

State of Florida



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DATE: May 7, 2008
TO: Peter H. Lester, Economic Analyst, Division of Economic Regulation
FROM: Denise N. Vandiver, Chief of Auditing, Division of Regulatory Compliance & Consumer Assistance
RE: Docket No: 080001-EI; Company Name: Gulf Power Company;
Audit Purpose: Capacity Cost Recovery Clause Audit; Company Code: EI804;
Audit Control No: 08-003-1-2;

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:bj
Attachments

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

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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, 2007

DOCKET NO. 080001-EI

AUDIT CONTROL NO. 08-003-1-2



Intesar Terkawi, Audit Manager



Lynn M. Deamer, Audit Supervisor

DOCUMENT NUMBER-DATE

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

May 6, 2008

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. 080001-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, 2007. Verified IIC payments/receipts filed on Line 1 of Schedule CCA-2 to IIC invoices and to the general ledger. Traced selected IIC capacity 2007 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, 2007. 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 2007 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 2007 - DECEMBER 2007

	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. IIC Payments / (Receipts) (\$)	1,149,354	379,768	578,776	217,665	576,266	3,541,079	8,691,700	10,887,628	4,177,725	658,317	266,686	212,065	31,336,529
2. Transmission Revenue (\$)	(13,223)	(43,697)	(15,111)	(19,011)	(162,875)	(33,024)	(37,968)	(36,676)	(27,862)	(31,804)	(21,654)	(22,978)	(463,883)
3. Total Capacity Payments/(Receipts) (Line 1 + 2) (\$)	1,136,131	336,071	563,665	198,654	413,391	3,508,055	8,653,732	10,850,952	4,149,863	626,513	245,032	189,087	30,872,646
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	
5. Total Jurisdictional Recovery Amount (Line 3 * 4) (\$)	1,098,056	324,808	546,708	191,997	399,537	3,390,490	8,363,238	10,487,306	4,010,789	605,517	236,820	182,750	29,838,016
6. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes (\$)	2,443,980	2,234,908	2,150,762	2,149,283	2,652,584	3,095,296	3,338,617	3,679,013	2,889,567	2,602,473	2,099,665	2,086,751	31,462,999
7. True-Up Provision (\$)	(9,207)	(9,207)	(9,207)	(9,207)	(9,207)	(9,207)	(9,207)	(9,207)	(9,207)	(9,207)	(9,207)	(9,207)	(110,484)
8. Jurisdictional Capacity Cost Recovery Revenue (Line 6 + 7) (\$)	2,434,773	2,225,701	2,141,555	2,140,076	2,663,387	3,086,089	3,329,410	3,669,806	2,880,360	2,593,266	2,090,458	2,077,544	31,352,425
9. Over/(Under) Recovery (Line 8 - 5) (\$)	1,336,717	1,900,893	1,594,847	1,948,079	2,263,850	(304,401)	(5,033,828)	(6,817,500)	(1,130,429)	1,987,749	1,853,638	1,894,794	1,514,409
10. Interest Provision (\$)	4,478	11,111	18,861	26,748	36,180	40,801	29,237	3,545	(14,128)	(11,212)	(3,296)	4,235	146,560
11. Beginning Balance True-Up & Interest Provision (\$)	347,601	1,698,003	3,501,162	5,124,077	7,108,111	9,437,348	9,182,955	4,187,571	(2,617,177)	(3,752,527)	(1,766,783)	92,766	347,601
12. True-Up Collected/(Refunded) (\$)	9,207	9,207	9,207	9,207	9,207	9,207	9,207	9,207	9,207	9,207	9,207	9,207	110,484
13. 2006 Revenue Adjustment		(118,052)											(118,052)
14. End of Period Total Net True-Up (Lines 9 + 10 + 11 + 12 + 13) (\$)	1,698,003	3,501,162	5,124,077	7,108,111	9,437,348	9,182,955	4,187,571	(2,617,177)	(3,752,527)	(1,766,783)	92,766	2,001,002	2,001,002

GULF POWER COMPANY
 PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
 CALCULATION OF INTEREST PROVISION
 FOR THE PERIOD JANUARY 2007 - DECEMBER 2007

	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 (\$)	347,601	1,698,003	3,501,182	5,174,077	7,108,111	9,437,348	9,182,955	4,187,571	(2,617,177)	(3,752,527)	(1,106,783)	92,766	
2. Ending True-Up Amount Before Interest (\$)	1,693,525	3,372,000	5,105,216	7,081,383	9,401,168	9,142,154	4,158,334	(2,620,722)	(3,738,399)	(1,755,571)	96,062	1,996,767	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	2,041,126	5,070,003	8,606,379	12,255,441	16,509,280	18,579,503	13,341,290	1,566,850	(6,355,575)	(5,508,097)	(1,670,720)	2,089,534	
4. Average True-Up Amount (\$)	1,020,563	2,535,001	4,303,189	6,127,720	8,254,640	9,289,751	6,670,645	783,425	(3,177,788)	(2,754,049)	(835,360)	1,044,767	
5. Interest Rate - First Day of Reporting Business Month	0.052700	0.052600	0.052600	0.052600	0.052600	0.052600	0.052800	0.052400	0.056200	0.050500	0.047700	0.047500	
6. Interest Rate - First Day of Subsequent Business Month	0.052900	0.052600	0.052600	0.052600	0.052600	0.052800	0.052400	0.056200	0.050500	0.047200	0.047500	0.049800	
7. Total Interest Rate (Lines 5 + 6)	0.105300	0.105200	0.105200	0.105200	0.105200	0.105400	0.105200	0.108600	0.106700	0.097700	0.094700	0.097300	
8. Average Interest Rate	0.052650	0.052600	0.052600	0.052600	0.052600	0.052700	0.052600	0.054300	0.053360	0.048850	0.047350	0.048850	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.004388	0.004383	0.004383	0.004383	0.004383	0.004392	0.004383	0.004525	0.004446	0.004071	0.003946	0.004054	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	4,478	11,111	18,261	26,748	36,180	40,801	29,237	3,545	(14,128)	(11,212)	(3,296)	4,235	146,560

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