

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, 2013

Docket No. 140007-EI
Audit Control No. 14-010-1-1
May 15, 2014

A handwritten signature in black ink, appearing to read "Debra M. Dobiac".

Debra M. Dobiac
Audit Manager

A handwritten signature in blue ink, appearing to read "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 Engineering in its audit service request dated January 9, 2014. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2013 filing for the Environmental Cost Recovery Clause in Docket No. 140007-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.
ECRC refers to the Environmental Cost Recovery Clause.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2013, through December 31, 2013, and to determine whether any project which involved the replacement or retirement of an existing plant asset is retired at the installed costs by the Utility in accordance with Florida Public Service Commission Rule 25-6.0142(4)(b), F.A.C.

Procedure: We reconciled Plant in Service (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2013 Form 42-8A. We determined whether items that were replaced had a corresponding retirement, which was recorded in accordance with Rule 25-6.0142(4)(b), F.A.C. No exceptions were noted.

Construction Work in Progress

Objective: The objective was to verify net investments associated with the following capital projects:

- 1) Substation Contamination Remediation Project
- 2) Smith Water Conservation Project
- 3) Crist FDEC Agreement for Ozone Attainment Project
- 4) CAIR/NAAQS/MATS/CAVR Compliance Project

Procedures: We tested the additions to the capital projects. We verified that additions had appropriate supporting documentation and were recorded to the correct project and account. We compared the ledger to the Depreciation Base and the Non-Interest Bearing amount on Form 42-8A. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2013, through December 31, 2013, and whether the Utility applied the Commission approved environmental cost recovery factor to actual KWH sales.

Procedures: We traced the 2013 filing to the Utility's monthly Environmental Revenue Reports. We computed the factors by rate code and compared them to the last Order No. PSC-12-0613-FOF-EI. 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 determine whether the Operation and Maintenance (O&M) Expense listed on the Utility's Form 42-5E filing was supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

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

Depreciation and Amortization

Objective: The objective was to determine whether the most recent Commission approved depreciation rates or amortization periods were used in calculating Depreciation Expense.

Procedures: We recalculated Depreciation Expense on a test basis. We traced total year Depreciation Expense for each capital project listed on Form 42-8A to the general ledger detail. No exceptions were noted.

Other Issues

SO₂ and NO_x Allowances

Objectives: The objectives were to verify investments, inventory, expensed amounts, allowance auction proceeds and to determine whether these amounts are included in Working Capital, Form 42-8A.

Procedures: We traced 2013 consumption for SO₂ Allowances, net of Gains on Sales of Emission Allowances, from the Utility's detailed Allowances Reports to the Total Allowance Schedule on Form 42-8A. We reconciled 2013 consumption for NO_x Allowances from the Utility's detailed Allowances Report to the Total Allowance Schedule on Form 42-8A. We

traced the SO₂, net of gains, and NO_x allowances to Form 42-5E, which totals ECRC Operation and Maintenance Expenses. We reconciled the inventory amounts in the ledger to the Working Capital Calculation on Form 42-8A. We traced the jurisdictional factors to Order No. PSC-12-0613-FOF-EI No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A was properly calculated.

Procedures: We traced the December 31, 2012, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2013, using the Commission approved beginning balance as of December 31, 2012, the Financial Commercial Paper rates, and the 2013 ECRC revenues and costs. No exceptions were noted.

Analytical Review

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

Procedures: We compared 2013 to 2012 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

Schedule 2A

Gulf Power Company
Environmental Cost Recovery Clause (ECRC)

January 2013 - December 2013
Calculation of the Final True-Up Amount
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)	9,567,261	8,657,259	9,742,582	8,954,788	10,843,416	13,272,928	13,284,652	13,557,393	12,437,658	10,452,598	9,040,016	10,748,229	130,558,780
2 True-Up Provision (Order No. PSC-12-0613-FOF-EI)	181,477	181,477	181,477	181,477	181,477	181,477	181,477	181,477	181,477	181,477	181,477	181,480	2,177,727
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	9,748,738	8,838,736	9,924,059	9,136,265	11,024,893	13,454,405	13,466,129	13,738,870	12,619,135	10,634,075	9,221,493	10,929,709	132,736,507
4 Jurisdictional ECRC Costs													
a O & M Activities (Schedule 5A, Line 9)	1,168,871	1,454,499	2,115,602	1,522,017	1,491,769	2,308,117	2,369,785	1,870,622	2,171,007	3,581,774	2,547,518	1,960,370	24,461,950
b Capital Investment Projects (Schedule 7A, Line 9)	10,230,353	10,194,909	10,180,458	10,164,455	10,149,665	10,131,284	9,775,137	9,746,817	9,726,618	9,704,949	9,344,973	9,649,448	118,999,066
c Total Jurisdictional ECRC Costs	11,399,225	11,649,407.66	12,296,059	11,686,472	11,641,435	12,339,401	12,144,922	11,617,439	11,897,625	13,286,733	11,892,491	11,609,818	143,461,016
5 Over/(Under) Recovery (Line 3 - Line 4c)	(1,650,487)	(2,810,672)	(2,372,001)	(2,550,206)	(616,542)	1,115,004	1,321,207	2,121,431	721,510	(2,652,647)	(2,670,998)	(680,109)	(10,724,509)
6 Interest Provision (Schedule 3A, Line 10)	(142)	(384)	(572)	(688)	(758)	(646)	(503)	(432)	(375)	(391)	(559)	(812)	(6,262)
7 Beginning Balance True-Up & Interest Provision													
a Actual Total for True-Up Period 2012	3,749,337	1,917,232	(1,075,300)	(3,629,350)	(6,361,722)	(7,160,499)	(6,227,618)	(5,088,390)	(3,148,868)	(2,609,210)	(5,443,725)	(8,296,759)	3,749,337
b Final True-Up from January 2011 - December 2011 (Order No. PSC-12-0613-FOF-EI)	(5,275,632)	(5,275,632)	(5,275,632)	(5,275,632)	(5,275,632)	(5,275,632)	(5,275,632)	(5,275,632)	(5,275,632)	(5,275,632)	(5,275,632)	(5,275,632)	(5,275,632)
8 True-Up Collected (Refunded) (see Line 2) Annual NOs Allowance Expense	(181,477)	(181,477)	(181,477)	(181,477)	(181,477)	(181,477)	(181,477)	(181,477)	(181,477)	(181,477)	(181,477)	(181,480)	(2,177,727)
9 Adjustments													
10 End of Period Total True-Up (Lines 5 - 6 - 7a - 7b - 8)	(3,358,400)	(6,350,932)	(8,904,982)	(11,637,353)	(12,436,131)	(11,503,250)	(10,364,022)	(8,424,500)	(7,884,842)	(10,719,357)	(13,572,391)	(14,434,792)	(14,434,792)