

M E M O R A N D U M

June 19, 1995

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *ON*

RE: DOCKET NO. 950001-EI -- GULF POWER COMPANY
CAPACITY COST AUDIT REPORT - PERIOD ENDED MARCH 1995
AUDIT CONTROL NO. 94-283-1-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit working papers are available for review on request. There are no confidential working papers associated with this audit.

Please forward a complete copy of this report to:

Gulf Power Company
Warren E. Tate
P. O. Box 13470
Pensacola, FL 32591-3470

DNV/sp

Attachment

cc: Chairman Clark
Commissioner Deason
Commissioner Johnson
Commissioner Kiesling
Commissioner Garcia
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
File Folder)
Division of Electric and Gas (Dudley)
Tallahassee District Office (Grayson)

Office of Public Counsel

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED MARCH 31, 1995

FIELD WORK COMPLETED

JUNE 10, 1995

GULF POWER COMPANY


PENSACOLA, FLORIDA

ESCAMBIA COUNTY

CAPACITY COST AUDIT

DOCKET NUMBER 94⁵0001-EI

AUDIT CONTROL NUMBER 94-283-1-1



JOHN M. GRAYSON
AUDIT MANAGER

DOCUMENT NUMBER-DATE

05773 JUN 20 1995

FPSC-RECORDS/REPORTING

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I. Executive Summary

Audit Purpose: We have applied the procedures described in Section II of this report to audit the appended Capacity Cost Recovery Filing, Schedule CCA-1, filed by Gulf Power Company in support of Docket 940001-EI for the six months ended September 30, 1994 and the six months ended March 31, 1995.

Scope Limitation: The audit exit conference was held June 17, 1995. This report is not based on any confidential information.

Disclaim Public Use: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must 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.

Opinion: The appended exhibits, Schedules CCA-1, CCA-2, and CCA-3 for the six months ended September 30, 1994 and the six months ended March 31, 1995, represent utility books and records maintained in substantial compliance with Commission Directives; The expressed opinions extend only to the scope of work described in section II of this report.

II. Audit Scope

The opinions contained in this report are based on the audit work described below. When used in this report COMPILED means that audit work includes:

COMPILED - reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and, except as otherwise noted performed no other audit work.

Intercompany Interexchange Contract (IIC) Payments/(Receipts): Traced the reported IIC Payments/(Receipts) to the Southern Company Services (SCS) Power Pool Transaction and Billing Summary. Compiled the total net settlement (of which capacity payments/(receipts) are a component) presented on the SCS Power Pool Transaction and Billing Summary.

Schedule "E" Capacity Revenues: Traced the reported Schedule "E" Capacity Revenues to the SCS Summary Transaction Invoice. Compiled the Schedule "E" payments received. Read excerpts from the Unit Power Sales Agreement between Florida Power Corporation and Southern Company Services, Inc.

Capacity Cost Recovery Revenues: Traced the reported capacity cost recovery revenues to a company prepared spreadsheet which removed revenue taxes and interdepartmental use (Purchased Power Capacity Cost Revenue Net of Taxes). Trace Purchased Power Capacity Cost Revenue (Gross) to monthly billing summaries. Reconciled total kilowatt hours (KWH) presented on monthly billing summaries (Capacity Clause Recovery Worksheet) to a billing register summary. Traced the capacity factors used to determine capacity clause revenues to Company Schedule CCE-2 to ensure that the correct factors were being applied to KWH usage.

Capacity Included in Retail Base Rate Revenue: Trace to applicable Commission Order.

Other: Recalculated true-up and interest provision for the six months ended September 30, 1994 and the six months ended March 31, 1995, traced the Beginning true-up to the prior filing; traced interest rates used in the calculation of the interest provision to the 30 Day Commercial Paper Rate.

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD APRIL 1994 - SEPTEMBER 1994

1. Estimated over/(under) -recovery for the period April 1994 - September 1994 (Schedule CCE-1b approved in Order No. PSC-94-1092-FOF-EI dated September 6, 1994)	_ 56,118
2. Actual over/(under)-recovery for the period April 1994 - September 1994 (Schedule CCA-2, Line 11+Line 12 in the Total column)	277,552 _____
3. Amount to be refunded/(recovered) in the April 1995 - September 1995 projection period (Line 2 - Line 1)	<u><u>\$221,434</u></u>

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD APRIL 1994 - SEPTEMBER 1994

	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	ACTUAL TOTAL
1 IIC PAYMENTS / (RECEIPTS) (\$)	(371,850)	(541)	555,661	561,076	261,281	198,508	1,204,135
2 SCHEDULE E CAPACITY REVENUES (\$)	(99,836)	(99,836)	(99,836)	(85,676)	(96,508)	(99,836)	(581,528)
3 TOTAL CAPACITY PAYMENTS/(RECEIPTS) (LINE 1 + 2) (\$)	(471,686)	(100,377)	455,825	475,400	164,773	98,672	622,607
4 JURISDICTIONAL %	0.9651588	0.9651588	0.9651588	0.9651588	0.9651588	0.9651588	0.9651588
5 JURISDICTIONAL CAPACITY PAYMENTS / (RECEIPTS) (LINE 3 x 4) (\$)	(455,252)	(96,880)	439,944	458,836	159,032	95,234	600,914
6 AMOUNT INCLUDED IN RETAIL BASE RATE REVENUES (\$)	(137,667)	(137,667)	(137,667)	(137,667)	(137,667)	(137,665)	(826,000)
7 TOTAL JURISDICTIONAL RECOVERY AMOUNT (LINE 5 - 6) (\$)	(317,585)	40,787	577,611	596,503	296,699	232,899	1,426,914
8 JURISDICTIONAL CAPACITY COST RECOVERY REVENUE NET OF TAXES (\$)	148,079	174,515	203,177	211,777	214,196	629,355	1,581,099
9 TRUE-UP PROVISION (\$)	23,684	23,684	23,684	23,684	23,684	23,685	142,105
10 JURISDICTIONAL CAPACITY COST RECOVERY REVENUE (LINE 8 + 9) (\$)	171,763	198,199	226,861	235,461	237,880	653,040	1,723,204
11 OVER/(UNDER) RECOVERY (LINE 10 - 7) (\$)	489,348	157,412	(350,750)	(361,042)	(58,819)	420,141	296,290
12 INTEREST PROVISION (\$)	(2,404)	(1,593)	(2,159)	(3,608)	(4,655)	(4,319)	(18,738)
13 BEGINNING BALANCE TRUE-UP & INTEREST PROVISION (\$)	(992,914)	(529,654)	(397,519)	(774,112)	(1,162,446)	(1,249,604)	(992,914)
14 TRUE-UP COLLECTED/(REFUNDED) (\$)	(23,684)	(23,684)	(23,684)	(23,684)	(23,684)	(23,685)	(142,105)
15 END OF PERIOD TOTAL NET TRUE-UP (LINES 11 + 12 + 13 + 14) (\$)	(529,654)	(397,519)	(774,112)	(1,162,446)	(1,249,604)	(857,467)	(857,467)

GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD APRIL 1994 - SEPTEMBER 1994

	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	TOTAL
1. BEGINNING TRUE-UP AMOUNT (\$)	(992,914)	(529,654)	(397,519)	(774,112)	(1,162,446)	(1,249,604)	
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST (\$)	(527,250)	(395,926)	(771,953)	(1,158,838)	(1,244,949)	(853,148)	
3. TOTAL BEGINNING & ENDING TRUE-UP AMOUNT (\$) (LINES 1 + 2)	(1,520,164)	(925,580)	(1,169,472)	(1,932,950)	(2,407,395)	(2,102,752)	
4. AVERAGE TRUE-UP AMOUNT (\$)	(760,082)	(462,790)	(584,736)	(966,475)	(1,203,698)	(1,051,376)	
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	0.036900	0.039000	0.043600	0.045000	0.044600	0.048200	
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	0.039000	0.043600	0.045000	0.044600	0.048200	0.050400	
7. TOTAL INTEREST RATE (LINES 5 + 6)	0.075900	0.082600	0.088600	0.089600	0.092800	0.098600	
8. AVERAGE INTEREST RATE	0.037950	0.041300	0.044300	0.044800	0.046400	0.049300	
9. MONTHLY AVERAGE INTEREST RATE (1/12 OF LINE 8)	0.003163	0.003442	0.003692	0.003733	0.003867	0.004108	
10. INTEREST PROVISION FOR THE MONTH (LINES 4 X 9) (\$)	(2,404)	(1,593)	(2,159)	(3,608)	(4,655)	(4,319)	(18,738)

**GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF FINAL TRUE-UP AMOUNT
FOR THE PERIOD OCTOBER 1994 - MARCH 1995**

- | | |
|--|------------------------|
| 1. Estimated over/(under) -recovery for the period
October 1994 - March 1995
(Schedule CCE-1b approved in Order No.
PSC-95-0450-FOF-EI dated April 6, 1995) | (101,423) |
| 2. Actual over/(under)-recovery for the period
October 1994 - March 1995
(Schedule CCA-2 Line 11+12 in the Total column) | <u>(136,809)</u> |
| 3. Amount to be refunded/(recovered) in the
October 1995 - March 1996 projection period
(Line 2 - Line 1) | <u><u>(35,386)</u></u> |

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GULF POWER COMPANY
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE
CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR THE PERIOD OCTOBER 1994 - MARCH 1995

	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	ACTUAL TOTAL
1. IIC Payments / (Receipts) (\$)	52,856	684,456	830,674	1,007,910	1,361,402	1,249,891	5,187,189
2. Schedule E Capacity Revenues (\$)	(96,508)	(99,836)	(99,836)	0	0	0	(296,180)
3. Total Capacity Payments/(Receipts) (Line 1 + 2) (\$)	(43,652)	584,620	730,838	1,007,910	1,361,402	1,249,891	4,891,009
4. Jurisdictional %	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859
5. Jurisdictional Capacity Payments / (Receipts) (Line 3 x 4) (\$)	(42,080)	563,565	704,518	971,611	1,312,372	1,204,877	4,714,863
6. Amount Included In Retail Base Rate Revenues (\$)	(137,667)	(137,667)	(137,667)	(137,667)	(137,666)	(137,666)	(826,000)
7. Total Jurisdictional Recovery Amount (Line 5 - 6) (\$)	95,587	701,232	842,185	1,109,278	1,450,038	1,342,543	5,540,863
8. Jurisdictional Capacity Cost Recovery Revenues Net of Taxes	1,216,129	918,747	1,255,103	1,208,160	1,087,407	782,883	6,468,429
9. True-Up Provision (\$)	(179,817)	(179,817)	(179,817)	(179,817)	(179,817)	(179,816)	(1,078,901)
10. Jurisdictional Capacity Cost Recovery Revenue (Line 8 + 9) (\$)	1,036,312	738,930	1,075,286	1,028,343	907,590	603,067	5,389,528
11. Over/(Under) Recovery (Line 10 - 7) (\$)	940,725	37,698	233,101	(80,935)	(542,448)	(739,476)	(151,335)
12. Interest Provision (\$)	(1,243)	1,646	3,349	4,785	4,150	1,839	14,526
13. Beginning Balance True-Up & Interest Provision (\$)	(857,467)	261,832	480,993	897,260	1,000,927	642,446	(857,467)
14. True-Up Collected/(Refunded) (\$)	179,817	179,817	179,817	179,817	179,817	179,816	1,078,901
15. End of Period Total Net True-Up (Lines 11+12 + 13 + 14) (\$)	261,832	480,993	897,260	1,000,927	642,446	84,625	84,625

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Florida Public Service Commission
 Docket No. 950001-EI
 GULF POWER COMPANY
 Witness: S. D. Cranmer
 Exhibit No. (SDC-1)
 SCHEDULE CCA-2

GULF POWER COMPANY
PURCHASED POWER CAPACITY CC ST RECOVERY CLAUSE
CALCULATION OF INTEREST PROVISION
FOR THE PERIOD OCTOBER 1994 - MARCH 1995

	ACTUAL OCTOBER	ACTUAL NOVEMBER	ACTUAL DECEMBER	ACTUAL JANUARY	ACTUAL FEBRUARY	ACTUAL MARCH	TOTAL
1. Beginning True-Up Amount (\$)	(857,467)	261,832	480,993	897,260	1,000,927	642,446	
2. Ending True-Up Amount Before Interest (\$)	263,075	479,347	893,911	996,142	638,296	82,786	
3. Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	(594,392)	741,179	1,374,904	1,893,402	1,639,223	725,232	
4. Average True-Up Amount (\$)	(297,196)	370,590	687,452	946,701	819,612	362,616	
5. Interest Rate - First Day of Reporting Business Month	0.050400	0.050000	0.056600	0.060300	0.061000	0.060500	
6. Interest Rate - First Day of Subsequent Business Month	0.050000	0.056600	0.060300	0.061000	0.060500	0.061200	
7. Total Interest Rate (Lines 5 + 6)	0.100400	0.106600	0.116900	0.121300	0.121500	0.121700	
8. Average Interest Rate	0.050200	0.053300	0.058450	0.060650	0.060750	0.060850	
9. Monthly Average Interest Rate (1/12 Of Line 8)	0.004183	0.004442	0.004871	0.005054	0.005063	0.005071	
10. Interest Provision For the Month (Lines 4 X 9) (\$)	(1,243)	1,646	3,349	4,785	4,150	1,839	14,526

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Florida Public Service Commission
 Docket No. 950001-EI
 GULF POWER COMPANY
 Witness: S. D. Cranmer
 Exhibit No. (SDC-1)
 SCHEDULE CCA-3

State of Florida

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 413-6770

Public Service Commission

June 21, 1995

Gulf Power Company
Attn: Mr. Warren E. Tate
P. O. Box 13470
Pensacola, Florida 32591-3470

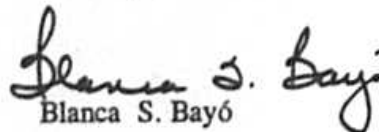
Dear Mr. Tate:

RE: Docket No. 950001-EI - Gulf Power Company
Capacity Cost Audit Report - Period Ended March 31, 1995
Audit Control # 94-283-1-1

The enclosed audit report is forwarded for your review. Any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/mas
Enclosure
cc: Public Counsel
Beggs & Lane Law Firm