

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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**DATE:** April 30, 2013  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 130001-EI  
Company Name: Gulf Power Company  
Company Code: EI804  
Audit Purpose: A3a Capacity Cost Recovery Clause  
Audit Control No.: 13-016-1-2

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Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of 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.

LD/th

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER - DATE

02339 APR 30 2013

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, 2012**

Docket No. 130001-EI  
Audit Control No. 13-016-1-2

**April 29, 2013**

Handwritten signature of Andrew Von Euw in cursive script.

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Andrew Von Euw  
Audit Manager

Handwritten signature of Lynn M. Deamer in cursive script.

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Lynn M. Deamer  
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures ..... 2

Audit Findings

    None ..... 5

Exhibits

    1: True-up..... 6

## 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 Accounting and Finance in its audit service request dated January 16, 2013. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2012 filing for the Capacity Cost Recovery Clause (CCRC) in Docket No. 130001-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, 2012 through December 31, 2012 and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for CCRC.

**Procedures:** We reconciled the 2012 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 the use of the correct tariff rate. No exceptions were noted.

#### Transmission Revenues

**Objectives:** The objective was to determine whether 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, 2012 from utility provided documentation and traced the revenues and adjustments to the filing. We reviewed the filed transmission revenues and confirmed that these revenues comply with FPSC Order PSC-99-2512-FOF-EI. No exceptions were noted.

### **Expense**

#### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether operation and maintenance (O&M) expenses listed on the Utility's form CCA-2 filing were 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 determine whether the invoices for capacity purchase amounts are in accordance with the terms and conditions of the contract.

**Procedures:** We reviewed three purchase power contracts. We traced the purchase power capacity amounts on the filing to the general ledger. We reconciled invoices for capacity purchases to the contract to determine whether they were recorded according to the terms and conditions of the contract. No exceptions were noted.

### Security Costs

**Objective:** The objective was to determine whether there were any security costs recovered through the CCRC.

**Procedures:** We reviewed the Utility provided schedules listing security costs and traced the costs to the general ledger. There were no security costs included in the CCRC.

### **Other Issues**

#### IIC Invoices and Contract

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

**Procedures:** We reconciled the Capacity transactions from 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**

**Objectives:** The objective was to determine whether the True-Up and Interest Provision as filed on Form CCA-2 was properly calculated.

**Procedures:** We traced the December 31, 2011, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2012, using the Commission approved beginning balance as of December 31, 2011, the Financial Commercial Paper rates, and the 2012 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 2012 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 2012 - DECEMBER 2012**

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. IIC Payments / (Receipts) (\$)	760,945	148,604	263,389	7,143	1,194	(3,562)	(5,502)	(8,163)	367,296	(67,686)	58,157	(144,044)	1,377,541
2. Other Capacity Payments / (Receipts)	1,506,449	1,584,581	1,487,010	1,477,131	2,070,759	7,843,985	8,266,469	7,144,881	6,755,384	1,978,232	1,978,232	1,872,323	43,857,434
3. Transmission Revenue (\$)	(13,672)	(3,001)	(2,974)	(15,199)	29,633	(15,213)	(15,793)	(489)	(11,945)	(9,503)	(10,738)	(5,836)	(74,730)
4. Total Capacity Payments/(Receipts) (Line 1 + 2 + 3) (\$)	2,365,722	1,730,194	1,747,433	1,469,075	2,101,586	7,825,210	8,245,174	7,138,209	7,110,705	1,890,843	2,025,651	1,722,443	45,189,245
5. Jurisdictional %	0.9844562	0.9844562	0.9844562	0.9857346	0.9857346	0.9857346	0.9857346	0.9857346	0.9857346	0.9857346	0.9857346	0.9857346	0.9857346
6. Total Jurisdictional Recovery Amount (Line 4 * 5) (\$)	2,281,640	1,688,700	1,685,325	1,418,737	2,029,574	7,363,929	7,962,850	6,891,684	6,867,054	1,818,395	1,956,241	1,663,423	43,805,352
7. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	2,436,198	2,301,245	2,457,200	2,462,425	3,181,864	3,377,812	3,808,312	3,540,395	3,170,258	2,714,084	2,343,388	2,862,745	34,856,896
8. True-Up Provision (\$)	699,759	699,759	699,759	699,759	699,759	699,759	699,759	699,759	699,759	699,759	699,759	699,757	8,397,106
9. Jurisdictional Capacity Cost Recovery Revenue (Line 7 + 8) (\$)	3,135,957	3,001,004	3,156,959	3,162,184	3,881,623	4,078,771	4,508,071	4,240,114	3,870,018	3,413,853	3,043,148	3,562,502	43,653,004
10. Over/(Under) Recovery (Line 9 - 6) (\$)	854,317	1,332,304	1,471,634	1,743,447	1,851,849	(3,287,158)	(3,453,570)	(2,851,570)	(2,987,036)	1,597,458	1,886,907	1,899,079	(652,346)
11. Interest Provision (\$)	512	707	655	691	1,167	1,154	725	239	(138)	(276)	(278)	(127)	5,232
12. Beginning Balance True-Up & Interest Provision (\$)	8,044,076	8,199,146	8,832,398	9,604,928	10,849,507	11,802,784	7,874,239	3,721,826	370,538	(3,326,395)	(2,428,972)	(2,042,103)	8,044,076
13. True-Up Collected/(Refunded) (\$)	(699,759)	(699,759)	(699,759)	(699,759)	(699,759)	(699,759)	(699,759)	(699,759)	(699,759)	(699,759)	(699,759)	(699,757)	(8,397,106)
14. Adjustment	0	0	0	0	0	57,238	0	0	0	0	0	0	57,238
15. End of Period Total Net True-Up (Lines 10 + 11 + 12 + 13 + 14) (\$)	8,198,146	8,832,398	9,604,928	10,849,507	11,802,784	7,874,239	3,721,826	370,538	(3,326,395)	(2,428,972)	(2,042,103)	(842,908)	(842,908)
Average Monthly Interest Rate	0.0083%	0.0083%	0.0071%	0.0088%	0.0104%	0.0117%	0.0125%	0.0117%	0.0082%	0.0066%	0.0125%	0.0088%	
Annual Rate	0.03%	0.12%	0.08%	0.08%	0.12%	0.13%	0.15%	0.13%	0.09%	0.14%	0.18%	0.09%	
Average Annual Rate	0.075%	0.100%	0.085%	0.105%	0.125%	0.140%	0.160%	0.140%	0.110%	0.115%	0.150%	0.105%	