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TIMOTHY DEVLIN, DIRECTOR
AUDITING & FINANCIAL ANALYSIS
(850) 413-6480

Public Service Commission

June 28, 1999

Warren E. Tate
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

**Re: Docket No. 990001-EI; Gulf Power Company
Fuel Audit Report - Period Ended December 31, 1998**

Mr. Tate:

The enclosed audit report is forwarded for your review. If you desire to file a response to the audit, please file one with the Division of Records and Reporting so it may be forwarded for consideration by the staff analysts in their review of the audit.

Sincerely,

Denise N. Vandiver
Bureau Chief - Auditing Services

- AFA _____
 - APP _____
 - CAS _____
 - Clt. _____
 - CTR _____
 - EAG _____
 - LEG _____
 - MAG _____
 - OPC _____
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- cc: DNV:sp
- Division of Records and Reporting
 - Division of Auditing and Financial Analysis (Devlin/Causseaux/File Folder)
 - Division of Electric and Gas (Bohmann)
 - Tallahassee District Office (Hicks)
 - Division of Legal Services
 - Office of Public Counsel
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RECORDS AND REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING SERVICES

Tallahassee District Office

GULF POWER COMPANY

PLEL ADJUSTMENT AUDIT

NINE MONTH PERIOD ENDED DECEMBER 31, 1998

DOCKET NO. 990001-EJ

AUDIT CONTROL NO. 99-033-1-1

Handwritten signature of Edward D. Bass II in cursive.

Edward Bass II, Audit Manager

Handwritten signature of Rhonda L. Hicks in cursive.

Rhonda Hicks, Audit Supervisor

TABLE OF CONTENTS

	PAGE
I. AUDITOR'S REPORT	
PURPOSE	1
DISCLAIM PUBLIC USE	1
OPINION	1
SUMMARY OF SIGNIFICANT PROCEDURES	2
II. EXHIBITS	
SCHEDULE A-2, PAGE 1, 2: Six months ended September 30, 1998	3
SCHEDULE A-2, PAGE 1, 2: Three months ended December 31, 1998	5

**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

June 10, 1999

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying fuel adjustment schedules for the nine month period April 1998 through December 1998, for Gulf Power Company. These schedules were prepared by the utility as part of its petition filed in Docket No. 990001-EI. 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.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission.

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.

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

FUEL REVENUE: Verified all rate classes established in Florida Public Service Commission Order No. PSC-98-0412-FOF-EI and PSC-98-1223-FOF-EI. Recalculated jurisdictional fuel clause revenues. Judgmentally sampled customer bills for correct fuel clause factor. Verified revenues received from Commercial/Industrial Service Rider-Contract Service Agreement (CISRU/CSA) customers were recovered in the fuel clause per Commission Order No. PSC-96-1219-FOF-EI.

FUEL EXPENSE: Compiled the fuel cost of system net generation. Scanned and recomputed energy payments and fuel cost purchased power. Recomputed net purchases/sales. Verified transmission revenues were properly credited to the fuel clause per Commission Order No. PSC-98-0073-FOF-EI. Judgmentally sampled inventory Account 151 - Fuel Stock-Coal. Verified the adjustments to coal inventory due to differences between the per book inventory quantities and the semi-annual coal inventory survey quantities were performed per Commission Order No. PSC-97-0359-POF-EI.

OTHER: Recalculated true-up and interest provision. Scanned Peabody Coal Contract and Fuel Accounting and Asset Control System (FAACS) internal audit.

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
 GULF POWER COMPANY
 FOR THE MONTH OF: SEPTEMBER 1998**

	CURRENT MONTH				PERIOD - TO - DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%
A. Fuel Cost & Net Power Transactions								
1 Fuel Cost of System Net Generation	17,591,897.07	16,055,275	1,536,622.07	9.57	115,403,932.91	104,869,673	10,734,259.91	10.26
2 Fuel Cost of Power Sold	(4,634,391.93)	(3,747,000)	(887,391.93)	23.68	(38,637,324.64)	(26,149,800)	(12,687,524.64)	48.52
3 Fuel Cost - Purchased Power	3,804,879.75	1,322,000	2,482,879.75	167.61	18,146,885.68	7,310,000	10,836,885.68	148.25
3a Demand & Non-Fuel Cost Purchased Power	0.00	0	0.00	NA	0.00	0	0.00	NA
3b Energy Payments to Qualifying Facilities	463,023.89	7,406	455,517.89	6,164.16	2,639,827.13	114,900	2,524,837.13	2,185.53
4 Energy Cost-Economy Purchases	0.00	0	0.00	NA	0.00	0	0.00	NA
5 Total Fuel & Net Power Transactions	17,229,307.78	13,637,681	3,588,626.78	26.31	97,353,101.06	85,944,863	11,408,238.06	13.27
6 Adjustments To Fuel Cost	0.00	0	0.00	NA	0.00	0	0.00	NA
7 Adj. Total Fuel & Net Power Transactions	17,229,307.78	13,637,681	3,588,626.78	26.31	97,353,101.06	85,944,863	11,408,238.06	13.27
B. MWH Sales								
1 Jurisdictional Sales	858,106,887	807,653,000	50,453,887	6.25	5,385,886,805	5,066,230,000	289,656,805	5.72
2 Non-Jurisdictional Sales	31,109,484	30,581,000	515,484	1.69	193,418,998	183,462,000	9,956,998	5.43
3 Total Territorial Sales	889,216,371	838,234,000	50,969,371	6.08	5,549,305,803	5,249,692,000	299,613,803	5.71
4 Juris. Sales as % of Total Terr. Sales	96.5018	96.3506	0.1512	0.16	98.5145	96.5053	0.0092	0.01

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
GULF POWER COMPANY
FOR THE MONTH OF: SEPTEMBER 1998**

	CURRENT MONTH				PERIOD - TO - DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%
C. True-up Calculation								
1 Jurisdictional Fuel Revenue	13,724,794.45	1,292,406	12,432,388.45	961.96	85,685,140.98	70,460,950	15,224,190.71	21.61
2 Fuel Adj. Revs. Not Applicable to Period:								
2a True-Up Provision	293,233.67	293,234	(0.33)	0.00	1,759,402.02	1,759,402	0.02	0.00
2b Incentive Provision	49,330.44	49,330	0.44	0.00	295,982.64	295,982	0.64	0.00
2c Special Contract Recovery Cost	(11,153.37)	(11,153)	(0.37)	0.00	(66,920.22)	(66,920)	(0.22)	0.00
3 Juris. Fuel Revenue Applicable to Period	14,056,205.19	1,623,617	12,432,588.19	785.63	87,673,005.42	72,449,414	15,224,191.42	21.01
4 Adjusted Total Fuel & Net Power Transactions (Line A7)	17,226,307.78	13,637,681	3,588,626.78	26.31	97,353,101.06	85,944,063	11,408,238.06	13.27
5 Juris. Sales % of Total KWH Sales (Line B4)	96.5018	96.3506	0.1512	0.16	96.5145	96.5053	0.0092	0.01
6 Juris. Total Fuel & Net Power Transactions Adj. for Line Losses (C4 *C5*1.0014)	16,846,870.26	13,158,393	3,688,587.26	26.51	94,058,895.29	83,058,224	11,000,671.28	13.28
7 True-Up Provision for the Month Over/(Under) Collection (C3-C6)	(2,560,786.07)	(11,534,666)	8,943,800.93	(77.54)	(6,415,269.06)	(10,000,809)	4,193,519.14	(39.53)
8 Interest Provision for the Month	(23,280.44)	(20,838)	(2,422.44)	11.63	(22,453.61)	17,516	(39,969.61)	(228.19)
9 Beginning True-Up & Interest Provision	(3,755,863.60)	1,257,344	(5,013,207.60)	(388.71)	1,534,022.71	1,759,401	(225,378.29)	(12.61)
10 True-Up Collected / (Refunded)	(293,233.67)	(293,234)	0.33	0.00	(1,759,402.02)	(1,759,402)	(0.02)	0.00
11 End of Period - Total Net True-Up, Before Adjustment (C7+C8+C9+C10)	(6,683,122.78)	(10,591,294)	3,928,171.22	(37.09)	(6,683,122.78)	(10,591,294)	3,928,171.22	(37.09)

SCHEDULE A-2
PAGE 2 OF 3

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
GULF POWER COMPANY
FOR THE MONTH OF: DECEMBER 1995**

	CURRENT MONTH				PERIOD - TO - DATE			
	\$ ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%	\$ ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%
C. True-up Calculation:								
1 Jurisdictional Fuel Revenue	11,047,446.39	11,782,066	(734,619.67)	(6.24)	33,065,084.53	32,537,565	527,519.47	1.62
2 Fuel Adj. Flows Not Applicable to Period:								
2a True-Up Provision	290,546.00	290,547	1.00	0.00	871,644.00	871,643	1.00	0.00
2b Incentive Provision	0.00	0	0.00	N/A	0.00	0	0.00	N/A
2c Special Contract Recovery Cost	(13,627)	(13,627)	0.00	0.00	(40,580)	(40,580)	(0.01)	0.00
3 Juris. Fuel Revenue Applicable to Period	<u>11,324,467.72</u>	<u>12,059,119</u>	<u>(734,651.39)</u>	<u>(6.09)</u>	<u>33,898,148.52</u>	<u>33,368,020</u>	<u>527,527.52</u>	<u>1.58</u>
4 Adjusted Total Fuel & Net Power Transactions (Line A7)	11,348,308.48	12,845,000	(1,296,691.51)	(10.27)	34,254,852.31	34,555,409	(300,656.69)	(0.87)
5 Juris. Sales % of Total kWh Sales (Line B4)	96.4624	96.3508	0.1115	0.14	96.5188	96.2473	0.2913	0.28
6 Juris. Total Fuel & Net Power Transactions Adj. for Line Losses (C4 * C5 * 1.0014)	<u>10,962,329.57</u>	<u>12,200,828</u>	<u>(1,238,304.43)</u>	<u>(10.15)</u>	<u>33,107,602.84</u>	<u>33,305,407</u>	<u>(197,804.66)</u>	<u>(0.59)</u>
7 True-Up Provision for the Month Over(Under) Collection (C3-C8)	362,144.15	(141,512)	503,656.15	(356.91)	788,545.59	63,221	725,324.58	1,147.26
8 Interest Provision for the Month	(29,641.76)	1,237	(30,878.76)	(2,489.26)	(88,555.28)	7,380	(95,915.28)	(1,303.20)
9 Beginning True-Up & Interest Provision	(5,878,730.88)	501,403	(7,978,139.68)	(1,471.50)	(8,663,122.78)	871,643	(7,534,785.76)	(864.43)
10 True-Up Collected / (Refunded)	<u>(290,546.00)</u>	<u>(290,547)</u>	<u>(1.00)</u>	<u>0.00</u>	<u>(871,644.00)</u>	<u>(871,643)</u>	<u>(1.00)</u>	<u>0.00</u>
11 End of Period - Total Net True-Up, Below Adjustment (C7+C8+C9+C10)	<u>(6,834,776.48)</u>	<u>70,581</u>	<u>(6,905,357.48)</u>	<u>(9,783.59)</u>	<u>(6,834,776.49)</u>	<u>70,581</u>	<u>(6,905,357.48)</u>	<u>(9,783.58)</u>