



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION CLERK

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

DATE: June 7, 2004

TO: Daniel Lee, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief, Bureau of Auditing *DNV*
Division of Regulatory Compliance and Consumer Assistance

RE: **Docket No.** 040001-EI ; **Company Name:** Gulf Power Company ; **Audit Purpose:** Capacity Cost Recovery Clause audit ;
Audit Control No. 04-022-1-1

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 Regulatory Compliance and Consumer Assistance (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

- CMP _____ Ms. Susan D. Ritenour, Assistant Secretary
- COM _____ Gulf Power Company
One Energy Place
- CTR _____ Pensacola, FL 32520-0780
- ECR _____
- GCL _____ Mr. Ronnie Labrato
Chief Financial Officer & Comptroller
- OPC _____ Gulf Power Company
One Energy Place
- MMS _____ Pensacola, FL 32520-0780
- RCA _____ Beggs & Lane Law Firm
- SCR _____ Jeffery Stone/Russell Badders
P. O. Box 12950
- SEC _____ Pensacola, FL 32591-2950
- OTH _____

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, 2003

DOCKET NO. 040001-EI

AUDIT CONTROL NO. 04-022-1-1

A handwritten signature in cursive script that reads "Bob Moore".

Bob Moore, Audit Staff

A handwritten signature in cursive script that reads "Michael Buckley".

Michael Buckley, Audit Manager

A handwritten signature in cursive script that reads "Lynn M. Deamer".

Lynn M. Deamer, Audit Supervisor

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DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT

April 15, 2004

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, 2003 for Gulf Power Company. The above schedules have been included as exhibits in this report. These schedules were prepared by the utility as part of its support for cost recovery in Docket No. 040001-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 compared to the substantiating documentation.

CAPACITY REVENUE: Revenue will be audited in Review of Billing, Audit Control Number 04-044-1-1.

TRANSMISSION REVENUE: Scanned Company filed schedules and supporting documents. Compiled and verified Transmission Revenue filed on Line No. 2 of Schedule CCA-2. Recalculated Transmission Revenues used in true-up for the 2003 recovery period.

CAPACITY EXPENSE: Scanned Company filed schedules and IIC invoices for 12 months ended December 31, 2003. Obtained a list of all recoverable costs through the capacity cost recovery clause. Scanned capacity contracts and other adjustments recovered in the Capacity Clause for appropriate account. Verified January, February, and August 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 True-Up to be collected for the year 2003 from Order PSC-02-1761-FOF-EI. Obtained the approved interest rates based on the Wall Street Journal. Recomputed True-Up Interest Provision. Verified the Jurisdictional percent. Recomputed the true-up.

DISCLOSURES

Disclosure No. 1

Subject: Revised Filing

Statement of Fact: The original filing of Schedule CCA-2 for the year 2003 included a prior period adjustment of \$53,092 due to an error the Company believed was made in December, 2002. Staff reviewed the 2002 filing and found the only error to be \$28 of interest. The prior period adjustment in the original filing also caused a \$31 error of interest in January, 2003. The Company has made a revision removing the adjustment of \$53,092 from the filing.

Recommendation: The Company should make the prior period correcting entry listed below. This entry decreases the 2003 End of Period Total Net True-Up by \$59.00. The Company stated a correcting entry will be made in March, 2004. No entry needs to be made to the revised schedule for the \$59,092 adjustment. The \$59 recommended entry is shown below.

FERC	SUB		AMOUNT
254	00501	PPCCR OVER-RECO	\$59.00
431	00999	INT EXP-CAPA CL	(\$59.00)

Disclosure No. 2

Subject: Transmission Revenues

Statement of Fact:

1. Transmission revenues booked to the general ledger come from the monthly transmission schedules provided to the utility from Southern Company.
2. For September, 2003 transmission revenues were:
(\$16,169.31) per general ledger and rounded on schedule CCA-2
(\$11,710.70) per utility schedules of transmission revenues
3. For November, 2003 transmission revenues were:
(\$ 8,525.04) per general ledger and rounded on schedule CCA-2
(\$13,309.21) per utility transmission revenues schedules

Recommendation: Increase filed transmission revenues by \$325.56.

1. For September, 2003 transmission revenues: (dollars)
(\$16,169.31) per general ledger and rounded on schedule CCA-2
(\$11,710.70) per utility schedules of transmission revenues
(\$ 4,458.61) net overstatement in the filed schedule CCA-2
2. For November, 2003 transmission revenues: (dollars)
(\$8,525.04) per general ledger and rounded on schedule CCA-2
(\$13,309.21) per utility schedules of transmission revenues
\$4,784.17 net understatement in the filed schedule CCA-2
3. Adjustment to transmission revenues
(\$4,458.61) Sept, 2003 overstatement in the filed schedule CCA-2
\$4,784.17 Nov, 2003 understatement in the filed schedule CCA-2
\$ 325.56 net understatement in the filed schedule CCA-2

The Company stated this was corrected in February, 2004. It was not reflected in the revised schedule CCA-2 for 2003. It may be reflected on schedule CCA-2 for 2004.

SCHEDULE CCA-2
Revised 4/1/04

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD JANUARY 2003 - DECEMBER 2003

	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) (\$)	576,317	4,193	192,099	(9,415)	(102,417)	374,563	1,404,821	2,183,978	1,936,562	34,769	(48,418)	32,057	6,579,209
2. Transmission Revenue (\$)	(51,592)	(78,086)	(31,701)	(44,371)	(39,430)	(22,413)	(31,968)	(38,890)	(16,169)	(17,100)	(8,525)	(28,942)	(407,187)
3. Capacity Payments to Solida (\$)	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) (\$)	586,927	(11,891)	222,600	8,416	(79,645)	414,352	1,435,155	2,209,290	1,982,595	79,871	5,259	65,317	6,918,446
5. Jurisdictional %	0.9850187	0.9850187	0.9850187	0.9850187	0.9850187	0.9850187	0.9850187	0.9850187	0.9850187	0.9850187	0.9850187	0.9850187	0.9850187
6. Jurisdictional Capacity Payments / (Receipts) (Line 4 x 5) (\$)	568,395	(11,282)	214,813	8,122	(76,858)	399,857	1,384,952	2,132,008	1,913,241	77,077	5,075	63,033	6,676,429
7. Jurisdictional Capacity Cost Recovery Revenue Net of Taxes (\$)	832,068	588,475	600,711	633,690	804,474	850,248	896,302	909,151	797,922	656,741	618,482	1,052,895	9,241,177
8. True-Up Provision (\$)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(38,848)	(466,176)
9. Jurisdictional Capacity Cost Recovery Revenue (Line 7 + 8) (\$)	793,238	549,627	561,863	594,842	765,626	811,400	857,454	870,303	759,074	617,893	579,634	1,014,047	8,775,001
10. Over/(Under) Recovery (Line 9 - 6) (\$)	228,843	560,909	347,050	586,720	842,485	411,543	(527,497)	(1,261,703)	(1,154,167)	540,816	574,559	851,015	2,098,574
11. Interest Provision (\$)	(149)	308	796	1,277	2,047	2,500	2,305	1,622	599	961	881	1,554	14,081
12. Beginning Balance True-Up & Interest Provision (\$)	(272,479)	(8,937)	593,129	979,823	1,806,868	2,490,048	2,942,939	2,456,595	1,235,362	120,642	700,667	1,314,935	(272,479)
13. True-Up Collected/(Refunded) (\$)	38,848	38,848	38,848	38,848	38,848	38,848	38,848	38,848	38,848	38,848	38,848	38,848	466,176
14. End Of Period Total Net True-Up (Lines 10 + 11 + 12 + 13) (\$)	(6,937)	593,129	879,823	1,806,868	2,490,048	2,942,939	2,456,595	1,235,362	120,642	700,667	1,314,935	2,306,352	

**GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD JANUARY 2003 - DECEMBER 2003**

	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 (\$)	(272,479)	(8,906)	593,188	979,882	1,606,727	2,490,107	2,942,998	2,456,654	1,235,421	120,701	700,726	1,314,994	
3. Ending True-Up Amount Before Interest (\$)	(6,757)	592,880	979,086	1,605,450	2,488,059	2,940,496	2,454,349	1,233,789	120,103	700,365	1,314,135	2,304,867	
4. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	(279,236)	585,974	1,572,274	2,585,332	4,094,786	5,430,603	5,397,947	3,690,453	1,355,524	821,066	2,014,861	3,619,851	
5. Average True-Up Amount (\$)	(139,618)	292,987	786,137	1,292,666	2,047,393	2,715,302	2,698,674	1,845,227	677,762	410,533	1,007,431	1,809,926	
6. Interest Rate - First Day of Reporting Business Month	0.012900	0.012700	0.012500	0.011800	0.011900	0.012100	0.010000	0.010500	0.010600	0.010600	0.010500	0.010000	
7. Interest Rate - First Day of Subsequent Business Month	0.012700	0.012900	0.011800	0.011900	0.012100	0.010000	0.010500	0.010600	0.010800	0.010500	0.010000	0.010600	
8. Total Interest Rate (Lines 6 + 7)	0.025600	0.025200	0.024300	0.023700	0.024000	0.022100	0.020500	0.021100	0.021200	0.021100	0.020500	0.020600	
9. Average Interest Rate	0.012800	0.012600	0.012150	0.011850	0.012000	0.011050	0.010250	0.010550	0.010600	0.010550	0.010250	0.010300	
10. Monthly Average Interest Rate (1/12 Of Line 8)	0.001067	0.001050	0.001013	0.000988	0.001000	0.000921	0.000854	0.000879	0.000863	0.000879	0.000854	0.000858	
11. Interest Provision For the Month (Lines 4 X 9) (\$)	(148)	308	796	1,277	2,048	2,502	2,305	1,622	598	361	859	1,554	14,081

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