

State of Florida



Public Service Commission

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

-M-E-M-O-R-A-N-D-U-M-

DATE: June 5, 2015
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 150002-EG
Company Name: Gulf Power Company
Company Code: EI804
Audit Purpose: Energy Conservation Cost Recovery Clause
Audit Control No: 15-013-1-1

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 is no confidential work papers associated with this audit.

LMD/cp

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

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 Clause

Twelve Months Ended December 31, 2014

Docket No. 150002-EG
Audit Control No. 15-013-1-1
May 18, 2015

Handwritten signature of Debra M. Dobiac in black ink.

Debra M. Dobiac
Audit Manager

Handwritten signature of Lynn M. Deamer in blue ink.

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 Economics in its audit service request dated January 13, 2015. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2014 filing for the Energy Conservation Cost Recovery Clause in Docket No. 150002-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 Clause.

Capital Investments

Utility Plant in Service

Objectives: The objectives were to verify the accuracy of the ECCR project-related plant additions, retirements and adjustments for the period January 1, 2014, through December 31, 2014.

Procedure: We traced plant additions, retirements, and adjustments from the ECCR filing Schedule CT-4 to source documents. We recalculated total accumulated depreciation, property taxes, and return on investment for the year. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2014, through December 31, 2014, and whether the Utility applied the Commission approved Energy Conservation cost recovery factor to actual KWH sales.

Procedures: We reconciled the 2014 filing to the Utility's monthly Energy Conservation Revenue Reports. We selected a sample of residential and commercial customers' bills and recalculated each to verify the use of the correct tariff rate approved in Order No. PSC-13-0614-FOF-EG, issued November 20, 2013, in Docket No. 130002-EG. This work was performed jointly with the revenue portions of the other clause audits of the Utility. The work product is contained in Docket No. 150001-EI, Audit Control No. 15-023-1-1. 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 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 traced a sample of O&M expenses to source documentation to ensure the expense was related to the ECCR and that the expenses were charged to the correct accounts. We reconciled incentives to the corresponding program standards. We verified that payroll was calculated correctly and appropriately recoverable through the ECCR. We traced a sample of advertising expenses to source documentation to ensure that the expenses complied with Rule 25-17.015(5), Florida Administration Code. Finding 1 discusses the conservation program incentives.

Depreciation and Amortization

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

Procedures: We recalculated depreciation expense using Commission approved rates. We traced total year depreciation expense for each capital project listed on the ECCR filing Schedule CT-4 to the general ledger detail. No exceptions were noted.

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, 2013, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2014, using the Commission approved beginning balance as of December 31, 2013, the Financial Commercial Paper rates, and the 2014 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 2014 to 2013 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. Further follow-up was not required.

Audit Findings

Finding 1: Ceiling Insulation Program

Audit Analysis: Order No. PSC-11-0114-PAA-EG, issued February 11, 2011, in Docket No. 100154-EG, set the program standard for the Ceiling Insulation Program's incentive amount to be determined by multiplying the incentive per unit of \$0.15/sq. ft. by the applicable attic sq. ft. with a maximum incentive per participant of \$300. Audit staff noted that the Utility paid out more than the maximum incentive for 66 participants for a total overpayment of \$5,283 in 2014. We brought this to the attention of the Utility. It was discovered that the overpayments were made because the computer program that the Utility uses to calculate the incentive did not limit the amount at \$300.

Audit staff requested the Utility to review the incentives paid out since the inception of the program in 2011 through May 2015. The Utility provided audit staff with a schedule which shows the details of the overpayments as reflected in Table 1-1.

Table 1-1

	June 2011 - November 2011	December 2011 - November 2012	December 2012 - November 2013	December 2013 - November 2014	December 2014 - May 2015	Total
Total number of incentives for year	365	860	510	235	213	2183
Total Incentive amounts for year	\$ 55,000.28	\$ 210,853.05	\$ 117,985.65	\$ 60,195.00	\$ 52,803.45	\$ 496,837.43
Average of annual incentive amounts per household	\$ 150.69	\$ 245.18	\$ 231.34	\$ 256.15	\$ 247.90	\$ 227.59
Total number of incentives over \$300	39	207	113	66	45	470
Total incentive dollars over and above \$300 cap	\$ 2,999.10	\$ 21,514.35	\$ 10,752.60	\$ 5,283.45	\$ 5,215.80	\$ 45,765.30
Cumulative incentive dollars above \$300 cap	\$ 2,999.10	\$ 24,513.45	\$ 35,266.05	\$ 40,549.50	\$ 45,765.30	
Cumulative interest impact					\$ 87.61	
Total adjustment to be made					\$ 45,852.91	

The Utility will reduce expenses by \$45,853 for the ECCR clause in the 2015 True-Up filing. It has since corrected the programming in the reporting system to limit the maximum incentive payment to the cap amount per \$300 per home. Going forward, the Utility will add a review step to the current process for a supervisor to approve the verification that all pertinent program requirements and standards are properly reflected in the program enrollment and tracking system.

Effect on the General Ledger: The Utility recorded the adjustment in the general ledger in May 2015.

Effect on the Filing: The Utility will adjust the 2015 Estimated Actual True-Up filing, which is due in August 2015.

Exhibit

Exhibit 1: True-Up

Schedule CT-3
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Gulf Power Company
ENERGY CONSERVATION COST RECOVERY (ECCR)
Calculation of the Final True-Up Amount
For the Period: January 2014 - December 2014

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	(10.00)	(5.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(15.00)
2. Over/(Under) Recovery	2,041,642.41	1,479,947.38	1,432,667.34	1,445,842.30	1,805,633.76	2,142,850.99	2,312,676.16	2,379,609.89	1,968,613.02	1,658,968.41	1,512,708.84	1,558,613.82	21,738,171.32
3. Total Revenues	2,041,632.41	1,479,942.38	1,432,667.34	1,445,842.30	1,805,633.76	2,142,850.99	2,312,676.16	2,379,609.89	1,968,613.02	1,658,968.41	1,512,706.84	1,558,613.82	21,738,156.32
4. Adjustment not Applicable to Period - Prior True Up	(448,941.00)	(448,941.00)	(448,941.00)	(448,941.00)	(448,941.00)	(448,941.00)	(448,941.00)	(448,941.00)	(448,941.00)	(448,941.00)	(448,941.00)	(448,937.00)	(5,387,288.00)
5. Conservation Revenues Applicable to Period	1,592,691.41	1,031,001.38	983,726.34	996,901.30	1,356,692.76	1,693,909.99	1,863,734.16	1,930,668.89	1,519,672.02	1,210,027.41	1,063,765.84	1,107,676.82	16,350,868.32
6. Conservation Expenses (CT-3, Page 3, Line 27)	1,636,623.26	1,229,278.80	1,444,200.06	1,428,773.41	1,272,169.34	1,246,020.00	1,300,137.29	1,325,945.81	1,742,632.76	1,811,519.65	1,547,226.26	1,428,178.50	17,412,603.16
7. True Up this Period (Line 6 - 5)	(43,931.85)	(198,277.42)	(460,473.74)	(431,872.11)	84,723.42	447,889.99	563,596.87	604,723.08	(222,960.74)	(601,492.24)	(483,460.42)	(320,299.68)	(1,061,734.84)
8. Interest Provision this Period (CT-3, Page 5, Line 11)	(422.74)	(375.45)	(368.50)	(384.67)	(377.49)	(288.43)	(218.63)	(194.70)	(157.36)	(144.10)	(172.20)	(203.12)	(3,317.37)
9. True Up & Interest Provision Beginning of Month	(6,966,360.52)	(6,561,674.11)	(6,311,385.98)	(6,329,287.22)	(6,306,613.00)	(5,773,326.07)	(4,876,783.51)	(3,864,464.17)	(2,810,994.78)	(2,585,171.91)	(2,737,887.31)	(2,772,558.93)	(6,966,360.52)
10. Prior True Up Collected or Refunded	448,941.00	448,941.00	448,941.00	448,941.00	448,941.00	448,941.00	448,941.00	448,941.00	448,941.00	448,941.00	448,941.00	448,937.00	5,387,288.00
11. End of Period- Not True Up	(6,561,674.11)	(6,311,385.98)	(6,329,287.22)	(6,306,613.00)	(5,773,326.07)	(4,876,783.51)	(3,864,464.17)	(2,810,994.79)	(2,585,171.91)	(2,737,887.31)	(2,772,558.93)	(2,644,124.73)	(2,644,124.73)