

MEMORANDUM

June 28, 1996

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*

RE: DOCKET NO. 960007-EI -- GULF POWER COMPANY  
ENVIRONMENTAL COST RECOVERY AUDIT REPORT - PERIOD ENDED MARCH 31, 1996  
AUDIT CONTROL NO. 95-283-1-1

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The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Gulf Power Company  
Warren E. Tate  
500 Bayfront Parkway  
Pensacola, Fl 32501-6157

DNV/sp

Attachment

cc: Chairman Clark  
Commissioner Deason  
Commissioner Johnson  
Commissioner Kiesling  
Commissioner Garcia  
Mary Andrews Bane, Deputy Executive Director/Technical  
Legal Services  
Division of Auditing and Financial Analysis (Devlin/Causseaux/  
File Folder)  
Division of Electric and Gas (Tew)  
Tallahassee District Office (Grayson)

Research and Regulatory Review (Harvey)  
Office of Public Counsel

DOCUMENT NUMBER-DATE

07130 JUL-28

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED MARCH 31, 1996

FIELD WORK COMPLETED

JUNE 23, 1996

GULF POWER COMPANY

PENSACOLA, FLORIDA

ESCAMBIA COUNTY

ENVIRONMENTAL COST RECOVERY CLAUSE

DOCKET 960007-EI

AUDIT CONTROL NUMBER 95-283-1-1

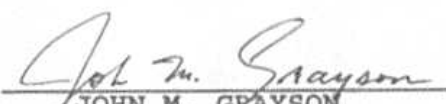
  
MICHAEL E. BUCKLEY  
AUDIT MANAGER

AUDIT STAFF

COSTAS PANAGIOTOPOULOS

MINORITY OPINION

Yes  No

  
JOHN M. GRAYSON  
REGULATORY ANALYST SUPERVISOR  
TALLAHASSEE DISTRICT OFFICE

DOCUMENT NUMBER-DATE

07130 JUL-28

FPSC-RECORDS/REPORTING

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## I. EXECUTIVE SUMMARY

**AUDIT PURPOSE:** We have applied the procedures described in Section II of this report to audit the appended Environmental Cost Recovery Clause Filing Schedule 1A, 2A, and 3A filed by Gulf Power Company in support of Docket 960007-EI for the six months ended September 30, 1995 and the six months ended March 31, 1996.

**SCOPE LIMITATION:** There are no confidential documents associated with the audit report.

**DISCLAIM PUBLIC USE:** This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied on 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 audit standards and produce audited financial statements for public use.

**OPINION:** Subject to the audit exceptions and disclosures; the appended exhibits, Schedule 1A, Schedule 2A, and Schedule 3A for the six months ended September 30, 1995 and Schedule 1A, Schedule 2A, and Schedule 3A for the six months ended March 31, 1996, represent utility books and records maintained in substantial compliance with Commission Directives; the expressed opinions extend only to the scope of work described in section II of this report.

## II. AUDIT SCOPE

This report is based on the audit work described below. When COMPILED is used in this report, it identifies that the audit staff has reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and, except as noted performed no other audit work.

### SCOPE OF WORK PERFORMED

**ENVIRONMENTAL INVESTMENT:** Compiled additions to plant in service and construction work in progress for each Clean Air Act and Non Clean Air Act Plant Expenditure (PE); analyzed a judgmental sample of additions to plant in service and construction work in progress to determine whether the additions were recoverable through the ECR Clause; analyzed the computation of recoverable costs for SO2 Emission Allowances recorded on the Company's books.

**ENVIRONMENTAL REVENUES:** Compiled ECR revenues; traced the KWH used to compute ECR revenues for the six months ended September 30, 1995 and the six months ended March 31, 1996 to Operating Report; traced the environmental cost recovery factors used to compute ECR revenues to the applicable Commission order for the six months ended September 30, 1995 and the six months ended March 31, 1996.

**ENVIRONMENTAL EXPENSES:** Compiled O&M expenses for the six months ended September 31, 1995 and the six months ended March 31, 1996; analyzed April 1995 to February 1996 invoices to determine whether they were recoverable through the ECR Clause; recalculated depreciation and dismantlement expense from April 1995 through March 1996; traced the depreciation and dismantlement rates used by the Company to the FPSC order prescribing these rates.

**OTHER:** Reconciled true-up and interest provision for the six months ended September 30, 1995 and the six months ended March 31, 1996; traced interest rates used in the calculation of the interest provision to the 30 Day Commercial Paper Rate.

**ENGINEER'S WORK:** Obtained the continuing property records (CPR), for the three precipitator retrofits at Crist Plant Units 5-7 and for the burner retrofits at Crist Plant Units 6 & 7; obtained copies of the approved work orders; obtained the bid files for all major contracts issued for the precipitator retrofit projects; determined the scope of work, the number of vendors invited to bid, number of bid respondents and the bid amounts for each contract provided by the Company; read Company bid analyses and justifications for vendor selections; scheduled approved costs and scope of work for each contract and any recorded revisions; determined actual costs paid the vendors; compared authorizations to actual charges for each work order; performed physical inventory of CPR items booked.

### III. AUDIT EXCEPTIONS

#### AUDIT EXCEPTION NO. 1

**SUBJECT:** Costs For Removed Plant Not Retired - Crist Plant

**STATEMENT OF FACTS:** Rule 25-6.0142, (4), (b) F.A.C. states "... The retirement entry shall be recorded no later than one month following the transfer of expenditures from construction work in progress (Account 107) to Electric Plant in Service (Account 101/106). ...".

The entire insulation and lagging on Crist Unit #7 precipitator was replaced under WO# 110706 in 1991. The installed costs of the replaced retirement units were not retired.

Two Crist Unit 7 ignitor cooling fans and their drives were replaced under WO# 110726 in 1993. The installed costs of the replaced units were not retired.

During the Low NOx retrofit of Crist Unit 7 in 1993 under WO# 110726 the burner alarm unit was replaced. The installed costs of the replaced unit was not retired.

As a result of the FPSC audit the Company will retire \$93,529, \$41,762 and \$42,500 respectively for the items above.

**CONCLUSION:** The Company is in violation of FPSC Rule 25-6.0142, (4) (b) for not making timely retirements of units of property removed from service.

**RECOMMENDATION:** The Company should comply with the FPSC Rules and be subject to fines for repeated violations.

**AUDIT EXCEPTION NO. 2**

**SUBJECT:** Capitalization of Minor Item Replacements- Crist Unit 7

**STATEMENT OF FACTS:** 18 CFR 101, Electric Plant Instructions 10, C. (3) states, "When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item, ..".

Four Induced Draft (ID) Fan Housings on Crist Unit 7 were replaced under WO # 110706 in 1991. The ID Fan housings are a minor item of the precipitator outlet duct, draft system. The installed costs of the four ID fan housings are included in the precipitator addition entry of the CPRs.

The purchase and freight charges for the four ID fan housings were \$213,855 and \$4,276 respectively. The Company stated that they will expense \$218,134. However this amount does not include installation and loading costs.

**OPINION:** The Company is in violation of the above mentioned Electric Plant Instruction by capitalizing the replacement cost of minor items of depreciable property.

Unless the Company can produce records detailing the fan housing installation charges the total booked costs to be expensed should be calculated as shown in the table below.

Description	Booked Precipitator Additions (\$)	ID Fan Housing Costs (\$)	Housing Costs as % of Total Precipitator Additions
Material	1,062,017	213,855	20.1
Installation	2,358,834	474,126	20.1
Freight	0	5,606	
Total	3,420,851	693,587	

**RECOMMENDATIONS:** The Company should make the appropriate accounting and filing adjustments.



#### IV. AUDIT DISCLOSURES

##### AUDIT DISCLOSURE NO. 1

SUBJECT: Work Order Addenda

STATEMENT OF FACTS: The following tables summarize the authorized versus actual work order costs for Crist Units 5-7 precipitators and Units 6 & 7 Low NOx burner retrofits.

##### A. Units 5-7 Precipitators

Unit No.	W. O. No.	Auth. Amt (\$)	Actual Charged (\$)	Difference (\$)	Diff (%)
5	110558	450,000	469,256	19,256	4.28
6	110604	12,590,000	13,091,510	501,510	3.98
	110908	6,000	5,329	-671	-11.18
	110984	319,000	219,819	-99,181	-31.09
	110997	80,000	125,488	45,488	56.86
7	110706	8,590,000	10,963,955	2,373,955	27.64

##### B. Units 6 and 7 Low NOx Burners

Unit No.	W. O. No.	Auth. Amt (\$)	Actual Charged (\$)	Difference (\$)	Diff. (%)
6	110613	5,510,000	8,044,304	2,534,304	45.99
7	110726	7,080,000	8,688,275	1,608,275	22.72

No work order revisions (addenda) were provided to account for the differences of authorized versus actual work order costs.

Company General Work Order Accounting Procedures VI. A. 3. states "When actual charges on work orders are materially different (over 50 percent variance), the Engineer's supervisor will need to attach a brief justification for the variance."

**OPINION:** All construction and retirements of electric plant are to be recorded by means of work orders or job orders according to FERC Electric plant instruction 11.A. Since the work order is the main document of recording plant expenditures, it is therefore important that work orders be accurate and have the proper approvals before any commitment is made or work begins.

The Company procedure to attach a brief justification to the work order only after the actual charges are over 50 percent is too little and too late. Even this procedure was not adhered to in the case of WO 110997 above where the variance was 57%.

The Company should prepare an addendum to provide management with notice that a change in scope of work is necessary or that an over or underrun of expenditures will occur.

**RECOMMENDATIONS:** An addendum to a work order should be required when the estimated/actual final cost varies from the approved amounts by more than \$25,000 or 50%, whichever is less. An explanation of the variance must be provided with each addendum.

**AUDIT DISCLOSURE NO. 2**

**SUBJECT:** Contract Change Orders

**STATEMENT OF FACTS:** The following tables show the authorized versus actual contract costs for the precipitator retrofit on Units 5-7 and for the Low NOx burner retrofit on Units 6 and 7.

**A. Units 5-7 Precipitator**

Unit No.	W. O. NO.	P.O. No.	Auth. Amt (\$)	Actual Paid (\$)	Diff. (\$)	Diff. (%)
6	110604	C-93801010	21,427	25,283	3,856	18.0
6	110604 110613	SCS-WO4282	1,000,000	1,453,285	453,285	45.3
6	110997	S-94000152	22,000	23,380	1,380	6.3
7	110706	E-91009330	7,908	8,445	537	6.8
7	110706	C-91340076	1,600,000	1,742,871	142,871	8.9
7	110706	S-90003494	7,320	8,059	739	10.1
7	110706	S-91000205	149,124	248,288	99,164	66.5
7	110706	C-90340658	283,876	305,243	21,367	7.5
7	110706	C-90340525	6,990,075	7,086,062	95,987	1.4
7	110706	S-90003438	213,555	213,855	300	0.1
6,7	110706 110604 110726	SCS-WO4100	not provided	734,717	734,717	??

**B. Low NOx Burners Units 6 & 7**

Unit No.	W. O. NO.	P. O. No.	Auth. Amnt (\$)	Actual Amnt (\$)	Difference (\$)	Diff. (%)
6	110613	C-944100020	2,177,070	459,073	-1,717,997	-78.9
7	110726	C-93410106	2,108,637	2,124,255	15,618	0.7
		SCS-CR1437	3,923,373	3,576,183	-347,190	-8.9
		SCS-WO4283	750,000	879,715	129,715	17.3

Management Procedure 310-001 IV. B. 1. states "Changes to Purchase Orders that significantly affect the description, quantity or price will be generated through the Automated Purchasing System and approved in accordance with Section III.B. and D., above."

Company stated " There is no written definition of what constitutes a "significant" change. It is up to the judgement of the senior contract administrator to make a determination based on the then known circumstances of the particular purchase order and information gleaned from discussions with the user and/or vendor."

No Memoranda of Change were provided by the Company to account for the differences between authorized and actual Purchase Order costs.

**OPINIONS:** Change orders (CO) to a contract are issued because of a changes in scope, quantities, an error/omission in plans and specifications, or a change in site conditions. Change orders may increase, decrease or have no affect on the contract price. **All** modifications of the original contract must be documented by means of COs with all the approval requirements. A copy of each CO should be included in the contract file.

The absence of a Uniform Company Policy regarding documentation of contract modifications may lead to different interpretations by the contract administrators and give the appearance of improprieties.

The contract files provided did not contain COs to account for the differences between authorized and actual Purchase Order costs.

**RECOMMENDATIONS:** The Company should document **all** contract modifications by means of change orders with the proper approvals and include a copy of the CO in the contract files.

**AUDIT DISCLOSURE NO. 3**

**SUBJECT:** Precipitator Retrofit Contracts Not Bid - Outside Services

**STATEMENT OF FACTS:** Purchase Orders C-90340525 and C-91340076 were awarded to General Electric Company (GE) without going through the bid process. The actual costs for each contract were \$7,086,062 and \$1,742,871 respectively.

Company Management Procedure, 330-001, V. Sole Source Requirements states " When competition among bidders will not be employed, such as "professional services" in which the special skills or unique reputation of the source is the reason for the selection, justification for the sole source contract should be stated in the body of the requisition or authorizing document for the procurement action."

The Company could not locate sole source written justification dated prior to contract, C-90340525, date of October, 1990. This was a firm price contract which included providing materials and installation services for all precipitator components.

No sole source written justification, dated prior to contract award, was located by the Company for contract C-913400076. The contract calls for installation of structural steel for precipitator modifications. It was issued to GE on February 7, 1991. In response to FPSC request, E-8, the Company states that "GE is selected for this contract based on the need to maintain a central point of responsibility and coordination. Limited access to construction area was a primary factor in this decision."

**OPINION:** Company decisions to sole source any contracts should be justified in writing and dated prior to contract awards. Without such documentation it can not be determined whether the Company decision to sole source was appropriate for that time.

**RECOMMENDATIONS:** Competitive bids in writing should be solicited from a minimum of three vendors to assure effective competition among the vendors.

When competition among bidders will not be employed, justification for the sole source contract should be well documented and dated prior to contract award. A copy of this sole source justification should be included in the contract bid file.

**AUDIT DISCLOSURE NO. 4**

**SUBJECT:** Low NOx Contract Not Bid - Outside Services

**STATEMENT OF FACTS:** Purchase Order CR1437 was awarded to Foster-Wheeler Energy Corporation by Southern Company Services (SCS), acting as agent of Gulf Power, without going through the bid process. The contract calls for Crist Unit #7 dual fuel burner modifications to be designed, fabricated and delivered for a complete system that reduces NOx Emissions and configured to receive future natural gas flame scanners. The actual contract costs were \$3,576,183.

Company Management Procedure, 330-001, V. Sole Source Requirements states "When competition among bidders will not be employed, such as "professional services" in which the special skills or unique reputation of the source is the reason for the selection, justification for the sole source contract should be stated in the body of the requisition or authorizing document for the procurement action."

No sole source written justification, dated prior to contract award, was provided by the Company for contract CR1437.

The Company stated, "The purchase and requisition of the Low NOx Burner system for Crist Unit 7 was administered by SCS under the direction of Gulf Power Company. Prior the issue of the contract and change orders by SCS, approval of Gulf Power Company representatives was required. Only after this approval was a change ordered issued. Contract and change order invoicing and payments requests by the equipment vendor were submitted to and approved by the Manager of Power Generation Construction with review by the assigned Gulf Power Company project engineer and by accounts payable for compliance with the purchase and change orders."

**OPINION:** Company decisions to sole source any contracts should be well documented and justified prior to contract awards. Without such documentation, dated prior to contract award, it can not be determined whether the Company decision to sole source was appropriate for that time.

**RECOMMENDATIONS:** Competitive bids in writing should be solicited from a minimum of three vendors to assure effective competition among the vendors.

When competition among bidders will not be employed justification for the sole source contract should be well documented and dated prior to contract award. A copy of the sole source justification should be included in the contract bid files.

**AUDIT DISCLOSURE NO. 5**

**SUBJECT:** Contracts Not Bid - Affiliated Company

**STATEMENT OF FACTS:** Purchase Orders WO#4100, 4282, 4283 and 4429 were awarded to Southern Company Services (SCS), an affiliate of Gulf Power, without going through the bid process. The actual costs for each contract were \$734,717; \$1,453,285; \$879,715 and \$717,777 respectively.

Company Management Procedure, 330-001, V. Sole Source Requirements states " When competition among bidders will not be employed, such as "professional services" in which the special skills or unique reputation of the source is the reason for the selection, justification for the sole source contract should be stated in the body of the requisition or authorizing document for the procurement action."

The Company did not provide sole source written justification dated prior to contract dates. Services include preparation of detailed estimates, construction schedules, procurement, development of specifications and engineering for the precipitator retrofit of Crist, Units 6 and 7.

**OPINION:** Company decisions to sole source any contracts, especially with an affiliated company, should be justified and documented prior to contract awards. Without such documentation, dated prior to contract award, it can not be determined whether the Company decision to sole source was appropriate for that time. An affiliated transactions audit may reveal whether a less than arms length relationship between Gulf Power and Southern Company Services exists.

**RECOMMENDATIONS:** Competitive bids in writing should be solicited from a minimum of three vendors to assure effective competition among the vendors.

When competition among bidders will not be employed justification for the sole source contract, especially with an affiliated company, should be well documented and dated prior to contract award. A copy of this sole source justification should be included in the contract bid file.

**AUDIT DISCLOSURE NO. 6**

**SUBJECT:** Capitalization of Repairs - Crist Unit 7

**STATEMENT OF FACTS:** The Crist Unit 7 precipitator retrofit costs were increased due to additional work required as a result of a 1974 fire damage.

The Company stated that, "Cap on C-91-340076 costs were increased based on additional work required once precipitator was partially disassembled. SCS and GE engineers determined that abnormally high temperatures from a fire in 1974 caused major damage to precipitator casing and internal structure...".

The Company's response to document request E-21 states, "The dollar amount associated with the replacement of the fire damaged precipitator structures during the 1991 Unit 7 Precipitator project was \$107,606. However, this cost was incurred only because of the approximately 50 percent weight increase resulting from the enlargement of the precipitator during this project.".

**OPINION:** The above cited Company statements indicate that additional funds were expended to repair damages caused by the 1974 fire. These costs should be recoverable under the insurance policies and therefore expensed.

The Company should make the appropriate accounting and filing adjustments.



**AUDIT DISCLOSURE NO. 7**

**SUBJECT:** O & M Contracts

**STATEMENT OF FACT:** In 1994 Southern Company Services (SCS) (On Gulf's behalf) entered into contracts with Electric Power Research Institute (EPRI) for projects titled "Evaluation of an in-situ Groundwater Treatment System for a Diesel Spill under a Power Plant Facility" (\$1,277,380 co-funded) and "In-situ Solidification/Stabilization of Arsenic Contaminated Soil" (\$776,550 co-funded). SCS also subcontracted with Louisiana State University for "In-situ Solidification/Stabilization of Arsenic Contaminated Soil" (\$140,360). \$805,442 was expensed between April 1 and December 31, 1995.

**AUDITOR OPINION:** The audit staff includes this Disclosure for information purposes only.

**AUDIT DISCLOSURE NO. 8**

**SUBJECT:** Legal Expenses

**STATEMENT OF FACT:** Gulf has charged \$8,274.79 to ECRC for legal expenses for what Gulf calls Environmental Matters. In September 1995, \$1,261.23 was charged by the vendor, Hopping Green Sams & Smith, for a petition to challenge proposed Department of Environmental Protection, (DEP), conditions.

**AUDITOR OPINION:** The audit staff questions the allowance in ECRC for legal fees that challenge DEP proposals.

**AUDIT DISCLOSURE NO. 9**

**SUBJECT:** O & M Charges From SCS

**STATEMENT OF FACT:** \$1,901,798.97 of Gulf's ECRC O & M Expenses come from SCS. Overall O & M Expenses were \$2,699,529. SCS's portion of total expenses charged is 70.45%.

**AUDITOR OPINION:** The audit staff includes this Disclosure for information purposes only.

Schedule 1A

**Gulf Power Company**  
Environmental Cost Recovery Clause (ECRC)  
Calculation of the Final True-Up Amount for the Period  
April 1995 - September 1995

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<u>Line</u> <u>No.</u>		<u>Period</u> <u>Amount</u> <u>(\$)</u>
1	End of Period Actual Total True-Up for the Period April 1995 - September 1995 (Schedule 2A, Lines 5 + 6 + 10)	1,222,925
2	Estimated/Actual True-Up Amount approved for the Period April 1995 - September 1995 (Order No. PSC-95-1051-FOF-EI)	<u>522,197</u>
3	Final True-Up Amount to be refunded/(recovered) in the projection period April 1996 - September 1996 (Line 1 - Line 2)	<u><u>700,728</u></u>

**Gulf Power Company**  
**Environmental Cost Recovery Clause (ECRC)**  
**Calculation of the Final True-Up Amount for the Period**  
**April 1995 - September 1995**

**End-of-Period True-Up Amount**  
**(in Dollars)**

Line	April	May	June	July	August	September	End of Period Amount
1 ECRC Revenues (net of Revenue Taxes)	716,696	945,563	986,905	1,116,619	1,120,864	1,039,077	5,925,724
2 True-Up Provision (Order No. PSC-95-0384-FOF-EI)	67,611	67,612	67,612	67,612	67,611	67,612	405,670
3 ECRC Revenues Applicable to Period (Lines 1 + 2)	784,307	1,013,175	1,054,517	1,184,231	1,188,475	1,106,689	6,331,394
4 Jurisdictional ECRC Costs							
a O & M Activities (Schedule 5A, Line 9)	125,466	116,018	171,580	87,060	113,849	330,403	944,376
b Capital Projects (Schedule 7A, Line 9)	714,183	722,054	722,239	723,827	724,035	724,842	4,331,180
c Total Jurisdictional ECRC Costs	839,649	838,072	893,819	810,887	837,884	1,055,245	5,275,556
5 Over/(Under) Recovery (Line 3 - Line 4c)	(55,342)	175,103	160,698	373,344	350,591	51,444	1,055,838
6 Interest Provision (Schedule 3A, Line 16)	2,979	2,943	3,474	4,425	5,785	6,508	26,114
7 Beginning Balance True-Up & Interest Provision	405,670	426,669	537,103	633,663	943,820	1,232,585	405,670
a Deferred True-Up from October 1994 - March 1995 (Order No. PSC-95-1051-FOF-EI)	101,428	101,428	101,428	101,428	101,428	101,428	101,428
8 True-Up Collected/(Refunded) (See line 2)	(67,611)	(67,612)	(67,612)	(67,612)	(67,611)	(67,612)	(405,670)
9 End of Period Total True-Up (Lines 5 + 6 + 7 + 7a + 8)	387,124	638,531	735,091	1,045,248	1,334,013	1,324,353	1,183,380
10 Adjustments to Period Total True-Up including Interest							
a Actualize March 1995 Plant-in-Service and CWIP-NIB	(1,061)						(1,061)
b Revise Dismantlement to Reflect Fixed Amount	117,073						117,073
c Adjust O & M Expense	26,517						26,517
d Adjust Emission Allowance Expense and Working Capital	(1,556)						(1,556)
11 End of Period Total Net True-Up (Lines 9 + 10)	528,097	638,531	735,091	1,045,248	1,334,013	1,324,353	1,324,353

**Gulf Power Company**  
 Environmental Cost Recovery Clause (ECRC)  
 Calculation of the Final True-Up Amount for the Period  
 April 1995 - September 1995

Line	Interest Provision (in Dollars)						6-Month Total	
	April	May	June	July	August	September		
1	Beginning True-Up Amount (Sch 2A, Lines 7 + 7a + 10)	648,071	528,097	638,531	735,091	1,045,248	1,334,013	
2	Ending True-Up Amount Before Interest (Line 1 + Sch 2A, Lines 5 + 8)	525,118	635,588	731,617	1,040,823	1,328,228	1,317,845	
3	Total of Beginning & Ending True-up (Lines 1 + 2)	1,173,189	1,163,685	1,370,148	1,775,914	2,373,476	2,651,858	
4	Average True-Up Amount (Line 3 x 1/2)	586,595	581,843	685,074	887,957	1,186,738	1,325,929	
5	Interest Rate (First Day of Reporting Business Month)	0.061200	0.060700	0.060700	0.061000	0.058600	0.058400	
6	Interest Rate (First Day of Subsequent Business Month)	0.060700	0.060700	0.061000	0.058600	0.058400	0.059400	
7	Total of Beginning & Ending Interest Rates (Line 5 + Line 6)	0.121900	0.121400	0.121700	0.119600	0.117000	0.117800	
8	Average Interest Rate (Line 7 x 1/2)	0.060950	0.060700	0.060850	0.059800	0.058500	0.058900	
9	Monthly Average Interest Rate (Line 8 x 1/12)	0.005079	0.005058	0.005071	0.004983	0.004875	0.004908	
10	Interest Provision for the Month (Line 4 x Line 9)	2,979	2,943	3,474	4,425	5,785	6,508	26,114

Schedule 1A

**Gulf Power Company**  
**Environmental Cost Recovery Clause (ECRC)**  
**Calculation of the Final True-Up Amount for the Period**  
**October 1995 - March 1996**

22

<u>Line</u> <u>No.</u>	<u>Period</u> <u>Amount</u> <u>(\$)</u>
1	
End of Period Actual Total True-Up for the Period October 1995 - March 1996 (Schedule 2A, Lines 5 + 6 + 10)	16,649
2	
Estimated/Actual True-Up Amount approved October 1995 - March 1996 (Order No. PSC-96-0361-FOF-EI)	<u>(669,968)</u>
3	
Final True-Up Amount to be refunded/(recovered) in the projection period October 1996 - March 1997 (Line 1 - Line 2)	<u><u>686,617</u></u>

**Gulf Power Company**  
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**October 1995 - March 1996**

**End-of-Period True-Up Amount**  
**(in Dollars)**

Line	October	November	December	January	February	March	End of Period Amount
1 ECRC Revenues (net of Revenue Taxes)	837,669	801,550	967,019	990,111	914,265	891,128	5,401,742
2 True-Up Provision (Order No. PSC-95-1051-FOF-EI)	103,937	103,938	103,937	103,937	103,938	103,938	623,625
3 <b>ECRC Revenues Applicable to Period (Lines 1 + 2)</b>	<u>941,606</u>	<u>905,488</u>	<u>1,070,956</u>	<u>1,094,048</u>	<u>1,018,203</u>	<u>995,066</u>	<u>6,025,367</u>
4 Jurisdictional ECRC Costs							
a O & M Activities (Schedule 5A, Line 9)	235,336	353,208	655,051	176,645	343,640	(105,428)	1,658,452
b Capital Projects (Schedule 7A, Line 9)	723,469	723,502	726,192	735,760	736,358	727,562	4,372,843
c <b>Total Jurisdictional ECRC Costs</b>	<u>958,805</u>	<u>1,076,710</u>	<u>1,381,243</u>	<u>912,405</u>	<u>1,079,998</u>	<u>622,134</u>	<u>6,031,295</u>
5 <b>Over/(Under) Recovery (Line 3 - Line 4c)</b>	(17,199)	(171,222)	(310,287)	181,643	(61,795)	372,932	(5,928)
6 Interest Provision (Schedule 3A, Line 10)	6,188	5,186	3,543	2,651	2,353	2,619	22,540
7 Beginning Balance True-Up & Interest Provision	623,625	508,714	238,740	(171,941)	(91,584)	(254,964)	623,625
a Deferred True-Up from October 1994 - March 1995 (Order No. PSC-96-0361-FOF-EI)	700,728	790,728	700,728	700,728	700,728	700,728	700,728
8 True-Up Collected/(Refunded) (See line 2)	(103,937)	(103,938)	(103,937)	(103,937)	(103,938)	(103,938)	(623,625)
9 End of Period Total True-Up (Lines 5 + 6 + 7 + 7a + 8)	1,209,405	939,468	528,787	609,144	445,764	717,377	717,340
10 Adjustments to Period Total True-Up Including Interest							
a Actualize September 1995 Investment	37						37
11 <b>End of Period Total Net True-Up (Lines 9 + 10)</b>	<u>1,209,442</u>	<u>939,468</u>	<u>528,787</u>	<u>609,144</u>	<u>445,764</u>	<u>717,377</u>	<u>717,377</u>



**Gulf Power Company**  
**Environmental Cost Recovery Clause (ECRC)**  
**Calculation of the Final True-Up Amount for the Period**  
**October 1995 - March 1996**

**Interest Provision**  
(in Dollars)

Line	October	November	December	January	February	March	6-Month Total
1 Beginning True-Up Amount (Sch 2A, Lines 7 + 7a + 10)	1,324,390	1,209,442	939,468	528,787	609,144	445,764	
2 Ending True-Up Amount Before Interest (Line 1 + Sch 2A, Lines 5 + 8)	<u>1,203,254</u>	<u>934,282</u>	<u>525,244</u>	<u>606,493</u>	<u>443,411</u>	<u>714,758</u>	
3 Total of Beginning & Ending True-up (Lines 1 + 2)	<u>2,527,644</u>	<u>2,143,724</u>	<u>1,464,712</u>	<u>1,135,280</u>	<u>1,052,555</u>	<u>1,160,522</u>	
24 4 Average True-Up Amount (Line 3 x 1/2)	<u>1,263,822</u>	<u>1,071,862</u>	<u>732,356</u>	<u>567,640</u>	<u>526,278</u>	<u>580,261</u>	
5 Interest Rate (First Day of Reporting Business Month)	0.059400	0.058100	0.058000	0.058100	0.054000	0.053300	
6 Interest Rate (First Day of Subsequent Business Month)	<u>0.058100</u>	<u>0.058000</u>	<u>0.058100</u>	<u>0.054000</u>	<u>0.053300</u>	<u>0.055000</u>	
7 Total of Beginning & Ending Interest Rates (Line 5 + Line 6)	<u>0.117500</u>	<u>0.116100</u>	<u>0.116100</u>	<u>0.112100</u>	<u>0.107300</u>	<u>0.108300</u>	
8 Average Interest Rate (Line 7 x 1/2)	0.058750	0.058050	0.058050	0.056050	0.053650	0.054150	
9 Monthly Average Interest Rate (Line 8 x 1/12)	<u>0.004896</u>	<u>0.004838</u>	<u>0.004838</u>	<u>0.004671</u>	<u>0.004471</u>	<u>0.004513</u>	
10 Interest Provision for the Month (Line 4 x Line 9)	<u>6,188</u>	<u>5,186</u>	<u>3,543</u>	<u>2,651</u>	<u>2,353</u>	<u>2,619</u>	<u>22,540</u>

State of Florida

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DIVISION OF RECORDS &  
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BLANCA S. BAYO  
DIRECTOR  
(904) 413-6770

**Public Service Commission**

July 3, 1996

Warren E. Tate  
Gulf Power Company  
500 Bayfront Parkway  
Pensacola, Florida 32501-6157

RE: Docket No. 960007-EI -- Gulf Power Company  
Environmental Cost Recovery Audit Report - Period Ended March 31, 1996  
Audit Control #95-283-1-1

Dear Mr. Tate:

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

  
Blanca S. Bayo

BSB/mas  
Enclosure  
cc: Public Counsel  
Beggs & Lane Law Firm