

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 12, 2017
TO: Office of Commission Clerk
FROM: Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 170001-EI
Company Name: Gulf Power Company
Company Code: EI804
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 17-023-1-2

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 confidential work papers associated with this audit.

LMD/cmm

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
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2016

Docket No. 170001-EI
Audit Control No. 17-023-1-2

April 26, 2017

A handwritten signature in blue ink, appearing to read "Donna D. Brown", written over a horizontal line.

Donna D. Brown
Audit Manager

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

Marisa N. 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 Accounting and Finance in its audit service request dated January 20, 2017. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2016 filing for the Capacity Cost Recovery Clause in Docket No. 170001-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.
CCRC refers to the Capacity Cost Recovery Clause.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2016, through December 31, 2016, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the 2016 filing to the Utility's monthly Environmental Revenue Reports. We computed the factors by rate code and compared them to the last Commission Order No. PSC PSC-16-0547-FOF-EI. 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. 170001-EI, ACN 17-023-1-1. 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 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, 2016 from utility provided documentation and reconciled the revenues and adjustments to the filing and the general ledger. We reviewed the filed transmission revenues and determined 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 verify that Operation and Maintenance (O&M) Expense listed on the Utility's filing was 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 were reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct accounts. No exceptions were noted.

Purchased 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 one purchase power contract. 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.

Incremental Security Costs

Objectives: The objective was to determine whether the security costs recovered are incremental to the security costs recovered in base rates.

Procedures: We reviewed the general ledger account detail for vendors charging security costs to the Utility. No security costs were included in the CCRC. No exceptions were noted.

Other Issues

IIC Invoices and Contracts

Objectives: The objectives were 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 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

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

Procedures: We traced the December 31, 2015, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2016, using the Commission approved beginning balance as of December 31, 2015, the Financial Commercial Paper rates, and the 2016 CCRC revenues and costs. No exceptions were noted.

Analytical Review

Objective: 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 2016 to 2015 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
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION FOR
THE PERIOD JANUARY 2016 - DECEMBER 2016**

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. IIC Payments / (Receipts) (\$)	(31,479)	(13,056)	(38,017)	16,919	(9,402)	(14,270)	(14,661)	(13,859)	(14,270)	(17,260)	(14,918)	(40,190)	(204,483)
2. Other Capacity Payments / (Receipts)	7,388,547	7,388,547	7,388,547	7,385,880	7,435,880	7,402,529	7,217,678	7,217,678	7,217,678	7,217,678	7,158,752	7,276,605	87,689,999
3. Transmission Revenue (\$)	(10,822)	(10,717)	(11,030)	(11,835)	(10,032)	(16,929)	(39,266)	(21,905)	(17,711)	(15,371)	(12,191)	(11,721)	(189,530)
4. Total Capacity Payments/(Receipts) (Line 1 + 2 + 3) (\$)	7,344,248	7,362,774	7,337,500	7,390,964	7,416,448	7,371,330	7,163,731	7,181,914	7,185,697	7,185,047	7,131,643	7,224,694	87,295,988
5. Jurisdictional %	0.9707146	0.9707146	0.9707146	0.9707146	0.9707146	0.9707146	0.9707146	0.9707146	0.9707146	0.9707146	0.9707146	0.9707146	0.9707146
6. Total Jurisdictional Recovery Amount (Line 4 * 5) (\$)	7,129,167	7,147,152	7,122,818	7,174,517	7,199,252	7,155,458	6,953,938	6,971,589	6,975,261	6,974,630	6,922,790	7,013,116	64,739,488
7. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	6,998,240	5,856,599	5,732,927	5,893,185	7,353,175	8,609,179	9,723,262	9,084,505	8,245,592	6,781,165	5,501,071	5,882,528	85,421,408
8. True-Up Provision (\$)	1,491	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	1,488	17,859
9. Jurisdictional Capacity Cost Recovery Revenue (Line 7 + 8) (\$)	6,999,731	5,858,087	5,734,415	5,894,653	7,354,663	8,610,667	9,724,750	9,085,993	8,247,080	6,782,653	5,502,559	5,884,016	85,439,287
10. Over/(Under) Recovery (Line 9 - 6) (\$)	(129,436)	(1,289,065)	(1,388,203)	(1,479,864)	155,411	1,455,209	2,770,812	2,114,404	1,271,819	(211,977)	(1,420,231)	(1,149,100)	699,779
11. Interest Provision (\$)	(337)	(590)	(1,097)	(1,463)	(1,509)	(1,344)	(782)	65	697	963	836	152	(4,589)
12. Beginning Balance True-Up & Interest Provision (\$)	(947,908)	(1,079,172)	(2,370,315)	(3,761,103)	(5,243,918)	(5,091,504)	(3,839,127)	(870,565)	1,242,416	2,513,444	2,300,942	879,859	(947,908)
13. True-Up Collected/(Refunded) (\$)	(1,491)	(1,488)	(1,488)	(1,488)	(1,488)	(1,488)	(1,488)	(1,488)	(1,488)	(1,488)	(1,488)	(1,488)	(17,859)
14. Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
15. End of Period Total Net True-Up (Lines 10 + 11 + 12 + 13 + 14) (\$)	(1,079,172)	(2,370,315)	(3,761,103)	(5,243,918)	(5,091,504)	(3,839,127)	(870,565)	1,242,416	2,513,444	2,300,942	879,859	(270,577)	(270,577)
Average Monthly Interest Rate	0.0333%	0.0342%	0.0358%	0.0325%	0.0292%	0.0308%	0.0338%	0.0350%	0.0371%	0.0400%	0.0400%	0.0500%	
Commercial Paper Annual Rate	0.40%	0.40%	0.42%	0.34%	0.36%	0.38%	0.43%	0.41%	0.48%	0.48%	0.48%	0.72%	
Average Annual Rate	0.400%	0.410%	0.430%	0.390%	0.350%	0.370%	0.405%	0.420%	0.445%	0.480%	0.480%	0.600%	