

State of Florida



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

DATE: July 15, 2003
TO: Division of Economic Regulation (Bohrmann)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: **Docket No.** 030001-EI; **Company Name:** Gulf Power Company; **Audit Purpose:** Capacity Cost Recovery Clause Audit; **Audit Control No.** 03-036-1-1

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

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Pensacola, FL 32520-0780

DOCUMENT NUMBER-DATE

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING

Tallahassee District Office

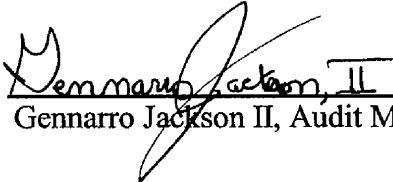
GULF POWER COMPANY

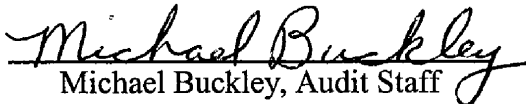
CAPACITY COST RECOVERY AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2002

DOCKET NO. 030001-EI

AUDIT CONTROL NO. 03-036-1-1


Gennarro Jackson II, Audit Manager


Michael Buckley, Audit Staff

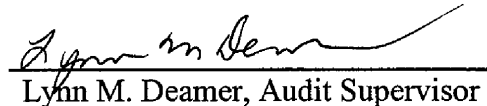

Lynn M. Deamer, Audit Supervisor

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

June 25, 2003

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 Clause schedules for the 12-month period ending December 31, 2002. The above schedules have been included as exhibits in this report. These schedules were as part of the Company's petition for cost recovery in Docket No. 030001-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:

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.

CAPACITY REVENUE: Revenue was audited in Review of Billing, Audit Control Number 02-183-1-1. No exceptions were found.

TRANSMISSION REVENUE: Scanned Company filed schedules and supporting documents. Compiled and verified Transmission Revenue filed on Line No. 2 of Schedule CCA-2. Recalculated Projected Transmission Revenues used in true-up for the 2003 recovery period. Verified that the true-up and the recoverable Net Purchased Power Capacity cost are included in the recovery factors for 2003 to appropriately and consistently credit Transmission Revenues to retail ratepayers.

CAPACITY EXPENSE: Scanned Company filed schedules and IIC invoices for 12 months ended December 31, 2002. Obtained a list of all recoverable cost through the capacity cost recovery clause. Scanned capacity contracts with contract or other adjustments recovered in the Capacity Clause for appropriate account. Verified January and February IIC Payments/(Receipts) amounts filed on Line No.1 of Schedule CCA-2 to general ledger and IIC invoices.

TRUE-UP: Determined the total capacity cost recovery true-up. Obtained the beginning True-Up from the prior audit work paper. Obtained the approved interest rates based on the Wall Street Journal. Recompute True-Up Interest Provision. Verified the Jurisdictional percent. Recomputed true-up.

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAIM
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD JANUARY 2002 - DECEMBER 2002

	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. WC Payments / (Receipts) (\$)	1,779,853	588,191	582,058	208,828	(222,830)	(288,618)	(83,838)	(204,405)	472,823	(48,822)	(58,062)	2,578	2,740,754
2. Transmission Revenue (\$)	(7,179)	(5,956)	(8,590)	(22,388)	(14,271)	(20,840)	(31,540)	(28,755)	(24,234)	(34,348)	(58,301)	(54,984)	(301,368)
3. Capacity Payments to Solulis (\$)	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	62,202	748,424
4. Total Capacity Payments/(Receipts) (Line 1 + 2 + 3) (\$)	1,834,876	646,437	615,868	248,462	(174,899)	(247,254)	(22,976)	(162,958)	510,491	(18,968)	(58,161)	9,794	3,185,812
5. Jurisdictional %	0.9850747	0.9850747	0.9850747	0.9850747	0.9850747	0.9850747	0.9850747	0.9850747	0.9850747	0.9850747	0.9850747	0.9850747	0.9850747
6. Jurisdictional Capacity Payments / (Receipts) (Line 3 x 4) (\$)	1,770,792	622,884	604,188	237,854	(168,790)	(238,618)	(22,173)	(157,289)	482,682	(18,016)	(48,408)	9,453	3,074,549
7. Amount Included in Retail Base Rate Revenue (\$)	(137,888)	(137,888)	(137,888)	(137,887)	(137,887)	(17,728)							(708,060)
8. Total Jurisdictional Recovery Amount (Line 5 - 6) (\$)	1,908,468	780,680	731,632	375,921	(31,123)	(230,891)	(22,173)	(157,289)	482,682	(18,016)	(48,408)	9,453	3,790,609
9. Jurisdictional Capacity Cost Recovery Revenue Net of Taxes (\$)	53,854	185,620	175,158	176,597	212,202	231,884	288,218	247,889	232,587	204,568	164,158	368,808	2,481,438
10. True-Up Provision (\$)	154,887	154,887	154,887	154,887	154,887	154,887	154,887	154,887	154,887	154,888	154,888	154,888	1,808,247
11. Jurisdictional Capacity Cost Recovery Revenue (Line 9 + 10) (\$)	208,741	320,507	329,843	331,284	368,889	386,571	412,903	402,586	387,274	359,244	318,847	523,496	4,347,685
12. Over/(Under) Recovery (Line 11 - 8) (\$)	(1,700,117)	(440,253)	(401,989)	(44,237)	388,112	607,462	435,078	559,861	(105,388)	377,280	367,256	514,043	587,078
13. Interest Provision (\$)	182	(1,836)	(2,504)	(3,088)	(3,012)	(2,508)	(1,950)	(1,439)	(1,349)	(1,354)	(908)	(487)	(20,047)
14. Beginning Balance True-Up & Interest Provision (\$)	1,036,738	(817,903)	(1,414,479)	(1,973,859)	(2,175,848)	(1,935,238)	(1,484,967)	(1,208,528)	(802,803)	(1,064,227)	(843,009)	(631,347)	1,036,739
15. True-Up Collected/(Refunded) (\$)	(154,887)	(154,887)	(154,887)	(154,887)	(154,887)	(154,887)	(154,887)	(154,887)	(154,887)	(154,888)	(154,888)	(154,888)	(1,808,247)
16. End Of Period Total Net True-Up (Lines 12 + 13 + 14 + 15) (\$)	(817,903)	(1,414,479)	(1,973,859)	(2,175,848)	(1,935,238)	(1,484,967)	(1,208,528)	(802,803)	(1,064,227)	(843,008)	(631,347)	(272,478)	

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD JANUARY 2002 - DECEMBER 2002

	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 (\$)	1,080,730	(817,903)	(1,414,478)	(1,973,659)	(2,176,849)	(1,936,236)	(1,484,987)	(1,208,928)	(802,903)	(1,084,227)	(843,008)	(831,347)	
2. Ending True-Up Amount Before Interest (\$)	(818,085)	(1,412,843)	(1,971,158)	(2,172,583)	(1,932,224)	(1,482,461)	(1,204,578)	(801,364)	(1,082,878)	(841,865)	(830,441)	(272,965)	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	218,674	(2,230,746)	(3,385,634)	(4,146,242)	(4,107,873)	(3,417,887)	(2,689,545)	(2,007,892)	(1,885,681)	(1,925,882)	(1,473,450)	(804,312)	
4. Average True-Up Amount (\$)	188,337	(1,115,373)	(1,882,617)	(2,073,121)	(2,063,987)	(1,708,646)	(1,344,773)	(1,003,948)	(832,841)	(882,941)	(736,725)	(432,156)	
5. Interest Rate - First Day of Reporting Business Month	0.017800	0.017700	0.017800	0.018000	0.017500	0.017700	0.017500	0.017300	0.017100	0.017800	0.018600	0.013000	
6. Interest Rate - First Day of Subsequent Business Month	0.017700	0.017800	0.018000	0.017500	0.017700	0.017300	0.017800	0.017100	0.017800	0.018500	0.013800	0.012900	
7. Total Interest Rate (Lines 5 + 6)	0.035500	0.035500	0.035800	0.035500	0.035200	0.035000	0.035300	0.034400	0.034900	0.034100	0.029800	0.025900	
8. Average Interest Rate	0.017750	0.017800	0.017750	0.017750	0.017800	0.017800	0.017400	0.017200	0.017350	0.017850	0.014780	0.012980	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.001479	0.001487	0.001479	0.001479	0.001487	0.001487	0.001483	0.001433	0.001446	0.001421	0.001229	0.001078	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	182	(1,838)	(2,504)	(3,088)	(3,012)	(2,808)	(1,990)	(1,438)	(1,348)	(1,364)	(806)	(487)	(20,047)