

State of Florida



ORIGINAL

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: June 16, 2004
TO: Todd Bohrmann, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief, Bureau of Auditing
 Division of Regulatory Compliance and Consumer Assistance
RE: **Docket No.** 040001-EI ; **Company Name:** Gulf Power Company
Audit Purpose: Fuel Adjustment Clause Audit (Medium Priority Items)
 Supplemental; **Audit Control No.** 04-023-1-1

RECEIVED-FPSC
 04 JUN 18 AM 11:13
 COMMISSION CLERK

Attached is the 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.

This audit report contains the medium priority items designated on your audit service request.

DNV/jcp
Attachment

cc: Division of Regulatory Compliance & Consumer Assistance (Hoppe, District Offices, file)
 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
 Gulf Power Company
 One energy Place
 Pensacola, FL 32520-0780
- COM _____
- CTR _____
- ECR _____ Mr. Ronnie Labrato
 Chief Financial Officer & Comptroller
 Gulf Power Company
 One Energy Place
 Pensacola, FL 32520
- GCL _____
- OPC _____
- MMS _____
- RCA _____ Beggs & Lane Law Firm
 Jeffery Stone/Russell Badders
 P. O. Box 12950
 Pensacola, FL 32591-2950
- SCR _____
- SEC 1
- OTH _____

DOCUMENT NUMBER-DATE

06768 JUN 18 3

FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
BUREAU OF AUDITING

Tallahassee District Office


GULF POWER COMPANY

FUEL ADJUSTMENT CLAUSE AUDIT
(SUPPLEMENTAL)

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2003

DOCKET NO. 040001-EI

AUDIT CONTROL NO. 04-023-1-1


Gennarro Jackson II, Audit Manager

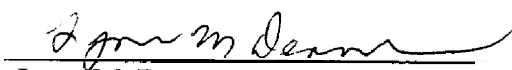

Lynn M. Deamer, Audit Supervisor

TABLE OF CONTENTS

I.	AUDITOR'S REPORT	PAGE
	PURPOSE	1
	DISCLAIM PUBLIC USE	1
	SUMMARY OF SIGNIFICANT PROCEDURES	2
II.	EXHIBITS	
	SCHEDULE A-2, PAGE 1: Twelve months ended December 31, 2003	3
	SCHEDULE A-2, PAGE 2: Twelve months ended December 31, 2003	4

**DIVISION OF REGULATORY COMPLIANCE & CONSUMER ASSISTANCE
AUDITOR'S REPORT**

MAY 28, 2004

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying fuel adjustment schedules for the twelve month period ended December 31, 2003, for Gulf Power Company. These schedules were prepared by the utility as part of its petition filed in Docket No. 040001-EI. This report is a supplemental to the audit report dated April 15, 2004, Docket No. 040001-EI, ACN 04-023-1-1.

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.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

FUEL EXPENSE: Verified that the adjustment to coal inventory due to differences between the per book inventory quantities and the semi-annual coal inventory survey quantities were performed per Commission Order No. PSC-97-0359-FOF-EI. Recomputed FPSC Form 423. On a test basis, traced coal and oil purchases reported on FPSC Form 423 to Schedule A-5 of Fuel Filing and applicable source documentation. Scanned and reconciled coal and oil purchases as shown on FPSC Form 423 to contractual obligations provided by the Company.

OTHER: Verified both the hours shown on annual GPIF Filing and heat rate reported on Schedule A-4 of Fuel Filing.

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
GULF POWER COMPANY**

**SCHEDULE A-2
PAGE 1 OF 3**

FOR THE MONTH OF: DECEMBER 2003

	CURRENT MONTH				PERIOD - TO - DATE				
	ACTUAL	ESTIMATED	AMOUNT (\$)	DIFFERENCE %	ACTUAL	ESTIMATED	AMOUNT (\$)	DIFFERENCE %	
A. Fuel Cost & Net Power Transactions									
1 Fuel Cost of System Net Generation	25,899,670.47	23,777,369	2,122,301.47	8.93	314,467,752.88	312,745,343	1,722,409.88	0.55	
1a Other Generation	149,517.24	0	149,517.24	#N/A	2,267,488.34	19,253	2,248,235.34	11,677.32	
2 Fuel Cost of Power Sold	(8,766,234.56)	(6,950,000)	(1,816,234.56)	26.13	(87,397,406.91)	(98,584,000)	11,186,593.09	(11.35)	
3 Fuel Cost - Purchased Power	1,790,529.77	168,000	1,622,529.77	965.79	29,841,796.86	6,877,000	22,964,796.86	333.94	
3a Demand & Non-Fuel Cost Purchased Power	0.00	0	0.00	#N/A	0.00	0	0.00	#N/A	
3b Energy Payments to Qualifying Facilities	95,633.00	0	95,633.00	100.00	1,333,110.00	35,775	1,297,335.00	3,626.37	
4 Energy Cost-Economy Purchases	0.00	0	0.00	#N/A	0.00	0	0.00	#N/A	
5 Hedging Support Cost	1,560.06	6,604	(5,043.94)	(76.38)	14,810.14	79,240	(64,429.86)	(81.31)	
6 Hedging Settlement Cost	0.00	0	0.00	(100.00)	(4,862,077.00)	0	(4,862,077.00)	(100.00)	
7 Total Fuel & Net Power Transactions	19,170,675.98	17,001,973	2,168,703	12.76	255,665,474.31	221,172,611	34,492,863	15.60	
8 Adjustments To Fuel Cost	1,562.64	0	1,562.64	#N/A	(464,450.98)	0	(464,450.98)	#N/A	
9 Adj. Total Fuel & Net Power Transactions	19,172,238.62	17,001,973	2,170,265.82	12.76	255,201,023.33	221,172,611	34,028,412.33	15.39	
B. KWH Sales									
1 Jurisdictional Sales	903,430,327	838,039,000	65,391,327	7.80	10,684,768,539	10,337,090,000	547,698,539	5.30	
2 Non-Jurisdictional Sales	33,900,488	29,787,000	3,513,488	11.80	364,068,548	362,476,000	1,592,548	0.44	
3 Total Territorial Sales	936,730,815	867,826,000	68,904,815	7.94	11,248,857,087	10,699,566,000	549,291,087	5.13	
4 Juris. Sales as % of Total Terr. Sales	96.4450	96.5676	(0.1226)	(0.13)	96.7635	96.6122	0.1513	0.16	

Note: Line 8 - (Gain)/Loss on Sales of Natural Gas

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
GULF POWER COMPANY
FOR THE MONTH OF: DECEMBER 2003**

	CURRENT MONTH				PERIOD - TO - DATE			
	ACTUAL	\$ ESTIMATED	DIFFERENCE AMOUNT (\$)	%	ACTUAL	\$ ESTIMATED	DIFFERENCE AMOUNT (\$)	%
<i>C. True-up Calculation</i>								
1 Jurisdictional Fuel Revenue	21,405,221.15	19,662,998	1,742,222.79	8.86	254,729,055.19	242,540,245	12,188,810.27	5.03
2 Fuel Adj. Revs. Not Applicable to Period:								
2a True-Up Provision	(2,422,599.87)	(2,422,600)	(0.04)	0.00	(29,071,198.00)	(29,071,198)	(0.04)	0.00
2b Incentive Provision	30,769.35	30,769	0.00	0.00	369,232.20	369,232	0.00	0.00
3 Juris. Fuel Revenue Applicable to Period	<u>19,013,390.63</u>	<u>17,271,168</u>	<u>1,742,222.63</u>	10.09	<u>226,027,089.39</u>	<u>213,838,279</u>	<u>12,188,810.39</u>	5.70
4 Adjusted Total Fuel & Net Power Transactions (Line A9)	19,172,238.62	17,001,973	2,170,265.62	12.76	255,201,024.33	221,172,611	34,028,413.33	15.39
5 Juris. Sales % of Total KWH Sales (Line B4)	<u>96.4450</u>	<u>96.5676</u>	<u>(0.1226)</u>	(0.13)	<u>96.7635</u>	<u>96.6122</u>	<u>0.1513</u>	0.16
6 Juris. Total Fuel & Net Power Transactions Adj. for Line Losses (C4 *C5*1.0007)	<u>18,503,609.00</u>	<u>16,429,890</u>	<u>2,073,719.00</u>	12.62	<u>247,104,480.78</u>	<u>213,825,708</u>	<u>33,278,772.78</u>	15.58
7 True-Up Provision for the Month Over/(Under) Collection (C3-C8)	509,781.63	841,278	(331,496.37)	(39.40)	(21,077,392.39)	12,573	(21,089,965.39)	#####
8 Interest Provision for the Month	(18,886.44)	(1,560)	(17,126.44)	1,097.85	(311,094.32)	(200,900)	(110,194.32)	54.85
9 Beginning True-Up & Interest Provision*	(23,246,262.45)	(3,450,645)	(19,794,617.45)	573.65	(28,014,278.68)	(29,071,198)	1,056,919.32	(3.64)
10 True-Up Collected / (Refunded)	<u>2,422,599.87</u>	<u>2,422,600</u>	<u>0.04</u>	0.00	<u>29,071,198.00</u>	<u>29,071,198</u>	<u>0.04</u>	0.00
11 End of Period - Total Net True-Up (C7+C8+C9+C10)	<u>(20,331,567.39)</u>	<u>(188,327)</u>	<u>(20,143,240.39)</u>	10,695.89	<u>(20,331,567.39)</u>	<u>(188,327)</u>	<u>(20,143,240.39)</u>	10,695.89

CJ1