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Public Service Commission

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COMMISSION
CLERK

DATE: August 9, 2004

TO: Lee Colson, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief, Bureau of Auditing
Division of Regulatory Compliance and Consumer Assistance

RE: **Docket No.** 040002-EG ; **Company Name:** Gulf Power Co. ; **Audit Purpose:** Energy Conservation Cost Recovery Clause ;
Audit Control No. 04-070-1-1

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 the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

- CMP _____ Ms. Susan D. Ritenour, Assistant Secretary
- COM _____ Gulf Power company
- CTR _____ One energy Place
- ECR _____ Pensacola, FL 32520-0780
- GCL _____ Mr. Ronnie Labrato
- OPC _____ Chief Financial Officer & Comptroller
- MMS _____ Gulf Power Company
- RCA _____ One Energy Place
- SCR _____ Pensacola, FL 32520
- SEC 1 Beggs & Lane Law Firm
- OTH _____ Jeffery Stone/Russell Badders
- _____ P. O. box 12950
- _____ Pensacola, FL 32591-2950



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tallahassee District Office


GULF POWER COMPANY

ENERGY CONSERVATION COST RECOVERY AUDIT


TWELVE MONTH PERIOD ENDED DECEMBER 31, 2003

DOCKET NO. 040002-EG

AUDIT CONTROL NO. 04-070-1-1



Joseph Perdue, Audit Manager



Lynn M. Deamer, Audit Supervisor

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**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
AUDITOR'S REPORT**

July 26, 2004

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Energy Conservation Cost Recovery (ECCR) True Up Filing for the historical 12-month period ended December 31, 2003. These schedules were prepared by the utility as part of its petition filed in Docket No. 040002-EG. There is no confidential information associated with this audit.

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.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, 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. The following definitions apply when used in this report:

Scanned - The documents or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

CONSERVATION EXPENSES: Audit Staff examined the exhibit amounts and visually scanned the supporting accounts for error or inconsistency. Audit Staff determined what advertising costs were charged to conservation. Audit Staff reviewed all advertising invoices associated with the programs and determined advertising costs were directly related to conservation. Audit Staff verified that none of the programs filed for recoveries were based on a comparison of Electric vs. Gas Technologies. Audit Staff scanned Salary & Benefits amounts for Demand Side Management programs and determined allocation methodology.

CONSERVATION REVENUES: Audit procedures related to Revenues were performed in the Environmental Cost Recovery Clause audit, Audit Control Number **04-044-1-1**.

ACCOUNTS PAYABLE: Audit Staff performed a judgmental sample of random reference number from within selected FERC accounts. Audit Staff reviewed the supporting documentation provided by the Company to support the sample.

OTHER: Recomputed the true-up and interest provision for the twelve month period ending December 31, 2003 from the filing and traced to the beginning true-up in the prior filing. Traced the interest rates used in the calculation to the 30 Day Commercial Paper Rate. Compiled the interest provision.

GULF POWER COMPANY

ENERGY CONSERVATION ADJUSTMENT
CALCULATION OF OVER/UNDER RECOVERY
For the Period: January, 2003 through December, 2003

Conservation Revenues	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Good Cents Select RSVP Fees	21,934.80	21,150.30	19,599.90	19,432.78	22,469.91	26,521.02	26,950.78	29,224.94	30,089.83	28,542.20	25,903.41	25,480.10	299,299.95
2. Conservation Adjustment Revenues	540,204.23	418,349.09	435,941.96	458,470.02	574,711.16	602,988.99	634,597.38	640,768.19	566,785.57	472,075.88	444,173.71	574,244.13	6,363,320.31
3. Total Revenues	562,139.03	439,499.39	455,541.86	477,902.78	597,181.07	629,520.01	663,548.16	669,993.13	596,875.40	500,618.08	470,077.12	599,724.23	6,662,620.26
4. Adjustment not Applicable to Period - Prior True Up	11,800.83	11,800.83	11,800.83	11,800.83	11,800.83	11,800.83	11,800.83	11,800.83	11,800.83	11,800.83	11,800.83	11,800.87	141,610.00
5. Conservation Revenues Applicable to Period	573,939.86	451,300.22	467,342.69	489,703.61	608,981.90	641,320.84	675,349.99	681,793.96	608,676.23	512,418.91	481,877.95	611,525.10	6,804,230.26
6. Conservation Expenses (CT-3, Page 3, Line 12)	411,209.23	339,911.56	606,482.28	491,166.13	524,296.81	591,884.03	523,650.58	652,006.41	516,193.47	1,108,461.99	781,551.77	766,217.11	7,313,033.37
7. True Up this Period (Line 5 - 6)	162,730.63	111,388.66	(139,139.59)	(1,462.52)	84,683.09	49,436.81	151,698.41	29,787.55	92,482.76	(596,043.08)	(299,673.82)	(154,692.01)	(508,803.11)
8. Interest Provision this Period (CT-3, Page 5, Line 10)	606.96	729.66	678.34	581.18	618.93	621.39	652.75	741.83	789.58	554.82	146.89	(57.39)	8,664.96
9. True Up & Interest Provision Beginning of Month	493,580.68	645,117.46	745,434.94	595,172.87	582,490.69	655,991.89	694,249.25	834,799.59	853,528.14	934,999.65	327,710.56	16,382.80	493,580.68
10. Prior True Up Collected or Refunded	(11,800.83)	(11,800.83)	(11,800.83)	(11,800.83)	(11,800.83)	(11,800.83)	(11,800.83)	(11,800.83)	(11,800.83)	(11,800.83)	(11,800.83)	(11,800.87)	(141,610.00)
11. End of Period- Net True Up	645,117.46	745,434.94	595,172.87	582,490.69	655,991.89	694,249.25	834,789.59	853,528.14	934,999.65	327,710.56	16,382.80	(150,167.47)	(150,167.47)

GULF POWER COMPANY
COMPUTATION OF INTEREST EXPENSE
ENERGY CONSERVATION ADJUSTMENT
For the Period: January, 2003 through December, 2003

Interest Provision	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1. Beginning True up Amount	493,580.68	645,117.46	745,434.94	595,172.87	582,460.69	655,991.89	694,249.25	834,799.59	853,528.14	934,999.65	327,710.56	16,382.80	
2. Ending True up before Interest	644,510.48	744,705.28	594,494.53	581,909.51	655,372.96	693,627.86	834,146.84	852,786.31	934,210.07	327,155.74	16,235.91	(150,110.08)	
3. Total beginning & ending	1,138,091.15	1,389,822.74	1,339,929.47	1,177,082.38	1,237,863.65	1,349,619.75	1,528,396.09	1,687,585.89	1,787,738.20	1,262,155.38	343,946.46	(133,727.28)	
4. Average True up Amount	589,045.58	694,911.37	669,964.74	588,541.19	618,931.83	674,809.88	764,198.05	843,792.95	893,869.10	631,077.69	171,973.23	(66,863.64)	
5. Interest Rate First Day Reporting Business Month	1.2900	1.2700	1.2500	1.1800	1.1900	1.2100	1.0000	1.0500	1.0600	1.0600	1.0500	1.0000	
6. Interest Rate First Day Subsequent Business Month	1.2700	1.2500	1.1800	1.1900	1.2100	1.0000	1.0500	1.0600	1.0600	1.0500	1.0000	1.0600	
7. Total of Lines 5 and 6	2.5600	2.5200	2.4300	2.3700	2.4000	2.2100	2.0500	2.1100	2.1200	2.1100	2.0500	2.0600	
8. Average Interest rate (50% of Line 7)	1.2800	1.2600	1.2150	1.1850	1.2000	1.1050	1.0250	1.0550	1.0600	1.0550	1.0250	1.0300	
9. Monthly Average Interest Rate	0.001067	0.001050	0.001013	0.000988	0.001000	0.000821	0.000854	0.000879	0.000883	0.000879	0.000854	0.000858	
Line 8 \ 12													
10. Interest Provision (Line 4 X 9)	606.98	729.66	678.34	581.18	618.93	621.39	652.75	741.83	789.58	554.82	146.89	(57.39)	6,664.96