State of Florida

Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: SEPTEMBER 1, 1999

TO: DIVISION OF ELECTRIC AND GAS (COLSON)

FROM: DENISE N. VANDIVER, DIVISION OF AUDITING AND FINANCIAL ANALYSIS DV

RE: DOCKET NO. 990002-EG - GULF POWER COMPANY
RESPONSE TO CONSERVATION AUDIT REPORT
HISTORICAL PERIOD FROM APRIL 1998 THROUGH DECEMBER 1998
AUDIT CONTROL NO. 99-062-1-2

Gulf Power Company submitted the attached comments regarding the recent environmental audit completed by the Bureau of Auditing. These comments are forwarded for your review.

Attachment

cc: Division of Records and Reporting
Division of Auditing and Financial Analysis (Devlin/Causseaux/Harvey/File Folder)
Tallahassee District Office (Hicks)
Division of Legal Services

Office of Public Counsel

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GULF POWER
A SOUTHERN COMPANY

August 26, 1999

Ms. Denise N. Vandiver
Bureau Chief – Auditing Services
Division of Auditing and Financial Analysis
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0865

Dear Ms. Vandiver:

RE: Docket No. [redacted]–[redacted] Audit Report
Conservation - Historical Period from April 1998 through December 1998
Audit Control [redacted]

Attached is Gulf Power Company's response to the above mentioned audit report.

Sincerely,

Susan D. Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Attachment

cc: Gulf Power Company
Linda C. Davis

Disclosure No. 1

Subject: End of Period Over (Under) Recovery.

Statement of Fact: The previous Conservation filing, for the period October, 1997, to March, 1998, stated that the Projected True-up was $977,179.97. The Adjusted Net True-up, which is Actual versus Estimated, was reported as being $167,207.93. In fact, the $977,179.97 is the actual end of period over recovery amount.

In Order No. PSC-98-1688-FOF-EG, page 2, the final True-up amount for Gulf Power was reported as an over recovery of $167,208. This amount is wrong and the subsequent factors found on page 3 are also wrong.

The Company used the correct amount of $977,179.97 as the beginning balance for the April, 1998 through December, 1998 period, and used the factors in the above Order.

Schedule CT2, page 1 of 1 shows the Est/Actual True-up adjustment as being $191,212, using the Company's amounts from this Schedule, the True-up should be $877,853 under recovery. The Schedule contains a mathematical error.

Recommendation: The beginning over recovery amount for this period should be reflected in the next ECCR order as being $977,179.97.

Company Response: The Company agrees that the beginning balance for the April through December, 1998 recovery period should be $977,179.97. The Company has reflected that on Schedule C-3, page 6 of 7 filed with M. D. Neyman's testimony and exhibit on October 12, 1998.

The math error on Schedule C-3, page 6 of 7 is in the estimated true-up. The final true-up, filed May 14, 1999, is correct and will be used to set the factors for 2000.

Factors for 1999 without the math error would have been higher, probably resulting in a larger over-recovery for the period, January through December, 1999.

Disclosure No. 2

Subject: Company Filing

Statement of Fact: The Company reversed an amount of $108.21 for April and $150.43 for May for the GOOD CENTS HOME program because the Company stated that these amounts related to a program that ended in March, 1998.

The Company charged $225 to ECCR, which was for an event called Golf Scramble 2. A review of supporting voucher did not show the amount to be Conservation related.

The Company miscalculated interest in the amount of $64.59.

Recommendation: The Company should increase the over recovery by $42.22 for the corrections for the Good Cents Home Program. ECCR expenses should be reduced by $225 for golf charges and interest should be reduced by $64.59.

Company Response: The Company agrees with the statement of fact with the exception that the amounts reversed were for the GoodCents Environmental Home program, not the GoodCents Home as stated. The Company will also take action to make the corrections as stated in the recommendation.

Disclosure No. 3

Subject: Advertising

Statement of Fact: A monthly fee is charged for advertising by Lewis Advertising. The company allocates an amount to ECCR based on estimates of the amount of ECCR advertising. During April 1998, the ECCR advertising fee in the amount of $12,114 was paid for January, February, and March 1998. During the test period, the Company also paid $7,938 for January, February, March 1999 for ECCR advertising. Thus the Company paid three months before the test period and three months after the test period. These amounts are related to a general fee, and are not related to any specific project.

Recommendation: This information is provided to the analyst to decide whether the fees are the proper amounts for the audit period. The amounts of the fee should relate to the period that rates are to be set.

Company Response: The agency fee invoices for the months of January – March 1998 were late in being billed and processed, therefore they were paid in April of 1998. The agency fee invoices for January – March of 1999 were billed and paid for in December of 1998. This early billing took place because of the large amount of work that usually takes place by the advertising agency in the first quarter of the year. By paying this in December, it would help to offset the agency's expenses and help cover the expense for their time involved in these projects. By paying January – March of 1999 in December 1998, only nine month's of the fee for 1999 will show up and be paid for during 1999 instead of 12 month's fee.

The monthly fee is distributed to specific program sub-accounts (both ECCR and non-ECCR) based on the budget and the amount of work that is estimated to take place in each program. The 1998 fee was distributed based on the 1998 budget and estimated 1998 work. The 1999 fee was distributed based on the 1999 budget and estimated 1999 work. Therefore, the amount of the fee charged to each sub-account does related the year in which the advertising fee was set.

Disclosure No. 4

Subject: Rebates paid for Conservation

Statement of Fact: The Company paid rebates in the amount of $2,520 for the conversion of gas to electric hot water heaters and charged this to ECCR. These amounts were paid during the period at the rebate amount of $140 each. There is no ECCR program that allows for these rebates.

In another two instances, rebates were paid for a replacement system to Trade Alley. This was paid in two invoices of $5,000 and $3,000. There does not appear to be any relation to the ECCR clause.

Recommendation: This amount should not be charged to ECCR. Expenses should be reduced by $10,520.

Company Response: The Company incorrectly charged $2,520 in an ECCR account for the conversion of 18 gas water heaters to electric water heaters. This amount should be deducted from the ECCR account.

The other two invoices of $5,000 and $3,000 were Trade Ally Rebates paid through our Geothermal Heating and Cooling Program as filed with the FPSC for ECCR. These are appropriate expenses as part of this approved program for the purpose of encouraging the installation of this high efficiency equipment by our key trade allies.

Disclosure No. 5

Subject: Program Activity

Statement of Fact: The Utility charged $16,360.86 for the program, In Concert With The Environment. The Company stated that the program was presented to no students during the test period. This program is supposed to be an environmental and energy awareness program that is being implemented in the 8^{th} and 9^{th} grade science classes. The program shows students how everyday energy use impacts the environment and how using energy wisely increases environmental quality.

Another program is entitled Duct Leakage repair. This program provides the customer with a means to identify house air duct leakage and recommends repairs that can reduce customer energy demand. No Duct Leakage Repair units were completed during the period.

Recommendation: These programs show no activity or completions during the period and these amounts should be reviewed as to whether the expense should be allowed.

Company Response: This charge of $16,360 for In Concert With The Environment represents labor charges for Gulf's commitment of personnel for the facilitation of this program in our public schools for 1998. Based on the previous success of this program, Gulf anticipated the participation of several N.W. Florida schools in this program in 1998, just as they had done in previous years. Based on this expectation, Gulf dedicated 20% of a staff employee's time to the promotion and delivery of this program in 1998, in addition to a minor amount of clerical time. During 1998 the program was announced and promoted to the principals of 17 high schools and middle schools, of which several had participated in the program in the past and had expressed an interest for it in the future.

Regrettably, none of those schools ultimately asked for the program to be implemented. As a result of this poor response, Gulf has not committed any staff time to this effort in 1999, but has materials on hand should a school contact us with interest in the program.

Disclosure No. 6

Subject: Legal Expense

Statement of Fact: The Company erroneously charged $926 to ECCR subaccount 1331.

Recommendation: This amount should be removed from the ECCR expenses.

Company Response: The Company found the error during the audit and brought it to the attention of the auditor. The Company agrees with the statement of fact and will take action to remove it from ECCR.