

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 060001-EI

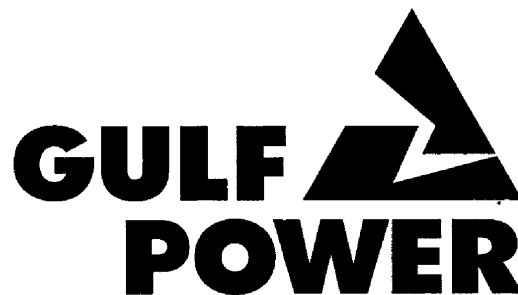
**PREPARED DIRECT TESTIMONY AND
EXHIBIT OF
TERRY A. DAVIS**

FINAL TRUE-UP FOR THE PERIOD:

JANUARY – DECEMBER 2005 (Fuel)

JANUARY – DECEMBER 2005 (Capacity)

FILED MARCH 1, 2006



A SOUTHERN COMPANY

DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLEAR

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GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony and Exhibit of
Terry A. Davis
Docket No. 060001-EI
Fuel and Purchased Power Capacity Cost Recovery
Date of Filing: March 1, 2006

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

A. My name is Terry Davis. My business address is One Energy Place, Pensacola, Florida 32520-0780. I am the Supervisor of Treasury and Regulatory Matters at Gulf Power Company.

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

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

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FPSC-COMMISSION CLERK

1 of increasing responsibility with Gulf Power 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 with increasing responsibility
5 in activities related to the cost recovery clauses, the
6 rate case, budgeting, and other regulatory functions.
7 In 2003, I was promoted to my current position.

8 My responsibilities now include supervision of:
9 tariff administration, cost of service activities,
10 calculation of cost recovery factors, the regulatory
11 filing function of the Rates and Regulatory Matters
12 Department, and various treasury activities.

13

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

16 A. Yes, I have.

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

20

21 Q. Are you familiar with the Fuel and Purchased Power
22 (Energy) true-up calculations for the period of January
23 2005 through December 2005 and the Purchased Power
24 Capacity Cost true-up calculations for the period of

25

1 January 2005 through December 2005 set forth in your
2 exhibit?

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

4

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

8 A. Yes, I have.

9

10 Q. What is the amount to be refunded or collected through
11 the fuel cost recovery factors in the period January
12 2007 through December 2007?

13 A. A net amount to be collected of \$20,174,117 was
14 calculated as shown on Schedule 1 of my exhibit.

15

16 Q. How was this amount calculated?

17 A. The \$20,174,117 was calculated by taking the difference
18 in the estimated January 2005 through December 2005
19 under-recovery of \$30,102,348 and the actual under-
20 recovery of \$50,276,465, which is the sum of the Period-
21 to-Date amounts on lines 7 and 8 shown on Schedule A-2,
22 page 2, of the monthly filing for December 2005. The
23 estimated true-up amount for this period was approved in
24 Order No. PSC-05-1252-FOF-EI dated December 23, 2005.
25 Additional details supporting the approved estimated

1 true-up amount are included on revised Schedule E1-A
2 filed September 16, 2005.

3

4 Q. Ms. Davis has the estimated benchmark level for gains on
5 non-separated wholesale energy sales eligible for a
6 shareholder incentive been updated for 2006?

7 A. Yes, it has.

8

9 Q. What is the actual threshold for 2006?

10 A. Based on actual data for 2003, 2004, and now 2005, the
11 threshold is calculated to be \$3,546,453.

12

13 Q. The Commission approved Gulf's hedging program in
14 October 2002. What incremental hedging support costs
15 related to administering Gulf's approved hedging program
16 is Gulf seeking to recover for 2005?

17 A. Gulf has included \$43,640 as shown on the December 2005
18 Period-to-Date Schedule A-1 for incremental hedging
19 support costs related to administering the approved
20 hedging program during the 2005 recovery period.

21

22 Q. Is Gulf seeking to recover any gains or losses from
23 hedging settlements in the 2005 recovery period?

24 A. Yes. On the December 2005 Fuel Schedule A-1, Period to
25 Date, Gulf has recorded a net gain of \$22,571,977
26 related to hedging activities in 2005. Mr. Ball will

1 address the details of those hedging activities in his
2 testimony.

3

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

8 A. Schedules CCA-1, CCA-2, CCA-3 and CCA-4 of my exhibit
9 relate to the Purchased Power Capacity Cost Recovery
10 true-up calculation for the period January 2005 through
11 December 2005.

12

13 Q. What is the amount to be refunded or collected in the
14 period January 2007 through December 2007?

15 A. An amount to be refunded of \$112,632 was calculated as
16 shown in Schedule CCA-1, of my exhibit.

17

18 Q. How was this amount calculated?

19 A. The \$112,632 was calculated by taking the difference in
20 the estimated January 2005 through December 2005 over-
21 recovery of \$913,842 and the actual over-recovery of
22 \$1,026,474, which is the sum of lines 11 and 12 under
23 the total column of Schedule CCA-2. The estimated true-
24 up amount for this period was approved in Order No. PSC-
25 05-1252-FOF-EI dated December 23, 2005. Additional

1 details supporting the approved estimated true-up amount
2 are included on Schedule CCE-1A filed September 16,
3 2005.

4
5 Q. Please describe Schedules CCA-2 and CCA-3 of your
6 exhibit.

7 A. Schedule CCA-2 shows the calculation of the actual over-
8 recovery of purchased power capacity costs for the
9 period January 2005 through December 2005. Schedule
10 CCA-3 of my exhibit is the calculation of the interest
11 provision on the over-recovery for the period January
12 2005 through December 2005. This is the same method of
13 calculating interest that is used in the Fuel and
14 Purchased Power (Energy) Cost Recovery Clause and the
15 Environmental Cost Recovery Clause.

16
17 Q. Please describe Schedule CCA-4 of your exhibit.

18 A. Schedule CCA-4 provides additional details related to
19 Lines 1 and 2 of Scheduled CCA-2. This information is
20 provided as a result of Staff's request.

21
22 Q. Ms. Davis, does this complete your testimony?

23 A. Yes, it does.

24
25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 060001-EI

Before me the undersigned authority, personally appeared Terry A. Davis, who being first duly sworn, deposes, and says that she is the Supervisor of Treasury and Regulatory Matters of Gulf Power Company, a Florida 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
Supervisor of Treasury and Regulatory Matters

Sworn to and subscribed before me this 16th day of February, 2006.

Brame Nye Holsinger
Notary Public, State of Florida at Large



Florida Public Service Commission
Docket No. 060001-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 2005 - December 2005**

1. Estimated over/(under) - recovery for the period
January 2005 - December 2005
(Schedule E1-A approved in Order No.
PSC-05-1252-FOF-EI dated December 23, 2005) \$ (30,102,348)

2. Actual over/(under)-recovery for the period
January 2005 - December 2005
(DECEMBER 2005 Schedule A-2, Pg. 2 of 3,
"Period-to-Date", Lines 7 + 8) (50,276,465)

3. Amount to be refunded/(recovered) in the
JANUARY 2007 - DECEMBER 2007
projection period (Line 2 - Line 1) \$ (20,174,117)

Florida Public Service Commission
Docket No. 060001-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 2005 - DECEMBER 2005**

- | | |
|--|-------------------|
| 1. Estimated over/(under)-recovery for the period
JANUARY 2005 - DECEMBER 2005
(Schedule CCE-1a approved in Order No.
PSC-05-1252-FOF-EI dated December 23, 2005) | \$ 913,842 |
| 2. Actual over/(under)-recovery for the period
JANUARY 2005 - DECEMBER 2005
(Schedule CCA-2 Line 11 + 12 in the Total column) | <u>1,026,474</u> |
| 3. Amount to be refunded/(recovered) in the
JANUARY 2007 - DECEMBER 2007 projection period
(Line 2 - Line 1) | <u>\$ 112,632</u> |

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD JANUARY 2005 - DECEMBER 2005

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. IIC Payments / (Receipts) (\$)	1,521,807	508,220	672,011	119,278	173,677	2,377,138	7,244,846	7,621,652	2,365,603	583,855	197,487	203,545	23,589,119
2. Capacity Payments to Solutia (\$)	62,202	62,202	62,202	62,202	62,202	-	-	-	-	-	-	-	311,010
3. Total Capacity Costs (\$) (Line 1 + 2)	1,584,009	570,422	734,213	181,480	235,879	2,377,138	7,244,846	7,621,652	2,365,603	583,855	197,487	203,545	23,900,129
4. Transmission Revenue (\$)	(16,497)	(13,694)	(17,106)	(9,803)	(8,250)	(17,117)	(18,308)	(23,267)	(3,929)	(7,010)	(14,987)	(50,040)	(200,008)
5. Total Capacity Payments/(Receipts) (Line 3 + 4) (\$)	1,567,512	556,728	717,107	171,677	227,629	2,360,021	7,226,538	7,598,385	2,361,674	576,845	182,500	153,505	23,700,121
6. Jurisdictional %	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872
7. Total Jurisdictional Recovery Amount (Line 5*6) (\$)	1,514,980	538,070	693,075	165,924	220,001	2,280,930	6,984,356	7,343,742	2,282,528	557,513	176,384	148,361	22,905,864
8. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	1,582,894	1,337,059	1,458,574	1,357,502	1,714,453	2,100,629	2,190,974	2,144,921	2,131,020	1,606,149	1,468,210	1,914,416	21,006,801
9. True-Up Provision (\$)	237,623	237,623	237,623	237,623	237,623	237,623	237,623	237,623	237,623	237,623	237,623	237,622	2,851,475
10. Jurisdictional Capacity Cost Recovery Revenue (Line 8 + 9) (\$)	1,820,517	1,574,682	1,696,197	1,595,125	1,952,076	2,338,252	2,428,597	2,382,544	2,368,643	1,843,772	1,705,833	2,152,038	23,858,276
11. Over/(Under) Recovery (Line 10 - 7) (\$)	305,537	1,036,612	1,003,122	1,429,201	1,732,075	57,322	(4,555,759)	(4,961,198)	86,115	1,286,259	1,529,449	2,003,677	952,412
12. Interest Provision (\$)	6,682	8,055	10,283	13,278	17,340	19,952	14,229	338	(7,926)	(6,905)	(3,283)	2,019	74,062
13. Beginning Balance True-Up & Interest Provision (\$)	3,279,485	3,354,081	4,161,125	4,936,907	6,141,763	7,653,555	7,493,206	2,714,053	(2,484,430)	(2,643,864)	(1,602,133)	(313,590)	3,279,485
14. True-Up Collected/(Refunded) (\$)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,622)	(2,851,475)
15. End of Period Total Net True-Up (Lines 11 + 12 + 13 + 14) (\$)	3,354,081	4,161,125	4,936,907	6,141,763	7,653,555	7,493,206	2,714,053	(2,484,430)	(2,643,864)	(1,602,133)	(313,590)	1,454,484	1,454,484
Average Monthly Interest Rate	0.2017	0.2146	0.2263	0.2400	0.2517	0.2638	0.2792	0.2946	0.3096	0.3258	0.3433	0.3546	
Wall Street Annual Rate	2.34	2.50	2.65	2.78	2.98	3.06	3.27	3.43	3.64	3.79	4.03	4.21	4.30
Average Annual Rate	2.420	2.575	2.715	2.880	3.020	3.165	3.350	3.535	3.715	3.910	4.120	4.255	

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD JANUARY 2005 - DECEMBER 2005

	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 (\$)	3,279,485	3,354,081	4,161,125	4,936,907	6,141,763	7,653,555	7,493,206	2,714,053	(2,484,430)	(2,643,864)	(1,602,133)	(313,590)	
2. Ending True-Up Amount Before Interest (\$)	3,347,399	4,153,070	4,926,624	6,128,485	7,636,215	7,473,254	2,699,824	(2,484,768)	(2,635,938)	(1,595,228)	(310,307)	1,452,465	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	6,626,884	7,507,151	9,087,749	11,065,392	13,777,978	15,126,809	10,193,030	229,285	(5,120,368)	(4,239,092)	(1,912,440)	1,138,875	
4. Average True-Up Amount (\$)	3,313,442	3,753,576	4,543,875	5,532,896	6,888,989	7,563,405	5,096,515	114,643	(2,560,184)	(2,119,546)	(956,220)	569,438	
5. Interest Rate - First Day of Reporting Business Month	0.023400	0.025000	0.026500	0.027800	0.029800	0.030600	0.032700	0.034300	0.036400	0.037900	0.040300	0.042100	
6. Interest Rate - First Day of Subsequent Business Month	0.025000	0.026500	0.027800	0.029800	0.030600	0.032700	0.034300	0.036400	0.037900	0.040300	0.042100	0.043000	
7. Total Interest Rate (Lines 5 + 6)	0.048400	0.051500	0.054300	0.057600	0.060400	0.063300	0.067000	0.070700	0.074300	0.078200	0.082400	0.085100	
8. Average Interest Rate	0.024200	0.025750	0.027150	0.028800	0.030200	0.031650	0.033500	0.035350	0.037150	0.039100	0.041200	0.042550	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.002017	0.002146	0.002263	0.002400	0.002517	0.002638	0.002792	0.002946	0.003096	0.003258	0.003433	0.003546	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	6,682	8,055	10,281	13,278	17,337	19,948	14,228	338	(7,926)	(6,906)	(3,283)	2,019	74,051

Florida Public Service Commission
Docket No. 060001-EI
GULF POWER COMPANY
Witness: Terry A. Davis
Exhibit No. _____ (TAD-1)
Schedule CCA-4
Page 1 of 1

This information has been provided pursuant to the Request for Confidential
Classification filed on March 1, 2006.

GULF POWER COMPANY
2005 CAPACITY CONTRACTS

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z AA BB CC

1
2 Gulf Power Company
3 2005 Capacity Contracts
4

Contract/Counterparty	Term		Contract Type
	Start	End (1)	
Southern Intercompany Interchange	2/18/2000	5 Yr Notice	SES Opco
Solutia, Inc	6/1/1996	5/31/2005	QF

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(1) Unless otherwise noted, contract remains effective unless terminated upon 30 days prior written notice.

Capacity Costs
2005

Contract	January		February		March		April		May		June		July		August		September		October		November		December		Total \$
	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	
Southern Intercompany Interchange	532.7	1,526,525	439.9	514,556	586.1	679,716	158.2	126,135	157.4	181,204	376.1	2,381,481	416.0	7,250,572	434.1	7,624,856	301.0	2,371,972	486.4	597,346	355.7	202,549	394.1	210,309	23,667,221
Solutia, Inc	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	311,010
																									(1,150)
																									(38,644)
																									(22,409)
																									(4,388)
																									(1,296)
																									(648)
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																									(648)
																									(1,609)
																									(1,296)
																									(2,422)
																									(648)
																									(648)
Total		1,584,009		570,422		734,213		181,480		235,679		2,377,138		7,244,846		7,621,652		2,365,603		583,855		197,488		203,544	23,900,129

(1) Put options sold to counterparty

(2) Generator Balancing Service provides no capacity scheduling entitlements.

