

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:** October 28, 2022  
**TO:** Office of the Commission Clerk  
**FROM:** Todd M. Brown, Chief of Auditing, Office of Auditing and Performance Analysis *TMB*  
**RE:** Docket No.: 20220010-EI  
Company Name: Gulf Power Company  
Company Code: EI804  
Audit Purpose: A3g: Storm Protection Plan Cost Recovery Clause  
Audit Control No: 2021-314-1-1

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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 the Commission Clerk. There are confidential work papers associated with this audit.

TMB

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  
Storm Protection Plan Cost Recovery Clause

**As of December 31, 2021**

Docket No. 20220010-EI  
Audit Control No. 2021-314-1-1

**October 28, 2022**

A handwritten signature in cursive script, appearing to read "Donna D. Brown".

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Donna D. Brown  
Audit Manager

A handwritten signature in cursive script, appearing to read "Mr. Thomas Wolff".

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Thomas Wolff  
Audit Staff

A handwritten signature in cursive script, appearing to read "Todd M. Brown".

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Todd M. Brown  
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 Office of Industry Development & Market Analysis in its audit service request dated November 10, 2021. We have applied these procedures to the attached schedules prepared by Gulf Power Company in support of its filing for Storm Protection Plan Cost Recovery in Docket No. 20220010-EI.

The report is intended only for internal Commission use.

## Objectives and Procedures

### **General**

#### Definitions

Utility refers to Gulf Power Company.

SPPCRC refers to Storm Protection Plan Cost Recovery Clause.

SPP refers to Storm Protection Plan.

#### Background

On April 1, 2022, Gulf Power Company filed support for its actual Storm Protection Cost Recovery factor for the period January 2021 through December 2021.

**Objectives:** The objectives were to reconcile the Implementation SPP Operation and Maintenance Expenses to the general ledger, and to review a statistical or judgmental sample of expenses.

**Procedures:** We reconciled the operation and maintenance (O&M) expenses to the general ledger. We reviewed a sample of expenses booked to the SPP Implementation Costs for the months of June, September, and December 2021. No exceptions were noted.

**Objectives:** The objectives were to audit the following capital investments: Feeder Hardening Program, Distribution Lateral Undergrounding Program, and Transmission Wooden Structure Hardening. In addition, our objectives were to: 1) Verify the investment amounts are recorded in the correct plant accounts; 2) Reconcile the corresponding plant-in-service/depreciation base; 3) Verify the calculations of non-interest bearing construction-work-in-progress (CWIP); 4) Verify the most recent Commission-approved depreciation and amortization periods are used in calculating depreciation expense; and 5) Reconcile depreciation savings for retired assets that have depreciation recovered through base rates.

**Procedures:** Audit staff reconciled the capital investments to the Utility's general ledger. We verified that the most recent Commission-approved depreciation and amortization periods were used in calculating depreciation expense. We audited a sample of SPPCRC program-related additions, retirements, and adjustments for the period January 1, 2021, through December 31, 2021, by reviewing documentation for the Feeder Hardening Program, the Distribution Lateral Undergrounding Program, and Transmission Wooden Structure Harding. In addition, there were no depreciation savings for retired assets recovered through base rates. No exceptions were noted.

**Objective:** The objective was to verify the SPPCRC program-related plant additions, retirements, and adjustments for the period January 1, 2021, through December 31, 2021.

**Procedure:** We reconciled the SPPCRC program-related plant additions, retirements, and adjustments to the general ledger. No exceptions were noted.

**Objective:** The objective was to reconcile the operation and maintenance expenses of the projects listed on Form 5A of the filing, to the general ledger.

**Procedures:** We reconciled the operation and maintenance expenses to the general ledger. We selected samples from the months of June, September, and December 2021 for review. No exceptions were noted.

## **Other**

**Objectives:** The objectives were to: 1) Substantiate if the Utility changed any of its accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause, and 2) Verify if the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause.

**Procedures:** We requested and reviewed the accounting practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. We reviewed whether the Utility changed any of its allocation practices, procedures, or guidelines for purposes of implementing cost recovery through the Storm Cost Recovery Clause. 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 verified the True-Up and Interest Provision amounts as of December 31, 2021, using the Financial Commercial Paper rates, and 2021 revenues and costs. No exceptions were noted.

Audit Findings

**None**

## Exhibits

### Exhibit 1: True-Up Calculation

Form 2A

Gulf Power Company  
Storm Protection Plan Recovery Cause (SPPCRC)  
Final True-Up  
Calculation of Final True-Up Amount

For the Period of: January 2021 - December 2021

Line	a-Jan - 2021	a-Feb - 2021	a-Mar - 2021	a-Apr - 2021	a-May - 2021	a-Jun - 2021	a-Jul - 2021	a-Aug - 2021	a-Sep - 2021	a-Oct - 2021	a-Nov - 2021	a-Dec - 2021	End of Period Total
1.Cause Revenues (net of Revenue Taxes)	\$716,007	\$354,503	\$9,860	\$279,167	\$341,341	\$368,674	\$413,389	\$405,552	\$364,653	\$301,777	\$271,918	\$554,776	\$4,722,247
2.True-Up Provision - Prior Period	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3.Cause Revenues Applicable to Period (Lines 1 + 2)	\$716,007	\$354,503	\$9,860	\$279,167	\$341,341	\$368,674	\$413,389	\$405,552	\$364,653	\$301,777	\$271,918	\$554,776	\$4,722,247
4.Jurisdictional Rev. Req.													
a.Overhead Hardening	\$8,410	\$24,966	\$49,923	\$86,122	\$125,583	\$169,390	\$208,746	\$255,391	\$305,793	\$354,037	\$411,665	\$454,370	\$2,454,083
b.Undergrounding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,353	\$3,849	\$7,597	\$11,725	\$24,535
c.Vegetation Management	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Implementation Costs	\$996	\$1,064	\$1,130	\$7,791	\$3,431	\$15,598	\$7,185	\$8,367	\$7,502	\$5,821	\$6,245	\$5,832	\$72,052
e.Total Jurisdictional Revenue Requirements	\$9,406	\$26,030	\$51,053	\$93,911	\$130,014	\$184,987	\$215,931	\$263,758	\$314,749	\$363,706	\$425,496	\$477,937	\$2,550,690
5.Over/(Under) Recovery (Line 3 - Line 4e)	\$706,602	\$328,473	(\$41,193)	\$185,256	\$211,327	\$183,687	\$197,458	\$141,794	\$49,934	(\$41,929)	(\$153,580)	\$383,138	\$2,151,556
6.Interest Provision (SPPCRC Form 3A, Line 10)	\$25	\$62	\$84	\$92	\$59	\$74	\$97	\$92	\$105	\$123	\$145	\$155	\$1,105
7.Beginning Balance True-Up & Interest Provision	\$0	\$705,627	\$1,035,162	\$994,053	\$1,175,390	\$1,391,375	\$1,575,137	\$1,778,053	\$1,919,939	\$1,969,978	\$1,928,172	\$1,774,738	
a. Deferred True-Up from January to December 20xx (Order No. POC-20xx-xxxx-FOF-EI)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8.True-Up Collected/(Refunded); (see Line 2)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9.End of Period Total True-Up (Lines 5+6+7a+8)	\$706,627	\$1,035,162	\$994,053	\$1,179,390	\$1,391,375	\$1,575,137	\$1,772,693	\$1,919,939	\$1,969,978	\$1,908,172	\$1,774,738	\$2,158,032	
10.Adjustment to Period True-Up Including Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,360	\$0	\$0	\$0	\$0	\$0
11.End of Period Total True-Up (Lines 9 + 10)	\$706,627	\$1,035,162	\$994,053	\$1,179,390	\$1,391,375	\$1,575,137	\$1,772,693	\$1,925,300	\$1,969,978	\$1,908,172	\$1,774,738	\$2,158,032	



## Exhibit 2: Interest Provision for True-Up

Gulf Power Company  
Storm Protection Plan Recovery Clause (SPPRC)  
Final True-Up  
Calculation of Interest Provision for True-Up Amount  
For the Period of: January 2021 - December 2021

Form 3A

Line	a-Jan - 2021	a-Feb - 2021	a-Mar - 2021	a-Apr - 2021	a-May - 2021	a-Jun - 2021	a-Jul - 2021	a-Aug - 2021	a-Sep - 2021	a-Oct - 2021	a-Nov - 2021	a-Dec - 2021
1. Beginning True-Up Amount (SPPRC Form 2A, Line 7+7a+10)	\$0	\$706,827	\$1,035,162	\$994,053	\$1,179,360	\$1,391,376	\$1,575,197	\$1,776,053	\$1,915,939	\$1,969,976	\$1,928,172	\$1,774,738
2. Ending True-Up Amount Before Interest	\$726,602	\$1,335,100	\$992,969	\$1,179,309	\$1,351,317	\$1,575,053	\$1,772,596	\$1,919,847	\$1,969,873	\$1,928,049	\$1,774,590	\$2,157,876
3. Total of Beginning & Ending True-Up (Lines 1 + 2)	\$706,602	\$1,741,727	\$2,029,130	\$2,173,362	\$2,520,709	\$2,966,439	\$3,347,723	\$3,697,900	\$3,885,812	\$3,898,027	\$3,702,763	\$3,932,614
4. Average True-Up Amount (Line 3 x 1/2)	\$353,301	\$870,863	\$1,014,565	\$1,086,681	\$1,260,354	\$1,483,220	\$1,673,866	\$1,848,950	\$1,944,906	\$1,949,013	\$1,851,382	\$1,966,307
5. Interest Rate (First Day of Reporting Business Month)	0.05%	0.05%	0.02%	0.11%	0.07%	0.34%	0.38%	0.06%	0.06%	0.07%	0.09%	0.11%
6. Interest Rate (First Day of Subsequent Business Month)	0.05%	0.09%	0.11%	0.07%	0.04%	0.09%	0.06%	0.06%	0.07%	0.06%	0.11%	0.03%
7. Total of Beginning & Ending Interest Rates (Lines 5 + 6)	0.17%	0.17%	0.20%	0.18%	0.11%	0.12%	0.14%	0.12%	0.13%	0.15%	0.19%	0.19%
8. Average Interest Rate (Line 7 x 1/2) - Annual	0.065%	0.065%	0.100%	0.090%	0.055%	0.060%	0.070%	0.060%	0.065%	0.075%	0.095%	0.095%
9. Monthly Average Interest Rate (Line 8 x 1/12)	0.007%	0.007%	0.006%	0.009%	0.005%	0.005%	0.006%	0.005%	0.006%	0.006%	0.009%	0.009%
10. Interest Provision for the Month (Line 4 x Line 9)	\$25	\$62	\$65	\$92	\$59	\$74	\$98	\$92	\$105	\$122	\$147	\$156