

State of Florida



Public Service Commission

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

ORIGINAL

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DATE: August 6, 2007

TO: Peter H. Lester, Economic Analyst, Division of Economic Regulation

FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance *D*

RE: Docket No: 070001-EI; Company Name: Gulf Power Company;
Audit Purpose: Capacity Cost Recovery Clause;
Audit Control No: 07-022-1-2;

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. There are no confidential work papers associated with this audit.

DNV:sbj
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
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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, 2006

DOCKET NO. 070001-EI

AUDIT CONTROL NO. 07-022-1-2

A handwritten signature in black ink that reads "Robert T. Moore".

Robert Moore, Audit Manager

A handwritten signature in black ink that reads "Lynn M. Deamer".

Lynn M. Deamer, Audit Supervisor

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

August 2, 2007

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. 0700001-EI.

This audit was 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 filed Capacity Cost Recovery Clause (CCRC) revenues and KWH sold were properly recorded in the books of utility.

Procedures: - Agreed CCRC revenues on utility source documents to the filing and general ledger. Recalculated capacity charges on selected customer bills and rate classes. Determined the utility used the correct rates approved by the Florida Public Service Commission (PSC).

EXPENSES

Objective: - To verify the capacity costs agree to the general ledger and reconcile to the books and records of the utility.

Procedures: - Scanned utility filed schedules and IIC invoices from the 12 months ended December 31, 2006. Verified IIC payments/receipts filed on Line 1 of Schedule CCA-2 to IIC invoices and to the general ledger. Traced selected IIC capacity 2006 invoices to utility source documents.

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” details of monthly refunds for the year ended December 31, 2006. Determined transmission revenues comply 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 utility true-up and interest provision filed with the FPSC were computed correctly.

Procedures: - Recalculated the 2006 CCRC true-up and interest schedules using FPSC approved recoverable true-up computations, 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 2006 - DECEMBER 2006

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. IIC Payments / (Receipts) (\$)	1,688,635	445,165	602,636	104,416	662,264	3,759,953	8,534,480	9,620,041	3,685,764	343,426	216,275	224,324	29,887,379
2. Transmission Revenue (\$)	(9,032)	(10,499)	(11,348)	(4,830)	(5,550)	(9,921)	(15,453)	(10,415)	(3,622)	(9,032)	(43,601)	(20,340)	(153,643)
3. Total Capacity Payments/(Receipts) (Line 1 + 2) (\$)	1,679,603	434,666	591,288	99,586	656,714	3,750,032	8,519,027	9,609,626	3,682,142	334,394	172,674	203,984	29,733,736
4. 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
5. Total Jurisdictional Recovery Amount (Line 3 * 4) (\$)	1,623,315	420,099	571,472	96,249	634,706	3,624,358	8,233,531	9,287,581	3,558,743	323,188	166,887	197,148	28,737,277
6. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	1,970,172	1,882,492	1,782,785	1,993,570	2,432,521	2,867,009	2,951,164	3,027,806	2,506,993	2,083,653	1,904,149	2,144,929	27,547,243
7. True-Up Provision (\$)	111,821	111,821	111,821	111,821	111,821	111,821	111,821	111,821	111,821	111,821	111,821	111,820	1,341,851
8. Jurisdictional Capacity Cost Recovery Revenue (Line 6 + 7) (\$)	2,081,993	1,994,313	1,894,606	2,105,391	2,544,342	2,978,830	3,062,985	3,139,627	2,618,814	2,195,474	2,015,970	2,256,749	28,889,094
9. Over/(Under) Recovery (Line 8 - 5) (\$)	458,678	1,574,214	1,323,134	2,009,142	1,909,636	(645,528)	(5,170,546)	(6,147,954)	(939,929)	1,872,286	1,849,083	2,059,601	151,817
10. Interest Provision (\$)	5,976	9,562	15,070	22,134	30,424	33,798	21,696	(3,812)	(19,835)	(18,367)	(10,762)	(2,733)	83,151
11. Beginning Balance True-Up & Interest Provision (\$)	1,454,484	1,807,317	3,279,272	4,505,655	8,425,110	8,253,349	7,529,798	2,269,127	(3,994,460)	(5,066,045)	(3,323,947)	(1,597,447)	1,454,484
12. True-Up Collected/(Refunded) (\$)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,821)	(111,820)	(1,341,851)
13. End of Period Total Net True-Up (Lines 9 + 10 + 11 + 12) (\$)	1,807,317	3,279,272	4,505,655	6,425,110	8,253,349	7,529,798	2,269,127	(3,994,460)	(5,066,045)	(3,323,947)	(1,597,447)	347,601	347,601
Average Monthly Interest Rate	0.3671	0.3767	0.3879	0.4058	0.4154	0.4292	0.4438	0.4429	0.4388	0.4388	0.4383	0.4383	
Wall Street Annual Rate	4.30	4.51	4.53	4.78	4.96	5.01	5.29	5.36	5.27	5.26	5.27	5.25	5.27
Average Annual Rate	4.405	4.520	4.655	4.870	4.985	5.150	5.325	5.315	5.265	5.265	5.260	5.260	

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GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD JANUARY 2006 - DECEMBER 2006

	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 (\$)	1,454,484	1,807,317	3,279,272	4,505,655	6,425,110	8,253,349	7,529,798	2,269,127	(3,994,460)	(5,066,045)	(3,323,947)	(1,597,447)	
2. Ending True-Up Amount Before Interest (\$)	1,801,341	3,269,710	4,490,585	6,402,976	8,222,925	7,496,000	2,247,431	(3,990,648)	(5,046,210)	(3,305,580)	(1,586,685)	350,334	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	3,255,825	5,077,027	7,769,857	10,908,631	14,648,035	15,749,349	9,777,229	(1,721,521)	(9,040,670)	(8,371,625)	(4,910,632)	(1,247,113)	
4. Average True-Up Amount (\$)	1,627,913	2,538,514	3,884,929	5,454,316	7,324,018	7,874,675	4,888,615	(860,761)	(4,520,335)	(4,185,813)	(2,455,316)	(623,557)	
5. Interest Rate - First Day of Reporting Business Month	0.043000	0.045100	0.045300	0.047800	0.049600	0.050100	0.052900	0.053600	0.052700	0.052600	0.052700	0.052500	
6. Interest Rate - First Day of Subsequent Business Month	0.045100	0.045300	0.047800	0.049600	0.050100	0.052900	0.053600	0.052700	0.052600	0.052700	0.052500	0.052700	
7. Total Interest Rate (Lines 5 + 6)	0.088100	0.090400	0.093100	0.097400	0.099700	0.103000	0.106500	0.106300	0.105300	0.105300	0.105200	0.105200	
8. Average Interest Rate	0.044050	0.045200	0.046550	0.048700	0.049850	0.051500	0.053250	0.053150	0.052650	0.052650	0.052600	0.052600	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.003671	0.003767	0.003879	0.004058	0.004154	0.004292	0.004438	0.004429	0.004388	0.004388	0.004383	0.004383	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	5,976	9,562	15,070	22,134	30,424	33,798	21,696	(3,812)	(19,835)	(18,367)	(10,762)	(2,733)	83,151