

State of Florida



## 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-**

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**DATE:** April 25, 2006  
**TO:** Peter H. Lester, Economic Analyst, Division of Economic Regulation  
**FROM:** Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *DNV*  
**RE:** **Docket No:** 060001-EI    **Company Name:** Gulf Power Company  
**Audit Purpose:** Capacity Clause Audit  
**Audit Control No:** 06-045-1-1

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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 Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV:bj  
Attachments

Copy: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)  
Division of Commission Clerk & Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

Ms. Susan D. Ritenour  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520

Beggs & Lane Law Firm  
J. Stone / R. Badders / S. Griffin  
P.O. Box 12950  
Pensacola, FL 32591-2950

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
BUREAU OF AUDITING

*Tallahassee District Office*

GULF POWER COMPANY

CAPACITY COST RECOVERY AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2005

DOCKET NO. 060001-EI

AUDIT CONTROL NO. 06-045-1-1

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

*Robert Moore, Audit Manager*

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

*Lynn M. Deamer, Audit Supervisor*

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

**April 17, 2005**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have performed the procedures enumerated later in this report to meet the agreed upon objectives set forth by the Division of Economic Regulation in its audit service request. We have applied these procedures to the attached schedules prepared by Gulf Power Company in support of its filing for Capacity Cost Recovery, Docket No. 0600001-EI.

This audit is performed following general standards and field work standards found in the AICPA Statements on Standards for Attestation Engagements. This report is based on agreed upon procedures which are only for internal Commission use.

## **OBJECTIVES and PROCEDURES**

### **REVENUES**

**Objective:** - To verify that Capacity Cost Recovery Clause (CCRC) revenue and KWH sold as filed were completely and properly recorded on the books of the company.

**Procedures:** - We compiled CCRC revenues from company source documents and agreed to filing and General Ledger. Recalculated Capacity charge on selected customer bills from various rate classes and determined that the company used the correct rates approved by this Commission.

### **EXPENSES**

**Objective:** - To verify that the Capacity Costs agree to the general ledger and reconcile to the books and records of the company.

**Procedures:** - Scanned company filed schedules and IIC invoices for 12 months ended December 31, 2005. Verified IIC payment/receipts amounts filed on Line 1 of Schedule CCA-2 to general ledger and IIC invoices. Scheduled selected 2005 invoices for IIC capacity and traced to company source documentation.

**Objective:** To verify transmission revenues derived from “non-separated , non-Energy Broker Network, wholesale energy sales” are credited to the clause.

**Procedures:** - Scheduled “Summary of Transmission Revenues and Billing” detail of monthly refunds for the year ended December 2005. Determined if transmission revenues complied with Order PSC-99-2512-FOF-EI, Docket 990001-EI, issued February 22, 1999. Agreed transmission revenues to the general ledger.

### **TRUE-UP**

**Objective:** - To determine if the True-up Calculation and interest provision as filed with this Commission was properly calculated correctly.

**Procedures:** - We recalculated the 2005 CCRC true-up and interest schedules using the FPSC approved recoverable true-up amount, interest rates and jurisdictional separation factor.

**GULF POWER COMPANY**  
**PURCHASED POWER CAPACITY COST RECOVERY CLAUSE**  
**CALCULATION OF TRUE-UP AND INTEREST PROVISION**  
**FOR THE PERIOD JANUARY 2005 - DECEMBER 2005**

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. IIC Payments / (Receipts) (\$)	1,521,807	508,220	672,011	119,278	173,677	2,377,138	7,244,846	7,621,652	2,365,603	583,855	197,487	203,545	23,589,119
2. Capacity Payments to Solutia (\$)	62,202	62,202	62,202	62,202	62,202	-	-	-	-	-	-	-	311,010
3. Total Capacity Costs (\$) (Line 1 + 2)	1,584,009	570,422	734,213	181,480	235,879	2,377,138	7,244,846	7,621,652	2,365,603	583,855	197,487	203,545	23,900,129
4. Transmission Revenue (\$)	(16,497)	(13,694)	(17,106)	(9,803)	(8,250)	(17,117)	(18,308)	(23,267)	(3,929)	(7,010)	(14,987)	(50,040)	(200,008)
5. Total Capacity Payments/(Receipts) (Line 3 + 4) (\$)	1,567,512	556,728	717,107	171,677	227,629	2,360,021	7,226,538	7,598,385	2,361,674	576,845	182,500	153,505	23,700,121
6. Jurisdictional %	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872	0.9664872
7. Total Jurisdictional Recovery Amount (Line 5*6) (\$)	1,514,980	538,070	693,075	165,924	220,001	2,280,930	6,964,358	7,343,742	2,282,628	557,513	176,384	148,381	22,905,864
8. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	1,582,894	1,337,059	1,458,574	1,357,502	1,714,453	2,100,629	2,190,974	2,144,921	2,131,020	1,606,149	1,468,210	1,914,416	21,006,801
9. True-Up Provision (\$)	237,623	237,623	237,623	237,623	237,623	237,623	237,623	237,623	237,623	237,623	237,623	237,622	2,851,475
10. Jurisdictional Capacity Cost Recovery Revenue (Line 8 + 9) (\$)	1,820,517	1,574,682	1,696,197	1,595,125	1,952,076	2,338,252	2,428,597	2,382,544	2,368,643	1,843,772	1,705,833	2,152,038	23,858,276
11. Over/(Under) Recovery (Line 10 - 7) (\$)	305,537	1,036,612	1,003,122	1,429,201	1,732,075	57,322	(4,555,759)	(4,961,198)	86,115	1,286,259	1,529,449	2,003,677	952,412
12. Interest Provision (\$)	6,682	8,055	10,283	13,278	17,340	19,952	14,229	338	(7,926)	(6,905)	(3,283)	2,019	74,062
13. Beginning Balance True-Up & Interest Provision (\$)	3,279,485	3,354,081	4,161,125	4,936,907	6,141,763	7,653,555	7,493,206	2,714,053	(2,484,430)	(2,643,884)	(1,602,133)	(313,590)	3,279,485
14. True-Up Collected/(Refunded) (\$)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,623)	(237,622)	(2,851,475)
15. End of Period Total Net True-Up (Lines 11 + 12 + 13 + 14) (\$)	3,354,081	4,161,125	4,936,907	6,141,763	7,653,555	7,493,206	2,714,053	(2,484,430)	(2,643,864)	(1,602,133)	(313,590)	1,454,484	1,454,484
Average Monthly Interest Rate	0.2017	0.2148	0.2263	0.2400	0.2517	0.2638	0.2782	0.2946	0.3096	0.3258	0.3433	0.3546	
Wall Street Annual Rate	2.34	2.50	2.65	2.78	2.96	3.06	3.27	3.43	3.64	3.79	4.03	4.21	4.30
Average Annual Rate	2.420	2.575	2.715	2.880	3.020	3.165	3.360	3.535	3.715	3.910	4.120	4.255	

**GULF POWER COMPANY**  
**PURCHASED POWER CAPACITY COST RECOVERY CLAUSE**  
**CALCULATION OF INTEREST PROVISION**  
**FOR THE PERIOD JANUARY 2005 - DECEMBER 2005**

	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 (\$)	3,279,485	3,354,081	4,161,125	4,936,907	6,141,763	7,653,555	7,493,206	2,714,053	(2,484,430)	(2,843,864)	(1,802,133)	(313,590)	
2. Ending True-Up Amount Before Interest (\$)	3,347,399	4,153,070	4,926,624	6,128,485	7,636,215	7,473,254	2,699,824	(2,484,768)	(2,635,938)	(1,595,228)	(310,307)	1,452,465	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	6,626,884	7,507,151	9,087,749	11,065,392	13,777,978	15,126,809	10,193,030	229,285	(5,120,368)	(4,239,092)	(1,912,440)	1,138,875	
4. Average True-Up Amount (\$)	3,313,442	3,763,576	4,543,875	5,532,896	6,888,989	7,563,405	5,096,515	114,643	(2,560,184)	(2,119,546)	(956,220)	569,438	
5. Interest Rate - First Day of Reporting Business Month	0.023400	0.025000	0.026500	0.027800	0.029800	0.030600	0.032700	0.034300	0.036400	0.037900	0.040300	0.042100	
6. Interest Rate - First Day of Subsequent Business Month	0.025000	0.026500	0.027800	0.029800	0.030600	0.032700	0.034300	0.036400	0.037900	0.040300	0.042100	0.043000	
7. Total Interest Rate (Lines 5 + 6)	0.048400	0.051500	0.054300	0.057600	0.060400	0.063300	0.067000	0.070700	0.074300	0.078200	0.082400	0.085100	
8. Average Interest Rate	0.024200	0.025750	0.027150	0.028800	0.030200	0.031650	0.033500	0.035350	0.037150	0.039100	0.041200	0.042550	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.002017	0.002146	0.002263	0.002400	0.002517	0.002638	0.002792	0.002946	0.003096	0.003258	0.003433	0.003546	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	6,682	8,055	10,281	13,278	17,337	19,848	14,228	338	(7,926)	(6,906)	(3,283)	2,019	74,051