

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-**

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**DATE:** June 14, 2018  
**TO:** Office of Commission Clerk  
**FROM:** Lynn M. Deamer, Chief of Auditing, Office of Auditing and Performance Analysis  
**RE:** Docket No.: 20180002-EI  
Company Name: Gulf Power Company  
Company Code: EI804  
Audit Purpose: A3b: Energy Conservation Cost Recovery  
Audit Control No: 2018-017-1-1

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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

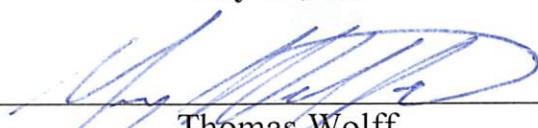
Office of Auditing and Performance Analysis  
Bureau of Auditing  
Tallahassee District Office


### Auditor's Report

Gulf Power Company  
Energy Conservation Cost Recovery Clause

**Twelve Months Ended December 31, 2017**

Docket No. 20180002-EG  
Audit Control No. 2018-017-1-1  
**May 31, 2018**

  
\_\_\_\_\_  
Thomas Wolff  
Audit Manager

  
\_\_\_\_\_  
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 Economics in its audit service request dated January 17, 2018. We have applied these procedures to the attached summary exhibit and to several related schedules prepared by Gulf Power Company in support of its 2017 filing for the Energy Conservation Cost Recovery Clause in Docket No. 20180002-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 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, 2017, through December 31, 2017.

**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, 2017, through December 31, 2017, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales.

**Procedures:** We reconciled the 2017 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. 20180001-EI, Audit Control No. 2018-019-1-1. 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 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 expenses 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-15-0330-PAA-EG. No exceptions were noted.

### Other Issues

**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 February 28, 2017 FEECA filing for Residential Energy Audit and Education Program, Residential Custom Incentive, Residential Building Efficiency, and Commercial/Industrial Custom Energy Audit. We compared them to the program participants noted in the 2017 true-up filing. No exceptions were noted.

### 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, 2016, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2017, using the Commission approved beginning balance as of December 31, 2016, the Financial Commercial Paper rates, and the 2017 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 2017 to 2016 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

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 2017 - December 2017

**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 RSVP Fee	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	1,039,507.52	918,715.46	1,067,080.00	1,089,569.55	1,385,178.41	1,438,808.78	1,748,223.31	1,749,647.25	1,447,521.34	1,371,602.47	989,312.82	1,089,208.67	15,354,375.56
3. Total Revenues	1,039,507.52	918,715.46	1,067,080.00	1,089,569.55	1,385,178.41	1,438,808.78	1,748,223.31	1,749,647.25	1,447,521.34	1,371,602.47	989,312.82	1,089,208.67	15,354,375.56
4. Adjustment not Applicable to Period - Prior True Up	(276,115.00)	(276,117.00)	(276,117.00)	(276,117.00)	(276,117.00)	(276,117.00)	(276,117.00)	(276,117.00)	(276,117.00)	(276,117.00)	(276,117.00)	(276,117.00)	(3,313,402.00)
5. Conservation Revenues Applicable to Period	763,392.52	642,598.46	810,963.00	813,452.55	1,109,061.41	1,162,691.78	1,472,106.31	1,473,530.25	1,171,404.34	1,095,485.47	713,195.82	813,091.67	12,040,973.56
6. Conservation Expenses (CT-3, Page 3, Line 14)	830,890.40	863,996.82	859,128.80	1,078,961.74	1,020,762.30	768,458.30	1,060,223.55	1,116,440.85	1,200,334.79	962,798.74	918,800.89	1,105,078.23	11,854,567.89
7. True Up Cts Period (Line 5 - 6)	(76,157.88)	(221,398.16)	(48,165.80)	(265,509.19)	86,299.21	374,233.48	411,882.75	357,089.40	(57,930.45)	102,725.73	(206,604.84)	(291,986.56)	198,415.67
8. Interest Provision Cts Period (CT-3, Page 6, Line 11)	(2,118.33)	(1,831.20)	(2,118.31)	(2,326.54)	(2,198.80)	(2,036.88)	(1,589.17)	(986.04)	(485.41)	(287.10)	(118.45)	(106.78)	(18,300.98)
9. True Up & Interest Provision Beginning of Month	(3,583,812.86)	(3,385,874.87)	(3,333,187.23)	(3,107,356.14)	(3,068,074.87)	(2,736,858.46)	(2,083,548.88)	(1,402,148.30)	(789,927.94)	(532,226.80)	(153,851.17)	(84,317.44)	(3,583,812.86)
10. Prior True Up Collected or Reallowed	276,115.00	276,117.00	276,117.00	276,117.00	276,117.00	276,117.00	276,117.00	276,117.00	276,117.00	276,117.00	276,117.00	276,117.00	3,313,402.00
11. End of Period-Net True Up	(3,285,874.87)	(3,333,187.23)	(3,167,358.14)	(3,089,074.87)	(2,736,858.46)	(2,083,548.88)	(1,402,148.30)	(789,927.94)	(532,226.80)	(153,851.17)	(84,317.44)	(100,295.78)	(100,295.78)

Docket No. 20180002-EG  
2017 Final True-Up Filing  
Exhibit JNF-1, Page 7 of 28