

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:** April 29, 2022  
**TO:** Office of Commission Clerk  
**FROM:** Rhonda L. Hicks, Director, Office of Auditing and Performance Analysis *RH*  
**RE:** Docket No.: 20220001-EI  
Company Name: Gulf Power Company  
Company Code: EI804  
Audit Purpose: A3a: Fuel Cost Recovery Clause  
Audit Control No: 2022-003-1-1

---

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 are confidential work papers associated with this audit.

RLH/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  
Fuel and Purchased Power Cost Recovery Clause

**Twelve Months Ended December 31, 2021**

Docket No. 20220001-EI  
Audit Control No. 2022-003-1-1

**April 25, 2022**

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

Thomas Wolff  
Audit Manager

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

Marisa N. Glover  
Reviewer

## Table of Contents

Purpose.....	1
Objectives and Procedures.....	2
Audit Findings	
None.....	6
Exhibit	
1: True-Up.....	7

## 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 & Finance in its audit service request dated December 21, 2021. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2021 filing for the Fuel and Purchased Power Cost Recovery Clause in Docket No. 20220001-EI.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definition

Utility refers to Gulf Power Company.

Fuel Clause refers to the Fuel and Purchased Power Cost Recovery Clause.

### **Revenue**

#### Operating Revenues

**Objectives:** The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2021, through December 31, 2021, and whether the Utility applied the Commission-approved cost recovery factor to actual KWH sales for the Fuel Clause.

**Procedures:** We reconciled the 2021 filing to the Utility's monthly revenue reports and the general ledger. We computed the factors by rate code and compared them to Commission Order No. PSC-2021-0442-FOF-EI, issued November 30, 2021, in Docket No. 20210001-EI. We selected a random sample of residential and commercial customers' bills for the months of October 2021 and November 2021, and recalculated each to verify the use of the correct tariff rate. No exceptions were noted.

### **Expense**

#### Operation and Maintenance Expense

**Objectives:** The objectives were to verify that Operation and Maintenance (O&M) Expenses listed in the Utility's filing were supported by adequate documentation and that the expenses were appropriately recoverable through the Fuel Clause.

**Procedures:** We recalculated Schedule A-1 from the Fuel Clause Filing for each month of 2021. We prepared a schedule of coal, oil, and natural gas consumption for each month of 2021 from the Utility's generation fuel costs journal entries. We compiled charges by month and by account to obtain total fuel costs, which were reconciled to the general ledger and Schedule A-1. We also prepared a schedule of charges by account and by generating plant, including amounts listed as "other generation" for each month for the year ended December 31, 2021, and reconciled total fuel costs to the consumption schedule prepared by audit staff, with data from Schedule A-1. The fuel expenses included in the Fuel Clause Filing complied with the requirements established in Order No. 14546, issued July 8, 1985, in Docket No. 19850001-EI-B. No exceptions were noted.

**Objective:** The objective was to determine whether the utility has recorded to reduce generation-related gains from non-separated wholesale energy sales to the Fuel Clause filing as set forth in Order No. PSC-2000-1744-PAA-EI, issued September 26, 2000, in Docket No. 19991779-EI.

**Procedures:** We scheduled the generation-related gains from the Utility's Interchange Analysis Reports for each month of 2021, and reconciled the total to Schedule A-6 and Schedule A-1, Line 12. We traced the gains to the IIC invoices and the imbalance service reports for our sample month of December 2021. In addition, we reconciled the Utility's Interchange Analysis Report to Schedule A-6 and Schedule A-1, Line 9 for the sample month of December 2021. We determined that the Utility was in compliance with the Order noted above. No exceptions were noted.

**Objective:** The objective was to determine whether energy payments to the qualified facilities are based on the appropriate standard offer or the negotiated contract price.

**Procedures:** We scheduled total KWHs purchased and energy costs for each month for the year ended December 2021. We traced amounts on Schedule A-8 to invoices for the sample months of January, April, July, and September 2021. No exceptions were noted.

**Objective:** The objective was to determine whether the amounts of gas storage expense recovered through the Fuel Clause Filing for 2021 was calculated correctly and payments were in accordance with the applicable contract.

**Procedures:** We reviewed the gas storage contracts in effect for 2021. We recalculated the monthly reservation payment and reconciled the charges to the respective contract. No exceptions were noted.

**Objective:** The objective was to determine whether Firm Transportation Service (FTS) charges for natural gas transportation reconciled with the appropriate FTS rate schedules from utility pipeline tariffs.

**Procedures:** We reconciled natural gas purchases and FTS charges from the Accounts Payable (AP) analysis for each month of 2021, and reconciled totals to the general ledger. We traced the purchased amounts and the total FTS charges to the paid invoices for our sample months of May and November 2021. We reconciled the FTS rates to the appropriate rate schedule and agreement. No exceptions were noted.

## **Inventory**

**Objective:** The objective was to determine whether adjustments made to coal inventory, due to the semi-annual coal inventory survey had been recorded as set forth in Order No. PSC-1997-0359-FOF-EI, issued March 31, 1997, in Docket No. 19970001-EI.

**Procedures:** We requested the "Field Schedule of Flyover Results" or equivalent and the Coal Inventory Adjustment schedules for each month of 2021. The Utility responded that they have discontinued the aerial survey since the volume of coal has not changed due to the Utility no longer burning coal. Further follow-up was not required.

## **Other**

**Objective:** The objective was to review and verify the payments the Utility made in 2021 under waterborne and rail coal transportation contracts.

**Procedures:** We scheduled coal, freight, and railcar costs from the Utility's Accounts Payable (AP) analysis for each month of 2021, and reconciled the amounts to the general ledger. We

reviewed the waterborne and rail coal transportation contracts. We also traced the general ledger inventory purchases to the AP Analysis to the supporting invoices, and to the transportation contract rates for the sample months of February, May, August, and November 2021. No exceptions were noted.

**Objective:** The objective was to determine whether vendor refunds or rebates are recorded to reduce to fuel costs.

**Procedures:** We verified that there were no vendor refunds or rebates received during 2021.

**Objective:** The objective was to determine whether the service hours, reserve shutdown hours, and unavailable hours filed in Schedule A-4 for the Generating Performance Incentive Factor (GPIF) Filing reconcile to source documentation.

**Procedures:** We traced the service hours, reserve shutdown hours, and unavailable hours filed in Schedule A-4 to Schedule 5 in the GPIF Filing and to source documentation for June and December 2021. No exceptions were noted.

**Objective:** The objective was to reconcile coal and oil purchases noted on FPSC Form 423 with the monthly Schedule A-5, contractual obligations, and source documentation.

**Procedures:** We reconciled coal and oil purchases reported on Form 423 with the Schedule A-5 Filing for December 2021. We cross-referenced the coal and oil purchases by vendor from the AP analysis to the location cost transaction summaries, to the inventory details and the general ledger. We traced receipts to fuel invoices. No exceptions were noted.

**Objective:** The objective was to determine whether the energy costs of other economic purchases (non-broker) included in the Fuel Clause Filing reconciled to the books and records of the Utility.

**Procedures:** We compiled economy energy purchases from the Utility's Interchange Analysis Reports for each month for 2021. We reconciled the amounts to Schedule A-8, Schedule A-9, the Utility's Interchange Contract (IIC), and Purchased Power Agreement (PPA) invoices and contracts for the sample months of February, July, September, and December 2021. No exceptions were noted.

## **True-up**

**Objective:** The objective was to determine if the True-Up and Interest Provision as filed on Schedule A-2 was properly calculated.

**Procedures:** We traced the December 31, 2020, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2021, using the Commission-approved beginning balance as of December 31, 2020, the Financial Commercial Paper rates, and the 2021 Fuel Clause revenues and costs. No exceptions were noted.

## **Analytical Review**

**Objective:** The objective was to perform an analytical review of the Utility's Fuel Clause Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

**Procedures:** We compared 2020 to 2021 revenues and expenses. The utility had no significant variances. Further follow-up was not required.

Audit Findings

**None**

## Exhibit

### Exhibit 1: True-Up

SCHEDULE A-2  
PAGE 1 OF 3

**CALCULATION OF TRUE-UP AND INTEREST PROVISION  
GULF POWER COMPANY  
FOR THE MONTH OF: DECEMBER 2021**

Line No.	Description	CURRENT MONTH				PERIOD-TO-DATE			
		Actual	Estimated	Difference		Actual	Estimated	Difference	
				Amount	%			Amount	%
<b>A. Fuel Cost &amp; Net Power Transactions</b>									
1	Fuel Cost of System Net Generation	7,224,225.81	29,126,123	(21,901,897.19)	(75.20)	297,034,387.18	314,024,245	(16,989,857.82)	(5.41)
1a	Other Generation	278,594.01	157,259	121,335.01	77.16	2,806,944.69	2,472,736	334,108.69	13.51
1b	Wholesale kWh Sales Credit	(720,657.92)	(728,329)	7,670.59	(1.05)	(10,273,162.47)	(4,511,143)	(5,762,019.88)	127.73
2	Fuel Cost of Power Sold	(8,424,318.18)	(8,307,275)	1,882,956.82	22.67	(104,941,444.45)	(121,881,766)	18,940,321.55	13.90
3	Fuel Cost - Purchased Power	22,776,092.10	14,520,623	7,955,469.10	53.68	231,091,502.60	213,502,621	17,588,881.60	8.24
3a	Demand & Non-Fuel Cost Purchased Power	0.00	0	0.00	0.00	0.00	0	0.00	0.00
3b	Energy Payments to Qualifying Facilities	684,909.38	0	684,909.38	100.00	4,920,180.31	0	4,920,180.31	100.00
4	Energy Cost - Economy Purchases	0.00	0	0.00	0.00	0.00	0	0.00	0.00
5	Hedging Settlement Cost	0.00	0	0.00	0.00	0.00	0	0.00	0.00
6	Total Fuel & Net Power Transactions	23,818,845.20	35,068,401	(11,249,556.29)	(32.08)	420,638,307.86	403,606,693	17,031,614.45	4.22
7	Adjustments To Fuel Cost*	(575.38)	0.000	(575.38)	100.00	(133,785.18)	0	(133,785.18)	100.00
8	Adj. Total Fuel & Net Power Transactions	23,818,269.84	35,068,401	(11,250,131.65)	(32.08)	420,504,522.67	403,606,693	16,897,829.26	4.19
<b>B. KWH Sales</b>									
1	Jurisdictional Sales	755,900,464	784,724,000	(28,823,536)	(3.67)	10,655,599.073	11,018,359,000	(359,759,927)	(3.27)
2	Non-Jurisdictional Sales	22,475,846	23,985,000	(1,509,154)	(6.29)	296,646,912	148,559,000	148,087,912	99.68
3	Total Territorial Sales	778,376,310	808,709,000	(30,332,690)	(3.75)	10,955,245,985	11,166,918,000	(211,672,015)	(1.90)
4	Juris. Sales as % of Total Terr. Sales	100.0000	97.0342	2.9658	3.06	100.0000	98.6697	1.3303	1.35

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
GULF POWER COMPANY  
FOR THE MONTH OF: DECEMBER 2021

Line No.	Description	CURRENT MONTH				PERIOD-TO-DATE			
		Actual	Estimated	Difference		Actual	Estimated	Difference	
				Amount	%			Amount	%
<b>C. True-up Calculation</b>									
1	Jurisdictional Fuel Revenue	25,847,791.83	23,940,357	1,707,404.99	7.13	339,165,691.66	338,148,473	3,017,218.29	0.90
2	Fuel Adj. Revs. Not Applicable to Period:								
2a	True-Up Provision	(91,641.00)	(91,641)	0.00	0.00	(1,099,690.00)	(1,099,690)	0.00	0.00
2b	Incentive Provision	(5,182)	5,152	(10,364.00)	(200.00)	(62,187)	62,157	(124,374.00)	(200.00)
3	Juris. Fuel Revenue Applicable to Period	25,550,988.83	23,553,928	1,697,040.63	7.11	338,003,814.66	335,110,970	2,892,844.66	0.86
	<b>Adjusted Total Fuel &amp; Net Power</b>								
4	Transactions (Line A8)	23,818,289.84	35,068,401	(11,250,131.65)	(32.09)	420,504,522.76	403,608,693	16,897,829.36	4.19
5	Juris. Sales % of Total KWH Sales (Line B4)	100.0000	97.0342	2.9658	3.06	97.2922	98.6697	(1.3775)	(1.40)
	<b>Juris. Total Fuel &amp; Net Power Transactions</b>								
6	Adj. for Line Losses (C4*C5*1.0012)	23,846,851.76	34,069,177	(10,222,325.24)	(30.00)	421,009,127.67	398,047,532	22,961,595.67	5.77
	<b>True-Up Provision for the Month</b>								
7	Over/(Under) Collection (C3-C6)	1,704,118.87	(10,215,249)	11,919,365.87	116.68	(83,005,313.51)	(62,836,560)	(20,068,753.51)	(31.52)
8	Interest Provision for the Month	(6,050.37)	(4,573)	(1,477.37)	(32.31)	(20,711.18)	(13,593)	(7,118.18)	(52.37)
9	Beginning True-Up & Interest Provision	(77,484,859.66)	(52,821,972)	(24,662,917.66)	(48.69)	4,985,989.95	(1,099,690)	6,085,680.38	553.40
10	True-Up Collected / (Refunded)	91,641.00	91,641	0.00	0.00	1,099,690.00	1,099,690	0.00	0.00
	<b>End of Period - Total Net True-Up, Before</b>								
11	Adjustment (C7+C8+C9+C10)	(75,695,182.16)	(62,950,153)	(12,745,029.16)	(20.25)	(76,940,344.74)	(62,950,153)	(13,990,191.74)	(22.22)
12	Adjustment	0.00	0	0.00	0.00	1,245,162.08	0	1,245,162.08	100.00
13	End of Period - Total Net True-Up	(75,695,182.16)	(62,950,153)	(12,745,029.16)	(20.25)	(75,695,182.16)	(62,950,153)	(12,745,029.66)	(20.25)

CALCULATION OF TRUE-UP AND INTEREST PROVISION  
GULF POWER COMPANY  
FOR THE MONTH OF: DECEMBER 2021

Line No.	Description	CURRENT MONTH			
		Actual	Estimated	Difference	
				Amount	%
<b>D. Interest Provision</b>					
1	Beginning True-Up Amount (C9)	(77,484,859.88)	(52,821,972)	(24,662,917.88)	46.69
	Ending True-Up Amount				
2	Before Interest (C7+C9+C10)	(75,689,131.79)	(62,945,550)	(12,743,551.79)	20.25
3	Total of Beginning & Ending True-Up Amts.	(153,174,021.45)	(115,767,552)	(37,406,469.45)	32.31
4	Average True-Up Amount	(78,587,010.73)	(57,883,776)	(18,703,234.73)	32.31
	Interest Rate				
5	1st Day of Reporting Business Month	0.11	0.11	0.0000	
	Interest Rate				
6	1st Day of Subsequent Business Month	0.08	0.05	0.0000	
7	Total (D5+D6)	0.19	0.19	0.0000	
8	Annual Average Interest Rate	0.10	0.10	0.0000	
9	Monthly Average Interest Rate (D8/12)	0.01	0.01	0.0000	
10	Interest Provision (D4*D9)	(8,050.37)	(4,573)	(1,477.37)	32.31
	Jurisdictional Loss Multiplier	1.0012	1.0012		