

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: May 25, 2005
TO: Daniel Lee, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing *D*
Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.:** 050001-EI; **Company Name:** Gulf Power Co.; **Audit Purpose:**
Capacity Cost Recovery Audit **Audit Control No.:** 05-031-1-1

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

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tallahassee District Office

GULF POWER COMPANY

CAPACITY COST RECOVERY AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2004

DOCKET NO. 050001-EI

AUDIT CONTROL NO. 05-031-1-1

Michael Buckley
Michael Buckley, Audit Staff

Lynn M. Deamer
Lynn M. Deamer, Audit Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	PURPOSE.....	1
	DISCLAIM PUBLIC USE.....	1
	SUMMARY OF SIGNIFICANT PROCEDURES.....	2
II.	EXHIBITS	
	TRUE UP.....	3
	INTEREST PROVISION	4

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

April 16, 2005

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Capacity Cost Recovery Clause schedules for the 12-month period ending December 31, 2004 for Gulf Power Company. These schedules were prepared by the Utility as part of its support for cost recovery in Docket No. 050001-EI.

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 Utility. 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.

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

CAPACITY REVENUE: Revenue was audited in the fuel audit, Docket 050001, Audit Control Number 05-028-1-1. No exceptions were found.

TRANSMISSION REVENUE: Scanned Utility filed schedules and supporting documents. Compiled and verified Transmission Revenue filed on Line No. 4 of Schedule CCA-2. Recalculated Projected Transmission Revenues used in true-up for the 2004 recovery period. Verified that the true-up and the recoverable Net Purchased Power Capacity cost are included in the recovery factors for 2004 to appropriately and consistently credit Transmission Revenues to retail ratepayers.

CAPACITY EXPENSE: Scanned Utility filed schedules and IIC invoices for 12 months ended December 31, 2004. Obtained a list of all recoverable cost through the capacity cost recovery clause. Scanned capacity contracts with contract or other adjustments recovered in the Capacity Clause for appropriate account. Verified the payments to Solutia complied with the contract between the Utility and Solutia. Verified January, February, and August IIC Payments/(Receipts) amounts filed on Line No. 1 of Schedule CCA-2 to general ledger and IIC invoices.

TRUE-UP: Determined the total capacity cost recovery true-up. Obtained the beginning True-Up from the prior audit work paper. Obtained the approved interest rates based on the Wall Street Journal. Recomputed True-Up Interest Provision. Verified the Jurisdictional percent. Recomputed the true-up.

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD JANUARY 2004 - DECEMBER 2004

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. IIC Payments / (Receipts) (\$)	1,265,929	353,640	484,415	7,329	41,220	1,892,176	5,405,203	5,335,718	2,577,808	202,331	57,745	149,470	17,712,984
2. 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
3. Total Capacity Costs (\$) (Line 1 + 2)	1,328,131	415,842	546,617	69,531	103,422	1,894,378	5,467,405	5,397,920	2,640,010	264,533	119,947	211,672	18,459,408
4. Transmission Revenue (\$)	(58,915)	(37,118)	(31,779)	(15,372)	(28,687)	(20,082)	(14,323)	(12,261)	(30,861)	(21,719)	(12,894)	(13,322)	(295,313)
5. Total Capacity Payments/(Receipts) (Line 3 + 4) (\$)	1,271,216	378,724	514,838	54,159	74,735	1,874,316	5,453,082	5,385,659	2,609,149	242,814	107,053	198,350	18,164,095
6. Jurisdictional %	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187
7. Total Jurisdictional Recovery Amount (Line 5*6) (\$)	1,226,747	365,476	496,828	52,264	72,121	1,806,750	5,282,326	5,197,262	2,517,878	234,320	103,308	191,411	17,528,691
8. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	1,804,799	1,383,330	1,254,537	1,241,363	1,611,324	1,792,731	1,982,884	1,871,730	1,317,546	1,519,748	1,233,963	1,636,255	18,460,210
9. True-Up Provision (\$)	104,381	104,381	104,381	104,381	104,381	104,381	104,381	104,381	104,381	104,381	104,381	104,381	1,252,572
10. Jurisdictional Capacity Cost Recovery Revenue (Line 8 + 9) (\$)	1,708,160	1,487,711	1,358,918	1,345,744	1,715,705	1,897,112	2,097,265	1,976,111	1,421,927	1,624,129	1,338,344	1,740,636	19,712,782
11. Over/(Under) Recovery (Line 10 - 7) (\$)	482,433	1,122,236	862,090	1,293,480	1,643,584	88,362	(3,165,081)	(3,221,151)	(1,095,951)	1,389,809	1,235,036	1,549,225	2,184,091
12. Interest Provision (\$)	2,173	2,676	3,337	4,240	5,547	7,108	8,490	2,908	16	84	2,188	4,849	41,614
13. Beginning Balance True-Up & Interest Provision (\$)	2,306,352	2,686,577	3,707,107	4,488,153	5,661,492	7,206,242	7,197,331	3,934,379	611,753	(588,563)	696,949	1,829,792	2,306,352
14. True-Up Collected/(Refunded) (\$)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(1,252,572)
15. End of Period Total Net True-Up (Lines 11 + 12 + 13 + 14) (\$)	2,686,577	3,707,107	4,466,153	5,661,492	7,206,242	7,197,331	3,934,379	611,753	(588,563)	696,949	1,829,792	3,279,485	3,279,485

SCHEDULE CCA-3

GULF POWER COMPANY
 PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
 CALCULATION OF INTEREST PROVISION
 FOR THE PERIOD JANUARY 2004 - DECEMBER 2004

	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 (\$)	2,306,352	2,686,577	3,707,107	4,468,153	5,661,492	7,206,242	7,197,331	3,934,379	611,753	(588,563)	696,949	1,829,792	
2. Ending True-Up Amount Before Interest (\$)	2,684,404	3,704,431	4,464,816	5,657,252	7,200,695	7,190,223	3,927,889	608,847	(588,579)	696,865	1,827,604	3,274,636	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	4,990,756	6,391,008	8,171,923	10,125,405	12,862,187	14,386,465	11,125,220	4,543,226	23,174	108,302	2,524,553	5,104,428	
4. Average True-Up Amount (\$)	2,495,378	3,195,504	4,085,962	5,062,703	6,431,094	7,198,233	5,562,610	2,271,613	11,587	54,151	1,262,277	2,552,214	
5. Interest Rate - First Day of Reporting Business Month	0.010600	0.010300	0.009800	0.009800	0.010300	0.010400	0.013300	0.014700	0.016000	0.017700	0.019400	0.022200	
6. Interest Rate - First Day of Subsequent Business Month	0.010300	0.009800	0.009800	0.010300	0.010400	0.013300	0.014700	0.016000	0.017700	0.019400	0.022200	0.023400	
7. Total Interest Rate (Lines 5 + 6)	0.020900	0.020100	0.019600	0.020100	0.020700	0.023700	0.028000	0.030700	0.033700	0.037100	0.041600	0.045600	
8. Average Interest Rate	0.010450	0.010050	0.009800	0.010050	0.010350	0.011850	0.014000	0.015350	0.016850	0.018550	0.020800	0.022800	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.000871	0.000838	0.000817	0.000838	0.000853	0.000988	0.001167	0.001279	0.001404	0.001546	0.001733	0.001900	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	2,173	2,678	3,337	4,240	5,547	7,108	6,490	2,906	16	84	2,188	4,849	41,614