

MEMORANDUM

February 10, 1998

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 980002-GU -- GULF POWER COMPANY  
CONSERVATION AUDIT REPORT - PERIOD ENDED SEPTEMBER 30, 1997  
AUDIT CONTROL NO. 97-269-1-1

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The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

Gulf Power Company  
Warren E. Tate  
One Energy Place  
Pensacola, FL 32520-0780

DNV/sp

Attachment

cc: Chairman Johnson  
Commissioner Clark  
Commissioner Deason  
Commissioner Garcia  
Commissioner Jacobs  
Mary Andrews Bane, Deputy Executive Director/Technical  
Legal Services  
Division of Auditing and Financial Analysis (Devlin/Causseaux/  
File Folder)  
Division of Electric and Gas (Colson)  
Tallahassee District Office (Hicks)

Research and Regulatory Review (Harvey)  
Office of Public Counsel

DOCUMENT NUMBER-DATE

02074 FEB 10 88

FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
BUREAU OF AUDITING

*Tallahassee District Office*

GULF POWER COMPANY

CONSERVATION AUDIT

HISTORICAL YEAR ENDED SEPTEMBER 30, 1997

DOCKET NO. 980002-EG  
AUDIT CONTROL NO. 97-269-1-1

*Mark Caruth*  
Mark Caruth, Audit Manager

*Edward Bass*  
Edward Bass, Audit Staff

*Chrissy Vendetti*  
Chrissy Vendetti, Audit Staff

*Christopher Holman* / per  
Chris Holman, Audit Staff

*Rhonda Hicks*  
Rhonda Hicks, Audit Supervisor

DOCUMENT NUMBER-DATE

02074 FEB 10 88

FPSC-RECORDS/REPORTING

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
AUDITOR'S REPORT**

**FEBRUARY 9, 1998**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the accompanying schedules of ECCR for the historical 12-month period ended September 30, 1997, for Gulf Power Company. These schedules were prepared by the utility as part of its ECCR filing in Docket No. 980002-EG. There is no confidential information associated with this audit, and there are no audit staff minority opinions.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission. The attached findings discuss all differences and other matters which were noted during our examination.

## **SUMMARY OF SIGNIFICANT FINDINGS:**

The exhibits filed by the utility for the twelve months ended September 30, 1997 represent the utility's books and records. Golf entry fees for charitable sponsorships, donations, etc. were charged into ECCR program expenses.

## **SUMMARY OF SIGNIFICANT PROCEDURES:**

Our audit was performed by application of judgemental research to certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below.

**CONSERVATION REVENUES:** Traced the approved ECCR adjustment factors from the Commission's Orders to the utility's energy (KWH) sales during the twelve month period to determine Conservation Revenues for True-up.

**CONSERVATION EXPENSES:** Traced all account balances for expenses from the utility's filing to the company's Monthly ECCR Program Category Expense Distribution Schedules and/or the Consolidated Register Summary, and then to the General Ledger to determine Conservation Expenses for True-up.

**OTHER:** Reconciled company filed CT schedules to the company's books and records. Researched salaries and benefits for Demand Side Management employees. Determined advertising costs charged to ECCR. Researched selected invoices from the Accounts Payable Detail Distribution Register.

## DISCLOSURES

### Disclosure No. 1

**Subject:** Golf Entry Fees for Charitable donations/sponsorships were charged into ECCR.

**Statement of Fact:** Five items of golf entry fees for charitable donations, community sponsorships, etc. were charged into ECCR program expenses. The utility's filing overstated ECCR program expenses by the amount \$1,500 (exclusive of interest impact). When the auditor discussed these circumstances with the utility's ECCR Marketing Specialist, the utility implemented an immediate internal review. An additional green fee charge of \$208.85 into ECCR was discovered by the utility to have occurred in October 1997, outside of the current ECCR audit period ending 9/30/97.

**Recommendation:** The utility should remove from ECCR those five items expensed. The utility agrees that those five charges into ECCR should not have occurred. The utility agrees that \$1,500 of expenses will be removed out of ECCR on/before February 6, 1998 by an accounting adjustment. Additionally, the utility has agreed to remove the out-of-period amount of \$208.85 on/before February 6, 1998. Therefore, the expenses that the utility has agreed to remove will total \$1,708.85. The interest impact is \$57.48 for those expenses. Consequently, the amount of \$1,766.33 represents the accounting adjustment (expenses plus interest impact) which the utility has agreed to make.

OLUF POWER COMPANY

ENERGY CONSERVATION ADJUSTMENT  
For the Period October, 1966 through September, 1967

Conservation Revenue	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
1. Residential Conservation Audit 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. (Other 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
3. Conservation Adjustment Revenues	254,482.79	239,408.21	203,053.17	202,780.89	238,884.87	228,889.41	200,712.13	242,359.02	271,887.48	322,088.71	317,400.80	298,844.11	3,188,345.87
4. Adjustment not Applicable to Period - Prior True Up	254,482.79	239,408.21	203,053.17	202,780.89	238,884.87	228,889.41	200,712.13	242,359.02	271,887.48	322,088.71	317,400.80	298,844.11	3,188,345.87
5. Conservation Revenues Applicable to Period	241,707.29	228,830.71	182,785.50	182,785.50	212,785.50	212,785.50	27,882.42	27,882.42	27,882.42	27,882.42	27,882.42	27,882.42	81,081.52
6. Conservation Expenses (Form CT-3 Page 8)	175,775.30	181,284.34	428,122.05	182,838.09	182,178.80	325,358.18	228,874.95	270,318.44	288,858.88	300,031.13	345,383.02	324,808.53	3,300,857.48
7. True Up this Period (Line 5 minus Line 6)	65,931.99	47,546.37	(147,864.20)	68,339.10	63,820.57	(108,474.28)	8,179.57	71,054.58	30,787.78	127,300.13	108,489.20	115,889.53	458,191.20
8. Interest Provision this Period (Page 10, Line 10)	1,887.75	2,284.58	2,188.01	2,113.05	2,424.78	2,489.52	2,238.83	2,275.15	2,384.28	2,838.58	3,057.47	3,448.84	28,488.72
9. True Up & Interest Provision Beginning of Month	387,103.84	477,791.18	538,187.87	385,280.75	488,534.26	575,805.23	482,423.00	484,887.30	510,735.08	515,854.75	617,832.04	702,528.28	3,877,105.84
1. Prior True Up Collected or Refunded	12,785.50	12,785.50	12,785.50	12,785.50	12,785.50	12,785.50	(27,882.42)	(27,882.42)	(27,882.42)	(27,882.42)	(27,882.42)	(27,882.42)	(81,081.52)
End of Period- Net True Up	477,791.18	528,187.87	385,280.75	488,534.26	575,805.23	482,423.00	484,887.78	510,735.08	515,854.75	617,832.04	702,528.28	793,702.34	793,702.34

(A)

(A) The utility agrees to remove \$1,766.33 [ \$1,708.85 Expenses + \$57.48 Interest ]

cket No. 970002-CG  
RULF POWER COMPANY  
itness: Margaret D. Neyman  
xhibit No. (MCN-1)  
chedule CT-3  
age 4 of 5

GULF POWER COMPANY

ENERGY CONSERVATION ADJUSTMENT  
For the Period October, 1988 through September, 1987

	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
1 Beginning True up Amount	387,105.94	477,791.18	528,187.82	385,288.75	498,534.38	575,855.23	482,423.00	484,867.78	510,735.08	515,954.75	817,832.04	702,526.29	
2 Ending True up before Interest	475,523.43	525,903.03	383,088.74	484,411.35	573,230.45	479,968.48	482,831.15	508,459.84	513,560.48	815,292.48	888,468.82	786,253.40	
3 Total beginning & ending	872,629.37	1,003,694.19	911,286.56	869,699.10	1,068,764.83	1,055,823.71	945,254.15	973,327.72	1,024,295.56	1,331,247.23	1,317,400.86	1,482,779.69	
4 Average True up Amount	436,314.69	501,847.10	455,643.28	434,849.55	534,377.42	527,911.86	472,627.08	486,663.86	512,147.78	585,623.61	658,700.43	748,389.85	
5 Interest Rate First Day Reporting Business Month	5.4400	5.3800	5.4500	5.8500	5.4500	5.4300	5.7400	5.8200	5.8000	5.8200	5.5800	5.5800	
6 Interest Rate First Day Subsequent Business Month	5.3800	5.4500	5.8500	5.4500	5.4300	5.7400	5.8200	5.8000	5.8200	5.8200	5.5800	5.5800	
7 Total of Lines 5 and 6	10.8200	10.8300	11.4000	11.4000	10.8800	11.1700	11.5600	11.2200	11.2200	11.2000	11.1600	11.0800	
8 Average Interest rate (50% of Line 7)	5.4100	5.4150	5.7000	5.7000	5.4400	5.5850	5.8000	5.8100	5.8100	5.8000	5.5700	5.5450	
9 Monthly Average Interest Rate (Line 8 x 6)	0.004508	0.004513	0.004700	0.004730	0.004533	0.004654	0.004723	0.004675	0.004675	0.004687	0.004642	0.004621	
10 Interest Provision (Line 4 x 9)	1,987.73	2,364.99	2,188.01	2,113.03	2,424.78	2,458.52	2,238.63	2,275.15	2,384.29	2,138.58	3,057.47	3,448.94	29,489.72

Florida Public Service Commission  
Docket No. 970002-EG  
GULF POWER COMPANY  
Witness: Margaret D. Neyman  
Exhibit No. \_\_\_\_\_ (MDN-1)  
Schedule CT-3  
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STATE OF FLORIDA

Commissioners:  
JULIA L. JOHNSON, CHAIRMAN  
J. TERRY DEASON  
SUSAN F. CLARK  
JOE GARCIA  
E. LEON JACOBS, JR.



DIVISION OF RECORDS & REPORTING  
BLANCA S. BAYO  
DIRECTOR  
(850) 413-6770

**Public Service Commission**

February 11, 1998

Gulf Power Company  
Mr. Warren E. Tate  
One Energy Place  
Pensacola, Florida 32520-0780

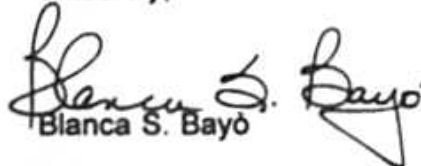
Re: Docket No. 980002 - GU - Gulf Power Company  
Conservation Audit Report - Period Ending September 30, 1997  
Audit Control # 97-269-1-1

Dear Mr. Tate:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

  
Blanca S. Bayo

BSB/clc  
Enclosure  
cc: Public Counsel  
Division of Auditing and Financial Analysis