2012
TO: Office of Commission Clerk
FROM: Clarence J. Prestwood, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120002-EG
Company Name: Gulf Power Company
Company Code: EI804
Audit Purpose: A3b Energy Conservation Cost Recovery
Audit Control No: 12-010-1-1

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.

CJP/lmd

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

SEARCHED, SERIALIZED, INDEXED

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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
Energy Conservation Cost Recovery

Twelve Months Ended December 31, 2011

Docket No. 120002-EG
Audit Control No. 12-010-1-1

July 1, 2012

Handwritten signature of Andrew Von Euw in cursive script.

Andrew Von Euw
Audit Manager

Handwritten signature of Lynn M. Deamer in cursive script.

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 11, 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 Energy Conservation Cost Recovery in Docket No. 120002-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

General

Definition

Utility refers to the Gulf Power Company.
ECCR refers to the Energy Conservation Cost Recovery.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify all ECCR project-related plant additions, retirements and adjustments for the period January 1, 2011, through December 31, 2011.

Procedures: We reconciled plant additions, retirements and adjustments from the subsidiary ledgers to the ECCR filing Schedule CT-4. We recalculated Total Depreciation, Property Taxes and Return (line 16) for February, April, May, and August.

Revenue

Operating 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 the ECCR clause.

Procedures: We reconciled the 2011 filing to the Utility's monthly Energy Conservation Revenue Reports. We selected a random sample of residential and commercial customers' bills and recalculated each to verify the use of the correct tariff rate. 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 Schedule CT-3 filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECCR clause.

Procedures: We traced expenses in the filing to the general ledger. We judgmentally selected a sample of O&M Expenses. The source documentation for selected items was reviewed to ensure the expense was related to the ECCR clause and that the expense was charged to the correct accounts. No exceptions were noted.

Depreciation and Amortization

Objectives: The objective was to verify that the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

Procedures: We verified depreciation rates used by the Utility. We traced total year Depreciation Expense from subsidiary ledgers to each capital project listed on the Utility's Schedule CT-4 filing.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Schedule CT-3 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 ECCR revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECCR revenues and expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2011 to 2010 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

Exhibit

Exhibit 1: True Up

Gulf Power Company
ENERGY CONSERVATION COST RECOVERY (ECCR)
Calculation of the Final True-Up Amount
For the Period: January 2011 - December 2011

Schedule CT-3
Page 4 of 5

Conservation Costs By Program
Calculation of Over/Under Recovery

| Conservation Revenues | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | TOTAL |
|-----------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|
| 1. EnergySelect RSVP Fees | 58,485.62 | 56,402.27 | 52,994.05 | 51,294.87 | 55,886.74 | 66,395.69 | 28,566.10 | 32,320.33 | 27,683.17 | 20,172.79 | 12,810.72 | 11,932.81 | 474,945.16 |
| 2. Over/(Under) Recovery | 691,915.11 | 606,201.15 | 558,361.35 | 641,472.61 | 701,500.39 | 895,992.02 | 907,248.47 | 927,166.95 | 710,436.33 | 587,838.37 | 555,663.61 | 1,160,920.07 | 8,944,716.43 |
| 3. Total Revenues | 750,400.73 | 662,603.42 | 611,355.40 | 692,767.48 | 757,387.13 | 962,387.71 | 935,814.57 | 959,487.28 | 738,119.50 | 608,011.16 | 568,474.33 | 1,172,852.88 | 9,419,661.59 |
| 4. Adjustment not Applicable to Period - Prior True Up | 126,038.75 | 126,038.75 | 126,038.75 | 126,038.75 | 126,038.75 | 126,038.75 | 126,038.75 | 126,038.75 | 1,399,273.25 | 267,509.25 | 267,509.25 | 267,509.25 | 3,210,111.00 |
| 5. Conservation Revenues Applicable to Period | 876,439.48 | 788,642.17 | 737,394.15 | 818,806.23 | 883,425.88 | 1,088,426.46 | 1,061,853.32 | 1,085,526.03 | 2,137,392.75 | 875,520.41 | 835,983.58 | 1,440,362.13 | 12,629,772.59 |
| 6. Conservation Expenses (CT-3, Page 3, Line 34) | 799,033.39 | 913,739.95 | 828,243.38 | 784,684.08 | 970,503.40 | 1,281,213.84 | 1,104,379.04 | 1,453,585.39 | 1,819,663.78 | 1,697,097.73 | 1,699,184.96 | 2,127,212.17 | 15,478,541.11 |
| 7. True Up this Period (Line 5 - 6) | 77,406.09 | (125,097.78) | (90,849.23) | 34,122.15 | (87,077.52) | (192,787.38) | (42,525.72) | (368,059.36) | 317,728.97 | (821,577.32) | (863,201.38) | (686,850.04) | (2,848,768.52) |
| 8. Interest Provision this Period (CT-3, Page 5, Line 11) | 603.88 | 572.78 | 471.73 | 383.82 | 322.27 | 259.23 | 198.42 | 131.26 | 41.22 | (35.65) | (147.88) | (154.93) | 2,646.15 |
| 9. True Up & Interest Provision Beginning of Month | 2,922,947.58 | 2,874,918.80 | 2,624,355.05 | 2,407,938.80 | 2,316,406.02 | 2,103,612.02 | 1,785,045.12 | 1,616,679.07 | 1,122,712.22 | 41,209.16 | (1,047,913.06) | (2,178,771.57) | 2,922,947.58 |
| 10. Prior True Up Collected or Refunded | (126,038.75) | (126,038.75) | (126,038.75) | (126,038.75) | (126,038.75) | (126,038.75) | (126,038.75) | (126,038.75) | (1,399,273.25) | (267,509.25) | (267,509.25) | (267,509.25) | (3,210,111.00) |
| 11. End of Period- Net True Up | 2,874,918.80 | 2,624,355.05 | 2,407,938.80 | 2,316,406.02 | 2,103,612.02 | 1,785,045.12 | 1,616,679.07 | 1,122,712.22 | 41,209.16 | (1,047,913.06) | (2,178,771.57) | (3,133,285.79) | (3,133,285.79) |