

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: July 24, 2003
TO: Division of Economic Regulation (Bohrmann)
FROM: Division of Auditing and Safety (Vandiver) *W*
RE: **Docket No.** 030002-EG; **Company Name:** Gulf Power Company; **Audit Purpose:** Fuel Adjustment Audit; **Audit Control No.** 03-042-1-1

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

Beggs & Lane Law Firm
Jeffery Stone/Russell Badders
P. O. Box 12950
Pensacola, FL 32591-2950

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

DOCUMENT RECEIVED DATE

66679 JUL 24 8

FPSC - COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING

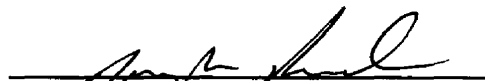
Tallahassee District Office

Gulf Power Company

Energy Conservation Cost Recovery Audit

HISTORICAL YEAR ENDED DECEMBER 31, 2002

DOCKET NO. 030002-EG
AUDIT CONTROL NO. 03-042-1-1


Joseph Perdue, Audit Manager

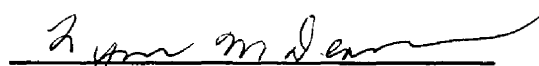

Lynn M. Deamer, Audit Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	PURPOSE	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT PROCEDURES	2
III.	EXHIBITS	
	Company True-up	3
	Interest Calculation	4

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

July 15, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying Energy Conservation Cost Recovery (ECCR) True Up Filing for the historical 12-month period ended December 31, 2002 for Gulf Power Company. These schedules were prepared by the utility as part of its petition filed in Docket No. 030002-EG. There is no confidential information associated with this audit.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

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.

CONSERVATION EXPENSES: Examined the exhibit amounts and visually scanned the supporting accounts for error or inconsistency. Determined what advertising costs were charged to conservation. Reviewed all advertising invoices associated with the programs and determined that advertising costs were directly related to conservation. Verified that none of the programs that filed for recovery were based on a comparison of Electric vs. Gas Technologies. Scanned Salary & Benefits amounts for Demand Side Management programs and determined allocation methodology.

CONSERVATION REVENUES: Audit procedures related to Revenues were performed in the Review of Billing Records Audit, an undocketed audit, Audit Control Number 02-303-1-1.

OTHER: Recomputed the true-up and interest provision for the twelve month period ending December 31, 2002 from the filing 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.

GULF POWER COMPANY
 ENERGY CONSERVATION ADJUSTMENT
 For the Period January, 2002 through December, 2002

Conservation Revenues	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 GoodCents Select RGVP Fees	12,404 30	12,175 17	12,625 63	11,681 20	15,639 66	23,301 12	21,124 29	21,245 33	23,507 17	22,493 66	19,795 96	20,568 50	218,462 19
2 Conservation Adjustment Revenues	809,061 66	439,639 90	463,736 03	474,639 36	659,673 61	803,394 70	695,684 42	840,336 97	602,943 21	536,065 93	434,145 67	463,167 04	6,392,146 62
3 Total Revenues	821,465 88	451,811 07	476,363 66	486,320 56	574,813 47	826,685 82	698,768 71	861,582 30	626,450 38	568,498 59	453,941 63	483,735 54	6,608,608 81
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)	(87,076 17)	(87,076 17)	(87,076 17)	(87,076 17)	(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	639,619 65	599,712 54	574,506 13	539,374 21	471,423 42	366,865 66	396,659 41	5,563,694 81
6 Conservation Expenses (Form CT-3 Page 6)	291,435 51	229,269 49	566,380 65	632,245 86	344,429 82	621,218 94	544,083 97	418,282 89	474,769 89	572,755 40	338,070 09	607,040 85	5,436,080 95
7 True Up this Period (Line 5 minus Line 6)	142,894 20	135,474 41	(178,093 16)	(132,801 47)	143,307 38	18,400 71	55,616 57	156,113 25	64,617 62	(101,331 98)	28,795 57	(210,381 24)	127,613 86
8 Interest Provision this Period (Page 10, Line 10)	(634 74)	(484 13)	(399 68)	(602 04)	(363 12)	(117 36)	63 74	364 33	631 82	719 14	686 46	598 54	371 77
9 True Up & Interest Provision Beginning of Month	(679,316 94)	(450,183 33)	(224,126 88)	(316,643 45)	(362,770 78)	(132,750 36)	(27,380 83)	115,267 65	360,941 40	513,266 71	499,730 05	616,287 25	(679,316 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	87,076 17	87,076 17	87,076 17	87,076 17	1,044,914 00
11 End of Period- Net True Up	(450,183 33)	(224,126 88)	(316,543 45)	(382,770 79)	(132,750 36)	(27,380 83)	115,267 65	360,941 40	513,266 71	499,730 05	616,287 25	493,580 68	493,580 68

August includes \$(11,001 87) of Audit Adjustment Expenses
and \$51 14 of Audit Adjustment Interest

Commission
 Docket No. 030002-EG
 GULF POWER COMPANY
 Witness: A. T. Carter
 Exhibit No. _____ (ATC-
 1)
 Schedule CT-3
 Page 4 of 5

EXHIBIT

GULF POWER COMPANY
 COMPUTATION OF INTEREST EXPENSE
 ENERGY CONSERVATION ADJUSTMENT
 For the Period January, 2002 through December, 2002

Interest Provision	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
1 Beginning True up Amount	(679,318.98)	(450,183.33)	(294,126.68)	(316,543.46)	(382,770.79)	(132,750.26)	(27,390.83)	115,367.66	360,941.40	513,285.71	490,730.05	616,287.25	
2 Ending True up before Interest	(449,348.59)	(223,632.75)	(316,143.67)	(362,268.78)	(132,367.24)	(27,273.48)	115,303.81	360,657.07	512,835.19	489,010.90	615,501.79	492,962.14	
3 Total beginning & ending	(1,128,667.55)	(673,816.08)	(540,270.75)	(678,812.20)	(495,158.03)	(180,063.84)	67,513.08	475,924.72	873,576.59	1,012,277.61	1,115,331.64	1,109,269.39	
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	237,962.36	436,786.30	508,138.81	557,665.92	554,634.70	
5 Interest Rate First Day Reporting Business Month	1.7800	1.7700	1.7800	1.8000	1.7500	1.7700	1.7800	1.7300	1.7100	1.7800	1.6500	1.3000	
6 Interest Rate First Day Subsequent Business Month	1.7700	1.7500	1.8000	1.7500	1.7700	1.7500	1.7300	1.7100	1.7600	1.6500	1.3000	1.2900	
7 Total of Lines 5 and 6	3.5500	3.5200	3.5800	3.5500	3.5200	3.5200	3.4800	3.4400	3.4700	3.4100	2.9500	2.5900	
8 Average Interest rate (50% of Line 7)	1.7750	1.7600	1.7750	1.7750	1.7600	1.7600	1.7400	1.7200	1.7350	1.7050	1.4750	1.2950	
9 Monthly Average Interest Rate Line 8 X 12	0.001479	0.001467	0.001479	0.001479	0.001467	0.001467	0.001460	0.001433	0.001448	0.001421	0.001229	0.001079	
10 Interest Provision (Line 4 X 9)	(934.74)	(494.13)	(399.08)	(602.04)	(363.12)	(117.26)	63.74	384.33	631.52	719.14	685.46	596.64	371.77

August includes \$61.14 Audit Adjustment interest

Florida Public Service Commission
 Docket No. 030002-EG
 GULF POWER COMPANY
 Witness: A. T. Carter
 Exhibit No. (ATC-1)
 Schedule CT-3
 Page 5 of 5