

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**FUEL COST AND PURCHASED POWER COST
RECOVERY CLAUSE**

DOCKET NO. 030001-EI

**PREPARED DIRECT TESTIMONY AND
EXHIBIT OF
TERRY A. DAVIS**

FINAL TRUE-UP FOR THE PERIOD:

JANUARY - DECEMBER 2002 (Fuel)

JANUARY - DECEMBER 2002 (Capacity)

APRIL 1, 2003



A SOUTHERN COMPANY

03033 APR-18

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony of
4 Terry A. Davis
5 Docket No. 030001-EI
6 Fuel and Purchased Power Capacity Cost Recovery
7 Date of Filing: April 1, 2003

8 Q. Please state your name, business address and occupation.

9 A. My name is Terry Davis. My business address is One
10 Energy Place, Pensacola, Florida 32520-0780. I am the
11 senior Staff Accountant in the Rates and Regulatory
12 Matters Department of Gulf Power Company.

13 Q. Please briefly describe your educational background and
14 business experience.

15 A. I graduated from Mississippi College in Clinton,
16 Mississippi in 1979 with a Bachelor of Science Degree in
17 Business Administration and a major in Accounting.
18 Prior to joining Gulf Power, I was an accountant for a
19 seismic survey firm, Geophysical Field Surveys in
20 Jackson, Mississippi. In that capacity, I was
21 responsible for accounts receivable, accounts payable,
22 sales, use, and fuel tax returns, and various other
23 accounting activities. In 1986, I joined Gulf Power as
24 an Associate Accountant in the Plant Accounting
25 Department. Since then, I have held various positions

1 of increasing responsibility with Gulf in Accounts
2 Payable, Financial Reporting, and Cost Accounting. In
3 1993, I joined the Rates and Regulatory Matters area,
4 where I have participated in activities related to the
5 cost recovery clauses, the rate case, budgeting, and
6 other regulatory functions. In 1998, I was promoted to
7 my current position, which includes preparation and
8 coordination of the Company's Fuel, Capacity and
9 Environmental Cost Recovery Clause filings,
10 administration of Gulf's retail tariff, and review of
11 other regulatory filings submitted by the Company.

12
13 Q. Have you prepared an exhibit that contains information
14 to which you will refer in your testimony?

15 A. Yes, I have.

16 Counsel: We ask that Ms. Davis' Exhibit
17 consisting of four schedules be
18 marked as Exhibit No. _____ (TAD-1).

19
20 Q. Are you familiar with the Fuel and Purchased Power
21 (Energy) true-up calculations for the period of January
22 2002 through December 2002 and the Purchased Power
23 Capacity Cost true-up calculations for the period of
24 January 2002 through December 2002 set forth in your
25 exhibit?

1 A. Yes. These documents were prepared under my direction.

2

3 Q. Have you verified that to the best of your knowledge and
4 belief, the information contained in these documents is
5 correct?

6 A. Yes, I have.

7

8 Q. What is the amount to be refunded or collected through
9 the fuel cost recovery factor in the period January 2004
10 through December 2004?

11 A. A net amount to be refunded of \$1,056,921 was calculated
12 as shown on Schedule 1 of my exhibit.

13

14 Q. How was this amount calculated?

15 A. The \$1,056,921 was calculated by taking the difference
16 in the estimated January 2002 through December 2002
17 under-recovery of \$16,703,076 and the actual under-
18 recovery of \$15,646,155, which is the sum of the Period-
19 to-Date amounts on lines 7, 8, and 12 shown on
20 Schedule A-2, page 2, of the monthly filing for December
21 2002. The estimated true-up amount for this period was
22 approved in Order No. PSC-02-1761-FOF-EI dated
23 December 13, 2002. Additional details supporting the
24 approved estimated true-up amount are included on
25 Schedule E1-A filed August 20, 2002.

1 Q. Ms. Davis has the estimated benchmark level for gains on
2 non-separated wholesale energy sales eligible for a
3 shareholder incentive been updated for 2003?

4 A. Yes, it has.

5

6 Q. What is the actual threshold for 2003?

7 A. Based on actual data for 2000, 2001, and now 2002, the
8 threshold is calculated to be \$1,405,575.

9

10 Q. What incremental hedging support costs related to
11 administering Gulf's recently approved hedging program
12 is Gulf seeking to recover for 2002?

13 A. Gulf is not seeking to recover any incremental hedging
14 support costs related to administering its recently
15 approved hedging program for the 2002 recovery period.

16

17 Q. Is Gulf seeking to recover any gains or losses from
18 hedging settlements in the 2002 recovery period?

19 A. Yes. On the December 2002 Fuel Schedule A-1, Period to
20 Date, Gulf has recorded a net gain of \$238,750 related
21 to hedging activities in 2002. Mr. Ball will address
22 the details of those hedging activities in his
23 testimony.

24

25

1 Q. Ms. Davis, you stated earlier that you are responsible
2 for the Purchased Power Capacity Cost true-up
3 calculation. Which schedules of your exhibit relate to
4 the calculation of these factors?

5 A. Schedules CCA-1, CCA-2, and CCA-3 of my exhibit relate
6 to the Purchased Power Capacity Cost true-up calculation
7 for the period January 2002 through December 2002.

8
9 Q. What is the amount to be refunded or collected in the
10 period January 2004 through December 2004?

11 A. An amount to be refunded of \$193,696 was calculated as
12 shown in Schedule CCA-1, of my exhibit.

13

14 Q. How was this amount calculated?

15 A. The \$193,696 was calculated by taking the difference in
16 the estimated January 2002 through December 2002 over-
17 recovery of \$353,333 and the actual over-recovery of
18 \$547,029, which is the sum of lines 12 and 13 under the
19 total column of Schedule CCA-2. The estimated true-up
20 amount for this period was approved in Order No. PSC-02-
21 1761-FOF-EI dated December 13, 2002. Additional details
22 supporting the approved estimated true-up amount are
23 included on Schedule CCE-1A filed August 20, 2002.

24

25

1 Q. Please describe Schedules CCA-2 and CCA-3 of your
2 exhibit.

3 A. Schedule CCA-2 shows the calculation of the actual over-
4 recovery of purchased power capacity costs for the
5 period January 2002 through December 2002. Schedule
6 CCA-3 of my exhibit is the calculation of the interest
7 provision on the over-recovery for the period January
8 2002 through December 2002. This is the same method of
9 calculating interest that is used in the Fuel and
10 Purchased Power (Energy) Cost Recovery Clause and the
11 Environmental Cost Recovery Clause.

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13 Q. Ms. Davis, does this complete your testimony?

14 A. Yes, it does.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 030001-EI

Before me the undersigned authority, personally appeared Terry A. Davis, who being first duly sworn, deposes, and says that she is the senior Staff Accountant in the Rates and Regulatory Matters Department of Gulf Power Company, a Maine corporation, that the foregoing is true and correct to the best of her knowledge, information, and belief. She is personally known to me.

Terry A. Davis
Terry A. Davis
Staff Accountant

Sworn to and subscribed before me this 31st day of March,
2003.

Linda C. Webb
Notary Public, State of Florida at Large



LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 2006
Comm. No: DD 110088

Florida Public Service Commission
Docket No. 030001-EI
GULF POWER COMPANY
Witness: T. A. Davis
Exhibit No. _____ (TAD-1)
Schedule 1

**GULF POWER COMPANY
FUEL COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP
January 2002 - December 2002**

1. Estimated over/(under) - recovery for the period
January 2002 - December 2002
(Schedule E1-A approved in Order No.
PSC-02-1761-FOF-EI dated December 13, 2002) \$ (16,703,076)

2. Actual over/(under)-recovery for the period
January 2002 - December 2002
(DECEMBER 2002 Schedule A-2, Pg. 2 of 3,
"Period-to-Date", Lines 7, 8 and 12) (15,646,155)

3. Amount to be refunded/(recovered) in the
JANUARY 2004 - DECEMBER 2004
projection period (Line 2 - Line 1) \$ 1,056,921

Florida Public Service Commission
Docket No. 030001-EI
GULF POWER COMPANY
Witness: T. A. Davis
Exhibit No. _____ (TAD -1)
SCHEDULE CCA-1

**GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
JANUARY 2002 - DECEMBER 2002**

1. Estimated over/(under)-recovery for the period JANUARY 2002 - DECEMBER 2002 (Schedule CCE-1a approved in Order No. PSC-02-1761-FOF-EI dated December 13, 2002)	\$ 353,333
2. Actual over/(under)-recovery for the period JANUARY 2002 - DECEMBER 2002 (Schedule CCA-2 Line 12+13 in the Total column)	<u>547,029</u>
3. Amount to be refunded/(recovered) in the JANUARY 2004 - DECEMBER 2004 projection period (Line 2 - Line 1)	<u>\$ 193,696</u>

SCHEDULE CCA-2

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD JANUARY 2002 - DECEMBER 2002

	ACTUAL 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. IIC Payments / (Receipts) (\$)	1,779,853	589,191	562,056	206,628	(222,830)	(288,616)	(53,638)	(204,405)	472,523	(46,522)	(56,062)	2,576	2,740,754
2. Transmission Revenue (\$)	(7,179)	(5,956)	(8,590)	(22,368)	(14,271)	(20,840)	(31,540)	(20,755)	(24,234)	(34,348)	(56,301)	(54,984)	(301,366)
3. Capacity Payments to Solutia (\$)	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	746,424
4. Total Capacity Payments/(Receipts) (Line 1 + 2 + 3) (\$)	1,834,876	645,437	615,668	246,462	(174,899)	(247,254)	(22,976)	(162,958)	510,491	(18,668)	(50,161)	9,794	3,185,812
5. Jurisdictional %	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747
6. Jurisdictional Capacity Payments / (Receipts) (Line 3 x 4) (\$)	1,770,792	622,894	594,166	237,854	(168,790)	(238,619)	(22,173)	(157,265)	492,662	(18,016)	(48,409)	9,453	3,074,549
7. Amount Included in Retail Base Rate Revenues (\$)	(137,666)	(137,666)	(137,666)	(137,667)	(137,667)	(17,728)							(706,060)
8. Total Jurisdictional Recovery Amount (Line 5 - 6) (\$)	1,908,458	760,560	731,832	375,521	(31,123)	(220,891)	(22,173)	(157,265)	492,662	(18,016)	(48,409)	9,453	3,780,609
9. Jurisdictional Capacity Cost Recovery Revenue Net of Taxes (\$)	53,654	165,620	175,156	176,597	212,302	231,884	258,216	247,899	232,587	204,556	164,159	368,808	2,491,438
10. True-Up Provision (\$)	154,687	154,687	154,687	154,687	154,687	154,687	154,687	154,687	154,687	154,688	154,688	154,688	1,856,247
11. Jurisdictional Capacity Cost Recovery Revenue (Line 9 + 10) (\$)	208,341	320,307	329,843	331,284	366,989	386,571	412,903	402,586	387,274	359,244	318,847	523,496	4,347,685
12. Over/(Under) Recovery (Line 11 - 8) (\$)	(1,700,117)	(440,253)	(401,989)	(44,237)	398,112	607,462	435,076	559,851	(105,388)	377,260	367,256	514,043	567,076
13. Interest Provision (\$)	162	(1,636)	(2,504)	(3,066)	(3,012)	(2,506)	(1,950)	(1,439)	(1,349)	(1,354)	(906)	(487)	(20,047)
14. Beginning Balance True-Up & Interest Provision (\$)	1,036,739	(817,903)	(1,414,479)	(1,973,659)	(2,175,649)	(1,935,236)	(1,484,967)	(1,206,528)	(802,803)	(1,064,227)	(843,009)	(631,347)	1,036,739
15. True-Up Collected/(Refunded) (\$)	(154,687)	(154,687)	(154,687)	(154,687)	(154,687)	(154,687)	(154,687)	(154,687)	(154,687)	(154,688)	(154,688)	(154,688)	(1,856,247)
16. End Of Period Total Net True-Up (Lines 12 + 13 + 14 + 15) (\$)	(817,903)	(1,414,479)	(1,973,659)	(2,175,649)	(1,935,236)	(1,484,967)	(1,206,528)	(802,803)	(1,064,227)	(843,009)	(631,347)	(272,479)	

**GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD JANUARY 2002 - DECEMBER 2002**

	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	TOTAL
1. Beginning True-Up Amount (\$)	1,036,739	(817,903)	(1,414,479)	(1,973,659)	(2,175,649)	(1,935,236)	(1,484,967)	(1,206,528)	(802,803)	(1,064,227)	(843,009)	(631,347)	
2. Ending True-Up Amount Before Interest (\$)	(818,065)	(1,412,843)	(1,971,155)	(2,172,583)	(1,932,224)	(1,482,461)	(1,204,578)	(801,364)	(1,062,878)	(841,655)	(630,441)	(272,965)	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	218,674	(2,230,746)	(3,385,634)	(4,146,242)	(4,107,873)	(3,417,697)	(2,689,545)	(2,007,892)	(1,865,681)	(1,905,882)	(1,473,450)	(904,312)	
4. Average True-Up Amount (\$)	109,337	(1,115,373)	(1,692,817)	(2,073,121)	(2,053,937)	(1,708,849)	(1,344,773)	(1,003,946)	(932,841)	(952,941)	(736,725)	(452,156)	
5. Interest Rate - First Day of Reporting Business Month	0.017800	0.017700	0.017500	0.018000	0.017500	0.017700	0.017500	0.017300	0.017100	0.017600	0.016500	0.013000	
6. Interest Rate - First Day of Subsequent Business Month	0.017700	0.017500	0.018000	0.017500	0.017700	0.017500	0.017300	0.017100	0.017600	0.016500	0.013000	0.012900	
7. Total Interest Rate (Lines 5 + 6)	0.035500	0.035200	0.035500	0.035500	0.035200	0.035200	0.034800	0.034400	0.034700	0.034100	0.029500	0.025900	
8. Average Interest Rate	0.017750	0.017600	0.017750	0.017750	0.017600	0.017600	0.017400	0.017200	0.017350	0.017050	0.014750	0.012950	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.001479	0.001467	0.001479	0.001479	0.001467	0.001467	0.001450	0.001433	0.001446	0.001421	0.001229	0.001079	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	162	(1,636)	(2,504)	(3,066)	(3,012)	(2,506)	(1,950)	(1,439)	(1,349)	(1,354)	(906)	(487)	(20,047)