

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ENERGY CONSERVATION COST
RECOVERY CLAUSE**

DOCKET NO. 020002-EG

**PREPARED DIRECT TESTIMONY AND
EXHIBIT OF
MICHAEL J. MCCARTHY**

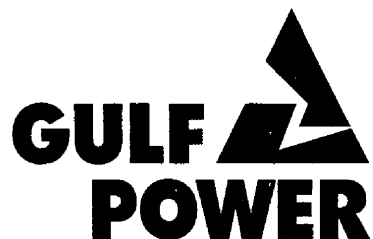
**Projection
JANUARY – DECEMBER 2003**

**True-up
JANUARY - AUGUST 2002**

**Actual
SEPTEMBER - DECEMBER 2002**

Estimated

October 4, 2002



A SOUTHERN COMPANY

DOCUMENT NUMBER 10723

10723 OCT-4 02

FPSC-COMMISSION CLERK

1 Gulf Power Company

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony and Exhibit of
4 Michael J. McCarthy
5 Docket No. 020002-EG
6 October 4, 2002

7 Q. Will you please state your name, business address,
8 employer and position?

9 A. My name is Michael J. McCarthy and my business address
10 is One Energy Place, Pensacola, Florida 32520. I am
11 employed by Gulf Power Company as the Economic
12 Evaluation and Market Reporting Team Leader.

13 Q. Have you testified before this Commission previous to
14 this filing?

15 A. Yes, I have. I have testified in Docket No. 971006-EG
16 pertaining to Gulf Power Company's Demand-Side
17 Management Plan and previously in the Energy
18 Conservation Cost Recovery Docket.

19
20 Q. Are you familiar with the schedules for the Energy
21 Conservation Cost Recovery Clause?

22 A. Yes, I am.
23
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DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLERK

1 Q. Have you verified, that to the best of your knowledge
2 and belief, this information is correct?

3 A. Yes, I have.

4

5 Counsel: We ask that Mr. McCarthy's exhibit
6 consisting of 5 Schedules be marked for
7 identification as: Exhibit No. ____ (MJM-2).

8

9 Q. Mr. McCarthy, for what purpose are you appearing before
10 this Commission today?

11 A. I am testifying before this Commission on behalf of
12 Gulf Power Company regarding matters related to the
13 Energy Conservation Cost Recovery Clause and to answer
14 any questions concerning the accounting treatment of
15 conservation costs in this filing. Specifically, I
16 will address projections for approved programs during
17 the January, 2003, through December, 2003, recovery
18 period and the anticipated results of those programs
19 during the current recovery period, January, 2002,
20 through December, 2002, (8 months actual, 4 months
21 estimated).

22

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1 Q. Would you summarize for this Commission the deviations
2 resulting from the actual costs for January through
3 August of the current recovery period?

4 A. Projected expenses for the first eight months of the
5 period were \$3,081,850 compared to actual expenses of
6 \$3,313,361 for a difference of \$231,511 or 7.5% over
7 budget. A detailed summary of all program expenses is
8 contained in my Schedule C-3, pages 1 and 3 and my
9 Schedule C-5, pages 1 through 15.

10

11 Q. Have you provided a description of the results achieved
12 so far this year by the programs during the period,
13 January, 2002, through August, 2002?

14 A. Yes. A detailed summary of year-to-date results for
15 each program is contained in my Schedule C-5, pages 1
16 through 14.

17

18 Q. Would you summarize the conservation program cost
19 projections for the January, 2003 through December,
20 2003 recovery period?

21 A. Program costs for the recovery period are projected to
22 be \$6,152,048. These costs are broken down as follows:
23 depreciation/amortization and return on investment,
24 \$1,550,190; payroll/benefits, \$2,201,295;
25 materials/expenses, \$1,971,920; and advertising,

1 \$989,739; all of which are partially offset by program
2 revenues of \$561,096. More detail is contained in my
3 Schedule C-2.
4

5 Q. Would you review the expected results for your on-going
6 programs during the January, 2003, through December,
7 2003, recovery period?

8 A. The following is a synopsis of each program goal:

9 (1) Residential Energy Audits - During the period,
10 1,350 audits are projected to be completed. These
11 audits encourage customers to make conservation
12 improvements. In 2002, Gulf Power has worked with
13 three area Weatherization Assistance Providers
14 (WAPs) to target low-income customers for energy
15 audits. Either through lack of weatherization
16 funds, insurance or reimbursement issues, the
17 Company has not been able to partner with a WAP to
18 increase low-income households' participation in
19 the energy audit program. The Company's goal in
20 2003 is to partner with an area WAP and provide
21 200 energy audits for low-income residences.

22 (2) Residential Mail-In Audit - This is a direct mail
23 energy auditing program. This program builds on
24 the success of Gulf Power Company's existing
25 Residential Energy Audit program and will assist

1 in the evaluation of the specific energy
2 requirements of a residential dwelling. Gulf
3 Power Company expects 250 participants during the
4 projection period.

5 (3) Duct Leakage Repair - The object of the program is
6 to provide the customer with a means to identify
7 house air duct leakage and to recommend repairs
8 that can reduce customer kWh energy usage and kW
9 demand. Gulf Power Company will continue to make
10 this program available for customers during the
11 projection period.

12 (4) Geothermal Heat Pump - The object of this program
13 is to reduce the demand and energy requirements of
14 new and existing residential customers through the
15 promotion and installation of geothermal systems.
16 During the projection period, 255 customers are
17 expected to participate in the program.

18 (5) GoodCents Select - This program is designed to
19 provide the customer with a means of conveniently and
20 automatically controlling and monitoring energy
21 purchases in response to prices that vary during the
22 day and by season in relation to Gulf Power Company's
23 cost of producing or purchasing energy. The **GoodCents**
24 *Select* system includes field units utilizing a
25 communication gateway, a radio frequency based Local

1 Area Network, major appliance load control relays,
2 and a programmable thermostat (Superstat), all
3 operating at the customer's home.

4 The startup of the program was delayed
5 because of several issues previously identified in
6 this docket. As a result of the delays and current
7 participation levels, the schedule for market
8 implementation has been modified from the original
9 projection in the Demand-side Management Plan.
10 Gulf Power Company now projects 3,000
11 installations annually for the remainder of the
12 plan. Gulf Power reviewed and revised its
13 projection for program participation in 2000. A
14 more detailed summary of the revised participation
15 rates is given in M. J. McCarthy's testimony in
16 Docket No. 000002-EG dated September 27, 2000.

17 (6) GoodCents Building - This program includes both
18 new and existing commercial customers. For the
19 projection period, 117 buildings are expected to
20 meet the program standards. Implementation
21 strategies will concentrate on architects,
22 engineers, developers and other decision makers in
23 the construction process.

24 (7) Energy Audits and Technical Assistance Audits -
25 Gulf Power Company projects 123 audits for 2003.

1 Emphasis will be placed on audits for large,
2 complex commercial customers such as hospitals,
3 hotels and office buildings. These audits will
4 focus on the benefits of alternative technologies
5 such as heat pump water heaters and geothermal
6 technologies.

7 (8) Commercial/Industrial Mail-In Audit - This is a
8 direct mail energy auditing program. This program
9 builds on the success of Gulf Power Company's
10 existing Commercial/Industrial Energy Audit
11 program and will assist in the evaluation of the
12 specific energy requirements of a given business
13 type. Gulf Power Company expects 624 participants
14 during the projection period.

15 (9) Green Pricing - A description of activities
16 associated with the Green Pricing program are
17 found in Schedule C-2.

18 (10) Conservation Demonstration and Development -
19 For this period, 9 research projects have been
20 identified. A detailed description of each
21 project is in Schedule C-2.

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1 Q. Mr. McCarthy, have there been any significant deviations
2 in any existing program that will have a significant
3 affect on the amount being requested for recovery in
4 2002 or 2003?

5 A. Yes. In the **GoodCents** *Select* program, Gulf Power
6 Company has incurred more expenses for materials and
7 advertising in the introduction phase of the program
8 than originally anticipated. The additional materials
9 expenses relate to the current contract with the
10 installation vendor. Gulf Power Company is examining
11 the current terms of the installation contract to
12 realign it with the current estimate of participation
13 levels. The advertising expenses have been adjusted to
14 increase customer awareness, more precisely define the
15 market, and therefore increase customer participation.

16

17 Q. How does the proposed Energy Conservation Cost Recovery
18 factor for Rate Schedule RS compare with the factor
19 applicable to December, 2002, and how would the change
20 affect the cost of 1,000 kwh on Gulf Power Company's
21 residential rate RS?

22 A. The current Energy Conservation Cost Recovery factor
23 for Rate Schedule RS applicable through December, 2002,
24 is 0.063¢/kwh compared with the proposed factor of
25 0.061¢/kwh. For a residential customer who uses 1,000

1 kwh in January, 2003, the conservation portion of the
2 bill would decrease from \$0.63 to \$0.61.

3

4 Q. When does Gulf Power Company propose to collect these
5 Energy Conservation Cost Recovery charges?

6 A. The factors will be effective beginning with the first
7 Bill Group for January, 2003, and continuing through
8 the last Bill Group for December, 2003.

9

10 Q. Mr. McCarthy, does this conclude your testimony?

11 A. Yes, it does.

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AFFIDAVIT

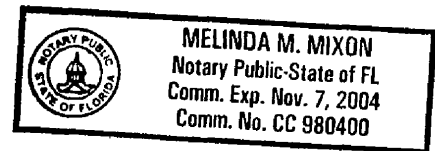
STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

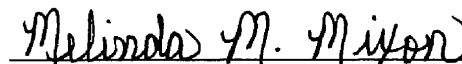
Docket No. 020002-EG

Before me the undersigned authority, personally appeared Michael J. McCarthy, who being first duly sworn, deposes and says that he is the Economic Evaluation and Marketing Reporting Team Leader of Gulf Power Company, a Maine Corporation, that the foregoing is true and correct to the best of his knowledge, information and belief. He is personally known to me.


Michael J. McCarthy
Economic Evaluation and Marketing
Reporting Team Leader

Sworn to and subscribed before me this 2nd day of October, 2002.




Notary Public, State of Florida at Large

INDEX

Schedule Number	Title	Pages
C-1	Summary of Cost Recovery Clause Calculation	1-3
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GULF POWER COMPANY

ENERGY CONSERVATION CLAUSE
SUMMARY OF PROJECTED COST RECOVERY CLAUSE CALCULATION

For the Period: January, 2003 Through December, 2003

	<u>\$</u>
1. Net Program Costs: Projected for 2003 (Schedule C-2 Page 1 of 3, Line 18)	6,152,048
2. True Up: Estimated 2002 (Jan-Aug Actual; Sep-Dec Est.) (Schedule C-3, Page 6 of 7)	<u>(141,610)</u>
3. Total (Line 1 + Line 2)	<u>6,010,438</u>
4. Cost Subject to Revenue Taxes	6,010,438
5. Revenue Tax	<u>1,000,720</u>
6. Total Recoverable Cost	<u>6,014,765</u>

Program costs are split in proportion to the current period split of demand-related and energy-related costs, see below. The allocation of projected ECCR costs between demand and energy is shown on schedule C-2, page 2 of 8, and is consistent with the methodology set forth in Order No. PSC-93-1845-FOF-EG.

7. Total Cost	6,014,765
8. Energy Related Costs	4,242,085
9. Demand Related Costs (total)	1,772,680
10. Demand Costs Allocated on 12 CP	1,636,320
11. Demand Costs Allocated on 1/13 th	136,360

	Energy \$	Demand \$ Half of GCS	Total	Energy	Demand	Total Recoverable Costs Including Revenue Taxes
	\$	\$	\$	\$	\$	\$
12. Est/Actual 2002	3,811,086	1,828,424	5,639,510	(95,769)	(45,943)	(141,712)
13. Percentage	67.58%	32.42%	100.00%			
14. Projected 2003	4,334,639	1,817,409	6,152,048	4,337,854	1,818,623	6,156,477
15. Percentage	70.46%	29.54%	100.00%			
16. Total				<u>4,242,085</u>	<u>1,772,680</u>	<u>6,014,765</u>

GULF POWER COMPANY
 CALCULATION OF ENERGY & DEMAND ALLOCATION % BY RATE CLASS
 January, 2003 Through December, 2003

Rate Class	A	B	C	D	E	F	G	H	I
	Average 12 CP Load Factor at Meter	Jan 2003 - Dec 2003 Projected KWH Sales at Meter	Projected Avg 12 CP KW at Meter	Demand Loss Expansion Factor	Energy Loss Expansion Factor	Jan 2003 - Dec 2003 Projected KWH Sales at Generation	Projected Avg 12 CP KW at Generation	Percentage of KWH Sales at Generation	Percentage of 12 CP KW Demand at Generation
RS, RSVP	59.521838%	4,783,079,000	917,333.21	1.00486476	1.00530097	4,808,433,958	921,795.82	46.51633%	54.66835%
GS, GST	61.623894%	285,459,000	52,879.88	1.00485887	1.00529775	286,971,290	53,136.82	2.77613%	3.15135%
GSD, GSDD	74.923957%	2,267,672,000	345,505.87	1.00470565	1.00516604	2,279,386,884	347,131.70	22.05057%	20.58712%
LP, LPT	86.403429%	1,925,800,000	254,434.56	0.98422595	0.98911989	1,904,847,084	250,421.10	18.42731%	14.85156%
PX, PXT, RTP, CSA, SBS	99.499138%	943,427,000	108,239.28	0.97443817	0.98057253	925,098,600	105,472.49	8.94931%	6.25519%
OS - I / II	247.068649%	97,528,000	4,506.17	1.00468934	1.00529485	98,044,396	4,527.30	0.94847%	0.26850%
OS-III	98.528325%	29,876,000	3,461.44	1.00511513	1.00526827	30,033,395	3,479.15	0.29054%	0.20634%
OS-IV	248.927520%	4,250,000	194.90	1.00240521	1.00541301	4,273,005	195.37	0.04134%	0.01159%
TOTAL		<u>10,337,091,000</u>	<u>1,686,555.31</u>			<u>10,337,088,612</u>	<u>1,686,159.75</u>	<u>100.00000%</u>	<u>100.00000%</u>

Notes:

Col A : Average 12 CP load factor based on actual 2001 load research data.
 Col C = Col B / (8760 hours x Col A), 8,760 is the number of hours in 12 months.
 Col F = Col B x Col E
 Col G = Col C x Col D
 Col H = Col F / Total Col F
 Col I = Col G / Total Col G

GULF POWER COMPANY
 CALCULATION OF ENERGY & DEMAND ALLOCATION % BY RATE CLASS
 January, 2003 Through December, 2003

Rate Class	A Percentage of KWH Sales at Generation	B Percentage of 12 CP KW Demand at Generation	C Demand Allocation 12CP	D 1/13 th	E Energy Allocation	F Total Conservation Costs	G Projected KWH Sales at Meter	H Conservation Recovery Factor cents per KWH
RS, RSVP	46.51633%	54.66835%	\$894,549	\$63,431	\$1,973,262	\$2,931,242	4,783,079,000	0.061
GS, GST	2.77613%	3.15135%	51,566	3,786	117,766	173,118	285,459,000	0.061
GSD, GSdT	22.05057%	20.58712%	336,871	30,068	935,404	1,302,343	2,267,672,000	0.057
LP, LPT	18.42731%	14.85156%	243,019	25,127	781,702	1,049,848	1,925,800,000	0.055
PX, PXT, RTP, SBS	8.94931%	6.25519%	102,355	12,203	379,637	494,195	943,427,000	0.052
OS - I / II	0.94847%	0.26850%	4,394	1,293	40,235	45,922	97,528,000	0.047
OS-III	0.29054%	0.20634%	3,376	396	12,325	16,097	29,876,000	0.054
OS-IV	0.04134%	0.01159%	190	56	1,754	2,000	4,250,000	0.047
TOTAL	100.00000%	100.00000%	\$1,636,320	\$136,360	\$4,242,085	\$6,014,765	10,337,091,000	

A Obtained from Schedule C-1, page 2 of 3, col H
 B Obtained from Schedule C-1, page 2 of 3, col I
 C Total from C-1, page 1, line 10 * col B
 D Total from C-1, page 1, line 11 * col A
 E Total from C-1, page 1, line 8 * col A
 F Total Conservation Costs
 G Projected kwh sales for the period January 2003 through December 2003
 H Col F / G

GULF POWER COMPANY

PROJECTED CONSERVATION PROGRAM NET COSTS
For the Period January, 2003 Through December, 2003

Actual	Depreciation, Return & Property Taxes	Payroll & Benefits	Materials Vehicles & Expenses	Other	Advertising	Incentives	Total Costs	Program Revenues	Net Costs
1. Residential Energy Audits	0	342,316	68,046	0	200,800	0	611,162	0	611,162
2. Gulf Express	0	0	0	0	0	0	0	0	0
3. In Concert with the Environment	0	0	0	0	0	0	0	0	0
4. Environmental Good Cents Home	0	0	0	0	0	0	0	0	0
5. Duct Leakage	0	0	0	0	0	0	0	0	0
6. Geothermal Heat Pump	0	122,336	103,745	0	113,160	0	339,241	0	339,241
7. Good Cents Select	1,550,190	670,435	1,523,490	0	451,800	0	4,195,915	561,096	3,634,819
8. Comm/Ind Good Cents Bldg	0	439,135	46,915	0	16,636	0	502,686	0	502,686
9. Comm/Ind E.A. & T.A.A.	0	496,304	88,101	0	4,025	0	588,430	0	588,430
10. Commercial Mail In Audit	0	36,139	14,856	0	0	0	50,995	0	50,995
11. Solar for Schools	0	3,151	656	0	0	0	3,807	0	3,807
12. Research & Development	0	12,474	62,500	0	0	0	74,974	0	74,974
13. Residential Mail In Audit	0	30,479	5,856	0	100,300	0	136,635	0	136,635
14. Earth Cents	0	16,553	5,755	0	103,018	0	125,326	0	125,326
15. Green Pricing	0	31,973	52,000	0	0	0	83,973	0	83,973
16. Total All Programs	1,550,190	2,201,295	1,971,920	0	989,739	0	6,713,144	561,096	6,152,048
17. Less: Base Rate Recovery	0	0	0	0	0	0	0	0	0
18. Net Program Costs	1,550,190	2,201,295	1,971,920	0	989,739	0	6,713,144	561,096	6,152,048

GULF POWER COMPANY

PROJECTED CONSERVATION PROGRAM NET COSTS
For the Period January, 2003 Through December, 2003

PROGRAMS

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>12 MONTH TOTAL</u>	<u>DEMAND COSTS</u>	<u>ENERGY COSTS</u>
1 Residential Energy Audits	45,513	45,986	47,257	50,718	58,695	48,677	49,151	49,625	50,349	51,225	63,148	50,818	611,162	0	611,162
2. Gulf Express	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. In Concert with the Environment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4 Good Cents Environmental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 Duct Leakage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Geothermal Heat Pump	22,161	23,116	24,359	25,314	30,998	27,224	28,179	29,134	30,089	31,353	35,462	31,852	339,241	0	339,241
7. Good Cents Select	288,615	290,227	293,401	295,008	322,769	298,210	299,806	301,398	303,237	306,711	329,781	305,656	3,634,819	1,817,409	1,817,410
8. Comm/Ind Good Cents Bldg	36,404	36,744	38,096	38,436	55,750	39,117	39,458	39,798	40,138	40,626	57,303	40,816	502,686	0	502,686
9. Comm/Ind E.A. & T.A.A	43,318	43,612	45,050	45,344	64,818	45,932	46,227	46,521	46,816	51,921	61,478	47,393	588,430	0	588,430
10. Commercial Mail In Audit	3,408	3,591	3,691	3,791	5,285	3,991	4,091	4,192	4,291	4,756	5,420	4,488	50,995	0	50,995
11. Solar for Schools	291	291	299	327	393	299	299	299	299	299	420	291	3,807	0	3,807
12 Research & Development	2,935	3,535	4,164	4,764	5,842	5,964	6,564	7,264	7,764	8,842	8,364	8,972	74,974	0	74,974
13. Residential Mail In Audit	11,085	11,095	11,180	11,190	12,376	11,210	11,220	11,229	11,239	11,889	11,785	11,137	136,635	0	136,635
14. Earth Cents	10,072	10,117	10,204	10,249	10,654	10,619	10,384	10,429	10,474	10,734	10,944	10,446	125,326	0	125,326
15. Green Pricing	4,063	4,564	5,138	5,915	7,094	6,638	7,138	7,638	8,137	9,593	8,914	9,141	83,973	0	83,973
16. Total All Programs	467,865	472,878	482,839	491,056	574,674	497,881	502,517	507,527	512,833	527,949	593,019	521,010	6,152,048	1,817,409	4,334,639
17. Less: Base Rate Recovery	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18. Recoverable Conservation Expenses	467,865	472,878	482,839	491,056	574,674	497,881	502,517	507,527	512,833	527,949	593,019	521,010	6,152,048	1,817,409	4,334,639

Florida Public Service Commission
Docket No. 020002-EG
GULF POWER COMPANY
Witness: Michael J. McCarthy
Exhibit No. _____ (MJM-2)
Schedule C-2
Page 2 of 3

GULF POWER COMPANY
 SCHEDULE OF CAPITAL INVESTMENT, DEPRECIATION, RETURN AND PROPERTY TAXES
 Good Cents Select
 For the Period January, 2003 Through December, 2003

Line No.	Description	Beginning of Period	Projected January	Projected February	Projected March	Projected April	Projected May	Projected June	Projected July	Projected August	Projected Sept	Projected Oct	Projected Nov	Projected Dec	Total
1	Additions to Plant In Service (Net of Retirements)		199,500	199,500	199,500	199,500	199,500	199,500	199,500	199,500	199,500	199,500	199,500	199,500	
2	Depreciation Base	3,504,696	3,704,196	3,903,696	4,103,196	4,302,696	4,502,196	4,701,696	4,901,196	5,100,696	5,300,196	5,499,696	5,699,196	5,898,696	
3	Depreciation Expense (A)		6,469	6,848	7,227	7,607	7,986	8,365	8,744	9,123	9,502	9,881	10,260	10,639	102,651
4	Cumulative Investment	3,504,696	3,704,196	3,903,696	4,103,196	4,302,696	4,502,196	4,701,696	4,901,196	5,100,696	5,300,196	5,499,696	5,699,196	5,898,696	
5	Less, Accumulated Depreciation	143,249	149,718	156,566	163,793	171,400	179,386	187,751	196,495	205,618	215,120	225,001	235,261	245,900	
6	Net Plant in Service	3,361,447	3,554,478	3,747,130	3,939,403	4,131,296	4,322,810	4,513,945	4,704,701	4,895,078	5,085,076	5,274,695	5,463,935	5,652,796	
7	Net Additions/Reductions to CWIP		154,500	154,500	154,500	154,500	154,500	154,500	154,500	154,500	154,500	154,500	154,500	154,500	
8	CWIP Balance	7,049,764	7,204,264	7,358,764	7,513,264	7,667,764	7,822,264	7,976,764	8,131,264	8,285,764	8,440,264	8,594,764	8,749,264	8,903,764	
9	Net Investment (Line 6 + 8)	10,411,211	10,758,742	11,105,894	11,452,667	11,799,060	12,145,074	12,490,709	12,835,965	13,180,842	13,525,340	13,869,459	14,213,199	14,556,560	
10	Average Net Investment		10,584,977	10,932,318	11,279,281	11,625,864	11,972,067	12,317,892	12,663,337	13,008,404	13,353,091	13,697,400	14,041,329	14,384,980	
11	Rate of Return / 12 (including Income Taxes) (B)		0.009434	0.009434	0.009434	0.009434	0.009434	0.009434	0.009434	0.009434	0.009434	0.009434	0.009434	0.009434	
12	Return Requirement on Average Net Investment		99,859	103,135	106,409	109,678	112,944	116,207	119,466	122,721	125,973	129,221	132,466	135,707	1,413,786
13	Property Taxes		2,813	2,813	2,813	2,813	2,813	2,813	2,813	2,813	2,813	2,813	2,813	2,813	33,753
14	Total Depreciation, Return and Property Taxes (Line 3+12+13)		109,141	112,796	116,449	120,098	123,743	127,385	131,023	134,657	138,288	141,915	145,539	149,156	1,355,190

Notes
 (A) Good Cents Select Property Additions Depreciated at 2.3% per year
 (B) Revenue Requirement Return is 11.321%

GULF POWER COMPANY

CONSERVATION PROGRAM NET COST
January, 2002 Through August, 2002, Actual
September, 2002 Through December, 2002, Estimated

Actual	Capital Return, Property Taxes & Depreciation	Payroll & Benefits	Materials Vehicles & Expenses	Advertising	Total Costs	Program Revenues (Credits)	Net Costs
1 Residential Energy Audits							
a Actual	0.00	148,108.28	20,139.60	75,513.08	243,760.96	0.00	243,760.96
b Estimated	0.00	116,094.72	39,413.40	24,686.92	180,195.04	0.00	180,195.04
c Total	0.00	264,203.00	59,553.00	100,200.00	423,956.00	0.00	423,956.00
2 Gulf Express							
a Actual	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b Estimated	0.00	0.00	4,000.00	0.00	4,000.00	0.00	4,000.00
c Total	0.00	0.00	4,000.00	0.00	4,000.00	0.00	4,000.00
3 In Concert with the Environment							
a Actual	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b Estimated	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4 Environmental Good Cents Home							
a Actual	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b Estimated	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5 Duct Leakage							
a Actual	0.00	805.91	304.83	0.00	1,110.74	0.00	1,110.74
b Estimated	0.00	394.09	2,095.17	0.00	2,489.26	0.00	2,489.26
c Total	0.00	1,200.00	2,400.00	0.00	3,600.00	0.00	3,600.00
6 Geothermal Heat Pump							
a Actual	0.00	59,637.64	7,721.25	30,206.33	97,565.22	0.00	97,565.22
b Estimated	0.00	81,613.36	30,000.75	40,000.67	151,614.78	0.00	151,614.78
c Total	0.00	141,251.00	37,722.00	70,207.00	249,180.00	0.00	249,180.00
7 Good Cents Select							
a Actual	594,910.89	336,463.44	1,295,750.95	238,358.43	2,465,483.71	130,096.90	2,335,386.81
b Estimated	394,255.77	203,968.56	431,499.05	161,641.57	1,191,364.95	117,192.00	1,074,172.95
c Total	989,166.66	540,432.00	1,727,250.00	400,000.00	3,656,848.66	247,288.90	3,409,559.76
8 Comm/Ind Good Cents Bldg							
a Actual	0.00	207,705.54	26,727.28	1,025.63	235,458.45	0.00	235,458.45
b Estimated	0.00	176,639.46	26,451.72	5,000.37	208,091.55	0.00	208,091.55
c Total	0.00	384,345.00	53,179.00	6,026.00	443,550.00	0.00	443,550.00
9 Comm/Ind E A & T A A							
a Actual	0.00	251,858.70	31,020.58	1,005.66	283,884.94	0.00	283,884.94
b Estimated	0.00	241,353.30	15,000.42	2,994.34	259,348.06	0.00	259,348.06
c Total	0.00	493,212.00	46,021.00	4,000.00	543,233.00	0.00	543,233.00
10 Commercial Mail In Audit							
a Actual	0.00	15,596.67	4,278.65	0.00	19,875.32	0.00	19,875.32
b Estimated	0.00	6,500.33	3,000.35	0.00	9,500.68	0.00	9,500.68
c Total	0.00	22,097.00	7,279.00	0.00	29,376.00	0.00	29,376.00
11 Solar for Schools							
a Actual	0.00	1,294.68	101.55	0.00	1,396.23	0.00	1,396.23
b Estimated	0.00	1,667.32	198.45	0.00	1,865.77	0.00	1,865.77
c Total	0.00	2,962.00	300.00	0.00	3,262.00	0.00	3,262.00
12 Research & Development							
a Aquatic Pool	0.00	0.00	425.70	0.00	425.70	0.00	425.70
b Geothermal	0.00	0.00	43.80	0.00	43.80	0.00	43.80
c Groovin' Hwy 29	0.00	0.00	14.07	0.00	14.07	0.00	14.07
d Hampton	0.00	0.00	0.00	0.00	0.00	0.00	0.00
e Oak Ridge	0.00	0.00	702.92	0.00	702.92	0.00	702.92
f Springhill Suites	0.00	0.00	6.48	0.00	6.48	0.00	6.48
g Pine Forest	0.00	0.00	178.07	0.00	178.07	0.00	178.07
h Triggers	0.00	0.00	179.14	0.00	179.14	0.00	179.14
i Water Furnace	0.00	0.00	441.00	0.00	441.00	0.00	441.00
j Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
k Total Actual	0.00	0.00	1,991.18	0.00	1,991.18	0.00	1,991.18
l Estimated	0.00	0.00	163,808.82	0.00	163,808.82	0.00	163,808.82
m Total	0.00	0.00	165,800.00	0.00	165,800.00	0.00	165,800.00
13 Residential Mail In Audit							
a Actual	0.00	9,588.40	3,242.56	32,466.55	45,297.51	0.00	45,297.51
b Estimated	0.00	14,909.60	3,152.44	17,533.45	35,595.49	0.00	35,595.49
c Total	0.00	24,498.00	6,395.00	50,000.00	80,893.00	0.00	80,893.00
14 Earth Cents							
a Actual	0.00	6,905.81	35,843.01	3,805.20	46,554.02	0.00	46,554.02
b Estimated	0.00	3,938.19	(29,681.01)	0.80	(25,742.02)	0.00	(25,742.02)
c Total	0.00	10,844.00	6,162.00	3,806.00	20,812.00	0.00	20,812.00
15. Green Pricing							
a Actual	0.00	0.00	1,079.93	0.00	1,079.93	0.00	1,079.93
b Estimated	0.00	0.00	13,920.07	0.00	13,920.07	0.00	13,920.07
c Total	0.00	0.00	15,000.00	0.00	15,000.00	0.00	15,000.00
a. Actual	594,910.89	1,037,965.07	1,428,201.37	382,380.88	3,443,458.21	130,096.90	3,313,361.31
b. Estimated	394,255.77	847,078.93	702,859.63	251,858.12	2,196,052.45	117,192.00	2,078,860.45
16. Total All Programs	989,166.66	1,885,044.00	2,131,061.00	634,239.00	5,639,510.66	247,288.90	5,392,221.76

GULF POWER COMPANY

CONSERVATION PROGRAM COSTS (Not Net of Revenues)
For the Period January, 2002 Through August 2002, Actual
September, 2002 Through December, 2002, Estimated

	ACTUAL								ADJUSTMENTS	TOTAL ACT	ESTIMATED				TOTAL EST	TOTAL ACTUAL & ESTIMATED COSTS
	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG			SEP	OCT	NOV	DEC		
1 Residential Energy Audits	22,603.31	23,979.56	23,394.41	22,921.41	25,970.38	40,689.92	38,135.30	46,066.67	0.00	243,760.96	45,049.00	45,049.00	45,049.00	45,048.04	180,195.04	423,956.00
2 Gulf Express	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,000.00	1,000.00	1,000.00	1,000.00	4,000.00	4,000.00
3 In Concert with the Environment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4 Good Cents Environmental	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5 Duct Leakage	17.80	101.44	(6.28)	18.48	762.46	(62.50)	27.24	252.10	0.00	1,110.74	622.00	622.00	622.00	623.26	2,489.26	3,600.00
6 Geothermal Heat Pump	9,457.88	10,646.73	13,153.08	9,344.62	11,409.92	17,921.58	14,463.76	11,167.65	0.00	97,565.22	37,904.00	37,904.00	37,904.00	37,902.78	151,614.78	249,180.00
7 Good Cents Select	187,723.31	119,458.86	456,064.88	417,902.99	227,295.84	382,252.38	409,149.07	276,638.26	(11,001.87)	2,465,483.71	297,841.00	297,841.00	297,841.00	297,841.95	1,191,364.95	3,656,848.66
8 Comm/Ind Good Cents Bldg	26,048.53	27,144.56	28,320.27	35,095.33	26,173.90	27,880.50	30,691.09	34,104.27	0.00	235,458.45	52,023.00	52,023.00	52,023.00	52,022.55	208,091.55	443,550.00
9 Comm/Ind E A & T A A	36,080.68	31,340.99	36,409.63	36,823.77	35,664.71	36,357.51	34,552.05	36,655.60	0.00	283,884.94	64,837.00	64,837.00	64,837.00	64,837.06	259,348.06	543,233.00
10 Commercial Mail In Audit	2,561.45	2,273.28	2,416.48	2,337.32	2,439.97	2,851.79	2,562.47	2,432.56	0.00	19,875.32	2,375.00	2,375.00	2,375.00	2,375.68	9,500.68	29,376.00
11 Solar for Schools	741.93	(139.46)	104.95	83.17	109.80	116.67	187.71	191.46	0.00	1,396.23	466.00	466.00	466.00	467.77	1,865.77	3,262.00
12 Research & Development											40,952.00	40,952.00	40,952.00	40,952.82	163,808.82	165,800.00
a Aquatic Pool	61.38	0.00	103.82	0.00	115.22	44.07	0.00	101.21	0.00	425.70						
b Geothermal	0.00	0.00	0.00	0.00	0.00	0.00	43.80	0.00	0.00	43.80						
c Groovin' Hwy 29	(10.69)	0.00	0.00	52.91	0.00	0.00	(12.88)	(15.27)	0.00	14.07						
d Hampton	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00						
e Oak Ridge	61.05	158.90	95.75	105.44	106.11	103.69	35.68	36.30	0.00	702.92						
f Spmnghill Surles	0.00	0.00	0.00	0.00	0.00	6.48	0.00	0.00	0.00	6.48						
g Pine Forest	0.00	77.57	48.06	52.91	27.68	0.00	(12.88)	(15.27)	0.00	178.07						
h Triggers	61.39	77.59	48.06	0.00	0.00	20.25	(12.88)	(15.27)	0.00	179.14						
i Water Furnace	56.38	75.82	46.02	47.24	(0.18)	128.06	56.14	31.52	0.00	441.00						
j Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00						
13 Residential Mail In Audit	1,040.53	3,280.73	3,350.27	2,361.72	4,929.69	7,572.66	8,375.07	14,386.84	0.00	45,297.51	8,899.00	8,899.00	8,899.00	8,898.49	35,595.49	80,893.00
14 Earth Cents	4,930.58	6,783.92	4,831.25	5,098.55	9,424.42	5,119.83	4,989.35	5,376.12	0.00	46,554.02	(6,436.00)	(6,436.00)	(6,436.00)	(6,434.02)	(25,742.02)	20,812.00
15 Green Pricing	0.00	0.00	0.00	0.00	0.00	216.05	863.88	0.00	0.00	1,079.93	3,480.00	3,480.00	3,480.00	3,480.07	13,920.07	15,000.00
16 Total All Programs	291,435.51	225,260.49	568,380.65	532,245.86	344,429.92	521,218.94	544,093.97	427,394.75	(11,001.87)	3,443,458.21	549,012.00	549,012.00	549,012.00	549,016.45	2,196,052.45	5,639,510.66
17 Less Base Rate Recovery	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18 Net Recoverable Expenses	291,435.51	225,260.49	568,380.65	532,245.86	344,429.92	521,218.94	544,093.97	427,394.75	(11,001.87)	3,443,458.21	549,012.00	549,012.00	549,012.00	549,016.45	2,196,052.45	5,639,510.66

Florida Public Service Commission
Docket No. 020002-EG
GULF POWER COMPANY
Witness: Michael J. McCarthy
Exhibit No. _____ (MJM-2)
Schedule C-3
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GULF POWER COMPANY

ESTIMATED TRUE-UP ENERGY CONSERVATION CLAUSE
For the Period January, 2002 through December, 2002

Conservation Revenues	ACTUAL JAN	ACTUAL FEB	ACTUAL MARCH	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	Good Cents Select Depreciation Rate Change 3.0% to 2.3% Retrospective to 1/1/2002	ESTIMATED SEPTEMBER	ESTIMATED OCTOBER	ESTIMATED NOVEMBER	ESTIMATED DECEMBER	TOTAL	CORRECTED
1 Good Cents Select Program Revenues	12,404.30	12,175.17	12,625.63	11,681.20	15,539.86	23,301.12	21,124.29	21,245.33	0.00	26,024.00	28,207.00	30,389.00	32,572.00	247,288.90	247,288.90
2 Conservation Revenues	509,001.58	439,635.90	463,738.03	474,839.36	559,273.61	603,394.70	665,664.42	640,336.97	0.00	533,963.98	433,011.38	403,597.17	487,522.46	6,213,979.56	6,213,979.56
3 Total Revenues	521,405.88	451,811.07	476,363.66	486,520.56	574,813.47	626,695.82	686,789.71	661,582.30	0.00	559,987.98	461,218.36	433,986.17	520,094.46	6,461,268.46	6,461,268.46
4 Adjustment not Applicable to Period - Prior True Up	(87,076.17)	(87,076.17)	(87,076.17)	(87,076.17)	(87,076.17)	(87,076.17)	(87,076.17)	(87,076.17)	0.00	(87,076.17)	(87,076.17)	(87,076.17)	(87,076.13)	(1,044,914.00)	(1,044,914.00)
5 Conservation Revenues Applicable to Period	434,329.71	364,734.90	389,287.49	399,444.39	487,737.30	539,619.65	599,712.54	574,506.13	0.00	472,911.81	374,142.21	346,910.00	433,018.33	5,416,354.46	5,416,354.46
6 Conservation Expenses (Form C-3 Page 3 of 5)	291,435.51	225,260.49	568,360.65	532,245.86	344,429.92	521,218.94	544,093.97	427,394.75	(11,001.87)	549,012.00	549,012.00	549,012.00	549,016.45	5,639,510.67	5,639,510.67
7 True Up this Period (Line 5 minus Line 6)	142,894.20	139,474.41	(179,093.16)	(132,801.47)	143,307.38	18,400.71	55,618.57	147,111.38	11,001.87	(76,100.19)	(174,869.79)	(202,102.00)	(115,998.12)	(223,156.21)	(223,156.21)
8 Interest Provision this Period (Page 10, Line 10)	(834.74)	(494.13)	(399.58)	(502.04)	(363.12)	(117.35)	63.74	333.19	(51.14)	522.02	468.03	324.19	222.08	(828.85)	(828.85)
9 True Up & Interest Provision Beginning of Month	(679,318.96)	(450,183.33)	(224,126.88)	(316,543.45)	(362,770.79)	(132,750.36)	(27,390.83)	115,367.65	349,888.39	360,839.12	372,337.12	285,011.53	170,309.89	(679,318.96)	(679,318.96)
10 Prior True Up Collected or Refunded	87,076.17	87,076.17	87,076.17	87,076.17	87,076.17	87,076.17	87,076.17	87,076.17	0.00	87,076.17	87,076.17	87,076.17	87,076.13	1,044,914.00	1,044,914.00
11 End of Period- Net True Up	(460,183.33)	(224,126.88)	(316,543.45)	(362,770.79)	(132,750.36)	(27,390.83)	115,367.65	349,888.39	360,839.12	372,337.12	285,011.53	170,309.89	141,609.98	141,609.98	141,609.98

Note on Adjustments: The depreciation rate for Good Cents Select changed from 3% in the past to 2.3% beginning Jan. 2002. The adjustment is made to correct the first eight months of 2002 Good Cents Select Depreciation and Rate of Return. See Revised SCHEDULE OF CAPITAL INVESTMENT, DEPRECIATION, RETURN AND PROPERTY TAXES for 2002 for adjustment and calculation of interest.

Florida Public Service Commission
Docket No. 020002-EG
GULF POWER COMPANY
Witness: Michael J. McCarthy
Exhibit No. _____ (MDM-2)
Schedule C-3
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GULF POWER COMPANY
INTEREST CALCULATION
ENERGY CONSERVATION CLAUSE
For the Period January, 2002 through December, 2002

Interest Provision	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	Good Cents Select Depreciation Rate Change 3.0% to 2.3% Retrospective to 1/1/2002	ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED	TOTAL
	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER		
1 Beginning True up Amount	(679,318.96)	(450,183.33)	(224,126.88)	(316,543.45)	(362,770.79)	(132,750.36)	(27,390.83)	115,367.65		360,839.12	372,337.12	285,011.53	170,309.89	
2 Ending True up before Interest	(449,348.59)	(223,632.75)	(316,143.87)	(362,268.75)	(132,387.24)	(27,273.48)	115,303.91	349,555.20		371,815.10	284,543.50	169,985.70	141,387.90	
3 Total beginning & ending	(1,128,667.55)	(673,816.08)	(540,270.75)	(678,812.20)	(495,158.03)	(160,023.84)	87,913.08	464,922.85		732,654.22	656,880.62	454,997.23	311,697.79	
4 Average True up Amount	(564,333.78)	(336,908.04)	(270,135.38)	(339,406.10)	(247,579.02)	(80,011.92)	43,956.54	232,461.43		366,327.11	328,440.31	227,498.62	155,848.89	
5 Interest Rate First Day Reporting Business Month	1.78	1.77	1.75	1.80	1.75	1.77	1.75	1.73		1.71	1.71	1.71	1.71	
6 Interest Rate First Day Subsequent Business Month	1.77	1.75	1.80	1.75	1.77	1.75	1.73	1.71		1.71	1.71	1.71	1.71	
7 Total of Lines 5 and 6	3.55	3.52	3.55	3.55	3.52	3.52	3.48	3.44		3.42	3.42	3.42	3.42	
8 Average Interest rate (50% of Line 7)	1.7750	1.7600	1.7750	1.7750	1.7600	1.7600	1.7400	1.7200		1.7100	1.7100	1.7100	1.7100	
9 Monthly Average Interest Rate Line 8 x 9)	0.001479	0.001467	0.001479	0.001479	0.001467	0.001467	0.001450	0.001433		0.001425	0.001425	0.001425	0.001425	
10 Interest Provision (line 4 X 9)	(834.74)	(494.13)	(399.58)	(502.04)	(363.12)	(117.35)	63.74	333.19	(51.14)	522.02	468.03	324.19	222.08	(828.85)

Note on Adjustments: The depreciation rate for Good Cents Select changed from 3% in the past to 2.3% beginning Jan, 2002. The adjustment is made to correct the first eight months of 2002 Good Cents Select Depreciation and Rate of Return. See Revised SCHEDULE OF CAPITAL INVESTMENT, DEPRECIATION, RETURN AND PROPERTY TAXES for 2002 for adjustment and calculation of interest.

Florida Public Service Commission
Docket No. 020002-EG
GULF POWER COMPANY
Witness: Michael J. McCarthy
Exhibit No. _____ (MJM-2)
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GULF POWER COMPANY

SCHEDULE OF CAPITAL INVESTMENT, DEPRECIATION, RETURN AND PROPERTY TAXES
 GOOD CENTS SELECT
 For the Period January, 2002 Through December, 2002
 AS BOOKED Through August

Line No.	Beginning of Period	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August
1. Additions to Plant In Service (Net of Retirements)		(41,128.80)	145.38	1,055,067.86	7,601.41	3,978.47	643.86	967.07	1,844.35
2. Depreciation Base	1,677,576.79	1,636,447.99	1,636,593.37	2,691,661.23	2,699,262.64	2,703,241.11	2,703,884.97	2,704,852.04	2,706,696.39
3. Depreciation Expense (A)		4,142.53	4,091.30	5,410.32	6,738.65	6,753.13	6,758.91	6,760.92	6,764.44
4. Cumulative Investment	1,677,576.79	1,636,447.99	1,636,593.37	2,691,661.23	2,699,262.64	2,703,241.11	2,703,884.97	2,704,852.04	2,706,696.39
5. Less: Accumulated Depreciation	84,935.06	89,077.59	93,168.88	98,579.21	105,317.86	112,070.99	118,829.90	125,590.82	132,355.26
6. Net Plant in Service (Line 4 - 5)	1,592,641.73	1,547,370.40	1,543,424.48	2,593,082.02	2,593,944.78	2,591,170.12	2,585,055.07	2,579,261.22	2,574,341.13
7. Net Additions/Reductions to CWIP		0.00	0.00	(167,093.63)	289,482.14	284,895.83	(875.90)	713,628.95	309,995.91
8. CWIP Balance	5,001,730.71	5,001,730.71	5,001,730.71	4,834,637.08	5,124,119.22	5,409,015.05	5,408,139.15	6,121,768.10	6,431,764.01
9. Net Investment (Line 6 + 8)	6,594,372.44	6,549,101.11	6,545,155.19	7,427,719.10	7,718,064.00	8,000,185.17	7,993,194.22	8,701,029.32	9,006,105.14
10. Average Net Investment		6,571,736.78	6,547,128.15	6,986,437.15	7,572,891.55	7,859,124.59	7,996,689.70	8,347,111.77	8,853,567.23
11. Rate of Return / 12 (Including Income Taxes) (B)		0.008684	0.008684	0.008684	0.008751	0.008906	0.009328	0.009434	0.009434
12. Return Requirement on Average Net Investment		57,068.96	56,855.26	60,670.22	66,270.37	69,993.36	74,593.12	78,746.65	83,524.55
13. Property Taxes		1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	1,346.26
14. Rounding Adjustment									
15. Total Depreciation, Return and Prop Taxes (Line 3 + 12 + 13 + 14)		62,557.75	62,292.82	67,426.80	74,355.28	78,092.75	82,698.29	86,853.83	91,635.25

Notes:

(A) Good Cents Select Property Additions Depreciated at 3% per year from January to August. An adjustment is made to correct the depreciation to 2.3% per year. See next schedule for revision.

(B) Revenue Requirement Return is 10.4209 for January through March

A weighted average factor of .8751 was used for April

The May Rate of Return was based on 1990 rate order: .8906

The June Rate of Return: .9328 was based on 1990 rate order for June 1 through June 6: .8906 and the new rate order for June 7 through June 30: .9434

GULF POWER COMPANY

SCHEDULE OF CAPITAL INVESTMENT, DEPRECIATION AND RETURN
 Good Cents Select
 For the Period January, 2002 Through December, 2002
 REVISED For Good Cents Select Depreciation rate Change for 3.0% to 2.3 %

Line No.	Beginning of Period	Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Projected September	Projected October	Projected November	Projected December	Total	
1	Additions to Plant In Service (Net of Retirements)	(41,128.80)	145.38	1,055,067.86	7,601.41	3,978.47	843.86	967.07	1,844.35	199,500.00	199,500.00	199,500.00	199,500.00		
2	Depreciation Base	1,677,576.79	1,636,447.99	1,636,593.37	2,691,661.23	2,699,262.64	2,703,241.11	2,703,884.97	2,704,852.04	2,706,696.39	2,906,196.39	3,105,696.39	3,305,196.39	3,504,696.39	
3	Depreciation Expense (A)		3,148.32	3,109.39	4,111.84	5,121.38	5,132.38	5,136.77	5,138.30	5,140.97	5,140.97	5,332.25	5,711.30	6,090.35	58,314.22
4	Cumulative Investment	1,677,576.79	1,636,447.99	1,636,593.37	2,691,661.23	2,699,262.64	2,703,241.11	2,703,884.97	2,704,852.04	2,706,696.39	2,906,196.39	3,105,696.39	3,305,196.39	3,504,696.39	
5	Less: Accumulated Depreciation	84,935.06	88,083.38	91,192.77	95,304.61	100,425.99	105,558.37	110,695.14	115,833.44	120,974.41	126,115.38	131,447.63	137,158.93	143,249.28	
6	Net Plant in Service (Line 4 - 5)	1,592,641.73	1,548,364.61	1,545,400.60	2,596,356.62	2,598,836.65	2,597,682.74	2,593,189.83	2,589,018.60	2,585,721.98	2,780,081.01	2,974,248.76	3,168,037.46	3,361,447.11	
7	Net Additions/Reductions to CWIP		0.00	0.00	(167,093.63)	289,482.14	284,895.83	(875.90)	713,628.95	309,995.91	154,500.00	154,500.00	154,500.00	154,500.00	
8	CWIP Balance	5,001,730.71	5,001,730.71	5,001,730.71	4,834,637.08	5,124,119.22	5,409,015.05	5,408,139.15	6,121,768.10	6,431,764.01	6,586,264.01	6,740,764.01	6,895,264.01	7,049,764.01	
9	Net Investment (Line 6 + 8)	6,594,372.44	6,550,095.32	6,547,131.31	7,430,993.70	7,722,955.87	8,006,697.79	8,001,328.98	8,710,786.70	9,017,485.99	9,366,345.02	9,715,012.77	10,063,301.47	10,411,211.12	
10	Average Net Investment		6,572,233.88	6,548,613.32	6,969,062.51	7,576,974.79	7,864,826.83	8,004,013.39	8,356,057.84	8,864,136.35	9,191,915.51	9,540,678.90	9,889,157.12	10,237,256.30	
11	Rate of Return / 12 (Including Income Taxes) (B)		0.008684	0.008684	0.008684	0.008751	0.008906	0.009328	0.009434	0.009434	0.009434	0.009434	0.009434	0.009434	
12	Return Requirement on Average Net Investment		57,073.28	56,868.16	60,693.02	66,306.11	70,044.15	74,661.44	78,831.05	83,624.26	86,716.53	90,006.76	93,294.31	96,578.28	914,697.35
13	Property Taxes		1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	1,346.26	16,155.10
14	Rounding Adjustment														
15	Revised Depreciation, Return and Prop Taxes (Line 3 + 12 + 13 + 14)		61,567.86	61,323.81	66,151.12	72,773.75	76,522.79	81,144.47	85,315.61	90,111.49	93,203.76	96,685.27	100,351.86	104,014.88	989,166.31
CALCULATION OF ADJUSTMENT FOR DEPRECIATION RATE CHANGE FROM 3.0% to 2.3%															
16	As Booked Depreciation, Return and Prop Taxes (Line 3 + 12 + 13 + 14)		62,557.75	62,292.82	67,426.80	74,355.28	78,092.75	82,698.29	86,853.83	91,635.25					
17	Monthly Adjustment Difference not including Interest		(989.89)	(969.01)	(1,275.68)	(1,581.53)	(1,569.96)	(1,553.82)	(1,538.22)	(1,523.76)					
18	Monthly Average Interest Rate		0.001479	0.001467	0.001479	0.001479	0.001467	0.001467	0.001450	0.001433					
19	Interest			(1.46)	(2.88)	(4.79)	(7.14)	(9.39)	(11.69)	(13.80)					
20	Cumulative Total Adjustment including Interest		(989.89)	(1,960.36)	(3,238.92)	(4,825.24)	(6,402.34)	(7,965.55)	(9,515.45)	(11,053.01)					
21	Monthly Adjustment Recap														
22	Depreciation		(994.21)	(981.91)	(1,298.48)	(1,617.27)	(1,620.75)	(1,622.14)	(1,622.82)	(1,623.47)					
23	Return Requirement on Ave Net Investment		4.32	12.90	22.80	35.74	50.79	68.32	84.40	99.71					
24	Property Taxes		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00					
25	Total Difference		(989.89)	(969.01)	(1,275.68)	(1,581.53)	(1,569.96)	(1,553.82)	(1,538.22)	(1,523.76)					
26	Adjustment								(11,001.87)						
27	Adjustment Interest								(51.14)						
28	Total Adjustment including Interest								(11,053.01)						

Florida Public Service Commission
 Docket No. 020002-EG
 GULF POWER COMPANY
 Witness: Michael J. McCarthy
 Exhibit No. _____ (MJM-2)
 Schedule C-3
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GULF POWER COMPANY
CALCULATION OF CONSERVATION REVENUES
For the Period: September, 2002 Through December, 2002

	Month	MWH Sales	Revenue (Ave Cents/KWH)	Clause Revenue Net of Revenue Taxes (\$)
1.	09/2002	915,164	0.058	533,963.98
2.	10/2002	748,359	0.058	433,011.38
3.	11/2002	698,796	0.058	403,597.17
4.	12/2002	836,478	0.058	487,522.46

Program Description and Progress

Program Title: Residential Energy Audits

Program Description: This program consists of two types of audits: (1) Class A Energy Conservation Audits and (2) centsable Energy checks, a walk-through audit. Both of these audits are performed on-site and involve assisting the customer in upgrading the thermal and equipment efficiencies in their homes as well as lifestyle measures and other low or no cost improvements.

Program Projections: For the period January, 2003, through December, 2003, we expect to achieve 1,350 audits and incur expenses totaling \$611,162. This program will also include low-income audits that are completed by Weatherization Assistance Providers (WAPs). Gulf Power Company is conducting a pilot program that allows the WAPs to conduct audits for the low-income customers on a contracted basis.

Program Accomplishments: 702 audits have been conducted during the first eight months of 2002. The total projection for 2002 is 1,350.

Program Fiscal Expenditures: Actual expenses for January through August, 2002, were \$243,761 compared to a budget of \$254,819 for the same period. This results in a difference of \$11,058 or 4.3% below budget.

Program Progress Summary: Since the approval of this program Gulf Power Company has performed 130,265 residential energy audits. This is a result of Gulf Power Company's promotional campaign to solicit energy audits as well as the overall rapport established with its customers as the "energy experts" in Northwest Florida.

Program Description and Progress

Program Title: Residential Mail-In Audits

Program Description: The Residential Mail-In Audit Program is a direct mail energy auditing program. This program supplements Gulf Power Company's existing Residential Energy Audit program and assists in the evaluation of the specific energy requirements of a residential dwelling. Homeowners complete an audit questionnaire on their own or may request the assistance of a Gulf Power Company representative. This questionnaire asks customers about their energy consuming equipment or appliances, square footage, and other details regarding their lifestyles. The audit results are returned to the customer and includes targeted, timely information about energy conservation opportunities specific to each dwelling.

Program Projections: For the period January, 2003, through December, 2003, we expect to achieve 250 audits and incur expenses totaling \$136,635.

Program Accomplishments: 201 audits were conducted using this process so far during the current reporting period which exceeds the total projection of 200 for this period.

Program Fiscal Expenditures: Forecasted expenses were \$44,169 for January through August, 2002, compared to actual expenses of \$45,298 for the same months, resulting in a variance of \$1,129 or 2.5% above budget.

Program Progress Summary: This program was approved on August 5, 1997. Since then, 1,066 mail-in audits have been conducted.

Program Description and Progress

Program Title: **GoodCents** Environmental Home

Program Description: **GoodCents** Environmental Home Program provides residential customers with guidance concerning energy and environmental efficiency in new construction. The program promotes energy-efficient and environmentally sensitive home construction techniques by evaluating over 500 components in six categories of design construction practices.

Program Projections: Gulf Power Company projects no **GoodCents** Environmental Homes to be completed in 2003. Gulf Power Company is no longer promoting this as a stand alone program.

Program Accomplishments: During 2002, no **GoodCents** Environmental Homes were constructed. This program was approved in October, 1996, as part of the conservation programs in Gulf Power Company's Demand-Side Management Plan, Docket 941172-EI. However, there has been little acceptance with builders because of the added cost of materials, availability problems with materials, and current public attitudes toward environmental issues. Gulf Power Company will maintain the availability of this program to our builders and customers; however, the Company no longer actively advertises and promotes this program.

Program Fiscal Expenditures: For the period January, 2002, through August, 2002, there were no expenses projected and no expenses incurred for this program.

Program Progress Summary: Ten homes have been certified to meet the **GoodCents** Environmental Home standards.

Program Description and Progress

Program Title: Duct Leakage Repair

Program Description: This program developed as a result of Gulf Power Company's 1992 HVAC Duct and Infiltration (Blower Door) Pilot Program. The object of the program is to provide the customer with a means to identify house air duct leakage and to recommend repairs that can reduce customer kWh energy usage and kW demand.

Program Projections: Gulf Power Company projects no participants in this program for January through December 2003. The program is available should a customer request it.

Program Accomplishments: Gulf Power Company has provided demonstrations and training to builders, dealers and homeowners regarding duct leakage and duct testing methods and procedures during this period. No customers participated in the Duct Leakage Repair program during 2002.

Program Fiscal Expenditures: Projected expenses for the current period were \$2,400 with actual expenses of \$1,111. Customers have requested information; however, no actual blower door tests have been conducted.

Program Progress Summary: Since the program's beginning, 32 customers have participated.

Program Description and Progress

Program Title: Geothermal Heat Pump

Program Description: The objective of this program is to reduce the demand and energy requirements of new and existing residential customers through the promotion and installation of geothermal systems.

Program Projections: Gulf Power Company estimates the installation of 200 units during the 2003 period and expenses of \$339,241. Gulf Power Company's program includes promotion, education, training, and guaranteed heating and cooling costs for new and existing home customers.

Program Accomplishments: During the current recovery period, 233 Geothermal Heat Pump units have been installed thus far.

Program Fiscal Expenditures: For the first eight months of the recovery period, expenses were projected to be \$204,767 compared to actual expenses of \$97,565 for a deviation of \$107,202 or 52.4% below budget.

Program Progress Summary: To date, 1,832 units have been installed.

Program Description and Progress

Program Title: **GoodCents Select**

Program Description: The program is designed to provide the customer with a means of conveniently and automatically controlling and monitoring his/her energy purchases in response to prices that vary during the day and by season in relation to the Company's cost of producing or purchasing energy.

Program Projections: During the 2003 projection period, Gulf Power Company expects to have 3,000 installations. The program expenses are projected to be \$1,550,190 in depreciation and return on investment; \$670,435, payroll; \$1,523,490, materials; and \$451,800, advertising. These expenses will be partially offset by projected program revenues of \$561,096.

Program Accomplishments: A net of 558 units have been installed during the first eight months of 2002. It was anticipated that for 2002 net additions would total 3,000 units. However, it is now anticipated that the net additions will total 1,750.

Program Fiscal Expenditures: This program projected expenses of \$1,762,335 for the period January through August, 2002 with actual expenses of \$2,465,484. This results in a deviation of \$703,149 or 39.9% over budget. The program is over budget due to the fact that there are expenses associated with the program that have not been offset by planned installations and subsequent revenues from the program.

Program Progress Summary: Since the beginning of the program, a net total of 2,731 units have been installed.

Program Description and Progress

Program Title: **GoodCents** Building

Program Description: This program is designed to educate non-residential customers on the most cost-effective methods of designing new and improving existing buildings. The program stresses efficient heating and cooling equipment, improved thermal envelope, operation and maintenance, lighting, cooking and water heating. Field representatives work with architects, engineers, consultants, contractors, equipment suppliers and building owners and occupants to encourage them to make the most efficient use of all energy sources and available technologies.

Program Projections: For the period January, 2003, through December, 2003, we expect to certify 117 **GoodCents** Buildings and incur expenses totaling \$502,686.

Program Accomplishments: Installations of 77 buildings have been achieved during January through August, 2002. The annual projection for 2002 is 174 buildings.

Program Fiscal Expenditures: Forecasted expenses were \$288,533 compared to actual expenses of \$235,458 for a deviation of \$53,075 or 18.4% under budget.

Program Progress Summary: A total of 8,147 commercial buildings have qualified for the **GoodCents** certification since the program was developed in 1977.

Program Description and Progress

Program Title: Energy Audits and Technical Assistance
Audits (E.A./T.A.A)

Program Description: This program is designed to provide professional advice to our existing commercial and industrial customers on how to reduce and make the most efficient use of energy. This program covers from the smallest commercial customer, requiring only a walk-through survey, to the use of computer programs which will simulate several design options for very large energy intensive customers. The program is designed to include semi-annual and annual follow-ups with the customer to verify any conservation measures installed and to reinforce the need to continue with more conservation efforts.

Program Projections: For the period, January, 2003 through December, 2003, we expect to conduct 123 audits and incur expenses totaling \$588,430.

Program Accomplishments: During the January through August, 2002, period actual results were 78 audits.

Program Fiscal Expenditures: Forecasted expenses were \$379,833 for the first eight months of 2002 compared to actual expenses of \$283,885 for a deviation of \$95,948 or 25.3% under the budget.

Program Progress Summary: A total of 11,342 EA/TAA's have been completed since the program started in January, 1981. These audits have ranged from the basic walk-through type for some commercial customers to sophisticated technical assistance audits for other commercial and industrial customers.

Program Description and Progress

Program Title: Commercial/Industrial Mail-In Audit Program

Program Description: The Commercial Mail-In Audit Program is a direct mail energy auditing program. This program supplements Gulf Power Company's existing Commercial/Industrial Energy Audit program and assists in the evaluation of the specific energy requirements of a given business type. Businesses complete an audit questionnaire on their own or may request the assistance of a Gulf Power Company representative. This questionnaire asks customers about their energy consuming equipment or appliances, square footage, hours of operation and other details regarding their business operations. The audit results package is returned to the customer and includes targeted, timely information about energy conservation opportunities specific to each business type and geographic area.

Program Projections: Gulf Power Company expects to have 624 customers participate in the Commercial Mail-in Audit during the 2003 projection period and incur expenses of \$50,995.

Program Accomplishments: In 2002 to date, 322 mail-in audits have been completed. The annual projection for 2002 is to complete 621 mail-in audits.

Program Fiscal Expenditures: This program incurred actual expenses year-to-date of \$19,875 compared to a budget of \$29,512 for a deviation of \$9,637 or 32.7% under goal.

Program Progress Summary: Since 1997, 4,868 mail-in audits have been completed.

Program Description and Progress

Program Title: Green Pricing

Program Description: The Green Pricing Program is designed to encompass a variety of voluntary renewable and green energy programs under development by Gulf Power Company. The voluntary pricing options for customers will include, but not be limited to Photovoltaic Rate Rider Tariff and Solar for Schools. Additionally, this program will include research and administrative costs to study the cost effectiveness of additional green pricing offerings utilizing wind or other renewable energy sources.

Program Accomplishments:

Solar for Schools: The principle objective of the Solar for Schools program is to implement cost-effective solar education and demonstration projects at local educational facilities by means of voluntary contributions. The program also seeks to increase renewable energy and energy awareness among students, parents and contributors. Solar for Schools is a program that uses voluntary contributions to fund materials for energy education, permanent demonstration displays, rewards for science contests, and teacher education. Voluntary contributions are solicited from customers interested in renewable energy and/or helping to improve the quality of schools in the Gulf Power Company service area. Funds are collected through a "check-off" mechanism on the utility bill or through a direct contribution and accumulated in an interest bearing account. When contributions reach an adequate level, they are directed to an educational facility for implementation of various solar educational programs and for the installation of solar equipment. Contributions are not used for administrative costs, program research or for promotion costs.

Photovoltaic Optional Rate Rider (Green Pricing): The PV Rate Rider is an optional rate rider for Gulf Power Company customers. Customers may purchase photovoltaic energy in 100-watt blocks. Multiple blocks may be purchased. Power purchased or produced from Photovoltaic facilities may not be specifically delivered to the customer, but will displace power that would have otherwise been produced from traditional generating facilities. The construction of the

photovoltaic facility or the purchase of power from photovoltaic facilities will begin upon the attainment of sufficient commitments from all participants across the Southern Company electric system where the option is available and, as necessary, after obtaining PSC approval. Customer billing will begin the second month following the date in which power is purchased from photovoltaic generating facilities or in which a photovoltaic generating facility of the Southern Company begins commercial operation. As of August, 2002, 62 customers have signed up for 85 100-watt blocks of energy.

Photovoltaic Solar Demonstration and Education Project (EarthCents): Gulf Power Company has installed and is monitoring a 4 kW PV solar system at the Junior Museum of Bay County. This PV system operates computer equipment and other electrical items within the museum itself to demonstrate the capabilities of solar energy to the youth of Bay County and the surrounding areas.

Program Fiscal Expenditures: There were expenses of \$26,977 projected for the period January through August, 2002. Actual expenses for the program are: Solar for Schools, \$1,396; Green Pricing, \$1,080; and Earth Cents, \$46,554.

Program Description and Progress

Program Title: Conservation Demonstration and Development

Program Description: A package of conservation programs was approved by the FPSC in Order No. 23561 for Gulf Power Company to explore and to pursue research, development, and demonstration projects designed to promote energy efficiency and conservation. This program serves as an umbrella program for the identification, development, demonstration and evaluation of new or emerging end-use technologies.

Program Accomplishments:

Aquatic Pool - The project involves the installation of an air source heat pump water heater/dehumidification system. The system capacity is 22.5 tons. The pool is 75 X 42 square feet, 116,550 gallons and heated by a 400,000 btuh natural gas pool heater.

Geothermal Heat Pump - A water furnace geothermal heat pump (AT034) with heat recovery for domestic hot water was monitored on a 2333 sq. ft. Good Cents home. In addition, the builder installed a heat pump swimming pool heater using the same loop system as the house heat pump. This project has been completed and a final report has been submitted.

Groovin'Noovin' - Gulf Power Company is monitoring two pieces of cooking equipment at two different store locations. Energy usage is monitored over the next year and a comparison report will be prepared at that time.

Hampton Inn - The Hampton Inn is being used to study geothermal heat pump water heaters for their laundry and pool heating requirements. The laundry room is cooled and the water heated with geo-thermal heat pump water heaters. The hotel pool is heated with a geo-thermal heat pump water heater.

Oak Ridge - This project is a real life application of a new product to overcome market barriers to heat pump water heaters such as ease of installations, cost and performance. This new product has the refrigeration system built-in and a plumber can install the system just like any other electric

water heater. All parts are standard reliable components that are proven in the refrigeration market.

Pine Forest High School - Gulf Power Company is monitoring several pieces of equipment at the culinary arts department of a local high school. Energy usage is being monitored over the next year and a comparison report will be prepared at that time.

Solar Light - Gulf Power Company is presently testing a solar Photovoltaic light at our Pine Forest facility. The solar light is being monitored for energy consumption and demand savings as well as the actual lumen for the security light. A successful test would result in using this light in our Solar for Schools program. This particular light did not use funding from the Solar for Schools Program, however the Company did use funds from the Conservation Demonstration and Development program.

Springhill Suites - This project will monitor various energy and water flows for the Springhill Suites Hotel. This hotel is the first hybrid geothermal commercial project in Gulf Power Company's service area. Monitoring the energy and water flows will enable Gulf Power Company to demonstrate and document the energy savings and conservation benefits of geothermal applications to building owners, architects, and energy managers.

Triggers - Triggers is a research site designed to study the effectiveness of a heat pump water heater for commercial use. This project will be monitored for the next year and a report will be prepared at that time.

Water Furnace - This research project is designed to study the experimental refrigerant R410A. A comparative study is being done between this new refrigerant and present refrigerants that are to be phased out of production due to EPA mandates.

Program Fiscal Expenditures: Program expenses were forecasted at \$85,425 compared to actual expenses of \$1,991 for a deviation of \$83,434 under budget. Expenses are under budget due to over-estimating project costs and having projects that required start-up costs but have no expenses on a regular monthly basis. Project expenses were as follows: Aquatic Pool, \$426; Geothermal, \$44; Groovin', \$14;

Florida Public Service Commission
Docket No. 020002-EG
GULF POWER COMPANY
Witness: Michael J. McCarthy
Exhibit No. _____ (MJM-2)
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Oak Ridge, \$703; Springhill Suites, \$6; Pine Forest, \$178;
Triggers, \$179; Water Furnace, \$441.

