

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: May 4, 2016

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis

RE: Clerical Error in Filing

Due to clerical error, the Official Audit Report with Memo filed on May 3, 2016, and given the document number 02701-16 was filed in error. The corrected Official Audit Report with Memo is attached to this memo.

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

DATE: May 3, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160007-EI
Company Name: Gulf Power Company
Company Code: EI804
Audit Purpose: Environmental Cost Recovery Clause
Audit Control No: 16-028-1-1

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/cm

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
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2015

Docket No. 160007-EI
Audit Control No. 16-028-1-1
April 20, 2016

A handwritten signature in black ink, appearing to read "Debra M.", written over a horizontal line.

Debra Dobiac
Audit Manager

A handwritten signature in black ink, appearing to read "Marisa", written over a horizontal line.

Marisa Glover
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Engineering in its audit service request dated January 28, 2016. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2015 filing for the Environmental Cost Recovery Clause in Docket No. 160007-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. 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, 2015, through December 31, 2015.

Procedure: We reconciled Plant in Service (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2015 Form 42-8A. No exceptions were noted.

Construction Work in Process

Objective: The objective was to verify net investments associated with the following capital projects, 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 Rule 25-6.0142(4)(b), F.A.C.

- 1) Air Quality Compliance Program
- 2) Smith Water Conservation
- 3) Crist Water Conservation

Procedures: We selected a sample of the additions to the capital projects for review. We determined whether additions had appropriate supporting documentation and were recorded to the correct project and account. 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. We reconciled Construction Work in Process Non-Interest Bearing amounts on Form 42-8A to the general ledger. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2015 filing to the Utility's monthly Environmental 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. 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. 160001-EI, Audit Control No. 16-020-1-1. 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 42-5A 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 verify that 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 Allowances

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

Procedures: We traced 2015 consumption for SO₂ Allowances, net of Gains on Sales of Emission Allowances, from the Utility's detailed Allowances Reports to the Total Emissions Schedule on Form 42-8A. We reconciled the inventory amounts in the general ledger to the Working Capital Calculation on Form 42-8A. 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, 2014, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2015, using the Commission approved beginning balance as of December 31, 2014, the Financial Commercial Paper rates, and the 2015 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 2015 to 2014 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
Environmental Cost Recovery Clause (ECRC)
January 2015 - December 2015
Calculation of the Current Period 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)	12,051,728	11,482,115	10,349,767	10,967,361	13,473,645	15,350,713	17,118,193	16,331,890	13,674,068	11,091,648	10,140,816	11,899,107	153,931,051
2 True-Up Provision (Order No. PSC-14-0643-POF-EI)	(739,650)	(739,655)	(739,655)	(739,655)	(739,655)	(739,655)	(739,655)	(739,655)	(739,655)	(739,655)	(739,655)	(739,655)	(8,875,855)
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	11,312,078	10,742,460	9,610,112	10,227,706	12,733,990	14,611,058	16,378,538	15,592,235	12,934,413	10,351,993	9,401,161	11,159,452	145,055,196
4 Jurisdictional ECRC Costs													
a O & M Activities (Schedule 5A, Line 9)	1,639,616	3,112,918	2,337,186	1,629,036	1,854,911	2,461,321	2,695,724	2,488,576	2,346,677	2,054,247	968,924	1,796,643	25,385,778
b Capital Investment Projects (Schedule 7A, Line 9)	9,610,120	9,592,780	9,575,496	9,557,677	9,536,938	9,521,280	9,438,399	9,390,735	9,375,350	9,362,859	10,864,839	12,508,531	118,305,004
c Total Jurisdictional ECRC Costs	11,249,736	12,705,698	11,912,682	11,186,714	11,391,849	11,982,601	12,104,123	11,879,311	11,722,028	11,417,106	11,833,762	14,305,173	143,690,782
5 Over/(Under) Recovery (Line 3 - Line 4c)	62,342	(1,963,238)	(2,302,570)	(959,008)	1,342,141	2,628,457	4,274,415	3,712,924	1,212,386	(1,065,112.54)	(2,432,601)	(3,145,721)	1,364,414
6 Interest Provision (Schedule 3A, Line 10)	(779)	(758)	(824)	(749)	(734)	(617)	(319)	64	390	490	418	378	(3,041)
7 Beginning Balance True-Up & Interest Provision													
a Actual Total for True-Up Period 2014	(3,142,723)	(2,341,510)	(3,565,852)	(5,129,592)	(5,349,059)	(3,268,005)	99,498	5,113,233	9,565,876	11,518,306.60	11,193,339	9,500,811	(3,142,723)
b Final True-Up from January 2013 - December 2013 (Order No. PSC-14-0643-POF-EI)	(6,645,915)	(6,645,915)	(6,645,915)	(6,645,915)	(6,645,915)	(6,645,915)	(6,645,915)	(6,645,915)	(6,645,915)	(6,645,915.00)	(6,645,915)	(6,645,915)	(6,645,915)
8 True-Up Collected/(Refunded) (see Line 2)	739,650	739,655	739,655	739,655	739,655	739,655	739,655	739,655	739,655	739,655.00	739,655	739,655	8,875,855
9 Adjustments				635	(8)	8	(16)						619
10 End of Period Total True-Up (Lines 5 + 6 + 7a + 7b + 8 + 9)	(8,987,425)	(10,211,767)	(11,775,507)	(11,994,974)	(9,913,920)	(6,546,417)	(1,532,683)	2,919,961	4,872,392	4,547,424	2,834,896	449,209	449,209