

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 *RLH*
RE: Docket No.: 20220001-EI
Company Name: Gulf Power Company
Company Code: EI804
Audit Purpose: A3a: Capacity Cost Recovery Clause
Audit Control No: 2022-003-1-2

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.

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
Capacity Cost Recovery Clause

Twelve Months Ended December 31, 2021

Docket No. 20220001-EI

Audit Control No. 2022-003-1-2

April 11, 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

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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 & 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 Capacity 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.
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, 2021, through December 31, 2021, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the CCRC.

Procedures: We reconciled the 2021 filing to the Utility's monthly Revenue Reports. We computed the factors by rate code and compared them to Commission Order No. PSC-2020-0439-FOF-EI, issued November 16, 2020. This work was performed jointly with the revenue portions of other clause audits of the Utility. The resultant revenue schedules are contained in Docket No. 20220001-EI, ACN 2022-003-1-1. 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-1999-2512-FOF-EI, issued December 22, 1999.

Procedures: We compiled transmission revenues for the twelve-month period ended December 31, 2021, from the utility-provided documentation and reconciled the revenues with the general ledger and the filing. We determined that these revenues comply with Order No. PSC-1999-2512-FOF-EI. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) Expenses listed on the Utility's filing were supported by adequate documentation and that the expenses were 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 expenses as per the filing. The source documentation for selected items was reviewed to ensure the expense was related to the CCRC and that the expense was charged to the correct account. No exceptions were noted.

IIC Invoices and Contracts

Objective: The objective was 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 Schedule A-12 to the respective Capacity contract. We also verified contract expiration dates to ensure that expired contracts were no longer being utilized. No exceptions were noted.

Incremental Security Costs

Objectives: The objective was to determine whether the recovered security costs 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. We noted that all security costs were recovered through base rates and not through the CCRC. No further work performed.

Purchased Power Contracts

Objectives: The objective was to determine whether invoices for capacity purchases are in accordance with the terms and conditions of the contracts.

Procedures: We reviewed the purchased power contracts. We traced the purchased power capacity costs from 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.

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, 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 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 calendar year 2021 and 2020 revenues and expenses. Audit staff prepared a schedule to calculate any large variances in revenues and expenses. The Utility had no significant variances and no further follow-up was required.

Audit Findings

None

Exhibit

Exhibit 1: True Up

SCHEDULE CCA-3

**GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD JANUARY 2021 - DECEMBER 2021**

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. EC Payments / (Receipts) (\$)	22,530	(274,033)	(3,097)	(3,097)	(3,097)	(3,097)	(3,097)	(3,097)	(3,097)	(3,097)	(3,097)	(3,097)	(282,471)
2. Other Capacity Payments / (Receipts)	7,020,173	7,020,173	7,016,331	7,020,173	6,093,244	7,020,173	6,992,686	6,992,686	6,991,128	6,993,111	6,992,760	6,712,491	62,855,129
3. Transmission Revenue (\$)	(596)	(605)	(1,563)	(620)	(574)	(633)	(593)	(545)	(1,107)	(312)	(711)	(825)	(9,037)
4. Scherer/Fitri Credit	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Total Capacity Payments/(Receipts) (Line 1 + 2 + 3) (\$)	7,042,106	6,745,535	7,011,671	7,016,457	6,089,573	7,016,444	6,988,996	6,985,642	6,986,924	6,989,701	6,988,962	6,708,568	62,573,570
6. Jurisdictional %	0.9759220	0.9759220	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922
a) Base Jurisdictional Factor	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
b) Intermediate Jurisdictional Factor	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922	0.975922
c) Peaking Jurisdictional Factor	0.760860	0.760860	0.760860	0.760860	0.760860	0.760860	0.760860	0.760860	0.760860	0.760860	0.760860	0.760860	0.760860
d) Transmission Jurisdictional Factor	0.972343	0.972343	0.972343	0.972343	0.972343	0.972343	0.972343	0.972343	0.972343	0.972343	0.972343	0.972343	0.972343
e) Total Base Jurisdictionalized Capacity Costs			(1,563)	(620)	(574)	(633.36)	(593.12)	(545.39)	(1,107.10)	(312.05)	(711.65)	(824.70)	
f) Total Intermediate Jurisdictionalized Capacity Costs			6,847,352	6,851,142	5,945,531	6,851,142	6,824,316	6,824,316	6,822,795	6,824,731	6,824,388	6,560,867	
g) Total Peaking Jurisdictionalized Capacity Costs			(2,356)		(2,356)		(2,356)		(2,356)		(2,356)		
h) Total Transmission Jurisdictionalized Capacity Costs													
7. Total Jurisdictional Recovery Amount (Jan-Feb: Line 4 * 6; Mar-Dec: 5e + 5f + 5g) (\$)	6,872,546	6,583,116	6,843,472.56	6,848,166.13	5,943,600.68	6,848,182.00	6,821,366.40	6,821,014.13	6,819,331.94	6,822,062.21	6,821,321.09	6,547,686.36	60,591,634
8. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	6,610,184	6,090,099	5,579,030	5,535,029	7,145,165	7,978,647	6,951,585	6,992,720	7,565,215	6,850,803	5,409,790	3,583,024	60,591,303
9. True-Up Provision (\$)	(187,311)	(187,312)	(187,312)	(187,312)	(187,312)	(187,312)	(187,312)	(187,312)	(187,312)	(187,312)	(187,312)	(187,312)	(2,247,743)
10. Jurisdictional Capacity Cost Recovery Revenue (Line 7 + 8) (\$)	6,422,873	5,902,777	5,391,718	5,347,717	6,957,873	7,791,335	6,764,274	6,805,408	7,377,903	6,663,491	5,222,478	3,695,712	78,343,560
11. Over/(Under) Recovery (Line 9 - 6) (\$)	(449,673)	(680,339)	(1,451,756)	(1,500,448)	1,014,272	943,183	1,942,908	1,984,394	568,571	(158,571)	(1,598,842)	(2,851,974)	(2,248,274)
12. Interest Provision (\$)	(105)	(136)	(233.23)	(306.58)	(191)	(149)	(78)	40	123	166	155	(6)	(725)
13. Beginning Balance True-Up & Interest Provision (\$)	(1,409,616)	(1,672,067)	(2,165,250)	(3,431,225)	(4,744,672)	(3,543,278)	(2,412,932)	(282,790)	1,688,956	2,634,962	2,663,658	1,282,493	(1,409,616)
14. True-Up Collected/(Refunded) (\$)	187,311	187,312	187,312	187,312	187,312	187,312	187,312	187,312	187,312	187,312	187,312	187,312	2,247,743
15. Adjustment	-	-	(1,303)	-	-	-	-	-	-	-	-	-	(1,303)
16. End of Period Total Net True-Up (Lines 10 + 11 + 12 + 13 + 14) (\$)	(1,672,067)	(2,165,250)	(3,431,225)	(4,744,672)	(3,543,278)	(2,412,932)	(282,790)	1,688,956	2,634,962	2,663,658	1,282,493	(1,412,176)	(1,412,176)
Average Monthly Interest Rate	0.0071%	0.0071%	0.0083%	0.0075%	0.0046%	0.0050%	0.0058%	0.0060%	0.0054%	0.0063%	0.0079%	0.0079%	
Wall Street Annual Rate	0.09%	0.08%	0.09%	0.11%	0.07%	0.04%	0.08%	0.06%	0.07%	0.08%	0.11%	0.06%	
Average Annual Rate	0.09%	0.09%	0.10%	0.09%	0.059%	0.06%	0.07%	0.06%	0.069%	0.075%	0.095%	0.10%	