

State of Florida



## Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** June 24, 2019  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, <sup>LD</sup> Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 20190002-EI  
Company Name: Gulf Power Company  
Company Code: EI804  
Audit Purpose: A3b: Energy Conservation Cost Recovery  
Audit Control No: 2019-024-1-1

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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/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  
Energy Conservation Cost Recovery Clause

**Twelve Months Ended December 31, 2018**

Docket No. 20190002-EG  
Audit Control No. 2019-024-1-1  
**June 20, 2019**

M. Glover for D. Brown

Donna D. Brown  
Audit Staff

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Audit Manager

Thomas Wolff

Thomas Wolff  
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 Economics in its audit service request dated January 24, 2019. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2018 filing for the Energy Conservation Cost Recovery Clause in Docket No. 20190002-EG.

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, 2018, through December 31, 2018.

**Procedure:** We traced plant additions, retirements, and adjustments from the ECCR filing Schedule CT-4 to source documents. We calculated 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, 2018, through December 31, 2018, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales.

**Procedures:** We reconciled the 2018 filing to the Utility's monthly Environmental 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. 20190001-EI, Audit Control No. 2019-017-1-1. No exceptions were noted.

### **Expense**

#### Operation and Maintenance Expense

**Objectives:** The objectives were to determine whether Operation and Maintenance (O&M) Expense listed on the Utility's Schedule CT-3 of the Utility's ECCR filing were supported by adequate documentation and that the expenses are appropriately recoverable through the ECCR.

**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 expense were charged to the correct accounts. 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-2015-0330-PAA-EG. No exceptions were noted.

### 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, 2019 FEECA filing for Residential Energy Audit and Education Program, Community Energy Saver Program, Residential Custom Incentive Program, HVAC Efficiency Improvement Program, Residential Building Efficiency Program, Energy Select, Commercial/Industrial Audit, Commercial HVAC Retrocommissioning Program, Commercial Building Efficiency Program, and Commercial/Industrial Custom Incentive. We compared them to the program participants noted in the 2018 true-up filing. See Finding 1.

### 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 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, 2017, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2018, using the Commission approved beginning balance as of December 31, 2017, the Financial Commercial Paper rates, and the 2018 ECCR revenues and costs. See Finding 1.

### **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 2018 to 2017 revenues and expenses. The Utility had no significant variances. Further follow-up was not required.

## Audit Findings

### **Finding 1: True-Up and FEECA Filing**

**Audit Analysis:** Audit staff found that the utility used an incorrect interest rate in calculating the True-Up for 2018 which resulted in an understatement of interest of \$8,645. The revised true-up is an over-recovery of \$2,402,796. The utility agrees and revised their filing on June 20, 2019 to reflect this change.

Audit staff also found two variances between the Utility's Florida Energy Efficiency and Conservation Act (FEECA) filing and Schedule CT-6 of the filing. The first variance was in the Residential Energy Audit and Education Program. The FEECA filing reported that this program had 15,762 energy audits, however Schedule CT-6 of the Utility filing reported 15,102 energy audits, which is a difference of 660. The utility agrees the FEECA report was correct and revised their filing on June 20, 2019. The second variance was in the Residential Building Efficiency Program (High Performance Windows). The FEECA filing reported that this program had 776 participants, however Schedule CT-6 of the Utility filing reported 232 participants, which is a difference of 544. The utility agrees the FEECA report was correct and revised their filing on June 20, 2019.

**Effect on the General Ledger:** Utility will determine the effect.

**Effect on the Filing:** The Utility submitted a revised filing on June 20, 2019 to reflect the adjustment to the True-Up and the adjustments to the number of reported instances in the programs.

## 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 2018 - December 2018

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. Energy Select R&VP 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	1,457,877.54	759,043.15	800,816.23	845,056.94	1,240,120.23	1,468,248.83	1,554,218.83	1,478,536.15	1,357,473.41	1,169,753.31	921,609.14	834,760.08	13,875,513.88
3. Total Revenues	1,457,877.54	759,043.15	800,816.23	845,056.94	1,240,120.23	1,468,248.83	1,554,218.83	1,478,536.15	1,357,473.41	1,169,753.31	921,609.14	834,760.08	13,875,513.88
4. Adjustment not Applicable to Period - Prior True Up	(11,952.00)	(11,950.00)	(11,950.00)	(11,950.00)	(11,950.00)	(11,950.00)	(11,950.00)	(11,950.00)	(11,950.00)	(11,950.00)	(11,950.00)	(11,950.00)	(143,402.00)
5. Conservation Revenues Applicable to Period	1,445,925.54	747,093.15	788,866.23	833,106.94	1,228,170.23	1,454,298.83	1,542,268.83	1,466,586.15	1,345,523.41	1,147,803.31	909,659.14	822,810.08	13,732,111.88
6. Conservation Expenses (CT-3, Page 3, Line 14)	762,737.76	912,217.53	1,078,887.51	859,899.39	947,783.08	1,062,708.81	990,041.74	955,567.01	960,763.09	794,836.58	633,421.87	1,412,387.60	11,399,249.77
7. True Up this Period (Line 5 - 6)	683,187.78	(165,124.38)	(289,021.28)	(26,792.41)	280,387.15	391,592.22	552,227.09	511,019.14	354,760.32	352,966.73	276,237.27	(589,577.52)	2,332,862.11
8. Interest Provision this Period (CT-3, Page 5, Line 11)	224.61	505.52	327.19	170.51	320.51	727.21	1,272.37	1,885.33	2,591.30	3,100.34	3,549.29	3,505.83	18,182.81
9. True Up & Interest Provision Beginning of Month	(100,295.78)	596,068.61	442,399.75	189,655.66	151,983.76	444,641.42	648,910.85	1,414,350.31	1,939,214.78	2,308,516.40	2,878,538.47	2,969,273.03	(100,295.78)
10. Prior True Up Collected or Refunded	11,952.00	11,950.00	11,950.00	11,950.00	11,950.00	11,950.00	11,950.00	11,950.00	11,950.00	11,950.00	11,950.00	11,950.00	143,402.00
11. End of Period- Net True Up	595,058.61	442,399.75	166,655.66	151,983.76	444,641.42	843,910.85	1,414,350.31	1,939,214.78	2,308,516.40	2,678,538.47	2,968,273.03	2,394,151.14	2,394,151.14