

State of Florida



FILED MAY 20, 2016
DOCUMENT NO. 03113-16
FPSC - COMMISSION CLERK

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 20, 2016
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 160002-EG
Company Name: Gulf Power Company
Company Code: EI804
Audit Purpose: Energy Conservation Cost Recovery Clause
Audit Control No: 16-019-1-9

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 are 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
Energy Conservation Cost Recovery Clause

Twelve Months Ended December 31, 2015

Docket No. 160002-EG
Audit Control No. 16-019-1-9

May 11, 2016

A handwritten signature in black ink, reading "Donna D. Brown", written over a horizontal line.

Donna D. Brown
Audit Manager

A handwritten signature in blue ink, reading "Marisa N. Glover", written over a horizontal line.

Marisa N. Glover
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures 2

Audit Findings

 1: Ceiling Insulation Program 4

Exhibit

 1: True Up 5

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 Economics in its audit service request dated January 19, 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 Energy Conservation Cost Recovery Clause in Docket No. 160002-EG.

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.
ECCR refers to the Energy Conservation Cost Recovery.

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, 2015, through December 31, 2015.

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, 2015, through December 31, 2015, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales.

Procedures: We reconciled the 2015 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. 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 determine whether Operation and Maintenance (O&M) expenses listed on the Utility's Schedule CT-3 filing were 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 Administrative Code. We traced a sample of incentive expenses to source documentation to ensure that the expenses were per Commission Order No. PSC-11-0114-PAA-EG. See Finding 1.

Other

Objectives: The objective was to verify the number of program participants reported in the Utility's Florida Energy Efficiency and Conservation Act (FEECA) filing.

Procedures: We verified the number of program participants reported in the Utility's March 1, 2016 FEECA filing for Energy Select, Commercial/Industrial Audit Program, Commercial/Industrial Custom Incentive Program, and Residential High Performance Window Program. We compared them to the program participants noted in the 2015 true-up filing. No exceptions were noted.

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, 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 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 and 2015 revenues and expenses. We requested explanations from the Utility for significant variances. Explanations provided were sufficient. No exceptions were noted.

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 standard for the Ceiling Insulation Program. The program incentive amount is determined per unit by multiplying \$0.15/sq. ft. by the applicable attic sq. ft. with a maximum incentive per participant of \$300. The Audit Report issued last year in the Conservation Docket recommended a reduction of \$45,765.30 to both the general ledger and to the final true-up filing to adjust for overpaying incentives in this Conservation Program. We verified that the adjustment was made to the General ledger in May 2015 and to the final true-up filing in August 2015. During our sample, audit staff found that two incentive payments exceeded the \$300 cap in June 2015 which was not included in the amount adjusted last year. These two payments were not picked up when the Utility determined the extent of the adjustment last year because these payments were in process and had not been booked. There are no additional incentive payments that exceeded the cap. The total adjustment for the incentives for 2015 is \$107.40.

Effect on the General Ledger: The Utility will record the adjustment to the general ledger in May 2016.

Effect on the Filing: The Utility will make the necessary adjustment to the 2016 Estimated/Actual True-Up filing in August 2016.

Exhibit

Exhibit 1: True Up

Schedule CT-3
Page 4 of 5

Gulf Power Company
ENERGY CONSERVATION COST RECOVERY (ECCR)
Calculation of the Final True-Up Amount
For the Period: January 2015 - December 2015

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 RISVP Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Over/(Under) Recovery	1,699,424.06	1,633,590.62	1,686,617.39	1,737,647.27	2,223,646.31	2,531,266.69	2,829,792.84	2,750,767.87	2,244,847.77	1,862,171.06	1,713,130.34	896,532.22	24,211,436.44
3. Total Revenues	1,699,424.06	1,633,590.62	1,686,617.39	1,737,647.27	2,223,646.31	2,531,266.69	2,829,792.84	2,750,767.87	2,244,847.77	1,862,171.06	1,713,130.34	896,532.22	24,211,436.44
4. Adjustment not Applicable to Period - Prior True Up	(267,058.00)	(267,064.00)	(267,064.00)	(267,064.00)	(267,064.00)	(267,064.00)	(267,064.00)	(267,064.00)	(267,064.00)	(267,064.00)	(267,064.00)	(267,064.00)	(3,204,762.00)
5. Conservation Revenues Applicable to Period	1,632,366.06	1,566,526.62	1,419,553.39	1,470,583.27	1,956,584.31	2,264,202.69	2,562,728.84	2,483,703.87	1,977,783.77	1,595,107.06	1,446,066.34	631,468.22	21,006,674.44
6. Conservation Expenses (CT-3, Page 3, Line 27)	1,240,593.82	1,310,178.95	1,314,876.11	1,761,895.40	1,730,123.13	1,607,990.59	1,675,355.79	1,669,685.49	2,040,326.60	1,170,352.65	1,205,742.71	1,144,653.22	17,961,685.36
7. True Up this Period (Line 5 - 6)	391,772.24	256,347.67	104,677.28	(291,312.13)	226,461.18	656,212.10	887,382.05	814,016.38	(62,542.83)	424,754.51	150,323.63	(513,185.00)	3,044,769.08
8. Interest Provision this Period (CT-3, Page 5, Line 11)	(192.89)	(158.47)	(93.73)	(68.92)	(57.87)	(11.97)	69.61	183.07	264.01	321.72	409.89	654.67	1,530.12
9. True Up & Interest Provision Beginning of Month	(2,644,124.73)	(1,985,487.38)	(1,462,212.18)	(1,090,566.63)	(1,114,763.19)	(621,208.27)	302,055.86	1,456,551.52	2,537,816.97	2,742,602.15	3,434,742.38	3,852,539.50	(2,644,124.73)
10. Prior True Up Collected or Refunded	267,058.00	267,064.00	267,064.00	267,064.00	267,064.00	267,064.00	267,064.00	267,064.00	267,064.00	267,064.00	267,064.00	267,064.00	3,204,762.00
10a. Interest Adjustment				220.49	87.61								308.10
11. End of Period- Net True Up	(1,985,487.38)	(1,582,212.18)	(1,090,566.63)	(1,114,763.19)	(821,208.27)	302,055.86	1,456,551.52	2,537,816.97	2,742,602.15	3,434,742.38	3,852,539.50	3,607,273.57	3,607,273.57

Docket No. 160002-EG
2015 Final True-Up Filing
Exhibit JNF-1, Page 10 of 41