

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: July 20, 2021
TO: Office of Commission Clerk *DM by DA*
FROM: Dale Mailhot, Director, Office of Auditing and Performance Analysis
RE: Docket No.: 20210007-EI
Company Name: Gulf Power Company
Company Code: EI804
Audit Purpose: A3d: Environmental Cost Recovery Clause
Audit Control No: 2021-019-1-1

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.

DM/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
Environmental Cost Recovery Clause

Twelve Months Ended December 31, 2020

Docket No. 20210007-EI
Audit Control No. 2021-019-1-1
July 12, 2021

Handwritten signature of Debra Dobiac in black ink.

Debra Dobiac
Audit Manager

Handwritten signature of Marisa N. Glover in blue ink.

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 Engineering in its audit service request dated January 15, 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 2020 filing for the Environmental Cost Recovery Clause in Docket No. 20210007-EI.

The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to the Gulf Power Company.
ECRC refers to the Environmental Cost Recovery Clause.

Capital Investments

Utility Plant in Service

Objectives: The objective was to verify all ECRC project-related plant additions, retirements and adjustments for the period January 1, 2020, through December 31, 2020.

Procedure: We reconciled Plant in Service (Line 2) and Accumulated Depreciation (Line 3) to the general ledger for each capital project listed on the 2020 Form 42-8A. No exceptions were noted.

Construction Work in Progress

Objective: The objectives were to verify net investments associated with the following capital projects, and to determine whether any project which involved the replacement or retirement of an existing plant asset is retired at the installed costs by the Utility in accordance with Rule 25-6.0142(4)(b), Florida Administration Code (F.A.C.).

- 1) Project No. 1.6 Substation Contamination Remediation,
- 2) Project No. 1.17 Smith Water Conservation,
- 3) Project No. 1.19 Crist FDEP Agreement for Ozone Attainment,
- 4) And, Project No. 1.26 Air Quality Compliance Program.

Procedures: We reconciled Construction Work in Process Non-Interest Bearing amounts (Line 4) to the general ledger for each capital project listed on Form 42-8A. We selected a sample of capital project additions, and determined whether the additions were recorded to the correct project and account. We, also, determined whether items that were replaced had a corresponding retirement, which was recorded in accordance with Rule 5-6.0142(4) (b), F.A.C. No exceptions were noted.

Revenue

Operating Revenues

Objectives: The objectives were to determine the actual Kilowatt Hours (KWH) sold for the period January 1, 2020, through December 31, 2020, and whether the Utility applied the Commission approved cost recovery factor to actual KWH sales for the ECRC.

Procedures: We reconciled the 2020 filing to the Utility's monthly Environmental 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. This work product is contained in Docket No. 20210001-EI, Audit Control No. 2021-007-1-1. No exceptions were noted.

Expense

Operation and Maintenance Expense

Objectives: The objectives were to verify that Operation and Maintenance (O&M) expense listed on the Utility's Form 42-5A was supported by adequate documentation and that the expenses are appropriately recoverable through the ECRC.

Procedures: We reconciled the O&M expenses listed on Form 42-5A to the general ledger. We selected a sample of O&M expenses and traced the items to source documentation. We reviewed the invoices to ensure the expense was related to the ECRC and charged to the correct accounts. 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 on a test basis. We traced total year depreciation expense for selected capital project listed on Form 42-8A to the general ledger detail. No exceptions were noted.

Other Issues

Emission Allowances

Objectives: The objectives were to verify the SO₂, and NO_x emission allowance investments, inventory, expensed amounts, allowance auction proceeds, and to verify amounts included in Working Capital, Form 42-8A.

Procedures: We traced 20 consumption for emission allowances, net of gains on sales of emission allowances, from the Utility's detailed Allowances Reports to the Total Emissions Schedules on Form 42-8A. We reconciled the inventory amounts in the general ledger to the working capital calculation on Form 42-8A. No exceptions were noted.

True-up

Objective: The objective was to determine if the True-Up and Interest Provision as filed on Form 42-2A was properly calculated.

Procedures: We traced the December 31, 2019, True-Up Provision to the Commission Order. We recalculated the True-Up and Interest Provision amounts as of December 31, 2020, using the Commission approved beginning balance as of December 31, 2019, the Financial Commercial Paper rates, and the 2020 ECRC revenues and costs. No exceptions were noted.

Analytical Review

Objective: The objective was to perform an analytical review of the Utility's ECRC Revenues and Expenses to determine if there were any material changes or inconsistencies from the prior year.

Procedures: We compared 2020 to 2019 revenues and expenses. The Utility had no significant variances. Further follow-up was not required.

Audit Findings

None

Exhibit

Exhibit 1: True-Up

GULF POWER COMPANY
ENVIRONMENTAL COST RECOVERY CLAUSE
CALCULATION OF THE FINAL TRUE-UP AMOUNT FOR THE PERIOD

FORM 42-2A

JANUARY 2020 THROUGH DECEMBER 2020

	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	Total
1. ECRC Revenues (net of Revenue Taxes)	\$13,111,800	\$11,731,758	\$12,146,163	\$12,071,424	\$14,987,254	\$10,732,287	\$10,212,594	\$10,145,495	\$15,919,160	\$14,232,052	\$12,407,576	\$14,158,763	\$176,456,438
2. True-up Provision ^{1(a)}	\$542,141	\$542,142	\$542,142	\$542,142	\$542,142	\$542,142	\$542,142	\$542,142	\$542,142	\$542,142	\$542,142	\$542,142	\$6,505,703
3. ECRC Revenues Applicable to Period (Lines 1 + 2)	\$13,654,031	\$12,273,900	\$12,688,305	\$13,213,566	\$15,529,396	\$11,274,429	\$10,754,736	\$10,687,637	\$16,461,322	\$14,774,194	\$12,949,718	\$14,700,905	\$182,962,139
4. Jurisdictional ECRC Costs													
a. O&M Activities (Form 42-5A-2, Line 6)	\$2,069,656	\$1,461,904	\$2,497,378	\$1,283,000	\$3,168,728	(\$925,018)	\$2,434,820	\$2,242,194	\$1,076,935	\$1,583,506	\$3,140,787	\$1,801,539	\$21,853,888
b. Capital Investment Projects (Form 42-7A-2, Line 6)	\$13,146,097	\$13,265,775	\$13,256,888	\$13,249,879	\$13,237,770	\$13,289,348	\$13,452,154	\$13,477,717	\$13,497,353	\$12,525,384	\$11,559,737	\$11,627,248	\$155,585,146
c. Total Jurisdictional ECRC Costs	\$15,214,753	\$14,727,679	\$15,744,066	\$14,532,879	\$16,406,497	\$12,363,727	\$15,886,974	\$15,719,911	\$14,574,288	\$14,108,950	\$14,700,524	\$13,428,787	\$177,439,034
5. Over/(Under) Recovery (Line 3 - Line 4c)	(\$1,560,721)	(\$2,453,779)	(\$3,055,760)	(\$1,319,313)	(\$907,102)	\$4,910,701	\$3,867,762	\$3,967,727	\$1,887,034	\$665,244	(\$1,750,806)	\$1,272,117	\$5,523,105
6. Interest Provision (Form 42-3A, Line 10)	\$15,195	\$11,070	\$8,593	\$2,600	\$64	\$225	\$640	\$978	\$1,217	\$1,135	\$1,229	\$1,104	\$44,650
7. Prior Periods True-Up to be (Collected)/Refunded	\$6,505,703	\$4,361,178	\$1,376,027	(\$2,212,381)	(\$4,071,237)	(\$5,520,416)	(\$1,151,032)	\$2,174,628	\$5,001,190	\$6,947,300	\$7,071,538	\$4,779,819	\$6,505,703
a. Deferred True-Up (Form 42-1A, Line 7) ^{1(b)}	\$5,891,843	\$5,891,843	\$5,891,843	\$5,891,843	\$5,891,843	\$5,891,843	\$5,891,843	\$5,891,843	\$5,891,843	\$5,891,843	\$5,891,843	\$5,891,843	
8. True-Up Collected/(Refunded) (See Line 2)	(\$542,141)	(\$542,142)	(\$542,142)	(\$542,142)	(\$542,142)	(\$542,142)	(\$542,142)	(\$542,142)	(\$542,142)	(\$542,142)	(\$542,142)	(\$542,142)	(\$6,505,703)
9. End of Period True-Up (Lines 5+6+7+7a+8)	\$10,309,879	\$7,268,770	\$3,679,461	\$1,820,606	\$371,426	\$4,740,210	\$8,066,471	\$11,493,033	\$12,839,142	\$12,963,380	\$10,671,661	\$11,402,739	\$5,567,755
10. Adjustments to Period Total True-Up Including Interest	(\$56,859)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$56,859)
11. End of Period Total Net True-Up (Lines 9+10)	\$10,253,020	\$7,268,770	\$3,679,461	\$1,820,606	\$371,426	\$4,740,210	\$8,066,471	\$11,493,033	\$12,839,142	\$12,963,380	\$10,671,661	\$11,402,739	\$5,510,896

^{1(a)} As approved in Order No. PSC-2018-0594-FOF-EI issued December 20, 2018.

^{1(b)} From FPL's 2019 Final True-up filed on April 1, 2020.