

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**FUEL COST AND PURCHASED POWER COST
RECOVERY CLAUSE**

Docket No. 050001-EI

**PREPARED DIRECT TESTIMONY AND
EXHIBIT OF
TERRY A. DAVIS**

FINAL TRUE-UP FOR THE PERIOD:

JANUARY – DECEMBER 2004 (Fuel)

JANUARY – DECEMBER 2004 (Capacity)

MARCH 1, 2005



A SOUTHERN COMPANY

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony and Exhibit of
4 Terry A. Davis
5 Docket No. 050001-EI
6 Fuel and Purchased Power Capacity Cost Recovery
7 Date of Filing: March 1, 2005

8 Q. Please state your name, business address and occupation.

9 A. My name is Terry Davis. My business address is One
10 Energy Place, Pensacola, Florida 32520-0780. I am the
11 Supervisor of Treasury and Regulatory Matters at Gulf
12 Power Company.

13 Q. Please briefly describe your educational background and
14 business experience.

15 A. I graduated in 1979 from Mississippi College in Clinton,
16 Mississippi with a Bachelor of Science Degree in
17 Business Administration and a major in Accounting.
18 Prior to joining Gulf Power, I was an accountant for a
19 seismic survey firm, Geophysical Field Surveys in
20 Jackson, Mississippi. In that capacity, I was
21 responsible for accounts receivable, accounts payable,
22 sales, use, and fuel tax returns, and various other
23 accounting activities. In 1986, I joined Gulf Power as
24 an Associate Accountant in the Plant Accounting
25 Department. Since then, I have held various positions

1 of increasing responsibility with Gulf Power in Accounts
2 Payable, Financial Reporting, and Cost Accounting. In
3 1993, I joined the Rates and Regulatory Matters area,
4 where I have participated with increasing responsibility
5 in activities related to the cost recovery clauses, the
6 rate case, budgeting, and other regulatory functions.
7 In 2003, I was promoted to my current position.

8 My responsibilities now include supervision of:
9 tariff administration, cost of service activities,
10 calculation of cost recovery factors, the regulatory
11 filing function of the Rates and Regulatory Matters
12 Department, and various treasury activities.

13

14 Q. Have you prepared an exhibit that contains information
15 to which you will refer in your testimony?

16 A. Yes, I have.

17 Counsel: We ask that Ms. Davis' Exhibit
18 consisting of five schedules be
19 marked as Exhibit No. _____ (TAD-1).

20

21 Q. Are you familiar with the Fuel and Purchased Power
22 (Energy) true-up calculations for the period of January
23 2004 through December 2004 and the Purchased Power
24 Capacity Cost true-up calculations for the period of

25

1 January 2004 through December 2004 set forth in your
2 exhibit?

3 A. Yes. These documents were prepared under my direction.
4

5 Q. Have you verified that to the best of your knowledge and
6 belief, the information contained in these documents is
7 correct?

8 A. Yes, I have.
9

10 Q. What is the amount to be refunded or collected through
11 the fuel cost recovery factors in the period January
12 2006 through December 2006?

13 A. A net amount to be refunded of \$17,935,371 was
14 calculated as shown on Schedule 1 of my exhibit.
15

16 Q. How was this amount calculated?

17 A. The \$17,935,371 was calculated by taking the difference
18 in the estimated January 2004 through December 2004
19 under-recovery of \$29,107,969 and the actual under-
20 recovery of \$11,172,598, which is the sum of the Period-
21 to-Date amounts on lines 7 and 8 shown on Schedule A-2,
22 page 2, of the monthly filing for December 2004. The
23 estimated true-up amount for this period was approved in
24 Order No. PSC-04-1276-FOF-EI dated December 23, 2004.
25 Additional details supporting the approved estimated

1 true-up amount are included on Schedule E1-A filed
2 August 10, 2004.

3

4 Q. Ms. Davis has the estimated benchmark level for gains on
5 non-separated wholesale energy sales eligible for a
6 shareholder incentive been updated for 2005?

7 A. Yes, it has.

8

9 Q. What is the actual threshold for 2005?

10 A. Based on actual data for 2002, 2003, and now 2004, the
11 threshold is calculated to be \$2,717,207.

12

13 Q. The Commission approved Gulf's hedging program in
14 October 2002. What incremental hedging support costs
15 related to administering Gulf's approved hedging program
16 is Gulf seeking to recover for 2004?

17 A. Gulf has included \$21,112 as shown on the December 2004
18 Period-to-Date Schedule A-1 for incremental hedging
19 support costs related to administering the approved
20 hedging program during the 2004 recovery period.

21

22 Q. Is Gulf seeking to recover any gains or losses from
23 hedging settlements in the 2004 recovery period?

24 A. Yes. On the December 2004 Fuel Schedule A-1, Period to
25 Date, Gulf has recorded a net gain of \$6,652,155 related

1 to hedging activities in 2004. Mr. Ball will address
2 the details of those hedging activities in his
3 testimony.

4
5 Q. Ms. Davis, you stated earlier that you are responsible
6 for the Purchased Power Capacity Cost true-up
7 calculation. Which schedules of your exhibit relate to
8 the calculation of these factors?

9 A. Schedules CCA-1, CCA-2, CCA-3 and CCA-4 of my exhibit
10 relate to the Purchased Power Capacity Cost true-up
11 calculation for the period January 2004 through December
12 2004.

13
14 Q. What is the amount to be refunded or collected in the
15 period January 2006 through December 2006?

16 A. An amount to be refunded of \$428,009 was calculated as
17 shown in Schedule CCA-1, of my exhibit.

18
19 Q. How was this amount calculated?

20 A. The \$428,009 was calculated by taking the difference in
21 the estimated January 2004 through December 2004 over-
22 recovery of \$1,797,696 and the actual over-recovery of
23 \$2,225,705, which is the sum of lines 10 and 11 under
24 the total column of Schedule CCA-2. The estimated true-
25 up amount for this period was approved in Order No. PSC-
26 04-1276-FOF-EI dated December 23, 2004. Additional

1 details supporting the approved estimated true-up amount
2 are included on Schedule CCE-1A filed August 10, 2004.

3

4 Q. Please describe Schedules CCA-2 and CCA-3 of your
5 exhibit.

6 A. Schedule CCA-2 shows the calculation of the actual over-
7 recovery of purchased power capacity costs for the
8 period January 2004 through December 2004. Schedule
9 CCA-3 of my exhibit is the calculation of the interest
10 provision on the over-recovery for the period January
11 2004 through December 2004. This is the same method of
12 calculating interest that is used in the Fuel and
13 Purchased Power (Energy) Cost Recovery Clause and the
14 Environmental Cost Recovery Clause.

15

16 Q. Please describe Schedule CCA-4 of your exhibit.

17 A. Schedule CCA-4 provides additional details related to
18 Lines 1 and 2 of Scheduled CCA-2. This information is
19 provided as a result of Staff's request at a recent fuel
20 and capacity workshop.

21

22 Q. Ms. Davis, does this complete your testimony?

23 A. Yes, it does.

24

25

26

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No..050001-EI

Before me the undersigned authority, personally appeared Terry A. Davis, who being first duly sworn, deposes, and says that she is the Regulatory Team Leader in the Rates and Regulatory Matters Department of Gulf Power Company, a Maine corporation, that the foregoing is true and correct to the best of her knowledge, information, and belief. She is personally known to me.

Terry A. Davis
Terry A. Davis
Regulatory Team Leader

Sworn to and subscribed before me this 28th day of February, 2005.

Dianne Burgess
Notary Public, State of Florida at Large



Florida Public Service Commission
Docket No. 050001-EI
GULF POWER COMPANY
Witness: T. A. Davis
Exhibit No. _____ (TAD-1)
Schedule 1

**GULF POWER COMPANY
FUEL COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP
January 2004 - December 2004**

1. Estimated over/(under) - recovery for the period
January 2004 - December 2004
(Schedule E1-A approved in Order No.
PSC-04-1276-FOF-EI dated December 23, 2004) \$ (29,107,969)

2. Actual over/(under)-recovery for the period
January 2004 - December 2004
(DECEMBER 2004 Schedule A-2, Pg. 2 of 3,
"Period-to-Date", Lines 7 and 8) (11,172,598)

3. Amount to be refunded/(recovered) in the
JANUARY 2006 - DECEMBER 2006
projection period (Line 2 - Line 1) \$ 17,935,371

Florida Public Service Commission
Docket No. 050001-EI
GULF POWER COMPANY
Witness: T. A. Davis
Exhibit No. ____ (TAD -1)
SCHEDULE CCA-1

**GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
JANUARY 2004 - DECEMBER 2004**

1. Estimated over/(under)-recovery for the period JANUARY 2004 - DECEMBER 2004 (Schedule CCE-1a approved in Order No. PSC-04-1276-FOF-EI dated December 23, 2004)	\$ 1,797,696
2. Actual over/(under)-recovery for the period JANUARY 2004 - DECEMBER 2004 (Schedule CCA-2 Line 11 + 12 in the Total column)	<u>2,225,705</u>
3. Amount to be refunded/(recovered) in the JANUARY 2006 - DECEMBER 2006 projection period (Line 2 - Line 1)	<u>\$ 428,009</u>

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD JANUARY 2004 - DECEMBER 2004

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. IIC Payments / (Receipts) (\$)	1,265,929	353,640	484,415	7,329	41,220	1,832,176	5,405,203	5,335,718	2,577,808	202,331	57,745	149,470	17,712,984
2. Capacity Payments to Solutia (\$)	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
3. Total Capacity Costs (\$) (Line 1 + 2)	1,328,131	415,842	546,617	69,531	103,422	1,894,378	5,467,405	5,397,920	2,640,010	264,533	119,947	211,672	18,459,408
4. Transmission Revenue (\$)	(56,915)	(37,118)	(31,779)	(15,372)	(28,657)	(20,062)	(14,323)	(12,261)	(30,861)	(21,719)	(12,894)	(13,322)	(295,313)
5. Total Capacity Payments/(Receipts) (Line 3 + 4) (\$)	1,271,216	378,724	514,838	54,159	74,735	1,874,316	5,453,082	5,385,659	2,609,149	242,814	107,053	198,350	18,164,095
6. Jurisdictional %	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187	0.9650187
7. Total Jurisdictional Recovery Amount (Line 5*6) (\$)	1,226,747	365,476	496,828	52,264	72,121	1,808,750	5,262,326	5,197,262	2,517,878	234,320	103,308	191,411	17,528,691
8. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	1,604,799	1,383,330	1,254,537	1,241,363	1,611,324	1,792,731	1,992,884	1,871,730	1,317,546	1,519,748	1,233,963	1,636,255	18,460,210
9. True-Up Provision (\$)	104,381	104,381	104,381	104,381	104,381	104,381	104,381	104,381	104,381	104,381	104,381	104,381	1,252,572
10. Jurisdictional Capacity Cost Recovery Revenue (Line 8 + 9) (\$)	1,709,180	1,487,711	1,358,918	1,345,744	1,715,705	1,897,112	2,097,265	1,976,111	1,421,927	1,624,129	1,338,344	1,740,636	19,712,782
11. Over/(Under) Recovery (Line 10 - 7) (\$)	482,433	1,122,235	862,090	1,293,480	1,643,584	88,362	(3,165,061)	(3,221,151)	(1,095,951)	1,389,809	1,235,036	1,549,225	2,184,091
12. Interest Provision (\$)	2,173	2,676	3,337	4,240	5,547	7,108	8,490	2,906	16	84	2,188	4,849	41,614
13. Beginning Balance True-Up & Interest Provision (\$)	2,306,352	2,686,577	3,707,107	4,468,153	5,661,492	7,206,242	7,197,331	3,934,379	611,753	(588,563)	696,949	1,829,792	2,306,352
14. True-Up Collected/(Refunded) (\$)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(104,381)	(1,252,572)
15. End of Period Total Net True-Up (Lines 11 + 12 + 13 + 14) (\$)	2,686,577	3,707,107	4,468,153	5,661,492	7,206,242	7,197,331	3,934,379	611,753	(588,563)	696,949	1,829,792	3,279,485	3,279,485

**GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD JANUARY 2004 - DECEMBER 2004**

	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 (\$)	2,306,352	2,686,577	3,707,107	4,468,153	5,661,492	7,206,242	7,197,331	3,934,379	611,753	(588,563)	696,949	1,829,792	
2. Ending True-Up Amount Before Interest (\$)	2,684,404	3,704,431	4,464,816	5,657,252	7,200,695	7,190,223	3,927,889	608,847	(588,579)	696,865	1,827,604	3,274,636	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	4,990,756	6,391,008	8,171,923	10,125,405	12,862,187	14,396,465	11,125,220	4,543,226	23,174	108,302	2,524,553	5,104,428	
4. Average True-Up Amount (\$)	2,495,378	3,195,504	4,085,962	5,062,703	6,431,094	7,198,233	5,562,610	2,271,613	11,587	54,151	1,262,277	2,552,214	
5. Interest Rate - First Day of Reporting Business Month	0.010600	0.010300	0.009800	0.009800	0.010300	0.010400	0.013300	0.014700	0.016000	0.017700	0.019400	0.022200	
6. Interest Rate - First Day of Subsequent Business Month	0.010300	0.009800	0.009800	0.010300	0.010400	0.013300	0.014700	0.016000	0.017700	0.019400	0.022200	0.023400	
7. Total Interest Rate (Lines 5 + 6)	0.020900	0.020100	0.019600	0.020100	0.020700	0.023700	0.028000	0.030700	0.033700	0.037100	0.041600	0.045600	
8. Average Interest Rate	0.010450	0.010050	0.009800	0.010050	0.010350	0.011850	0.014000	0.015350	0.016850	0.018550	0.020800	0.022800	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.000871	0.000838	0.000817	0.000838	0.000863	0.000988	0.001167	0.001279	0.001404	0.001546	0.001733	0.001900	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	2,173	2,676	3,337	4,240	5,547	7,108	6,490	2,906	16	84	2,188	4,849	41,614

GULF POWER COMPANY
2004 CAPACITY CONTRACTS

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

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Gulf Power Company
2004 Capacity Contracts

Contract/Counterparty	Term		Contract Type
	Start	End (1)	
Southern Intercompany Interchange	2/18/2000	5 Yr Notice	SES Opco
Solutia, Inc	6/1/1996	5/31/2005	QF
Entergy Services, Inc	6/1/2002	9/30/2004	Other
South Carolina PSA	9/1/2003	-	Other
South Carolina Electric & Gas	1/8/2004	12/7/2004	Other
Santa Rosa Energy Power Marketing	4/1/2004	5/31/2004	Other
Select Energy, Inc	4/1/2004	4/30/2004	Other
Calpine Power Services	Varies	-	Other
Cogentrix	8/5/2003	-	Other
Coral Power, LLC	5/15/2003	-	Other
Exelon Power Team	5/1/2001	-	Other
FP&L Energy Power Marketing	6/1/2003	-	Other
Mobile Energy Services Co., LLC	6/16/2003	11/30/2004	Other
Progress Energy	Varies	-	Other
West Georgia Generating Co., LP	5/11/2000	-	Other
Williams Energy Power Marketing	5/1/2002	-	Other

(1) Unless otherwise noted, contract remains effective unless terminated upon 30 days prior written notice

Capacity Costs

2004	January		February		March		April		May		June		July		August		September		October		November		December		Total \$	
	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW	\$		
Southern Intercompany Interchange	453.0	1,290,258	345.8	390,904	466.0	519,369	73.3	38,630	50.1	57,306	293.3	1,845,850	312.9	5,418,877	309.1	5,350,512	325.0	2,593,448	277.4	206,755	118.6	63,019	266.8	154,091	17,929,019	
Solutia, Inc	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	19.0	62,202	746,424	
Entergy Services, Inc																										
South Carolina PSA																										
South Carolina Electric & Gas																										
Santa Rosa Energy Pwr Mktng																										
Select Energy, Inc																										
Calpine Power Services (1)																										
Cogentrix (1)																										
Coral Power, LLC (1)																										
Exelon Power Team (1)																										
FP&L Energy Power Marketing (1)																										
Mobile Energy Services Co., LLC (1)																										
Progress Energy (1)																										
West Georgia Generating Co., LP (1)																										
Williams Energy Power Marketing (1)																										
			1,328,131		415,842		546,617		69,531		103,422		1,894,378		5,467,405		5,397,920		2,640,010		264,533		119,947		211,672	18,459,408

(1) Generator Balancing Service provides no capacity scheduling entitlements.