

STATE OF FLORIDA

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

**Public Service Commission**

July 16, 1999

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

**Re: Docket No. 990001-EI; Gulf Power Company  
Audit Report; Capacity Cost - Historical Year Ended December 31, 1998  
Audit Control No. 99-025-1-1**

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

DNV: sp

cc:  Division of Records and Reporting  
Division of Auditing and Financial Analysis (Devlin/Causseaux/Harvey/File Folder)  
Division of Electric and Gas (Ging)  
Tallahassee District Office (Hicks)  
Division of Legal Services

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND FINANCIAL ANALYSIS  
BUREAU OF AUDITING SERVICES

Tallahassee District Office

Gulf Power Company

Capacity Audit

HISTORICAL YEAR ENDED December 31, 1998

DOCKET NO. 990001-EI  
AUDIT CONTROL NO. 99-025-1-1

Handwritten signature of Demetrius M. Lockwood in cursive script.

Demetrius M. Lockwood, Audit Manager

Handwritten signature of Rhonda L. Hicks in cursive script.

Rhonda Hicks, Audit Supervisor

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

**June 28, 1999**

**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 True Up Filing for the historical 15-month period ended December 31, 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, and there are no audit staff minority opinions.

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.

**Reviewed** - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

**Examined** - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

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

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**NET OPERATING INCOME:** The audit staff examined the exhibit amounts. Visually scanned the supporting accounts for error or inconsistency. Reviewed the Intercompany Interexchange Contracts (IIC) Payments/Receipts. Traced the reported IIC Payments/Receipts to the Southern Company Services (SCS) Power Pool Transaction and Billing Summary. Compiled the total net settlement (of which capacity payments/receipts are a component) presented on the SCS Power Pool Transaction and Billing Summary.

Recalculated the Capacity Cost Recovery Revenues from a company prepared spreadsheet which removed revenue taxes and interdepartmental use (Purchased Power Capacity Cost Revenue Net of Taxes). Traced the Purchased Power Capacity Cost Revenue-Gross to the monthly billing summaries. Recomputed the total kilowatt hours (KWH) presented on the monthly billing summaries and reconciled to the billing register summary. Traced the capacity factors used to determine capacity clause revenue per exhibit amounts to the applicable Commission order.

**OTHER:** Recomputed the true-up and interest provision for the fifteen month period ended December 31, 1998 and traced to the beginning true-up in the prior filing. Traced the interest rates used in the calculation to the 30 Day Commercial Paper Rate. Compiled the interest provision.

Florida Public Service Commission  
Docket No. 990001-EI  
GULF POWER COMPANY  
Witness: T. A. Davis  
Exhibit No. \_\_\_\_ (TAD -1)  
SCHEDULE CCA-1  
Page 1 of 3

**GULF POWER COMPANY  
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF FINAL TRUE-UP AMOUNT  
OCTOBER 1997 - DECEMBER 1998**

1. Estimated over/(under)-recovery for the period  
OCTOBER 1997 - DECEMBER 1998  
(Schedule CCE-1a approved in Order No.  
PSC-98-1715-FOF-EI dated December 18, 1998) (3,704,945)
  
2. Actual over/(under)-recovery for the period  
OCTOBER 1997 - DECEMBER 1998  
(Schedule CCA-2 Pages 1 & 2 Line 11+12 in the Total column) (3,623,821)
  
3. Amount to be refunded/(recovered) in the  
JANUARY 2000 - DECEMBER 2000 projection period  
(Line 2 - Line 1) 81,124

**GULF POWER COMPANY  
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR THE PERIOD OCTOBER 1997 - SEPTEMBER 1998**

	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	ACTUAL TOTAL
1. Net Payments / (Receipts) (\$)	(33,415)	(442,075)	513,840	557,730	512,188	198,724	152,743	300,330	285,148	508,091	518,945	595,057	3,538,116
2. Capacity Payments to Solute (\$)	52,202	52,202	52,202	52,202	52,202	52,202	52,202	52,202	52,202	52,202	52,202	52,202	746,494
3. Total Capacity Payments/(Receipts) (Line 1 + 2) (\$)	28,787	(379,873)	576,042	719,932	574,380	261,026	214,945	352,532	347,350	470,293	466,747	727,259	4,084,648
4. Jurisdictional %	0.9531880	0.9531880	0.9531880	0.9531880	0.9531880	0.9531880	0.9531880	0.9531880	0.9531880	0.9531880	0.9531880	0.9531880	0.9531880
5. Jurisdictional Capacity Payments / (Receipts) (Line 3 * 4) (\$)	27,727	(365,889)	554,844	683,430	553,246	252,284	207,033	349,188	334,584	445,819	446,718	700,498	4,513,889
6. Amount Included in Retail Base Rate Recoveries	(137,667)	(137,667)	(137,667)	(137,667)	(137,668)	(137,668)	(137,667)	(137,667)	(137,667)	(137,667)	(137,668)	(137,668)	(1,652,888)
7. Total Jurisdictional Recovery / (Cost) (Line 5 - 6) (\$)	165,384	(229,222)	692,511	821,097	690,912	389,950	344,700	486,853	472,231	783,286	589,384	838,184	6,168,889
8. Jurisdictional Capacity Cost Recovery Revenue Net of Taxes (\$)	302,620	273,048	318,053	300,844	287,335	293,873	288,646	368,091	434,861	455,294	442,188	378,884	4,108,287
9. True-Up Provision (\$)	(43,884)	(43,884)	(43,884)	(43,884)	(43,884)	(43,884)	(43,884)	(43,884)	(43,884)	(43,884)	(43,884)	(43,884)	(523,887)
10. Jurisdictional Capacity Cost Recovery Revenue (Line 8 + 9) (\$)	258,736	229,164	274,169	257,180	223,451	250,000	226,862	324,207	390,977	411,410	398,304	335,001	3,982,339
11. Over/(Under) Recovery (Line 10 - 7) (\$)	83,582	457,886	(418,822)	(573,917)	(487,241)	(138,941)	(118,718)	(161,628)	(81,004)	(371,856)	(298,880)	(502,963)	(2,542,789)
12. Interest Provision (\$)	4,715	8,247	8,703	4,557	2,297	1,119	728	285	(71)	(822)	(2,288)	(3,808)	18,884
13. Beginning Balance True-Up & Interest Provision (\$)	954,488	1,086,429	1,803,848	1,237,381	711,885	290,415	185,257	120,931	3,254	(34,187)	(363,100)	(821,884)	954,488
14. True-Up Collected/(Plundered) (\$)	43,884	43,884	43,884	43,884	43,884	43,884	43,884	43,884	43,884	43,884	43,884	43,884	523,887
15. End Of Period Total Net True-Up (Lines 11 + 12 + 13 + 14) (\$)	1,086,429	1,803,848	1,237,381	711,885	290,415	185,257	120,931	3,254	(34,187)	(363,100)	(821,884)	(1,086,429)	

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**GULF POWER COMPANY**  
**PURCHASED POWER CAPACITY COST RECOVERY CLAUSE**  
**CALCULATION OF TRUE-UP AND INTEREST PROVISION**  
**FOR THE PERIOD OCTOBER 1998 - DECEMBER 1998**

	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	ACTUAL TOTAL
1. IIC Payments / (Receipts) (\$)	184,067	172,724	272,498	629,289
2. Capacity Payments to Solutia (\$)	<u>82,202</u>	<u>82,202</u>	<u>82,202</u>	<u>186,606</u>
3. Total Capacity Payments/(Receipts) (Line 1 + 2) (\$)	246,269	234,926	334,700	815,895
4. Jurisdictional %	<u>0.9648271</u>	<u>0.9648271</u>	<u>0.9648271</u>	<u>0.9648271</u>
5. Jurisdictional Capacity Payments / (Receipts) (Line 3 x 4) (\$)	237,807	226,863	322,928	787,198
6. Amount Included in Retail Base Rate Revenues (\$)	<u>(137,867)</u>	<u>(137,867)</u>	<u>(137,867)</u>	<u>(413,001)</u>
7. Total Jurisdictional Recovery Amount (Line 5 - 6) (\$)	<u>375,274</u>	<u>384,330</u>	<u>460,595</u>	<u>1,200,199</u>
8. Jurisdictional Capacity Cost Recovery Revenue Net of Taxes (\$)	321,903	285,862	478,891	1,086,256
9. True-Up Provision (\$)	<u>(303,774)</u>	<u>(303,774)</u>	<u>(303,775)</u>	<u>(911,323)</u>
10. Jurisdictional Capacity Cost Recovery Revenue (Line 8 + 9) (\$)	16,129	(38,112)	174,916	154,933
11. Over/(Under) Recovery (Line 10 - 7) (\$)	(357,145)	(402,442)	(285,879)	(1,045,266)
12. Interest Provision (\$)	(4,779)	(5,265)	(5,363)	(15,407)
13. Beginning Balance True-Up & Interest Provision (\$)	(1,084,693)	(1,142,843)	(1,246,776)	(1,084,693)
14. True-Up Collected/(Refunded) (\$)	<u>303,774</u>	<u>303,774</u>	<u>303,775</u>	<u>911,323</u>
15. End Of Period Total Net True-Up (Lines 11 + 12 + 13 + 14) (\$)	<u>(1,142,843)</u>	<u>(1,246,776)</u>	<u>(1,234,043)</u>	



**GULF POWER COMPANY  
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF INTEREST PROVISION  
FOR THE PERIOD OCTOBER 1986 - SEPTEMBER 1987**

	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	TOTAL
1. Beginning True-Up Amount (\$)	864,488	1,088,428	1,003,946	1,237,381	711,886	290,418	188,287	128,831	3,284	(34,187)	(383,100)	(821,884)	
2. Ending True-Up Amount Before Interest (\$)	1,891,716	1,887,888	1,230,888	797,138	898,118	184,138	120,888	2,888	(36,118)	(388,178)	(818,318)	(1,588,888)	
3. Total Beginning & Ending True-Up Amount (\$)(Lines 1 + 2)	2,848,202	2,894,128	2,234,834	2,044,529	1,610,004	474,556	316,488	131,719	(32,833)	(771,487)	(1,641,182)	(2,410,776)	
4. Average True-Up Amount (\$)	1,023,181	1,317,084	1,417,317	872,288	488,907	242,277	157,738	81,888	(18,431)	(188,188)	(481,888)	(881,238)	
5. Interest Rate - First Day of Reporting Business Month	0.086300	0.086300	0.088000	0.087800	0.086000	0.086300	0.086400	0.086300	0.088000	0.088000	0.088000	0.086300	
6. Interest Rate - First Day of Subsequent Business Month	0.086300	0.088000	0.087800	0.088000	0.086300	0.088000	0.086300	0.086000	0.088000	0.086400	0.086300	0.082200	
7. Total Interest Rate (Lines 5 + 6)	0.110800	0.111300	0.113800	0.112800	0.110300	0.110800	0.110800	0.110300	0.111000	0.111800	0.110800	0.107400	
8. Average Interest Rate	0.086300	0.088000	0.086780	0.088280	0.086180	0.086400	0.086400	0.086180	0.088000	0.086400	0.086400	0.083700	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.007192	0.007333	0.007229	0.007357	0.007182	0.007200	0.007200	0.007182	0.007333	0.007200	0.007200	0.006975	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	4,718	8,247	8,703	4,957	2,297	1,118	728	288	(71)	(822)	(2,288)	(3,888)	19,881

**GULF POWER COMPANY  
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF INTEREST PROVISION  
FOR THE PERIOD OCTOBER 1998 - December 1998**

	<u>ACTUAL OCTOBER</u>	<u>ACTUAL NOVEMBER</u>	<u>ACTUAL DECEMBER</u>	<u>TOTAL</u>
1. Beginning True-Up Amount (\$)	(1,084,693)	(1,142,843)	(1,246,776)	
2. Ending True-Up Amount Before Interest (\$)	<u>(1,138,064)</u>	<u>(1,241,511)</u>	<u>(1,228,680)</u>	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	<u>(2,222,757)</u>	<u>(2,384,354)</u>	<u>(2,475,456)</u>	
4. Average True-Up Amount (\$)	<u>(1,111,379)</u>	<u>(1,192,177)</u>	<u>(1,237,728)</u>	
5. Interest Rate - First Day of Reporting Business Month	0.052200	0.051000	0.055000	
6. Interest Rate - First Day of Subsequent Business Month	<u>0.051000</u>	<u>0.055000</u>	<u>0.049000</u>	
7. Total Interest Rate (Lines 5 + 6)	<u>0.103200</u>	<u>0.106000</u>	<u>0.104000</u>	
8. Average Interest Rate	0.051600	0.053000	0.052000	
9. Monthly Average Interest Rate (1/12 Of Line 8)	<u>0.004300</u>	<u>0.004417</u>	<u>0.004333</u>	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	<u>(4,779)</u>	<u>(5,265)</u>	<u>(5,363)</u>	<u>(15,407)</u>