

Gulf Power Company
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96 AUG 14 AM 10:12
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Warren E. Tate
Secretary and Treasurer

the southern electric system

August 12, 1996

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Undocketed - Gulf Power Company
Surveillance Audit Report - Period Ended December 31, 1995
Audit Control #96-081-1-1

Enclosed is Gulf Power Company's response to the audit referenced above. If you have any questions, please contact David Elder at 904-444-6323.

Sincerely,

WT Tate

lw

Enclosure

cc: Florida Public Service Commission
Timothy Devlin
Denise Vandiver

DOCUMENT NUMBER-DATE

08495 AUG 14 96

"Our business is customer satisfaction"

FPSC-RECORDS/REPORTING

**GULF POWER COMPANY
SURVEILLANCE AUDIT
UNDOCKETED
AUDIT 96-081-1-1**

**Audit Disclosure No. 1
Subject: Surveillance Reporting**

Company Response:

Gulf's Financial Planning area has been in the process of developing a detailed list of the adjustments mentioned in the audit disclosure along with the source of these adjustments that should address this audit request. Adraft copy of this listing was furnished via fax to the FPSC Audit Supervisor on July 18, 1996.

**Audit Disclosure No. 2
Subject: Plant Held for Future Use - Bayfront Corporate Office Site**

Company Response:

Gulf Power Company has a Master Plan identifying the intended use of this property. This plan was offered for review in the response to the PSC request Number DJD-8.

As stated in the response to DJD-10, DJD-8, and DJD-5, Gulf Power is reviewing the Master Plan for our land and facility utilization with a scheduled completion date of year-end 1996. The objective of this review is to evaluate both the short and the long term requirements for the most cost effective utilization of our land and facilities. The original study projected land and facility needs out through 2010, or 30 years. This review will evaluate the many factors impacting Gulf Power Company in today's business environment, which will provide the information that is needed to adjust our short and long term property utilization goals. This property should remain in Account 105, Plant Held for Future Use.

**Audit Disclosure No. 3
Subject: Plant Held for Future Use - Pace Boulevard**

Company Response:

Gulf Power Company has a Master Plan identifying the intended use of this property. This plan was offered for review in the response to the PSC Request Number DJD-8.

The use of this property is based on the needs of the various functions to be located at this site and is not to be tied exclusively to the number of employees. As stated in the response to DJD-10, DJD-8, and DJD-5, Gulf Power Company is reviewing the Master Plan for the land and facility utilization with a scheduled completion date of year end 1996. This property should remain in Account 105, Plant Held for Future Use.

**Audit Disclosure No. 4
Subject: Plant Held for Future Use - Smith Plant**

Company Response:

DOCUMENT NUMBER-DATE

08495 AUG 14 86

FPSC-RECORDS/REPORTING

The statement of fact indicated that "Gulf Power maintains \$461,534 in Account 105-10001, Smith Plant". While this was the dollar amount in 105-10001 at 12/31/95, it was not the correct amount for Smith Plant Future Use Land. This was pointed out to the audit staff on audit request DJD-3. The total 105 dollar amount was correct at 12/31/95; however, an entry of \$249,433 for the sale of a parcel of Bayfront 105-10004 land had been incorrectly posted to 105-10001. A correcting entry was made in January, 1996 to bring the balance in Plant Smith Future Use Land back to the correct amount of \$710,967.

Gulf Power Company purchased the additional acreage at Plant Smith to be utilized for future landfill operations. The reasoning behind this action was that adequate property for ash disposal, for the life of the plant, must be acquired when available. It is our belief that the property adjacent to the plant was and is developing into residential subdivisions, and may not be available or may be available at a much higher cost in the future. This property should remain in Account 105, Plant Held for Future Use.

Audit Disclosure No. 5

Subject: Meals

Company Response:

It is the policy of Gulf Power Company to reimburse employees who, in the course of performing their job responsibilities, must incur business related expenses. The employee must submit a Statement of Personal Expenses in accordance with Management Procedure 100-005, and will only be reimbursed for reasonable business expenses incurred while conducting Company business. A dollar limit for meals is not practical due to differences in meal costs based upon the location, but the Statement of Personal Expenses is reviewed and approved by management prior to reimbursement.

Audit Disclosure No. 6

Subject: Southern Communications

Company Response:

Gulf's previous communications equipment included obsolete high band VHF radios and cellular phones. The new Southern Communications equipment provides the radio system and cellular phone services in one hand held unit. The units can also be carried with the employee, instead of permanently mounted in the trucks, and provide clearer, more reliable communications.

Recently, the FCC required that all radio systems below 512 megahertz be upgraded to a more spectrum efficient technology in PR Docket 92-235. Gulf had planned to replace our old equipment with Southern Communications units in late 1995. However, during hurricane Erin in August, the company found that cellular phones were not reliable due to channel congestion and availability of channels. Therefore, when hurricane Opal hit in October, the Southern Communications units were placed in service early. These units were more reliable and versatile, and played a vital role in the hurricane restoration process.

Southern Communications is a subsidiary of The Southern Company, but the billings to the operating companies of the Southern Electric System are based upon cost, in accordance with SEC filings. All costs incurred at Gulf for Southern Communications are billed to them at Gulf's cost. There is no cross-subsidization between Gulf and Southern Communications.

Audit Disclosure No. 7

Subject: Severance

Company Response:

No response required.