

State of Florida



Public Service Commission  
-M-E-M-O-R-A-N-D-U-M-

---

**DATE:** September 16, 2002  
**TO:** Division of Economic Regulation (Lee) *W*  
**FROM:** Division of Auditing and Safety (Vandiver)  
**RE:** **Docket No.** 020001-EI; **Company Name:** Gulf Power Company; **Audit Purpose:** Capacity Cost Recovery Clause; **Audit Control No.** 02-044-1-1

---

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp  
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)  
Division of the Commission Clerk and Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

Mr. Ronnie Labrato  
Chief Financial Officer & Comptroller  
Gulf Power Company  
One Energy Place  
Pensacola, Florida 32520

Ms. Susan D. Ritenour, Assistant Secretary  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520-0780

DOCUMENT NUMBER DATE

09882 SEP 17 8

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY  
BUREAU OF AUDITING

Tallahassee District Office

Gulf Power Company

Capacity Cost Recovery Clause Audit

HISTORICAL YEAR ENDED December 31, 2001

DOCKET NO. 020001-EI  
AUDIT CONTROL NO. 02-044-1-1

A handwritten signature in cursive script, reading "Robert T. Moore", written over a horizontal line.

Robert T. Moore, Audit Manager

A handwritten signature in cursive script, reading "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer, Audit Supervisor

## TABLE OF CONTENTS

<b>I.</b>	<b>AUDITOR'S REPORT</b>	<b>PAGE</b>
	PURPOSE .....	1
	DISCLAIM PUBLIC USE .....	1
	SUMMARY OF SIGNIFICANT PROCEDURES .....	2
<b>II.</b>	<b>EXHIBITS</b>	
	TRUE UP .....	3
	INTEREST PROVISION .....	4

**DIVISION OF AUDITING AND SAFETY  
AUDITOR'S REPORT**

**September 13, 2002**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described later in this report to audit the accompanying Capacity Recovery Clause schedules for the historical 12-month period ended December 31, 2001 for Gulf Power Company. These schedules were prepared by the utility as part of its petition for cost recovery in Docket No. 020001-EI.

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.

## 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:

**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.

---

**REVENUE:** Revenues were audited as part of the Revenue Sharing Audit for 2001, Audit Control Number 02-149-1-1.

**EXPENSE:** Compiled the activity to account 55500202 to ascertain the capacity charges from Solutia, Inc. were properly recorded in the general ledger. Verified the capacity charges for the Solutia, Inc. from selected invoices. Judgementally tested selected invoices with capacity charges to lines 1 thru 3 on the True-Up schedule. Verified the Jurisdictional percent.

**TRUE-UP:** Determined the total capacity cost recovery true-up. Obtained the beginning True-Up from the prior audit workpaper. Obtained the approved interest rates based on the Wall Street Journal. Recomputed True-Up Interest Provision. Recomputed and Compiled True-Up.

SCHEDULE CCA-2

GULF POWER COMPANY  
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR THE PERIOD JANUARY 2001 - DECEMBER 2001

	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	ACTUAL TOTAL
1. IIC Payments / (Receipts) (\$)	756,739	478,834	435,604	416,580	449,533	1,656,328	3,291,404	4,122,401	2,599,698	409,585	288,427	414,302	15,319,434
2. Transmission Revenue (\$)	(35,910)	(11,404)	(39,862)	(13,748)	(14,826)	(52,093)	(5,068)	(15,145)	(3,885)	(4,061)	(5,972)	(16,166)	(218,140)
3. Capacity Payments to Solutia (\$)	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	746,424
4. Total Capacity Payments/(Receipts) (Line 1 + 2 + 3) (\$)	783,031	529,632	457,944	465,034	496,909	1,666,437	3,348,537	4,169,458	2,658,015	467,726	344,657	460,338	15,847,718
5. Jurisdictional %	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747	0.9650747
6. Jurisdictional Capacity Payments / (Receipts) (Line 3 x 4) (\$)	755,683	511,134	441,950	448,793	479,555	1,608,236	3,231,589	4,023,837	2,565,183	451,391	332,620	444,260	15,294,231
7. Amount Included in Retail Base Rate Revenues (\$)	(137,667)	(137,667)	(137,667)	(137,667)	(137,667)	(137,667)	(137,667)	(137,667)	(137,666)	(137,666)	(137,666)	(137,666)	(1,652,000)
8. Total Jurisdictional Recovery Amount (Line 5 - 6) (\$)	893,350	648,801	579,617	586,460	617,222	1,745,903	3,369,256	4,161,504	2,702,849	589,057	470,286	581,926	16,946,231
9. Jurisdictional Capacity Cost Recovery Revenue Net of Taxes (\$)	1,586,766	1,131,696	1,246,303	1,272,333	1,487,172	1,712,665	1,867,228	1,798,341	1,566,826	1,325,241	1,204,413	807,732	17,006,717
10. True-Up Provision (\$)	46,130	46,130	46,130	46,131	46,130	46,130	46,130	46,131	46,130	46,130	46,130	46,131	553,563
11. Jurisdictional Capacity Cost Recovery Revenue (Line 9 + 10) (\$)	1,632,896	1,177,826	1,292,433	1,318,464	1,533,302	1,758,795	1,913,358	1,844,472	1,612,956	1,371,371	1,250,543	853,863	17,560,280
12. Over/(Under) Recovery (Line 11 - 8) (\$)	739,546	529,025	712,816	732,004	916,080	12,892	(1,455,898)	(2,317,032)	(1,089,893)	782,314	780,257	271,937	614,049
13. Interest Provision (\$)	6,231	8,183	10,228	12,122	13,487	13,954	11,241	4,969	(237)	(597)	784	1,468	81,833
14. Beginning Balance True-Up & Interest Provision (\$)	894,420	1,594,067	2,085,145	2,762,059	3,460,054	4,343,492	4,324,209	2,833,422	475,229	(661,031)	74,555	809,466	894,420
15. True-Up Collected/(Refunded) (\$)	(46,130)	(46,130)	(46,130)	(46,131)	(46,130)	(46,130)	(46,130)	(46,131)	(46,130)	(46,130)	(46,130)	(46,131)	(553,563)
16. End Of Period Total Net True-Up (Lines 12 + 13 + 14 + 15) (\$)	1,594,067	2,085,145	2,762,059	3,460,054	4,343,492	4,324,209	2,833,422	475,229	(661,031)	74,555	809,466	1,036,740	

1  
3  
1

**GULF POWER COMPANY**  
**PURCHASED POWER CAPACITY COST RECOVERY CLAUSE**  
**CALCULATION OF INTEREST PROVISION**  
**FOR THE PERIOD JANUARY 2001 - DECEMBER 2001**

	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 (\$)	894,420	1,594,067	2,085,145	2,762,059	3,460,054	4,343,492	4,324,209	2,833,422	475,229	(661,031)	74,555	809,466	
2. Ending True-Up Amount Before Interest (\$)	1,587,836	2,076,962	2,751,831	3,447,932	4,330,005	4,310,255	2,822,181	470,260	(660,794)	75,152	808,682	1,035,272	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	2,482,256	3,671,029	4,836,976	6,209,991	7,790,059	8,653,747	7,146,390	3,303,682	(185,565)	(585,879)	883,237	1,844,738	
4. Average True-Up Amount (\$)	1,241,128	1,835,515	2,418,488	3,104,996	3,895,030	4,326,874	3,573,195	1,651,841	(92,783)	(292,940)	441,619	922,369	
5. Interest Rate - First Day of Reporting Business Month	0.065000	0.055500	0.051500	0.050000	0.043700	0.039400	0.038000	0.037500	0.034700	0.026700	0.022200	0.020400	
6. Interest Rate - First Day of Subsequent Business Month	0.055500	0.051500	0.050000	0.043700	0.039400	0.038000	0.037500	0.034700	0.026700	0.022200	0.020400	0.017800	
7. Total Interest Rate (Lines 5 + 6)	0.120500	0.107000	0.101500	0.093700	0.083100	0.077400	0.075500	0.072200	0.061400	0.048900	0.042600	0.038200	
8. Average Interest Rate	0.060250	0.053500	0.050750	0.046850	0.041550	0.038700	0.037750	0.036100	0.030700	0.024450	0.021300	0.019100	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.005021	0.004458	0.004229	0.003904	0.003463	0.003225	0.003146	0.003008	0.002558	0.002038	0.001775	0.001592	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	6,231	8,183	10,228	12,122	13,487	13,954	11,241	4,969	(237)	(597)	784	1,468	81,833