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GULF POWER COMPANY

DOCKET NUMBER 891345-EI

PREFILED TESTIMONY OF ROBERT ALAN FREEMAN

ON BEHALF OF

THE STAFF OF THE FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND FINANCIAL ANALYSIS

FILED: APRIL 27, 1990

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PREFILED TESTIMONY OF ROBERT ALAN FREEMAN

Q. Would you please state your name and business address?

A. Robert Alan Freeman, 101 East Gaines Street, Tallahassee, Florida, 32399-0865.

Q. By whom are you employed?

A. The Florida Public Service Commission.

Q. How long have you been employed?

A. Since February 10, 1982.

Q. Would you state your educational background and experience?

A. I received a Bachelor of Science Degree with a major in Accounting from Florida State University in August 1974. After graduation I was employed by Peat, Marwick, Mitchell, CPA's. In May, 1976 I became employed with the State of Florida, joining the Public Service Commission in February 1982.

Q. Are you a certified public accountant?

A. Yes. I received my certificate from the Florida State Board of Accountancy in February, 1976.

Q. What are your responsibilities as a Commission employee?

A. I am a regulatory audit supervisor for the Tallahassee Audit District. I control and direct all audits in the north Florida district which ranges from Pensacola to Jacksonville. Audits are assigned to me by my supervisor, Frank Doud, Deputy Director of the Division of Auditing & Financial Analysis.

Q. Have you testified in any previous Florida Public

Service Commission cases?

A. Yes, in three dockets.

820158-WS -- Intracoastal Utilities regarding Valuation of an Acquisition Adjustment.

820067-WS -- Ferncrest Utilities regarding providing an Allowance for Funds Prudently Invested (AFPI).

870981-WS -- Miles Grant Water and Sewer Company regarding failure to properly depreciate utility plant.

Q. What other type of work have you performed for Florida State government?

A. A seven page resume is provided (Exhibit (RAF-3 ______) which describes my professional, accounting and auditing experience. Since February 1988, my responsibilities have included planning, controlling and, in some instances, preparing internal accounting reports for use by Commission Staff. These reports are commonly referred to as "audits".

Q. What is the purpose of your testimony in this case?

A. I'm sponsoring the rate case audit report as filed with the Division of Records and Reporting in Docket 871167-EI as Exhibit (RAF-1 _______) (composite). I'm also sponsoring Exhibit (RAF-2 _______) which is the rate case audit of Gulf Power Company in Docket No. 891345-EI. Exhibit (RAF-2 ________) will be filed and served on all parties as soon as the audit report is completed and Gulf Power Company has had an opportunity to review the stated facts for errors or omissions.

Q. Were both of these audits conducted under your supervision and control?

A. Yes.

Q. Does this conclude your testimony?

A. Yes it does.

R E S U M E

Robert Freeman
523 N. Meridian St.
Tallahassee, FL 32301

Date of Birth: June 24, 1948 Spouse's Name: Barbara

Place of Birth: Boston, Massachusetts Children: Chuck
Sam

FORMAL EDUCATION AND ACHIEVEMENTS

1974	Florida State University Tallahassee, Florida Bachelor's Degree in Accounting
1976	State Board of Accountancy Received CPA Certificate Passed examination in one attempt

EMPLOYMENT HISTORY

2/82 - present	Public Utilities Analyst Public Service Commission State of Florida
7/79 - 2/82	Governmental Analyst Office of the Inspector General Office of the Governor State of Florida
5/78 - 6/79	Budget Analyst Department of Administration State of Florida
5/76 - 4/78	Accountant Division of Retirement State of Florida
12/74 - 3/76	Auditor Peat, Marwick & Mitchell Certified Public Accountants Miami, Florida
1969 - 1972	Sergeant U.S. Army Finance Corps Vietnam

SIGNIFIGANT WORK PRODUCTS AND ASSIGNMENTS

1987 Prepared the bulk of the staff case in the investigation of the level of earnings of the Sanibel Sewer System. Recommended level of refunds in the case approaches $300,000.

1987 Prepared the bulk of the staff case in the investigation of the level of earnings of the Bryn Mawr Utility System. Recommended level of refunds in the case will approach $40,000.

1987 Prepared daily reports regarding bills and issues taken up by the 1987 Legislature which affected the the Commission.

1985 to 1987 Prepared detailed procedures regarding the processing of reported financial surveillance information received from electric, gas, and telephone utilities, and followed those procedures in preparing regular surveillance summary information for use throughout the commission.

1986 Consistently relied upon to revise existing computer programs for my work sector. Computer languages involved are BASIC, DBASE, and LOTUS.

1986 Compliled rate case checklists for the electric and communications industry divisions of the Commission.

1986 Developed technical staff procedures discussing the discovery process including processing of interrogatories and planning for depositions.

1985 Compiled Commission-wide procedures to resolve situations when a utility is suspected of receiving excessive revenues.

1985 Developed the standard format for preparation of Commission agenda recommendations.

1985 Developed a procedure which allows a checklist review of Commission audits.

1984 Developed the initial draft of the National Association of Regulatory Commissioner's uniform chart of accounts in the area of expenses. Approximately 95% of this rough draft was adopted.

RESUME
Robert Freeman

SIGNIFICANT WORK PRODUCTS AND ASSIGNMENTS

1984 Presently preparing operational auditing theories, procedures and techniques to test the reasonableness of utility salary expenses including: assessment of executive compensation plans; evaluation of negotiated wage contracts; and review of manager's salaries.

1984 Development of a standard procedures manual section covering workload processing flows for Commission cases.

1983-84 Development of innovative procedures allowing water and sewer utilities a method to earn a return on nonused and useful plant directly from new customers. These procedures include development of a computer program to automate the process.

1983 Coordinated staff work in the approval of a major water and sewer utility acquisition. Scope of work included direction of the asset investigation, evaluation of customer benefits as a result of the purchase, valuation of the acquisition benefits, preparation of the staff recommendation to the Commission, testimony in protest hearing as an expert accounting witness and assisted in preparation of final attorney brief.

1982-83 Participation in numerous regulatory proceedings in the water and sewer industry including: coordination of a number of water and sewer industry rate cases through establishment of utility rates.

1982 Applied regulatory policies of the Florida Public Service Commission to arrive at a maximum revenue cap for regulated utilities. Identified regulatory policies to be applied. Explained Commission policies to regulated companies. Prepared audit programs to address "problem" operating income, capital and balance sheet areas. Operated a computer program to prepare analytical schedules. Reviewed regulatory audits. Prepared recommendations for determining acceptable operating levels of regulated utilities.

1981 Prepared a staffing study with other staff members at the Florida Human Relations Commission to include development of a final paper, operational flow charts, workload analysis, development of historical work completion rates, and calculation of current staffing needs.

RESUME
Robert Freeman

SIGNIFICANT WORK PRODUCTS AND ASSIGNMENTS

1981 Supervised and participated in the preparation of a financial handbook for the use of grantees in the Farmworker's Housing Assistance Program. Some of the topics outlined in the handbook were contractual compliance, financial management, cash management, budgeting, handling receipts, accounting for disbursements, and controlling the payroll cycle.

1981 Supervised and participated in the preparation of a research paper addressing management initiatives that can be taken to reduce employee absenteeism.

1981 Contractual monitoring and grant reviews in all areas of the Inspector General's Office.

1981 Participated in Quality Control Circle Training, a primary technique used in Japan to enhance productivity.

1979 & 1980 Participated in the development of the Florida Productivity Plan designed to improve the operational efficiency and effectiveness of Florida government. This program resulted in the creation of agency-centered productivity plans, a productivity improvement council and a Florida productivity center. (Total positive impact: over $50 million)

1979 Performed initial research developing productivity related source materials, statistics and initiatives taken by the federal government, other states, private organizations, local governments, municipalities and cities.

1980 Prepared a productivity briefing package for the purposes of: 1) establishing common definitions, goals and criteria; 2) describing the concepts of productivity; 3) motivating government agencies and individual employee efforts; and 4) providing an explanation of executive policy in the area of productivity.

1980 Prepared initial applications and monitored federal grant awards targeted toward improving the efficiency and effectiveness of Florida government.

1980 Prepared contracts and contract amendments establishing a productivity information resource and short term technical assistance function within the State University System.

1980 Developed a systems manual on contract management discussing the general principles in the procurement of professional and technical services and providing guidelines for controlling, organizing and documenting each step in a contract management system. This systems manual was adopted for general use by many large agencies in Florida State Government.

1980 Served on a contract selection committee reviewing proposals for providing $50,000 in audit services to the State Energy Office.

1980 Served on the farmworker's housing grant review committee, aiding in the review of proposals targeted to initiate needed housing for migrant laborers.

1979 Designed emergency operations plans for the Office of the Governor in the advent of a possible independent truckers' strike.

1979 Developed a general contingency planning outlines for use by the Governor's Office in the advent of any general emergency, providing guidelines to be used by the Governor's Office in preparing for and reacting to disasters.

1980 Compared Florida's procedures used in handling minor liabilities incurred on the State's highways to those procedures used in other states.

1980 Analyzed Florida Law 80-404, describing the eligibility benefits and administrative processes in effect for the newly established Florida Senior Management Service.

1980 Described the Florida Appropriations Process in laymen's terms.

1980 Assignment as a regulatory reform team member assigned to identify and resolve duplication, conflict and waste in the statutes, rules and regulations affecting Florida government.

Budget Analysis

1978-79 Performed a financial and program analysis of the Florida Educational Fixed Capital Outlay Program including:

- historical comparison of inventories and standards used in the request for funds and in the construction of public educational buildings
- review of the laws, rules and regulations affecting the construction and operation of educational facilities
- analyzed the 1979-81 budget request for Educational Fixed Capital Outlay (approximately $300 million)
- reviewed the capital construction plans for public schools, community colleges, universities and vocational-technical schools.

Operational Accounting Experience

1977-78 Performed disbursement procedures for a retired payroll totalling $143 million yearly.

1976-78 Reconciled receipts of retirement and social security contributions to the reported payroll amounts (yearly cash flow $150 million).

1977-78 Maintained a general ledger accounts for the social security trust fund with an annual cash flow of $.8 billion.

1976 Operated and supervised a receipts section collecting retirement and social security contributions from the government entities in Florida (annual cash volume $1.6 billion).

RESUME
Robert Freeman

Auditing Experience

1975 Compliance testing in all areas of payroll, disbursements and revenues. Preparation of flowcharts depicting internal control systems. Sent and controlled confirmation of receivables and payables. Participated in inventory observations, cash counts and payroll payoffs. Reviewed corporate minutes. Prepared limited audit programs and analyzed selected expense and liability accounts. Reviewed bank reconciliations for appropriate control and cutoff procedures. Performed tests for unrecorded liabilities.

Most Recent References Provided.
Additional References Provided On Request.

A. Two pages - Memorandum dated May 18, 1989 from Division of Auditing & Financial Analysis (Doud) to the Division of Records and Reporting.

B. One page - Revised Cover Page of Rate Case Audit No. 881167.

C. One Page - Revised Page 72 of Rate Case Audit No. 881167.

D. Two pages - Memorandum dated May 4, 1989 from Division of Auditing & Financial Analysis (Doud) to Division of Records and Reporting.

E. Seventy-six pages - Rate Case Audit Docket No. 881167.

F. One page - Letter dated May 4, 1989 from Steve Tribble to Bonnie Sprinkle

9096F/jmw

Commissioners:
MICHAEL McK. WILSON, Chairman
GERALD L. (JERRY) GUNTER
JOHN T. HERNDON
THOMAS M. BEARD
BETTY EASLEY

State of Florida

STEVE TRIBBLE, Director
Division of Records & Reporting
(904) 488-8371

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Public Service Commission

MEMORANDUM
May 18, 1989

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDIT AND FINANCE (DOUD)

RE: DOCKET NO. 881167-EI -- GULF POWER COMPANY AUDIT REPORT FOR THE 12 MONTHS ENDED DECEMBER 31, 1989 - FIELD WORK COMPLETED APRIL 14, 1989 -- ERRATA SHEET

The following changes should be incorporated into the subject audit report:

Delete	Add
Unsigned Cover Page	Completed Cover Page
Page 72 for Test Year 1984	Page 72 - For Projected Test Year Ended 1989

Provide a copy to all recipients of the original report.

Additional field work for two open items is expected to be completed by May 26, 1989. If required, a supplemental report will be issued.

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DOCUMENT NUMBER-DATE
04944 MAY 18 1989
FPSC-RECORDS/REPORTING

FD/sp
Attachments
cc: Chairman Wilson
Commission Beard
Commissioner Gunter
Commissioner Herndon
Commissioner Easley
David Swaffford, Executive Director
Bill Talbott, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Flannagan)
Division of Electric and Gas (Bass/Jenkins/Harvey/Merta/Revell/
Romig/Shine/Slemkewicz (4))
Tallahassee District Office (Freeman)

Mr. Don Hale
Office of Public Counsel
624 Fuller Warren Builfing
202 Blount Street
Tallahassee, FL 32301

Ms. Bonnie Sprinkle
Gulf Power Company
Post Office Box 1151
Pensacola, FL 32520-1151

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

1989 PROJECTED TEST YEAR
12 MONTHS ENDED DECEMBER 31, 1989

FIELD WORK COMPLETED
APRIL 14, 1989

GULF POWER COMPANY
PENSACOLA, FLORIDA
ESCAMBIA COUNTY

RATE CASE AUDIT
DOCKET NO. 881167

Carrie A. Branch

CARRIE A. BRANCH
AUDIT MANAGER

AUDIT STAFF	MINORITY OPINION
BUTCH BROUSSARD	NO BBB
DON HARTSFIELD	NO DH
BOB FREEMAN	NO RF
NANCY GAFFNEY	NO RF for NG

Robert A. Freeman

ROBERT FREEMAN
REGULATORY ANALYST SUPERVISOR
TALLAHASSEE DISTRICT OFFICE

DOCUMENT NUMBER-DATE
04475 MAY-4 1989
FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: GULF POWER COMPANY

DOCKET NO. 881167-EI

EXPLANATION: Provide the company's 13-month average cost of capital for:
1) the test year,
2) the prior year if the test year is projected, and
3) the test year of the last rate case

Type of Data Shown:
Historic Test Year Ended
Projected Test Year Ended 1989
Prior Year Ended 1988
Witness: A. E. Scarbrough

Line No.	Class of Capital	(A) Company Total per Books	(B) Direct Adjust-ments (1)	(C) Non-Utility Rate Base Adjustments (2)	(D) Other Rate Base Adjusts.	(E) Balance Sheet Items Excluded From Rate Base	(F) System Adjusted	(G) Less: Unit Power Sales	(H) System net of UPS	(I) Juris-dictional Factor	(J) Juris-dictional Capital Structure	(K) Ratio	(L) Cost Rate	(M) Weighted Cost Rate
Prior Year Ended 12/31/88														
1	Long-Term Debt	438,211	(21,204)	(7,520)	(49,311)	35,730	395,826	123,257	272,569	0.9758336	265,982	37.08	8.26	3.06
2	Long-Term Note	52,956	(52,956)		0	0	0		0	0.9758336	0	0.00		0.00
3	Short-Term Debt	3,077	(3,077)		0	0	0		0	0.9758336	0	0.00	7.50	0.00
4	Preferred Stock	70,009		(1,201)	(8,057)	5,838	66,589	22,098	44,491	0.9758336	43,416	6.05	7.15	0.43
5	Common Equity	345,824	(13,573)	(5,935)	(42,729)	30,962	314,549	78,386	236,163	0.9758336	230,456	32.13	13.75	4.42
6	Customer Deposits	15,921			(2,739)	1,985	15,167		15,167	1.0000000	15,167	2.11	7.71	0.16
7	Deferred Taxes	193,494			(23,731)	17,196	186,959	55,812	131,147	0.9758336	127,977	17.84		0.00
8	Investment Credit - Zero Cost	1,138			(199)	145	1,084		1,084	0.9758336	1,058	0.15		0.00
9	Investment Credit - Weighted Cost	52,187			(6,102)	4,400	50,485	16,345	34,140	0.9758336	33,315	4.64	10.51	0.49
10	Total	1,172,817	(90,890)	(14,656)	(132,948)	96,336	1,030,659	295,898	734,761		717,371	100.00		8.56
Test Year Ended 12/31/89														
11	Long-Term Debt	445,825	(32,818)	(8,691)	(43,478)	37,783	398,621	64,073	334,548	0.9759209	326,492	36.05	8.66	3.12
12	Long-Term Note	47,935	(47,935)	0	0	0	0		0	0.9759209	0	0.00		0.00
13	Short-Term Debt	2,479	0	0	(313)	272	2,438		2,438	0.9759209	2,379	0.26	8.50	0.07
14	Preferred Stock	68,682	0	(1,339)	(7,389)	6,421	66,375	9,473	56,902	0.9759209	55,532	6.13	7.79	0.48
15	Common Equity	360,954	(18,133)	(7,037)	(37,547)	32,629	330,866	41,964	288,902	0.9759209	281,945	31.13	14.00	4.36
16	Customer Deposits	16,621	0	0	(2,121)	1,844	16,344		16,344	1.0000000	16,344	1.80	8.00	0.14
17	Deferred Taxes	199,852	0	0	(23,938)	20,803	196,717	12,522	184,195	0.9759209	179,761	19.86		0.00
18	Investment Credit - Zero Cost	997	0	0	(133)	115	979		979	0.9759209	955	0.11		0.00
19	Investment Credit - Weighted Cost	49,791	0	0	(5,617)	4,881	49,055	5,854	43,201	0.9759209	42,161	4.66	10.86	0.51
20	Total	1,193,136	(98,886)	(17,067)	(120,536)	104,748	1,061,395	133,886	927,509		905,569	100.00		8.63

(1), (2) See Notes on Attached Pages

Supporting Schedules: D-1a, D-4c, D-12

Recap Schedules: A-1, A-2b, A-13a, A-15b, D-3c

State of Florida

ORIGINAL FILE COPY

TIMOTHY J. DEVLIN, Director
Auditing & Financial Analysis Division
(904) 488-8147

Public Service Commission

MEMORANDUM
May 4, 1989

mailed 5-4-89 TB

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF AUDIT AND FINANCE (DOUD)

RE: DOCKET NO. 881167-EI -- GULF POWER COMPANY AUDIT REPORT FOR 12-MONTH TEST PERIOD ENDING DECEMBER 31, 1989

Forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit findings disclose information that may influence the decision process.

Audit working papers are available for review on request. Confidential documents were forwarded to the division of Records and Reports by separate transmittal letters.

As evidenced by the lack of signatures, this audit has been issued without the normal in-depth review of audit working papers. This early release provides the information on a timely basis. The reader may be comforted by the following three facts:

1. The in-depth review will be evidenced by release of a signed cover sheet to the Division of Records and Reports;

2. If appropriate, a supplementary report or errata sheet will be released with the signed cover sheet; and,

DOCUMENT NUMBER-DATE
04475 MAY-4 1989
FPSC-RECORDS/REPORTING

3. The rigors of the rate case hearing will test the audit results.

Please forward a complete copy of this report to:

Gulf Power Company
Attn: Bonnie Sprinkle
Post Office Box 1151
Pensacola, FL 32520-1151

FD/sp
Attachment
cc: Chairman Wilson
Commissioner Beard
Commissioner Gunter
Commissioner Herndon
Commissioner Easley
Bill Talbott, Deputy Executive Director/Technical
David Swafford, Executive Director
Legal Services
Division of Auditing and Financial Analysis (Devlin/Flannagan)
Division of Electric and Gas (Bass/Jenkins/Harvey/Merta/Revell/Romig/Shine/Slemkewicz (4))
Tallahassee District Office (Freeman)

Mr. Don Hale
Office of Public Counsel
624 Fuller Warren Building
202 Blount Street
Tallahassee, FL 32301

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

1989 PROJECTED TEST YEAR
12 MONTHS ENDED DECEMBER 31, 1989

FIELD WORK COMPLETED
APRIL 14, 1989

GULF POWER COMPANY
PENSACOLA, FLORIDA
ESCAMBIA COUNTY

RATE CASE AUDIT
DOCKET NO. 881167

Carrie A. Branch
CARRIE A. BRANCH
AUDIT MANAGER

AUDIT STAFF	MINORITY OPINION
BUTCH BROUSSARD	NO
DON HARTSFIELD	NO
BOB FREEMAN	NO
NANCY GAFFNEY	NO

ROBERT FREEMAN
REGULATORY ANALYST SUPERVISOR
TALLAHASSEE DISTRICT OFFICE

INDEX

Audit Disclosures

I. Executive Summary

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to the Exhibits filed by Gulf Power Company in support of Docket No. 881167-EI for the projected 12 month period ending December 31, 1989 to determine if those exhibits represent utility books and records maintained in compliance with Commission directives; that company adjustments are based on supportable facts and assumptions; and to disclose any transactions, procedures or events discovered which may influence Commission decisions.

SCOPE LIMITATION:

A. Confidential Treatment - During the course of this audit the company has requested confidential treatment of the following:

Document Request No. 132 - Land Purchases
Document Request No. 143 - Land Costs
Document Request No. 153 - Top Guns Video

B. Denial of Access - The following information was denied to staff during the course of this audit:

1) Gulf Power Company has denied staff auditors access to audits and investigations conducted by Gulf with respect to the lawsuit brought by Gulf Power Company against Ray Howell, et al.

C. Deferral of Access - The minutes of the Audit Committee, that were requested for review, wherein the Committee recommended that Jake Horton be separated from the Company, have not been finalized. At such time as they have been prepared, they will be provided.

D. Additional Investigation - Many areas of concern were expressed during the course of this audit. Many of these concerns were reviewed and a disclosure was made, some were not. Due to time constraints and lack of expertise in particular areas, the auditors were not able to make a decision as to the appropriateness or prudence of some of the expenditures related to these concerns. Because of the lack of expertise in certain areas, there may be a need to consult an outside professional to ensure that a thorough review has been made of Gulf Power expenditures. These areas are outlined in the scope section of this audit.

DISCLAIM PUBLIC USE:

This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied on for any purpose except to assist the commission staff in the performance of their duties and responsibilities. Substantial additional work would have to be performed to satisfy generally accepted audit standards and produce audited financial statements for public use.

OPINION:

Subject to audit exceptions 1 - 4, the company scope limitation, and the procedures described in Section II, the appended rate base, net operating income, and cost of capital exhibits for the projected 12 months ended December 31, 1989, represent utility books and records maintained in substantial compliance with Commission directives.

SUMMARY FINDINGS:

Exceptions

The company continued to accrue AFUDC on the Crist Warehouse after it went into service, thus causing an over accrual of $34,014 which was ultimately capitalized to plant in service.

Plant Held for Future Use is overstated by $100,000 because the Valparasio transmission line project was cancelled.

Company capitalized $346,447 of Southern Company allocations related to the construction of a later cancelled building.

Sale price of Scherer Unit No.3 should have been based on Georgia Power's costs which used AFUDC and not "Carrying Costs."

Disclosures

Rate Base: Company has included in their filing a new corporate building, additional generating facilities - Scherer Unit No.3 and Plant Daniels, various projects in plant held for future use, and miscellaneous working capital accounts. Working capital issues include such things as "Project Turn Key," Acid Rain, fuel and conservation over/under recovery, UPS calculations, and pension costs.

Cost of Capital: In the utility's 1989 projected capital structure, non-utility assets were removed from the capital structure pro-rata, the cost of customer deposits were calculated to be only 7.63% in 1988, and the company used a cost methodology in computing cost of debt and preferred stock.

NOI: Company included various non-utility type expenses in utility accounts, company added various conservation type expenses and programs to base rate expenses, budget process is not trued-up, and transmission line rental expenses are estimates.

II. Audit Scope

This report is based on the audit work described below. When used in this section of the report COMPILED, REVIEWED, and EXAMINED define completed audit work as:

COMPILED: Reconciled exhibit amounts to the general ledger; visually scanned general ledger accounts; investigated or disclosed observed errors, irregularities or inconsistencies. Except as noted no audit work was performed.

REVIEWED: Reconciled exhibit amount to the general ledger; traced general ledger accounts to subsidiary ledger; applied analytical procedures; investigated observed errors, irregularities and inconsistencies.

EXAMINED: Reconciled exhibit amounts to the general ledger; traced general ledger accounts to subsidiary ledgers; tested account balances to the extent described; analytical procedures were applied; investigated observed errors, irregularities and inconsistencies.

RATE BASE: Examined plant accounts through December 31, 1988 starting with the general ledger plant balances at December 31, 1984; tested account balances by judgmentally sampling plant addition invoices, reviewing contracts, and journal entries. Land purchases, which were requested confidential by the company, were compiled.

Compiled accumulated depreciation by testing the rates used by the company against the companies most current depreciation represcription, Order No. 19901; traced balances from December 31, 1984 through December 31, 1988.

Examined Plant Held for Future Use by obtaining the company's plans for each item in the account; investigated any cancelled projects related to PHFU; and traced each item to the general ledger.

Working Capital - Examined working capital accounts by comparison of 1987 reported working capital to 1988 working capital reported and to 1989 projected working capital; compiled working capital balances reported at December 31, 1988; agreed pension prepayment to actuarial reports and pension expense and liability activity; and read UPS contract and compared to reported activity at 12/88.

NET OPERATING INCOME: Compiled customer revenue accounts tested billings based on judgmental sampling; prepared revenue analysis over past ten years.

Compiled operating and maintenance accounts for reasonableness, judgmentally sampled $135,604 of 1988 O & M expenses under $120,000 and sampled 100% of all invoices over $120,000, performed statistical compliance tests on accounts 912, 913 and 930.2, performed statistical sample on all other A & G accounts, performed statistical substantive test to estimate audited account balance.

COST OF CAPITAL: Compiled capital balances and reported capital costs, read 100% of all debt and preferred stock additions and reductions, tested rate base to capital structure reconciliation; and compared cost of capital calculation methodology with procedures used to compute cost of capital in 1987.

COMPANY ADJUSTMENTS: Reviewed company calculations supporting company adjustments for rate base, net operating income, and cost of capital; compared assumptions to last rate case.

OTHER: Read Board of Directors 1984 through 1988 minutes.

Read Arthur Andersen's review of Gulf's 1989 budget and budget process; noted issues past as immaterial.

The following areas were specifically addressed but may still need additional review:

1) Inventory - procedures, controls, etc.

2) Spare Parts Inventory - correct accounting procedures.

3) PACs - Contributions by Employees

4) Obsolete Materials

5) Double Billings

6) Landscaping

7) Over Billing of Invoices

8) Non-Utility Expenses

9) Legal Expenses

10) UPS Allocations

11) Southern Company Allocations

12) Contracts - Plant Scherer and Daniel

13) Alleged Vendor Kick-backs for Contracts

14) Affiliated Transactions - Board of Directors

15) Internal Controls

AUDIT EXCEPTION NO. 1

SUBJECT: Over accrual of AFUDC on Crist Warehouse

DISCUSSION: Gulf failed to cut-off AFUDC as of the in-service date of the new Crist Warehouse. The warehouse went into service on November 8, 1985 and continued to accrue a full months (November) AFUDC. An adjustment should be made to the 1989 budgeted numbers to reduce the amount of plant in service by $34,014. It should also be noted that the company has made an adjustment to their books to reflect this error. This adjustment is dated February 28, 1989.

30 Days in Month of November
- 8 Days GWO signed 11/8/85
----
22 Days AFUDC should be reversed

	1985 AFUDC Accrued Month of November		Factor		Reversal
Equity	$22,046.45	X	22/30	=	$16,093.91
Debt	24,548.62	X	22/30	=	17,920.49
	$46,595.07				$34,014.40

COMPANY COMMENT: Company agrees with this adjustment and has already made the adjustment on their books.

AUDIT EXCEPTION NO. 2

SUBJECT: Plant Held for Future Use(PHFU) - Valparasio

DISCUSSION: According to document request #47 dated and signed by Gulf on February 23, 1989, Gulf states that "the $100,000 shown as PHFU at Valparasio is for the purchase of property adjacent to an existing substation to make room for the 230KV substation planned in later years."

While reviewing Aurther Andersen's workpapers on their review of the budget and budget process, they state that "Plant held for Future Use is overstated by $100,000 because the Valparasio transmission line project was cancelled." This audit was completed in November of 1988.

When a second audit request (no.154) was issued asking specifically about the Valparasio project, the company said that the project had indeed been cancelled and that an appropriate adjustment should be made to remove this amount from the 1989 projected test year rate base.

COMPANY COMMENT: Company agrees with this adjustment.

AUDIT EXCEPTION NO. 3

SUBJECT: Canceled SCS Building

DISCUSSION: In 1984, Southern Company Services cancelled the construction of a building, the costs of which were allocated to all the System Operating Companies. A total of $715,751.83 was allocated to Gulf Power Company. The Company charged $369,304.84 to operating expense and capitalized $346,446.99 to various work in progress accounts.

The instructions contained in CFR 101, Account 183, Preliminary Survey and Investigation Charges, state, in part,

> A. This Account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of utility projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be made to account 426.5, Other Deductions, or to the appropriate operating expense account.

This adjustment was found and recommended by FERC in their audit of Mississippi Power dated May 1988. This adjustment seems appropriate for Gulf Power also. Therefore an adjustment should be made to reduce plant in service by the capitalized portion of the allocation - $346,446.99. An adjustment should also be made to reduce the amount of accumulated depreciation and depreciation expense by the appropriate depreciation rates.

COMPANY COMMENT: Company will respond at a later date.

AUDIT EXCEPTION NO. 4

SUBJECT: Plant In Service - Scherer Unit #3

DISCUSSION: In late 1984, Gulf purchased 25% ownership of Scherer Unit #3 from Georgia Power Company, an affiliate. The sale price was the actual cost of the Scherer Unit #3 less AFUDC plus a Carrying Charge equal to incremental debt and capital costs. The unit was still in Account 107, Construction Work In Progress - Electric, at the time of the sale. In determining the sales price, Georgia Power used the cost recorded in Account 107 less the AFUDC accrual plus a carrying charge amount based on its incremental debt and equity costs. The difference of $6,587,440 represents an amount in excess of actual costs incurred in the construction of the generating unit. Gulf also accrued AFUDC in the amount of $1,392,674 on this difference.

Carrying Costs	$14,069,299
AFUDC on 25%	7,481,859
Excess Cost	$ 6,587,440
AFUDC on Excess	1,392,674
Total Excess	$ 7,980,114

This amount, $7,980,114, should be reclassified as an acquisition adjustment.

COMPANY COMMENTS: Company will respond at a later date.

AUDIT DISCLOSURE NO. 1

SUBJECT: ENVIRONMENT OF AUDIT

DISCUSSION: During the course of this rate case audit, numerous questions and concerns have arisen relating to Gulf Power Company and their parent, The Southern Company. It is important that the reader understand the environment of Gulf Power Company in which this audit was conducted.

Because of the many events surrounding Gulf Power at this time, it was very difficult to complete the normal rate case audit work and to investigate numerous special areas of concern with the time that was allotted. Some areas of concern were not pursued or were only compiled.

The audit staff does not advocate an opinion on these issues, they are merely presented for informational purposes. Again, these areas have not been audited due to time constraints or lack of expertise. The Commission may wish to more fully examine these Gulf Power Company expenditures.

1) Kyle Croft - Mr. Croft, a former Gulf Power warehouse manager, accused by Gulf Power of misusing employees and converting company property and supplies for his own use. Croft, who was terminated in 1984, also pled guilty in 1986 to tax evasion charges resulting from failing to report misappropriated funds obtained from the utility.

Croft has made numerous accusations since 1986 including:

-Mr. Addison, former Gulf President, current Southern Company President, had him and others arrange for Gulf Power contracts to remodel Mr. Addison's beach house and landscape his residence and rental houses.

-Mr. Vogtle, former Southern Company President had him build and maintain an elaborate horse track at his Georgia home at utility expense.

-Gulf Power executives forced him to provide to them, their friends and relatives: tires and other automotive equipment and services, money, appliances, whiskey, women, political donations and other endeavors and trips.

Audit Disclosure No. 1

Numerous allegations have been made by both parties in this issue.

2) Gulf spent many dollars on legal fees in the past two years.

-Fred Levin, Attorney, has handled many outside investigations for Gulf. Gulf has charged $975,260 of expenses to FPSC regulated accounts, billed from Mr. Levin's firm over the past 2 years.

-Bob Kerrigan, Attorney, Represented Senator Childers when Jim Cronley, Childers election opponent, accused him of having unethical ties to Gulf Power. In 1987, Gulf Power paid Mr. Kerrigan's law firm approximately $5,550 for outside legal services.

-Beggs and Lane Law Firm, Gulf has paid Beggs and Lane approximately $515,911 in 1988 of which $510,178 was charged to FPSC regulated accounts for regulatory legal matters.

3) Senator W.D. Childers and Childers Travel Agency - Sen. Childers has asked Gulf to withdraw their rate case.

In the summer of 1988, Sen. Childers was accused, by political election opponent Jim Cronley, of receiving preferential treatment from Gulf Power for the installation of underground utilities for his development projects. A report was issued by staff.

Gulf does do business with W.D. Childers Travel Agency. In 1987 Gulf paid the Agency approximately $84,588. In 1988, that amount was $90,730. Gulf Power has represented that Sen. Childers is no longer affiliated with this travel agency.

Audit Disclosure No. 1

4) In 1988, former utility manager Lamar Brazwell was sentenced to nine years and fined $30,000 for evading taxes on money and material he took from the utility. Brazwell's schemes involved businesses such as:

-Southern Scrap, Gulf continues to do business with this company. Gulf sells most of their scrap metal to this company. Gulf represented that they discontinued doing business with this company Dec. 31, 1988.

-West Florida Landscaping, Gulf continues to do business with this company. Gulf paid this vendor $202,127 in 1987 and $231,234 in 1988 for landscaping services.

-Gulf Coast Paving and Grading, Gulf continues to do business with this company. Gulf incurred expenses of $61,066 in 1987 and $44,305 in 1988 from this company. Gulf represented that they discontinued business with this company December 31, 1988.

-Redco Electrical Distributors, Gulf continues to do business with this company. Gulf incurred expenses of $115,492 in 1987 and $174,206 in 1988 relating to invoices received from Redco. Gulf represented that they discontinued business with this company Dec. 31, 1988.

5) Kick-back Allegations

-Richard Leeper was sentenced to 18 months for lying to a federal grand jury about his role in a kick-back scheme involving three former Gulf Power employees.

-Peggy Miller, a partner in Self Window Cleaning, accused Mark Rubenacker, accountant at Gulf who was dismissed Feb. 24, 1989, of demanding $750 in kick-backs after her company won a $20,600 contract to wash windows twice last year at Gulf's new headquarters building.

6) Grand Jury Investigation, "An Internal Revenue Service (IRS) report alleges that top financial officers of the Southern Company and its subsidiaries, which include Gulf Power, have conspired with the accounting firm of Arthur Andersen and Co. since 1982 to avoid paying hundreds of millions of dollars in federal taxes by establishing an "off the books scheme" to hide the existence of spare parts."

7) Ray Howell, Design Associates, Mr. Howell was to testify in the grand jury investigation in Atlanta regarding PACs, until he disappeared December 8, 1988 hours before he was to testify. Mr. Howell was a graphics artist in his own firm, Design Associates, which did contract work for Gulf Power on various projects. Gulf was billed approximately $217,066 in 1987 and $368,986 in 1988 for services. All of those amounts were charged to regulatory accounts (including conservation).

8) "Robert McRae, a former Gulf Power board member, and his wife, were murdered in their Graceville home January 29,1989.

9) A 1983 warehouse inventory done by Carolyn Sirmon, warehouse supervisor, stated that the warehouse was short approximately $2,000,000. Gulf Power officials dispute this and maintain that the correct figure was $8,462.

10) A Pensacola News Journal article dated April 27, 1989, indicates that Gulf President Doug McCrary told employees that Senior Vice President Jake Horton, who died on April 10, 1989 in a corporate plane crash, arranged for the John Appleyard Agency to bill Gulf for Kyle Croft's health insurance premium shortly after Croft was fired in 1984.

11) The above article also indicated that Appleyard also submitted phoney invoices to Gulf for some of the agency's charitable contributions, and that Gulf fired Appleyard in early April, 1989. The Appleyard Agency invoiced Gulf Power Company $906,911 in 1987 and $1,293,638 in 1988 for services.

AUDIT DISCLOSURE NO. 2

SUBJECT: DENIAL AND DEFERRAL OF ACCESS TO RECORDS

DISCUSSION: During the course of the Gulf Power Company rate case audit, Staff auditors were denied or access was deferred to two internal audits/investigations pertaining to Ray Howell and Design Associates and Vice President Jake Horton.

First, Gulf Power Company denied staff auditors access to audits and work papers associated with an investigation that was conducted by Gulf of Ray Howell and Design Associates billings to Gulf Power. Gulf has brought suit against Ray Howell and Design Associates for "overstated and overcharged services and expenses and not all services invoiced were rendered."

Second, audit staff asked the company for any information regarding the recommendation that Vice President Horton be "separated from the company." The company has stated that "the minutes of the Audit Committee, wherein the Committee recommended that Jake Horton be separated from the Company, have not been finalized. At such time as they have been prepared, they will be provided." It was represented to me, that the reason for the delay in preparing the minutes was because Dr. Reed Bell, Chairman of the Audit Committee, has been ill.

Gulf also stated that "there is no Audit Committee report on Mr. Horton. There exists no investigation of Mr. Horton's activities and therefore there are no workpapers or supporting documentation." The question then exits, why was Mr. Horton being "separated from the company?," and what was the basis for the Audit Committee's recommendation? Also, if there was no investigation of Mr. Horton, how has Gulf assured themselves that transactions related to Mr. Horton are not incorporated into the MFRs of this rate case?

COMPANY RESPONSE: See following letter from Gulf Power.

Gulf Power Company
500 Bayfront Parkway
Post Office Box 1151
Pensacola FL 32520-1151
Telephone 904 444-6323

G. A. Fell
Director of Internal Accounting Controls

Gulf Power
the southern electric system

May 1, 1989

Carrie Branch
FPSC Audit Manager

The following information is furnished in response to FPSC Document/Record Request Nos. 159 and 160.

Request No. 159:

1. The minutes of the Audit Committee, wherein the Committee recommended that Jake Horton be separated from the Company, have not been finalized. At such time as they have been prepared, they will be provided under number 3 below.

2. There is no Audit Committee report on Mr. Horton. There exits no investigation of Mr. Horton's activities and therefore there are no workpapers or supporting documentation. The supporting workpapers and documentation for internal audits conducted by the Company have already been provided by the Company to the Commission Staff or are part of a Motion for Protective Order.

3. Again, there has been no investigation of Mr. Horton. Access and review of the minutes of all Audit Committee meetings relating to the Company's internal investigation will be provided on a confidential basis.

4. See Number 2 above.

Request No. 160:

There has been no investigation conducted by Gulf Power of Vice President Jake Horton's activities. To the best of our knowledge, there are no accounts or related amounts which are included in the filed exhibits (MFR's).

G. A. Fell

AUDIT DISCLOSURE NO. 3

SUBJECT: NEW CORPORATE HEADQUARTERS BUILDING

DISCUSSION: The building itself can be described as a five story structure with a basement parking garage for company vehicles. Gross square footages of the floors is as follows:

Level	Gross Area
Parking Level	57,057 sq.ft.
First Floor	46,094 sq.ft.
Second Floor	41,962 sq.ft.
Third Floor	51,563 sq.ft.
Fourth Floor	51,563 sq.ft.
Fifth Floor	51,563 sq.ft.
Mechanical Penthouse	8,832 sq.ft.
Total Square Feet	308,634 sq.ft.

"All portions of the building are in use at the present time. The third floor which was constructed for future Gulf Power office space is presently being utilized as building storage space and maintenance space to support operations of the building." Component costs of the new Gulf Power Corporate Headquarters office project are outlined below.

I. Building Investment Costs

Cost Component		Expenditure
a) Building Costs		$15,148,000
b) A & E Costs		894,000
	Subtotal	$16,042,000

II. Related Investment Costs

a) Site Work Construction		1,233,000
b) Land Costs		3,906,000
c) Building Equipment Costs		2,444,000
d) Engineering and OH		2,985,000
e) AFUDC		1,423,000
	Subtotal	$11,877,000

Audit Disclosure No. 3

III. Support Investment Costs		
a) Furnishings		$ 3,612,000
	Subtotal	$ 3,612,000
TOTAL COST OF CORPORATE OFFICE PROJECT		$31,531,000

A summary of the work orders with related costs can be found in workpaper 12. Shortly after this audit is issued, Bill Davis, FPSC Engineer, will issue a supplemental detailed report on the costs and materials used in the construction of this new building. This report is to be issued May 19, 1989.

AUDIT DISCLOSURE NO. 4

SUBJECT: Plant Scherer Common Facilities

DISCUSSION: In November 1987, Gulf purchased Common Facilities from Oglethorpe Power Company and the City of Dalton Georgia. The adjusted purchase price as of February 29, 1988 was $29,131,850. An acquisition adjustment of $8,680,507 resulted from this purchase.

FERC "Electric Plant Instructions," number 5 Electric Plant Purchased or Sold, states that "The accounting for the acquisition shall then be completed as follows:

> 1) The original cost of plant, estimated if not known shall be credited to account 102, Electric Plant Purchased or Sold.
>
> 2) The depreciation and amortization applicable to the original cost of the properties purchased shall be charged to account 102.

E. ...all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction."

In computing the acquisition adjustment related to the purchase of the Common Facilities at Plant Scherer (Already in service with Unit 1 in the early 80's), the company took the purchase price less the original cost net of accumulated depreciation. However, the accumulated depreciation was not the actual amount per the seller's records. The A/D amount was re-computed by the company using its own composite depreciation rate times the common facilities costs beginning in 1982 and using an annual average of the beginning and ending plant balances (using 0 for Jan. 1,1982). Gulf normally computes depreciation using average monthly balances times 1/12 the plant account depreciation rate.

Therefore the acquisition adjustment of $8,680,507 may or may not be the appropriate amount. Even if the amount is determined to be correct, the Commission still needs to decide whether they are willing to accept an acquisition adjustment as part of rate base.

AUDIT DISCLOSURE NO. 5

SUBJECT: Sale and Lease Back of Daniel Coal Cars

DISCUSSION: Southern Company Services' arranged the lease agreement with Pitney Bowes for the lease of 495 aluminum railcars to be used to transport coal to Plant Daniel. Under the terms of the aluminum railcar lease, the lessor will purchase at book value Mississippi Power/Gulf Power's 455 steel railcars currently in operation.

The book value of the steel railcars at the time of retirement will be included in the aluminum railcar lease agreement.

The market value of the steel railcars is somewhat lower than their current book value. Based on an offer received on the steel railcars, the market price is $19,250 per car. Arrangements will be made so that a railcar dealer will buy the aluminum railcars (Pitney Bowes) will pay the railcar dealer the shortfall (difference between book value and market price), and this shortfall will result in the inclusion of a premium in the aluminum railcar lease payments to be paid by MPC/Gulf.

AUDIT DISCLOSURE NO. 6

SUBJECT: Accumulated Depreciation Methodology

DISCUSSION: Accumulated Depreciation is calculated monthly using an actual beginning of the month plant in service balance and an estimated end of month balance. These two amounts are then averaged together to come up with an average monthly balance. The average monthly balance is then multiplied by the approved Florida Public Service Commission rate for that account to come up with the monthly accumulated depreciation amount.

In the following month Gulf makes a true-up calculation. They calculate the accumulated depreciation for all accounts using the actual ending plant in service amount that was on the books at the previous month's end. This true-up amount is usually very small and immaterial.

The company is currently implementing a new on-line depreciation system that will eliminate this true-up calculation each month.

AUDIT DISCLOSURE NO. 7

SUBJECT: Plant Held for Future Use(PHFU) - Caryville

DISCUSSION: In the company's previous rate case, docket 840086-EI, $304,000 of land at the Caryville site was disallowed for rate making purposes.

In that rate case order the Commission stated that "Gulf has not adequately demonstrated that its plan to purchase another 1,000 acres for its Caryville site is necessary and prudent." In the current rate case, Gulf has budgeted an additional $50,000 in their 1989 budget for land to be used for coal storage, substation and transmission facilities at the Caryville site. According to Schedule B-8a of Gulf's filing, they don't expect this site to be In-Service until sometime between the years 1995 - 2001.

The order also stated that the Commission" shall require our Staff to develop guidelines as to what amount of land should be allowed in property held for future use for proposed generating plant sites." As of this audit those guidelines have not been developed.

Gulf states that "the reported PHFU is for property which has been purchased to accommodate a 800 MW generating unit."

AUDIT DISCLOSURE NO. 8

SUBJECT: NEW UTILITY DEPOSITS IN WORKING CAPITAL

DISCUSSION: The utility proposes to include the following deposits in its working capital allowance for its 1989 projected rate base; however, utility data filed to date has not been sufficient to determine that the insurance deposits are required, and are not interest bearing. Each of these deposits is with, or made through, a related party.

Account Number	Description	1988 avg Amount
128-002	Blackwater Cooling Facility Mississippi Power Co.	$250,000
128-020	Energy Insurance Mutual Reserve Premium	$106,342
128-030	Reserve Premium Ace Ins.	$ 31,613
128-040	Reserve Premium - XL Ins.	$ 10,387

The Blackwater cooling facility is a deposit required pursuant to Plant Daniels financing agreements, thus it appears that this amount should be considered a utility asset; however the deposit earns interest at a rate determined by the bank at the 4-week or 6-month treasury bill rate and thus should be considered for exclusion from working capital.

The remaining deposits appear to relate to insurance contracts which have not been provided to date.

COMPANY COMMENT: The company may respond at a later date.

AUDIT DISCLOSURE NO. 9

SUBJECT: WORKING CAPITAL RECORDS

DISCUSSION: Records supporting the utility's allowance for working capital in its surveillance report are too highly summarized to be effectively audited. To illustrate the problem, the utility's December 1988 supporting schedules for rate base and working capital are attached.

The utility has made effective changes to these schedules, but it is still very difficult to compare the utility's provision for working capital from period to period and to rapidly trace relevant amounts to the utility's general ledger without spending an inordinate amount of time. Utility management has been informed of the problem and has been requested to seek effective remedies.

COMPANY COMMENTS: The method used is in compliance with the balance sheet method used in the utility's last case.

Rec'd 2-20

GULF POWER COMPANY
AVERAGE RATE OF RETURN
RATE BASE
DECEMBER, 1988

	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NUCLEAR FUEL (NET)	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
SYSTEM PER BOOKS	1,349,534,601	410,517,229	939,017,372	3,124,963	19,972,700	0	962,115,043	112,559,911	1,074,674,954
JURISDICTIONAL PER BOOKS	981,158,619	338,209,808	642,948,811	3,047,192	19,540,093	0	665,536,096	81,125,524	746,661,620
FPSC ADJUSTMENTS									
INTEREST BEARING CWIP					(12,551,380)		(12,551,380)		(12,551,380)
DANIEL COAL CARS	(1,817,033)	(751,952)	(1,065,081)				(1,065,081)		(1,065,081)
LEISURE LAKES	(165,504)	(19,042)	(146,462)		0		(146,462)		(146,462)
VISION DESIGN & SOD FARM								(84,930)	(84,930)
LOANS TO EMPLOYEES								(1,188,089)	(1,188,089)
INTEREST AND DIVIDENDS RECEIVABLE								(92,204)	(92,204)
TEMPORARY CASH INVESTMENTS								(19,934,945)	(19,934,945)
NOTES RECEIVABLE								(42,002)	(42,002)
FUEL ADJUSTMENT								0	0
TOTAL FPSC ADJUSTMENTS	(1,982,537)	(770,994)	(1,211,543)	0	(12,551,380)	0	(13,762,923)	(21,342,170)	(35,105,093)
FPSC ADJUSTED	979,176,082	337,438,814	641,737,268	3,047,192	6,988,713	0	651,773,173	59,783,354	711,556,527
PRO FORMA REVENUE AND ANNUALIZATION ADJUSTMENTS									
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	979,176,082	337,438,814	641,737,268	3,047,192	6,988,713	0	651,773,173	59,783,354	711,556,527

GULF POWER COMPANY
WORKSHEET-13 MO AVG RATEBASE
FPSC SCHED.2 PG 1 OF 3
PAGE 2 OF FILE NAME: RRCOMB3(RB)
RANGE: A63..L116
DECEMBER, 1988

	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NUCLEAR FUEL (NET)	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
SYSTEM PER BOOKS	1,349,534,601	410,517,229	939,017,372	3,124,963	19,972,700	0	962,115,043	112,559,911	1,074,674,954
LESS UPS	(342,093,905)	(63,224,322)	(278,871,623)				(278,871,623)	(17,198,440)	(296,070,063)
LESS ADJUSTMENTS:									
APPLIANCE SALES AND SERVICE	(2,527,468)	(602,788)	(1,924,680)				(1,924,680)		(1,924,680)
INTEREST BEARING CWIP					(12,829,266)		(12,829,266)		(12,829,266)
DANIEL COAL CARS	(1,875,803)	(776,273)	(1,099,530)				(1,099,530)		(1,099,530)
LEISURE LAKES	(166,834)	(19,195)	(147,639)		0		(147,639)		(147,639)
CURRENT ASSETS								0	0
CURRENT LIABILITIES								0	0
COAL INVENTORY								(33,630,190)	(33,630,190)
								0	0
								0	0
TOTAL ADJUSTED	1,002,868,531	345,894,659	656,973,892	3,124,963	7,143,442	0	667,242,297	61,723,281	728,965,578
JURIS. FACTOR	0.9763753	0.9755537		0.9751131	0.9783397				
JURIS. - FPSC ADJUSTED	979,176,082	337,438,914	641,737,268	3,047,192	6,988,713	0	651,773,173	59,783,354	711,556,527

SOURCES

SYSTEM PER BOOKS:

ALL BUT WORKING CAPITAL: PAGE 1 RRRB (AUTOMATIC)
WORKING CAPITAL: FILE NAMES RRCACL: CA-CL+COMMON DIVIDENDS DECLARED+CUSTOMER DEPOSITS+LT+ST DEBT+TOTAL ON RRWCADOL

UPS:

ALL BUT WORKING CAPITAL: FROM RRUPSRB
WORKING CAPITAL: RRUPSRB TOTAL UPS: FUEL STOCK + OTHER M&S + PREPYTS + OTHER WC

ADJUSTMENTS

ALL BUT WORKING CAPITAL: AUTOMATIC FROM PAGE 1 RRRB
WORKING CAPITAL:
CURRENT ASSETS & CURRENT LIABILITIES: FROM RRCACL LIABILITIES=A/P MERCHANDISE ONLY
COAL INVENTORY: FROM RRCOALAD

JURIS. FPSC ADJUSTED:

EVERYTHING AUTOMATIC EXCEPT WORKING CAPITAL
WORKING CAPITAL: TOTAL JURISDICTIONAL FROM PG. 2 RRCACL PLUS TOTAL RETAIL FROM RRWCADOL

[illegible] ALLOWANCE
CURRENT ASSETS AND CURRENT LIABILITIES
[illegible] FILE NAME: [illegible]
[illegible]
DECEMBER, 1988

DISALLOWED ITEMS

ASSETS:

MONTH	CURRENT AND ACCRUED ASSETS	LOANS TO EMPLOYEES	MERCHANDISE & SUB FARM INVENTORY	INTEREST & DIVIDENDS RECEIVABLE	ACCTS. REC. APPLIANCE SALES/SERV.	ACCTS. REC. SUB FARM & VISION DESIGN	PROV. FOR UNCOLLECTIBLES APPL. S/S	TEMPORARY CASH INVESTMENTS	NOTES RECEIVABLE	TOTAL DISALLOWED
DECEMBER 87	175,619,440	1,363,006	2,108,433	127,179	9,593,874		(145,636)	35,000,000	56,113	48,172,975
JANUARY 88	177,660,005	1,311,699	1,695,645	46,009	9,733,212		(147,165)	33,250,000	53,150	45,943,430
FEBRUARY	174,770,518	1,314,382	1,731,794	33,373	9,664,657		(146,004)	26,000,000	50,008	38,640,405
MARCH	147,380,832	1,305,653	1,799,927	35,343	9,394,267		(142,129)	4,500,000	49,668	16,942,924
APRIL	145,920,607	1,236,744	1,684,155	50,242	9,389,101		(142,104)	4,000,000	44,922	16,253,156
MAY	165,573,240	1,197,981	1,759,647	87,755	9,312,776	65,543	(140,960)	10,425,000	43,743	22,731,557
JUNE	164,678,773	1,225,836	1,670,977	81,022	9,456,293	80,036	(142,904)	7,000,000	42,563	19,421,803
JULY	170,886,318	1,299,206	1,093,702	149,606	9,636,194	76,692	(145,073)	16,275,000	41,384	28,085,711
AUGUST	192,007,207	1,262,973	1,413,057	139,372	9,784,351	130,120	(147,509)	25,125,000	41,205	37,754,369
SEPTEMBER	199,757,426	1,234,573	1,421,545	155,087	9,673,450	237,404	(145,930)	29,500,000	40,026	42,116,613
OCTOBER	183,099,864	1,213,970	1,395,120	186,165	9,526,325	307,170	(143,064)	38,700,000	39,847	47,120,715
NOVEMBER	180,317,094	1,190,401	1,385,942	203,174	9,316,450	185,303	(140,680)	34,975,000	38,668	47,118,310
DECEMBER	170,336,865	1,275,985	1,701,788	14,965	9,288,531	307,981	(140,264)	13,950,000	37,488	26,312,513
13 MTD	2,256,790,589	16,371,654	21,310,350	1,270,352	123,765,564	1,170,329	(1,870,956)	278,700,000	570,785	437,796,080
12 MA	173,505,430	1,259,358	1,630,273	97,735	9,520,420	90,025	(143,920)	21,130,769	44,522	33,638,190

DISALLOWED ITEMS

LIABILITIES:

MONTH	CURRENT LIABILITIES	COMMON DIVIDENDS DECLARED	CUSTOMER DEPOSITS	ACCOUNTS PAYABLE MERCHANDISE	L-T DEBT DUE WITHIN ONE YEAR	SHORT-TERM DEBT	TOTAL DISALLOWED
DECEMBER 87	66,004,[illegible]	0	15,565,310	0	0	0	15,565,310
JANUARY 88	70,797,146	8,600,000	15,505,905	0	0	0	24,105,905
FEBRUARY	77,447,480	8,600,000	15,612,202	0	0	0	24,212,202
MARCH	83,003,387	0	15,696,264	0	0	20,000,000	35,696,264
APRIL	96,008,124	8,900,000	15,755,220	0	0	20,000,000	44,655,220
MAY	72,591,046	8,900,000	15,854,736	0	0	0	24,754,736
JUNE	58,534,620	0	15,953,505	0	0	0	15,953,505
JULY	79,042,640	8,900,000	15,978,892	0	0	0	24,878,892
AUGUST	84,584,638	8,900,000	15,969,936	0	0	0	24,869,936
SEPTEMBER	75,042,467	0	15,827,127	0	0	0	15,827,127
OCTOBER	94,905,752	9,000,000	15,540,682	0	0	0	24,540,682
NOVEMBER	78,560,680	9,000,000	15,426,016	0	0	0	24,426,016
DECEMBER	67,[illegible],009	0	15,315,890	0	0	0	15,315,890
13 MTD	986,310,[illegible]	70,800,000	204,690,574	0	0	40,000,000	314,790,574
12 MA	75,870,[illegible]	5,446,154	15,699,275	0	0	3,076,9[illegible]	24,222,352

WORKING CAPITAL ALLOWANCE
CURRENT ASSETS AND CURRENT LIABILITIES
PAGE 2 OF FILE NAME: [illegible]
RANGE: A121..I180

DECEMBER, 198[illegible]	NET CURRENT ASSETS AND LIABILITIES	FUEL STOCK	OTHER MATLS & SUPPLIES	PREPAYMENTS	NET	NET ALLOCATED TO: RETAIL	UPS
						[illegible]	[illegible]
DECEMBER 87	75,576,902	45,922,205	26,639,955	676,536	2,320,206	2,196,525	88,340
JANUARY 88	81,113,814	47,840,414	26,096,632	994,801	6,181,567	5,832,170	234,557
FEBRUARY	82,006,835	52,159,992	26,823,877	734,614	3,168,352	2,909,050	130,714
MARCH	83,050,790	55,775,524	27,350,334	647,730	(722,798)	(681,094)	(27,424)
APRIL	82,914,587	61,305,013	28,252,138	806,402	(6,649,078)	(6,272,796)	(252,280)
MAY	95,004,533	64,034,116	28,580,349	616,022	1,774,046	1,673,650	67,311
JUNE	102,051,855	63,900,953	29,259,235	792,407	8,059,260	7,603,174	305,705
JULY	95,387,491	63,055,717	30,126,939	556,282	1,378,553	1,300,538	52,305
AUGUST	94,536,176	64,433,100	31,625,339	529,155	1,950,542	1,840,158	74,008
SEPTEMBER	87,625,473	60,406,707	30,480,371	3,034,359	(6,306,054)	(6,024,657)	(242,300)
OCTOBER	82,537,680	60,902,772	30,074,480	4,213,918	(12,653,490)	(11,937,416)	(480,108)
NOVEMBER	87,052,582	62,332,416	29,507,089	3,902,105	(8,324,938)	(7,853,816)	(315,866)
DECEMBER	97,140,730	61,400,219*	31,290,500*	3,536,841*	792,666	747,800	30,075
	------------	------------	------------	------------	------------	------------	------------
13 MTD	1,148,623,922	760,209,278	375,716,046	21,121,292	(9,102,696)	(8,587,555)	(345,375)
13 MA	88,309,532	58,483,791	28,901,234	1,624,715	(700,208)	(660,581)	(26,567)
LESS: UPS		16,350,202	1,538,038	79,758			
LESS: FUEL ADJ		0*					
		------------	------------	------------			
B/W AMOUNT		42,133,589	27,363,196	1,544,957			
JURIS FACTOR		0.9686602	0.9769415	0.9750000			
		------------	------------	------------			
JURIS AMOUNT		40,813,432	26,712,703	1,506,333			
		============	============	============			

TOTAL ADJUSTED NET CURRENT ASSETS AND LIABILITIES
ALLOCATED TO RETAIL JURISDICTION 68,371,887

SOURCES:

NET CURRENT ASSETS & LIABILITIES - FROM PAGE 1 RBCACL (/ COPY)
FUEL STOCK - COR PAGE 25 (TOTAL FUEL STOCK)
OTHER M & S - COR PAGE 25 TOTAL LESS UNDISTRIBUTED
PREPAYMENT - COR BALANCE SHEET
ALLOCATED TO RETAIL & UPS - /COPY
UPS FUEL - RBUPSRB PG. 2
UPS OTHER M & S - RBUPSRB (BOTTOM OF PG 2. 13 MO AVG)
UPS PREPAYMENTS - RBUPSRB (BOTTOM OF PG 2. 13 MO AVG)
FUEL ADJUSTMENT - RBCDALAD

WORKING CAPITAL ALLOWANCE
ADDITIONAL COMPONENTS
FILE NAME: BRCOMDI (HEADOL)
DECEMBER, 1988
RANGE: A241..R350

MONTH	PRELIMINARY SURVEY & INVESTIGATION	OTHER DEFERRED DEBITS	CLEARING ACCOUNTS	C'VILLE SUB. STUDY & EQUIP. (NET OF PUMP)	IMPROV. TO LEASED PROPERTY	PLANT SET-UP ACCTS. PAY.	INJURIES & DAMAGES RESERVE	PROPERTY INSURANCE RESERVE	FUEL AND CONSERVATION OVER RECOVERY			OTHER DEFERRED CREDITS	TOTAL
DECEMBER 87	1,208,311	821,551	427,619	692,570	801	208,601	(841,907)	(3,770,085)	(9,580,975)	0	0	(4,707,051)	(15,350,565)
JANUARY 88	1,208,311	2,233,200	453,335	692,570	401	1,237,909	(619,682)	(2,870,085)	(10,709,185)	0	0	(5,049,203)	(14,499,705)
FEBRUARY	1,208,311	1,160,221	362,071	692,570	0	1,725,227	(648,134)	(3,970,085)	(9,696,920)	0	0	(4,795,425)	(13,254,173)
MARCH	1,469,219	1,125,763	400,073	692,570	0	2,172,957	(680,716)	(4,070,085)	(8,230,833)	0	0	(4,795,425)	(13,254,173)
APRIL	1,469,500	660,917	504,002	692,570	0	1,303,143	(720,346)	(4,170,085)	(6,012,603)	0	0	(4,602,470)	(11,673,522)
MAY	1,469,500	800,865	457,929	692,570	0	2,351,257	(810,821)	(4,270,085)	(5,150,776)	0	0	(4,263,299)	(11,326,001)
JUNE	1,507,870	336,450	543,432	692,570	0	1,373,017	(854,176)	(4,370,085)	(2,678,436)	0	0	(4,109,087)	(8,657,008)
JULY	1,506,910	552,030	594,225	692,570	0	1,325,187	(838,580)	(4,470,085)	(415,081)	0	0	(4,096,201)	(7,505,009)
AUGUST	1,511,040	785,455	515,349	692,570	0	1,003,567	(878,012)	(4,570,085)	(467,030)	0	0	(3,965,214)	(5,010,146)
SEPTEMBER	1,512,016	869,162	475,354	692,570	0	180,041	(844,073)	(4,670,085)	(470,474)	0	0	(3,179,520)	(8,556,312)
OCTOBER	1,516,466	930,837	419,756	692,570	0	2,120,715	(898,187)	(4,770,085)	(275,241)	0	0	(5,560,775)	(7,821,064)
NOVEMBER	1,518,466	1,222,287	432,500	692,570	0	1,285,716	(957,386)	(4,870,085)	(235,397)	0	0	(6,100,[illegible])	(6,400,511)
DECEMBER	1,516,466 *	829,163 *	451,766 *	692,570 *	0 *	276,830 *	(923,309) *	(4,970,085) *	(176,308) *	0	0	(6,129,171) *	(8,427,070) *
13 MTD	18,660,707	12,355,905	6,069,551	9,003,410	1,202	16,516,255	(10,323,535)	(56,011,105)	(54,394,667)	0	0	(63,117,273)	(122,001,355)
13 MO AVG	1,435,439	950,454	466,889	692,570	92	1,270,481	(794,118)	(4,370,085)	(4,184,359)	0	0	(4,855,175)	(9,307,812)
RET FACTOR	0.8103025	0.8104662	0.9534313	0.8102658	0.8104662	0.8104662	0.9516580	0.8627778	1.0000000	0.0000000	0.0000000	0.8104662	
UPS FACTOR	0.1635323	0.1632685	0.0294118	0.1631531	0.1633685	0.1633685	0.0204360	0.1372222				0.1633685	
PERIOD END UPS AMT:													
DECEMBER	247,991	135,459	13,287	112,995	0	45,227	(76,255)	(682,006)	0	0	0	(1,000,497)	(1,153,799)
13-MONTH AVERAGE:													
RETAIL AMT	1,163,140	770,311	445,147	561,166	75	1,029,682	(755,727)	(3,683,011)	(4,184,359)	0	0	(3,934,955)	(8,380,533)
UPS AMT	234,748	155,274	13,732	112,995	15	207,557	(22,582)	(599,673)	0	0	0	(793,183)	(691,128)

SOURCES:

PRELIMINARY SURVEY & INVESTIGATION CHARGES: BALANCE SHEET, COR
OTHER DEFERRED DEBITS: E.BALANCE ACCT. 186 CORS. LESS THE FOLLOWING 186-925,945,946,30 5,901,930,955,995,597
CLEARING ACCOUNTS: BALANCE SHEET, COR
CARTVILLE SUBSURFACE STUDY & USABLE EQUIPMENT: BALANCE SHEET, COR (EXCLUDING PUMP)
IMPROVEMENTS TO LEASED PROPERTY: ACCOUNTS 186 [illegible] EXCEPT [illegible].315.[illegible].341.342.[illegible]
PLANT SET-UP ACCOUNTS PAYABLE: ACCOUNT 186-99[illegible]
INJURIES & DAMAGES RESERVE: BALANCE SHEET, COR
PROPERTY INSURANCE RESERVE: BALANCE SHEET, COR
FUEL & CONSERVATION OVER RECOVERY: ACCOUNTS 253 905, 906, 912, 9.4
OTHER DEFERRED CREDITS: BALANCE SHEET, COR LESS THE FOLLOWING ACCOUNTS
253 501, 502, 511, 512, [illegible] 5. [illegible], 905, 906, [illegible] 912, 924, 930, 955

UNIT POWER ... RATE BASE
13-MONTH AVERAGE
FILE NAME: BSCDRD1 (UFSRB)
DECEMBER, 1988
RANGE: A421..N489

	PLANT-IN-SERVICE	ACCUMULATED DEPRECIATION	FUEL STOCK	OTHER M & S	PREPAYMENTS	OTHER WORKING CAP	TOTAL RATE BASE
TRANSMISSION							
DECEMBER 87	9,242,888	(3,547,726)		126,504	6,336	(25,499)	5,802,503
JANUARY 88	9,561,031	(3,632,686)		114,262	886	977	6,044,470
FEBRUARY	9,561,031	(3,632,686)		114,510	877	(11,085)	6,032,207
MARCH	9,561,031	(3,632,686)		114,497	869	(17,292)	6,026,419
APRIL	9,561,631	(3,632,686)		114,849	864	(43,102)	6,000,956
MAY	9,561,031	(3,632,686)		115,143	856	(9,223)	6,035,121
JUNE	10,907,282	(3,802,238)		120,543	890	284	6,326,761
JULY	7,957,065	(3,023,568)		97,195	711	(18,555)	5,013,648
AUGUST	7,957,065	(3,023,568)		97,513	703	(12,468)	5,020,045
SEPTEMBER	7,957,065	(3,023,568)		97,780	696	(33,159)	4,999,582
OCTOBER	7,957,065	(3,023,568)		98,051	800	(32,812)	5,006,336
NOVEMBER	7,957,065	(3,023,568)		98,353	795	(33,861)	4,999,584
DECEMBER	7,957,065	(3,023,568)		98,829-	790-	(29,764)-	5,004,152
13-MO TOT	114,802,515	(43,654,802)		1,407,997	16,073	(265,959)	72,305,824
13-MO AVG	8,830,963	(3,358,062)		108,307	1,236	(20,458)	5,561,986

	PLANT-IN-SERVICE	ACCUMULATED DEPRECIATION	FUEL STOCK	OTHER M & S	PREPAYMENTS	OTHER WORKING CAP	TOTAL RATE BASE
TOTAL UPS							
DECEMBER 87	361,237,531	(60,932,950)	13,394,683	1,524,104	94,065	(996,821)	314,420,612
JANUARY 88	371,166,623	(63,576,874)	16,080,583	1,568,860	89,480	37,903	325,374,575
FEBRUARY	369,791,763	(64,506,072)	18,397,979	1,586,106	87,376	(443,863)	324,613,289
MARCH	371,570,961	(65,427,720)	19,746,988	1,604,313	85,973	(671,991)	326,908,524
APRIL	370,532,393	(66,368,033)	20,514,261	1,624,701	83,960	(1,670,410)	324,716,872
MAY	371,312,840	(67,303,059)	20,065,544	1,646,911	82,773	(358,186)	325,446,831
JUNE	395,638,669	(70,154,314)	21,848,370	1,813,983	86,162	11,291	341,044,119
JULY	307,268,964	(61,117,365)	15,465,853	1,422,525	65,468	(716,679)	262,088,766
AUGUST	307,209,918	(61,834,763)	14,161,606	1,441,484	67,353	(481,314)	260,564,284
SEPTEMBER	304,568,153	(59,160,546)	14,174,853	1,464,435	68,341	(1,269,096)	259,846,140
OCTOBER	313,074,254	(59,076,644)	13,833,136	1,486,750	70,720	(1,290,871)	268,155,347
NOVEMBER	303,528,090	(58,502,135)	12,988,591	1,520,446	74,077	(1,291,488)	258,316,581
DECEMBER	300,447,120-	(56,004,710)-	12,073,010-	1,549,871-	73,096-	(1,123,724)-	257,014,663
13-MO TOT	4,447,247,287	(821,916,185)	212,553,659	20,254,489	1,036,852	(10,265,299)	3,848,910,863
13-MO AVG	342,095,945	(63,224,322)	16,350,282	1,558,038	79,758	(789,638)	296,070,063
	342,095,945	(63,224,322)	16,350,281	1,558,038	79,758	(789,638)	296,070,062

ALLOCATION OF OTHER WORKING CAPITAL ITEMS TO UNITS & TRANSMISSION:

PLANT-IN-SERVICE, CURRENT MONTH

	AMOUNT	RATIO	OTHER WC ITEMS
DANIEL UNIT 1	69,092,301-	23.00	(258,418)-
DANIEL UNIT 2	86,261,085-	28.71	(322,634)-
SCHERER UNIT 3	137,134,869-	45.64	(512,908)-
TRANS	7,957,065-	2.65	(29,764)-
	300,447,170-	100.00	(1,123,724)-

UNIT POWER [illegible] RATE BASE
13-MONTH AVERAGE
FILE NAME: RBCGR01 (UPSRB)
DECEMBER, 1988
RANGE: A421..R489

	PLANT-IN-SERVICE	ACCUMULATED DEPRECIATION	FUEL STOCK	OTHER M & S	PREPAYMENTS	OTHER WORKING CAP	TOTAL RATE BASE
TRANSMISSION							
DECEMBER 87	9,242,000	(3,547,726)		126,504	6,336	(25,499)	5,802,503
JANUARY 88	9,561,031	(3,632,606)		114,262	806	977	6,044,470
FEBRUARY	9,561,031	(3,632,606)		114,510	877	(11,485)	6,032,247
MARCH	9,561,031	(3,632,606)		114,497	869	(17,292)	6,026,489
APRIL	9,561,031	(3,632,606)		114,849	864	(43,162)	6,000,956
MAY	9,561,031	(3,632,606)		115,143	856	(9,223)	6,035,121
JUNE	10,907,282	(5,002,238)		120,543	890	204	6,326,781
JULY	7,957,065	(3,023,560)		97,195	711	(10,555)	5,013,640
AUGUST	7,957,065	(3,023,560)		97,513	703	(12,468)	5,020,045
SEPTEMBER	7,957,065	(3,023,560)		97,740	696	(33,159)	4,999,502
OCTOBER	7,957,065	(3,023,560)		98,051	800	(32,812)	5,006,336
NOVEMBER	7,957,065	(3,023,560)		98,353	795	(33,861)	4,999,584
DECEMBER	7,957,065	(3,023,560)		98,029*	790*	(29,764)*	5,004,152
13-MO TOT	104,802,515	(43,654,802)		1,407,997	16,073	(265,959)	72,305,828
13-MO AVG	8,030,963	(3,358,062)		108,307	1,236	(20,458)	5,561,986

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ALLOCATION OF OTHER WORKING CAPITAL ITEMS TO UNITS & TRANSMISSION:

PLANT-IN-SERVICE, CURRENT MONTH

	AMOUNT	RATIO	OTHER WC ITEMS
DANIEL UNIT 1	69,092,301*	23.00	(258,418)*
DANIEL UNIT 2	86,261,085*	28.71	(322,630)*
SCHERER UNIT 3	137,134,069*	45.64	(512,908)*
TRANS	7,957,065*	2.65	(29,764)*
	300,447,120*	100.00	(1,123,720)*

	PLANT-IN-SERVICE	ACCUMULATED DEPRECIATION	FUEL STOCK	OTHER M & S	PREPAYMENTS	OTHER WORKING CAP	TOTAL RATE BASE
TOTAL UPS							
DECEMBER 87	361,237,531	(60,932,950)	13,394,683	1,524,104	94,065	(996,821)	314,420,612
JANUARY 88	371,166,623	(63,576,874)	16,000,503	1,560,060	89,400	37,903	325,374,575
FEBRUARY	369,491,763	(64,506,072)	18,397,979	1,586,106	87,376	(443,863)	324,613,289
MARCH	371,570,961	(65,427,720)	19,746,900	1,604,313	85,973	(671,991)	326,908,524
APRIL	370,532,393	(66,360,033)	20,514,261	1,624,701	83,960	(1,670,410)	324,716,872
MAY	371,312,840	(67,303,059)	20,065,544	1,646,911	82,773	(358,106)	325,446,031
JUNE	395,630,669	(70,154,314)	21,640,370	1,813,983	86,162	11,291	341,044,119
JULY	307,260,964	(61,117,365)	15,465,053	1,422,525	65,460	(716,679)	262,400,766
AUGUST	307,209,910	(61,034,763)	14,161,606	1,441,404	67,353	(481,314)	260,364,204
SEPTEMBER	304,560,153	(59,160,546)	14,174,853	1,464,435	68,341	(1,269,096)	259,846,140
OCTOBER	313,074,254	(59,676,644)	13,033,330	1,486,750	70,720	(1,290,871)	260,155,507
NOVEMBER	303,520,090	(58,502,135)	12,900,391	1,520,446	74,077	(1,291,488)	258,316,581
DECEMBER	300,447,120*	(56,004,710)*	12,073,010*	1,549,871*	73,096*	(1,123,724)*	257,914,463
13-MO TOT	4,447,247,287	(821,916,185)	212,553,659	20,254,489	1,036,852	(10,265,299)	3,848,910,863
13-MO AVG	342,095,945	(63,224,322)	16,350,282	1,558,038	79,758	(789,638)	296,070,063
	342,095,945	(63,224,322)	16,350,281	1,558,038	79,758	(789,638)	296,070,062

AUDIT DISCLOSURE NO. 10

SUBJECT: WORKING CAPITAL - PROJECT TURN KEY

DISCUSSION: The utility included the 13-month average balance ($232,846) of account 165-912, Prepaid Turn Key Project, in its calculation of working capital in its December 1988 surveillance report. The costs included in this account represent a contractual payment to Mitsui & Co. (USA), Inc. for the Choctawhatchee Bay 138KV Submarine cable crossing construction.

The project consists of contracting with a Japanese firm to manufacture a special cable and lay that cable underneath the waters of Choctawhatchee Bay. This will provide a second service to Destin. A payment of $1,009,000 was initially recorded in October 1988, reportedly 30 days after the contract was signed and was still on the books as of the last day of field work. The utility reports a second payment of $4,540,500 will be paid when the cable is received (at that time both payments will be considered Construction Work in Progress -- CWIP). A residual balance of $4,540,500 reportedly will be paid 30 days after the cable is installed. Installation is expected to take approximately 90 days with a completion date on or about July 15,1989.

This project and future projects of this unique nature and relative significance could be considered plant cost includable in the CWIP account. Such treatment appears to be permitted. The description of account 154, Plant Operating Materials and Supplies, 18 CFR 101, provides permissive treatment in note B;

> "When materials and supplies are purchased for immediate use, they need not be carried through this account (materials and supplies inventory) but may charged directly to the appropriate utility plant or expense account."

Electric plant instruction 3 (A)(1) in describing components of plant cost provides:

> "Contract work includes amount paid for work performed under contract by other companies, costs incident to the award of such contracts, and the inspection of such work."

Reportedly this particular item would not accrue AFUDC, it is a work order lasting less than one year.

COMPANY COMMENT: The transaction was recorded properly.

AUDIT DISCLOSURE NO. 11

SUBJECT: **Working Capital - Acid Rain**

DISCUSSION: Gulf Power Company accrued charges related to Acid Rain projects in account 186.914 during the year and then cleared the total in this account to Account 426.420 - Expenditures for Certain Civic, Political and Related Activities each December. We agree that charges related to Acid Rain Legislation should be below the line. But, the company included the deferred debit in their calculation of working capital. This accrual results in an over-statement of total company working capital of $32,000 in the Company's projected 1989 test year on a 13 month average.

AUDIT DISCLOSURE NO. 12

SUBJECT: CONSERVATION AND FUEL OVER RECOVERY

DISCUSSION: On MFR Schedule B-10a, page 2 of 4, line 30, and MFR Schedule A-10, page 2 of 4, line 17, Gulf proposes to remove the over recovery of fuel and conservation charges from working capital. This is contrary to the treatment of these items in the utility's last rate case.

Because the utility budgets these amounts as zero in the projected 1989 test year, there is no dollar effect in setting rates, but there would be a dollar impact in reporting future rate base balances.

For the month of December 1988, inclusion of the liability for over recovery of conservation revenues in working capital decreased December 1988 rate base by $176,000.

Also for the month of December 1988, exclusion of the under recovery of fuel reduced working capital by $1,218,000.

Both adjustments reflected by the utility in 1988 are consistent with the policy set in the prior rate case.

COMPANY COMMENT: The company may respond at a later date.

AUDIT DISCLOSURE NO. 13

SUBJECT: UPS WORKING CAPITAL

DISCUSSION: For the month of December 1988 the utility deleted $12,572,252 from working capital because it was unit power sales (UPS) related from a reported UPS working capital total of $18,288,982. Examination of an internal report of the utility showed the amount of total dollars allocated to UPS working capital was $30,062,045 -- almost $12,000,000 more than the amount used as a basis for reports to the Commission. These balances are calculated in an attached schedule.

The utility calculates its UPS working capital reported to the Commission using a 13-month average balance sheet approach wherein the UPS contract uses primarily a 1/8 cost of O & M approach. The result of this disparity is that the utility bills more working capital to its UPS customers than it reports to the Commission.

The <u>ESTIMATED</u> impact of this item on annual revenues follows. Audit time was not sufficient to determine the exact difference:

	Revenue Multiplier	1988 * Impact	1989 * Impact
Rate Base Decrease:	$12,000,000	$6,220,675	$1,061,951
Rate of Return:	8.63%		
Subtotal:	$1,035,600		
Tax Multiplier:	1.632064		
Revenue Overstatement:	$1,690,165	$876,163	$149,573
Revenue Multiplier	.140847		

* Rate base effect was determined by first calculating the 13-month average UPS rate base reported to the Commission in 1988 as $22,077,442 based upon UPS working capital schedules from the utility. Then, unreported working capital percentage was the estimated to be 36.17% ($30,062,045/ $22,077,442)-1. Estimated decrease in rate base was calculated using reported working capital adjustments in the utility's 1988 surveillance calculation ($17,198,440 x .3617 = $6,220,675) and in the utility's 1989 projected rate base ($2,936,000 x .3617 = $1,061,951).

COMPANY COMMENT: This practice is consistent with the utility's last rate case and subsequent reports.

Gulf Power Company

F
4/7/89

UPS Working Capital
at 12/31/88

	Working Paper Reference	Fuel (A)	Other Materials (B)	Prepayments (C)	Subtotal (D) (A+B+C)	Other Working Capital (E)	Total (F) (D+E)	Working Paper Reference	Future UPS Report
Daniel I	31-3/3 b	4,526,545	841,238	29,041	5,436,824	<258,418>	5,178,406	31-3/3 b	9,911,409
Daniel II	31-3/3 b	4,526,545	841,238	29,068	5,436,851	<322,634>	5,114,217	31-3/3 b	9,999,535
Scherer III	31-3/3 c	8,018,449	876,365	44,598	8,939,412	<512,908>	8,426,504	31-3/4 b	10,706,111
Transportation	31-3/3 a	–	98,829	790	99,619	<29,764>	69,855		?
Total		17,151,589	2,157,670	103,497	② 19,912,706	② <1,123,724>	18,788,982		20,062,075

Calculation of Regulatory Amount at 12/31/88 Year End

	(A) Fuel, Materials, Prepayments	(B) Jurisdictional 100 Retail / 100 Territory	(C) (A×B) Subtotal	(D) Other Working Capital	(E) (D+C) Total
Daniel I	5,436,824	100/155.95 ✓	3,832,498	<258,418>	3,574,080
Daniel II	5,436,851	100/155.95 ✓	3,837,279	<322,634>	3,514,645
Scherer III	8,939,412	119/202.675 ✓	5,926,581	<512,908>	5,413,673
Transportation	99,619	×1	99,619	<29,764>	69,855
Total	① 19,912,706		13,695,976	② <1,123,724>	12,572,252

Working Paper Reference	Reported at 12/31/88	
31-2/a	12,023,010	Fuel
31-2/a	1,549,871	Other M+S
31-2/a	73,096	Prepayments
31-2/a	<1,123,724>	Other Working Capital
	12,572,253	

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AUDIT DISCLOSURE NO. 14

SUBJECT: 1988 AND 1989 WORKING CAPITAL - PENSION COST

DISCUSSION: The utility included account 165-911, Prepayment of Pensions in its calculation of working capital in its 1988 surveillance report and in its projected 1989 rate base for the current rate case. Staff's 13 month average balances for this item are $1,293,446 in 1988 and $1,758,441 in the projected rate base for 1989. Staff balances are calculated on the immediately following schedule.

There are two issues associated with this item:

1) Pension prepayments reduce the tax liability, future pension costs, but someone must finance any prepayment. An issue in this case is whether the rate payer will finance any prepayment receiving associated tax benefits or whether the utility will finance the prepayment and receive the tax benefits below the line. Prepaid pension costs represent costs of pensions to be incurred in the future.

2) The method of calculating pension costs changed on January 1, 1987. Actuarial reports associated with the 1987 pension cost calculations are unclear as to whether an accrued liability for pension costs existed in 1986 and when the liability was paid. The attached extract from the Mercer-Meidinger-Hansen actuarial valuation indicates by footnote; "1,583,838 was contributed in 1987 and applied to the 1986 plan year." If an unrecorded liability existed in 1986, the valuation of any prepayment could be overstated.

COMPANY COMMENT: The company may respond at a later date.

Gulf Power Company 9/20/89

F

Pensions Accrued

Acct 253-723 | Acct 165-911

	Payment (A)	Cost Accrued (B)	Prepayment Beginning of (C)	Balance (D) (A+B+C)	Prepayment (E)	Transfer to Expense (F)	Prepayment Balance (G) (E+F)
Dec 87							
Jan	202 875	<126 250>		76 625			
Feb	202 875	<126 250>		153 250			
Mar	487 50	<125 850>		508 775			
Apr	481 375	<125 850>		864 300			
May	481 371	<125 850>		1 219 821			
June	481 371	<125 850>		1 575 342			
Jul	481 371	<125 850>		1 930 863			
Aug	481 371	<125 850>		2 285 984			
Sep		125 [illegible]	<2 285 984>	0	2 285 984	<94 350>	2 191 634
Oct				0		<94 350>	2 097 284
Nov				0		<94 350>	2 002 934
Dec 88				0		<94 350>	1 908 584
Total	3 293 584	<1 007 600>	<2 285 984>	0	2 285 984	<377 400>	1 908 584
			13 mo total	8 614 360		13 mo total	8 200 136
			13 mo Avg	662 643 (A)		13 mo Avg	(B) 630 803

Budget 1989

	Transfer to Expense (H)	Current Balance (I)
Dec 88		1 908 584
Jan	25 000	1 883 584
Feb	25 000	1 858 584
March	25 000	1 833 584
Apr	25 000	1 808 584
May	25 000	1 783 584
June	25 000	1 758 584
Jul	25 000	1 733 584
Aug	25 000	1 708 584
Sep	25 000	1 683 584
Oct	25 000	1 658 584
Nov	25 000	1 633 584
Dec 89	25 000	1 608 584
	<300 000>	1 608 584
	13 mo total	22 861 592
	13 mo Avg	(C) 1 758 584

Acct 253-723	1988 13-Mo Avg	(A) 662 643
Acct 165-911	1988 13-Mo Avg	(B) 630 803
		1 293 446

1989 13 mo Avg (C) 1 758 584

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Determination of Actuary's Book Value as described in Section 2.3D

1)	Actuary's Book Value at December 31, 1985		$ 59,055,824
2)	Receipts:		
	a) Contributions allocated to 1986	$ 2,514,188*	
	b) Earnings - Dividends and Interest	3,523,241	
	c) Total Receipts	$ 6,037,429	
3)	Disbursements: Pension Payments	$ 1,589,198	
4)	Preliminary Actuary's Book Value December 31, 1986: (1)+(2c)-(3)		$ 63,504,055
5)	Market Value of Assets December 31, 1986: Trust Fund	$ 80,087,740	
	Held by Retirement Board	134,878	$ 80,222,618
6)	Appreciation Capitalized in Current Year: 20% of ((5)-(4))		$ 3,343,713
7)	Actuary's Book Value at December 31, 1986: (4)+(6)		$ 66,847,768
8)	80% of Market Value		$ 64,178,094
9)	120% of Market Value		$ 96,267,142
10)	Actuary's Book Value: (7), but not less than (8) or more than (9)		$ 66,847,768
11)	Total Investment Increment: (2b)+(6)		$ 6,866,954
12)	Annual Rate of Return		11.77%

* $930,350 of this amount was contributed in 1986; the balance of $1,583,838 was contributed in 1987 and applied to the 1986 plan year.

AUDIT DISCLOSURE NO. 15

SUBJECT: NEW RATE BASE RECONCILING ITEMS

DISCUSSION: For the 1989 projected capital structure, the utility has added 3 new reconciling items to the capital reconciliation. These items were not present in the December 1988 surveillance report, nor were these items used in the rate base reconciliation in the prior rate case. Amounts reported without an account number on MFR schedule B-3c are as follows:

DESCRIPTION	AMOUNT	PAGE
Plant-In-Service Base Coal	($312,000)	Page 4 of 8
Base coal written-off		
Depreciation Reserve	$289,000	Page 4 of 8
Base coal written-off		
Depreciation Reserve-JDITC	$245,000	Page 4 of 8
Exclude reserve amounts related to current year depreciation expense from JDITC adjustment.		
Depr Reserve Imbalance	$199,000	Page 5 of 8
Exclude reserve amounts related to current year expense on the reserve balance which will be zero at the end of the (1989) test year.		

These items are adjustments to capital structure pro rata and to rate base at the above values.

COMPANY COMMENT: These items were not an issue in the utility's last rate case and therefore were not reconciling items in company reports.

AUDIT DISCLOSURE NO. 16

SUBJECT: NON UTILITY CAPITAL

DISCUSSION: In preparing the 1989 projected capital structure, the utility did not remove capital associated with non utility assets from equity, instead the utility removed $17,067,000 from equity, debt and preferred stock as indicated on MFR schedule D-1a, page 2 of 2. This practice is not consistent with the treatment of this item in the utility's last rate case.

In the utility's filing for the projected test year 1989, the utility included the cost of the Leisure lakes project in rate base ($143,000). The utility justified including this item in rate base on MFR schedule A-10, page 1 of 4, line 5. In the prior rate case this item was removed from rate base and equity as a non utility item.

COMPANY COMMENT: Company may respond at a later date.

AUDIT DISCLOSURE NO. 17

SUBJECT: PREFERRED STOCK PREMIUM AND STOCK ISSUE COSTS

DISCUSSION: In its 1988 surveillance report and in its filing for the projected 1989 year, the utility calculated its cost of preferred stock by adjusting the amount of preferred stock outstanding by the premium received for the preferred stock and by the cost of issuing the preferred stock MFR Schedule D-4c, columns E,G,I,J,K and L.

The utility, when reporting the balance of preferred stock in its capital structure, excluded premium and the issue cost from the preferred stock balance (MFR Schedule D-1a, page 1 of 4, line 14) but used the adjusted cost rate after further correction for Unit Power Sales.

Furthermore the cost of issuing the preferred stock was written off the books in prior years, and the preferred stock premium was accounted for as equity in the capital structure. This treatment increases the cost of capital to the rate payer.

The 13 month average amounts involved are as follows:

1988 preferred premium:	$88,151
1988 preferred issue cost:	$1,087,700
1988 deferred tax credit:	Unknown
1989 preferred premium:	$88,151
1989 preferred issue cost:	$1,061,197
1989 deferred tax credit :	Unknown

COMPANY COMMENT: This practice is consistent with the utility's last rate case and subsequent reports.

AUDIT DISCLOSURE NO. 18

SUBJECT: COST OF CUSTOMER DEPOSITS

DISCUSSION: The utility has requested an 8.00% return on customer deposits; MFR Schedule D-1a, page 1 of 4, line 16. Actual cost of customer deposits as found reported on the company's books for 1987 and 1988 are as follows:

(ooo's omitted)	1987	1988
Account 431-100 December 31 balance Customer Deposit Interest	$1,127	$1,198
Divided by:		
13-month avg balance Customer Deposits	$15,277	$15,699
Cost Rate	7.38%	7.63%

The balance of customer deposits includes a number of inactive accounts upon which no interest accrues or is paid, thus the Commission should consider allowing less than 8.00% as a cost of customer deposits.

COMPANY COMMENT: The company may respond at a later date.

AUDIT DISCLOSURE NO. 19

SUBJECT: COST OF DEBT AND PREFERRED STOCK

DISCUSSION: The company in preparing its cost of debt and preferred stock uses 13-month average balance of preferred stock and debt with an annualized interest (preferred dividend) amount.

1) It appears that Unit Power Sales (UPS) adjustments made to the capital structure do not agree with the terms of the UPS contract. Investment tax credits have been imputed into the UPS capital structure, but income tax expense of the period does not appear to recognize these imputed investment tax credits.

2) In its 1988 surveillance report, Gulf has reported its cost of capital using the cost methodology described above rather than using the actual interest cost of the period.

3) Because of the complexity of calculating the actual interest expense due to a number of pending factors -- Peabody Buyout, Unit Power Sales, Preferred Stock Issues, -- it is not feasible for the auditor to calculate the period interest expenses which would be applicable to 1988 or to 1989.

COMPANY COMMENT: This practice is consistent with the utility's last rate case and subsequent reports.

AUDIT DISCLOSURE NO. 20

SUBJECT: CRIST WASTE TO ENERGY

DISCUSSION: This project (Account Numbers 183-140 and 183-738) is first removed pro rata from capital structure and rate base in the projected 1989 test year at a 13-month average value of $328,000. The balance in this account at December 31, 1988 is $264,306. These costs were not removed from the rate base reported in the December 1988 surveillance report.

The utility represents this waste to energy study is being excluded from rate base for possible future development as a non utility operation. Other than disclosing the existence of the reconciling item and taking the utility's representation, no audit work was performed regarding this item.

COMPANY COMMENT: The company may respond at a later date.

AUDIT DISCLOSURE NO. 21

SUBJECT: BUDGET VARIANCES

DISCUSSION: Gulf Power Company does not true-up their current year budgets for any variances that were noted at the end of the previous year. In response to document request # 124 regarding this subject, Gulf Power stated:

> The various planning units have access to the current budget variance reports and those of prior years at the time they are preparing their budgets. The 1988 and previous years' budget variance reports affected the 1989 budget to the extent that this historical data serves as one of the inputs to the Planning Units in determining the resources necessary to provide the service to our customers.
>
> The Reference Level is the level from which Planning Units must explain and justify the increases and decreases resulting in their 1989 Budget Requests. The 1989 reference Level is based upon the 1988 Budgat and is not affected by 1988 Budget Variance Analysis.

Also, each year Gulf tells the departments affected by inflation, what inflation factor to use in building their budgets for the coming year. This factor is never trued up. If the factor is too high or low, it is automatically built into the base of the next year's budget. Eventually, over time Gulf could have a base of expenditures which is over or under inflated, i.e. not actually representative of history. Gulf used a projected 4.7% inflation rate for 1989.

FPSC audit staff reviewed the work papers of Authur Andersen, who conducted a review of Gulf's budget process and their 1989 projected test year. Authur Andersen did not address these concerns.

Staff believes that failure to take fully into account the prior year's budget variances and to not true-up the inflation factors when developing the current year's budget may produce a budget that is over or under stated considering the circumstances.

Audit staff does not have the expertise to determine what the budget amounts should be. These concerns are provided for further consideration when reviewing Gulf's budget and budget process.

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 22

SUBJECT: UNSUPPORTED INCREASE FOR LEGAL FEES

DISCUSSION: Gulf has currently budgeted an increase in legal fees related to Rates and Regulatory Matters (listed as a recurring amount) of $75,000 over the amount budgeted in the prior year. The company was asked to provide specific support for this proposed increase, but could only provide a general explanation for the increase which was purely subjective in nature which was largely a narrative of the regulatory and general business environment that Gulf operates in today. At the same time, Gulf is also increasing the above amount for inflation in the amount of $8,222.

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 23

SUBJECT: EXCESSIVE EXECUTIVE DEVELOPMENT

DISCUSSION: Gulf currently has budgeted $25,800 for top level executive development courses and seminars for 1989. The bulk of these dollars budgeted, however, are for one single program for Mr. A. E. Scarbrough. The company plans to spend $20,800 (listed as a recurring amount) to send Mr. Scarbrough to the Stanford Executive Program in San Francisco, California.

Originally, the companies response to questions regarding this expenditure did not provide sufficient detail, such as how long the program would last or, when it is scheduled, the subject matter presented or the benefits Gulf would receive from Mr. Scarbrough attending this course would be, in order to determine whether this is an appropriate regulatory expenditure. However, during the audit exit conference held at the utilities corporate headquarters April 27, 1989, the company presented copious explanation as to the scope of the course. The only question remaining regarding this expenditure is one of cost verses benefit.

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 24

SUBJECT: NONRECURRING ITEMS

DISCUSSION: Gulf Power currently has budgeted in its 1989 O & M expenses $8,127,629 of non-recurring expense items as listed below. During Gulf's budget process, some items were added late and are not reflected in the planning and resource summary sheets (B-3). Since these items do not show up on the summary sheets, whether they are recurring or non-recurring is not readily determinable. These amounts are shown below as "Reconciling Items".

Not all of the items listed as "Nonrecurring" below are truly non-recurring as thought of by regulators. Many of the items are listed as non-recurring solely for company planning purposes . Those items will occur again either within the same planning unit or another.

Since determining whether any or all of these items are non-recurring for regulatory purposes is based on technical knowledge of the items involved, the auditor did not attempt to make any such distinction.

Division	Nonrecurring Amount	Reconciling Items
Eastern	$ 51,000	$ 93,026
Central	77,860	115,627
Western	387,769	1,132
General Services	320,000	(150,000)
Power Delivery	25,000	
Plant Crist	3,970,000	
Plant Smith	2,814,000	
Plant Scholz	334,000	
Employee Relations	30,000	(1,193,000)
Internal Accounting Controls	5,000	
Accounting - Corporate	8,000	
Public Relations	105,000	
Electric Operations		(85,924)
Security		(226,513)
Rates & Regulatory Matters		250,000
Total	$8,127,629	($1,195,652)

(continued)

AUDIT DISCLOSURE NO. 24

Total budget amount for Southern Company Services, Plant Daniel and Plant Scherer are allocations and no indication was given as to their nonrecurring amounts.

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 25

SUBJECT: SUPPORT OF ADVERTISING & MARKETING INVOICES

DISCUSSION: Staff was not able to review invoices and supporting documentation in one location. Some invoices (not many) had descriptions of the services provided on them, many did not. After determining which invoices required further documentation, the company had to go find copies of the ads, billboards, site signs, scripts, etc. Staff does not know where the information was obtained from. The information and documentation just appears.

Staff recommends that Gulf be required to make vendors supply a detailed invoice and require Gulf to maintain their invoices as a package of documentation - i.e. all supporting documents be together in one place, readibly accessible to auditors.

AUDIT DISCLOSURE NO. 26

SUBJECT: TRANSMISSION LINE RENTALS

DISCUSSION: Several times during the course of the audit, documents were requested to support the amounts shown in the companies filing for rents; specifically, transmission Line Rental (account # 567). Both oral and written requests were made for the line rental contracts. The documents requested were contracts which would support the amounts currently being paid. On April 24, 1989, three days before the audit exit conference, Gulf Power provided copies of several letters of agreement and schedules to support the amounts paid for Daniel line rentals . Also, it has been represented to the audit staff that there is no contract for plant Scherer.

Since the contract data was provided late in the audit regarding Daniel line rental payments, it has not been possible for staff to determine the propriety of the amounts being paid or to trace the amounts paid to supporting documents provided. Also, since contract negotiations are apparently still under way regarding plant Scherer, there was no actual data to audit.

For the test year, $1,742,000 is being accrued for plant Scherer line rentals ($1,500,000 for 1988) and no amounts have actually been paid in any year. The amounts currently being accrued for line rentals was represented to staff as a "best guess" of what the actual amount will be. Staff requested the methods and assumptions by which Gulf arrived at the amount which it is accruing Scherer line rentals each month, but they have not been provided to date.

When asked, Gulf had no prediction as to the outcome of the contract negotiations for plant Scherer, or the effect that the outcome would have on the current accrual being made.

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 27

SUBJECT: Account 912 - Demonstrating and Selling Exp.

DISCUSSION: A substantive test was performed to determine the amount of non-utility and image building items included in account 912. In the test, every transaction above $1,500 was examined (accounting for $336,973.23 of the $557,496.32 included in the test) and a statistical sampling methodology was used on the remaining transactions (95% confidence interval with a precision of plus or minus $35,200.18).

From the transactions over $1,500, $324,258 of the $336,973.23 was found to be image building or non-utility in nature. From the transactions under $1,500, an estimated $113,573.62 of the $220,523.09 was found to be non-utility in nature.

Vouchers examined in the test produced numerous image building and non-utility items such as golf tournament greens fees, golf balls, tote bags, T-shirts, glasses, and scratch pads comprise the dollars in this account. There was also an invoice from Southern Company Services billing Gulf for their portion of a Good Cents Banquet held in Texas which featured entertainment by Louise Mandrell. These expenses do not appear to be necessary to furnish the public with adequate electric service.

Based on the above statistical analysis, the total amount believed to be non-utility on a total company basis for 1988 is $437,831. A proportionate amount should be disallowed in the 1989 projected test year for this account.

AUDIT DISCLOSURE NO. 28

SUBJECT: Account 913 - Advertising

DISCUSSION: In order 6456, after an investigation to review the promotional practices of electric utilities under Commission jurisdiction, advertising was classified into four categories: informational, promotional, community affairs, and image building. The Commission indicated that only informational advertising would be an allowable expense. Florida Power & Light Company, Order No. 7843, p. 1 (6/16/77).

A substantive test was performed to determine the amount of non-utility (goodwill or image) advertising included in account 913. In the test, every transaction above $1,750 was examined (accounting for $300,817.33 of the $371,845.19 included in the test) and a statistical sampling methodology was used on the remaining transactions (95% confidence interval with a precision of plus or minus $2,982.63).

From the transactions over $1,750, $277,593 of the $300,817.33 was found to be non-utility, goodwill or image building in nature. From the transactions under $1,750, an estimated $65,019 of the $71,027.86 was found to be non-utility expense.

The vouchers examined in the test which did not appear to be in compliance with Order No. 6456 were for expenditures relating to industry relocation advertising, Northwest Florida advertising, and heat pump advertising.

Based on the above statistical analysis, the total amount believed to be non-utility on a total company basis for account 913 - Advertising is $342,612 for actual 1988. We also recommend that a proportionate amount be disallowed in 1989 projected expenses.

AUDIT DISCLOSURE NO. 29

SUBJECT: ECCR PROGRAMS

DISCUSSION: Gulf Power currently has budgeted to transfer from its conservation program to base rates $978,000 ($838,000 Good Cents Home and $140,000 WeatherGUARD). These items are conservation in nature and should be recovered through the ECCR program.

The WeatherGUARD program should be excluded from base rates and the conservation program due to the fact that this program is not available for all rate payers forced to pay for it. This program is specifically designed to be available only to low income households. Rate payers may also disapprove of this item due to the fact that it duplicates similar programs offered by the U.S. Department of Housing and Urban Development (HUD) and the Florida Department of Health and Rehabilitative Services (HRS)

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 30

SUBJECT: **Heat Pump Program**

DISCUSSION: Gulf Power Company is requesting $717,000 of expenses be allowed in base rates in their projected 1989 test year for a Heat Pump Program. Gulf states that this program "is cost effective to the ratepayers based on FPSC approved methodology contained in the Rules of the Florida Public Service Commission Chapter 25-17.008." If this program is cost effective and promotes the conservation of energy, costs should be presented in an approved FPSC conservation program and not in base rates.

This program appears to be striving to replace inefficient heating and cooling appliances with energy efficient appliances. Staff believes that this program is no different than any other ECCR replacement program and that it should be recovered through the ECCR program.

The effect of placing this and other ECCR programs in base rates will "safe harbor" them and assure their recoverability in-case the entire ECCR program is dropped in the future.

AUDIT DISCLOSURE NO. 31

SUBJECT: Frequent Flyer Program

DISCUSSION: According to Gulf Power the Good Cents Incentive Program was designed to encourage energy efficient construction and installation of high efficient HVAC equipment in residential dwellings.

Gulf Power has implemented a program called Frequent Flyer Program which "provides an opportunity for builders and HVAC contractors to receive awards as an incentive to increase the efficiency and quality of installation and energy saving technologies." All homebuilders and heating/air conditioning dealers are eligible to participate.

Charges to this program in 1987 and 1988 were approx. $19,409 and $5,047 respectively. These expenses were charged to base rates account 912-1008. These expenditures appear to be related to the Good Cents Incentive Programs and therefore should be charged to Conservation.

AUDIT DISCLOSURE NO. 32

SUBJECT: Conservation vs. Non-Conservation Exp.

DISCUSSION: During the course of this audit, a sample of administrative and general expenses was made. Due to the lack of detail for each record listed in the company's general ledger detail file, the auditor was unable to determine whether expenses charged to accounts 907, 908 or 909 were utility or conservation expenses. The company stated the only way to tell the difference was from looking at the PISA or CISA numbers. This number is not included in the detail general ledger detail file.

The company should be required to keep their records so that an easy identification of these charges can be made from the general ledger. CFR General Instructions for Electric Utilities states "Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit ready identification, analysis, and verification of all facts relevant thereto." Some sub-accounts should be created for conservation related expenses only.

AUDIT DISCLOSURE NO. 33

SUBJECT: POSTAGE PAID AND NON-UTILITY BILL STUFFERS

DISCUSSION: Gulf Power currently includes various types of flyers in its monthly power billings. The flyers included can be either utility or non-utility or both in nature. However, Gulf does not allocate any of the postage expense incurred in mailing the monthly billings and inclosed flyers to non-utility accounts. The utility claims that since utility postage expense is not increased any by including these non-utility flyers, there is no reason to allocate the postage cost among non-utility and ECCR programs.

Including these flyers is a good opportunity to reduce postage expense to the rate payer. If Gulf Power's appliance sales division had made similar arrangements to have its flyers placed in the monthly billing of another business, Gulf would have been charged for a portion of the postage incurred. This would be an arrangement whereby both parties could reduce their postage cost.

The total postage cost for customer billing in 1988 was $750,000 .

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 34

SUBJECT: Legal Fees - Beggs and Lane

DISCUSSION: In 1988, Gulf Power charged legal fees associated with non-utility business to regulated expense accounts. Charges include legal advise on such issues as the Gulf Power Foundation, PACs, Political Contributions, Southern Sod Contracts, Energy Loans, Acid Rain Legislation, and Micro Computer World. A more in-depth review of these and all legal expenditures probably would be beneficial to the rate case. Due to time limitations, a more in-depth review by the audit staff was not possible. Therefore, a dollar adjustment was not made.

The 1989 budget probably includes the same type of expenditures. Even if specific non-utility amounts were not budgeted, the 1989 budgets are based on historical expenses which include these non-utility amounts.

AUDIT DISCLOSURE NO. 35

SUBJECT: Legal Expenses

DISCUSSION: The company charged legal expenses associated with the conservation programs and the fuel clause through base rate legal expenses. According to the Electric and Gas Division, companies charge legal fees associated with these programs in different places. A standardized way of dealing with legal expenses associated with the conservation and fuel clauses should be addressed.

COMPANY COMMENTS: The Company has not identified any specific authority for allowing legal fees associated with fuel adjustment and conservation cost recovery clauses to be recovered through the respective recovery mechanisms. It does not appear that passing legal fees through these recovery mechanisms would be consistent with the FERC classification of accounts.

AUDIT DISCLOSURE NO. 36

SUBJECT: Non-Utility Expenditures

DISCUSSION: For the past two years, 1987 and 1988 respectively, Gulf Power Company has purchased a Corporate Sponsorship Package to support the Pensacola Tornados Professional Basketball team. These costs have been charged to the same FERC and sub-accounts for the past two years. The expenditures of $10,000 in 1987 and $5,000 in 1988 were both charged to account 909.4 - Safety Advertising which is an above the line, non conservation related account.

These amounts are part of the base of expenses for account 909.4 Safety Advertising for the 1989 budget.

AUDIT DISCLOSURE NO. 37

SUBJECT: EMPLOYEE PAC

DISCUSSION: Gulf Power employees, at the supervisor level and above, are solicited in the work place to contribute to a related party Political Action Committee (PAC) for the purpose of making political contributions. The PAC has been in existence for some time. According to reports filed with local, state and federal authorities, the employee contributions to this PAC were $22,342 in 1987, and $26,480 in 1988. The PAC officials budget $18,000 in employee contributions for 1989.

If an adjustment is made in this area, it should also consider: (1) the reported amounts are monies from employees contributed to a PAC -- these contributions are not on the books of Gulf Power, (2) the full payroll cost for the employee making the contribution should be considered if an adjustment is made, (3) certain salaries are capitalized to plant accounts and (4) certain salaries are associated with non utility activities.

COMPANY COMMENT: The company may respond at a later date.

AUDIT DISCLOSURE NO. 38

SUBJECT: Affiliated Transactions

DISCUSSION: Mr. J.K. Tannehill is on the Board of Directors of Gulf Power Company. Mr. Tannehill is also an Officer of Stock Equipment Company. Gulf Power has and is doing business with Stock Equipment Company. Gulf paid Stock Equip $344,791 in 1988 and $278,977 in 1987 for materials and supplies.

A review of Stock Equipment transactions was made. Of the invoices reviewed, we chose to trace three invoices back to the company's bid lists to insure the lowest price was paid for the specified merchandise. According to Gulf, two of the invoices selected were not bid because the maintenance to be done on the plants in question "could only be done by Stock Equipment Company because the machines to be worked on were Stock Equipment Company machines and only they could work on their machines."

The third invoice was traced back to a bid package of which their was only one other bid submitted. This bid was twice as much as the Stock Equipment Co. bid. However, the Gulf could not furnish a copy of the list of vendors who were notified of the project. We could not verify how many notices if any were sent out to notify other companies of the impending work that was needed.

Because of time limitations in this audit we were not able to conduct a more extensive review of the relationships between Gulf's Board of Directors and outside vendors. Even when the transactions between affiliated companies are legitimate, without documentation that proves without a doubt that the affiliate bid chosen was the best or lowest bid, the transaction does not give the appearance of being an arms length transaction.

COMPANY RESPONSE: See following page.

AUDIT DISCLOSURE 38

STOCK EQUIPMENT IS ONE OF MANY ORIGINAL EQUIPMENT MANUFACTURERS (OEM) GULF DOES BUSINESS WITH ON A REGULAR BASIS. IT IS A PREVALENT INDUSTRY PRACTICE TO AWARD PURCHASE ORDERS FOR WORK DONE ON, AND MATERIALS TO BE USED IN, THE REPAIR AND REFURBISHMENT OF EQUIPMENT TO THE OEM. THE OEM NORMALLY HAS THE EXPERTISE, PROPER TOOLS, AND DIAGRAMS TO PERFORM REPAIRS WITHOUT INCURRING LONG AND COSTLY LEARNING CURVES. THEIR PARTS ARE DESIGNED AND TESTED FOR USE IN THE EQUIPMENT OR SYSTEM BEING SERVICED. IN SOME CASES THEIR REPLACEMENT PARTS ARE NECESSARY TO PRESERVE THE EQUIPMENTS INTEGRITY AND ADHERE TO THE TERMS OF THE WARRANTY.

USING PARTS OR LABOR OF THE OEM IS COST EFFECTIVE IN BOTH THE SHORT AND LONG TERM. AWARDING WORK ON A SOLE SOURCE BASIS TO THE OEM IS A RESPECTED AND PROVEN COMMERCIAL PRACTICE. THESE AWARDS ARE RECOGNIZED AS "ARMS LENGTH". THE AWARD OF THE AGREEMENTS RESTS SOLELY ON THE TECHNICAL AND WARRANTY PARTICULARS OF THE ACTUAL PIECE OF EQUIPMENT OR SERVICE.

PBC

AUDIT DISCLOSURE NO. 39

SUBJECT: PEABODY COAL BUYOUT

DISCUSSION: Gulf paid $60,000,000 to buy out (Peabody Buyout) of an unfavorable coal contract in 1988 and successfully petitioned the Commission to allow the total cost of the coal contract in the fuel adjustment clause.

A) The financing of the buyout included a rate of return on $35,000,000 worth of debt and $25,000,000 worth of equity. Thus the fuel clause contains a return for this debt, a return for this equity, and income tax coverages for the equity return.

B) The $35,000,000 debt financing occurred May 3, 1988 after the April 1, 1988 date indicated by Gulf in its fuel filing.

C) In reconciling capital structure to rate base for this item, Gulf has specifically identified the buyout carried on the books with specific issues of debt and the amortized value of equity. Since the balance of the corresponding asset is valued in part by the amount of coal received and coal burned, the asset and the financing capital balances do not agree. The difference between the financing and the asset was approximately negative *$416,000 in 1988 and a positive $2,777,000 in the projected 1989 test year. These differences were accounted for in capital structure on a pro rata basis.

In 1989, the utility is proposing to receive a guaranteed return on equity for an average investment of approximately $24,000,000 including income tax coverage through the fuel clause, and has budgeted an increased rate base in this rate case by $2,777,000 more than its capital costs.

The 1989 debt coverage in the fuel clause for the buyout is for an investment of approximately $32,750,000.

The potential issues present are: Should equity or debt returns for this coal buyout be removed from the fuel clause and placed in base rates; and if the coal buyout remains entirely in the fuel clause, how should this item affect the capital structure?

COMPANY COMMENT: These costs were allowed into the fuel clause pursuant to Order 19042 (Auditor's copy attached).

recovery, what is the amount that should be projected for the April-September, 1988 cost recovery period?" This issue requires no decision at this time, since the Commission has not taken any action to approve the load retention rate nor has Gulf projected any costs to be recovered for the April-September, 1988 recovery period.

The next issue concerning Gulf was whether Gulf's Plant Scherer coal contract buy-out costs should be allowed for cost recovery. More specifically, the issue concerned whether Gulf should be allowed to recover its share of costs incurred when its Southern Company affiliate, Georgia Power Company, bought out three existing coal supply contracts for Plant Scherer. Gulf currently owns 8.33 percent of the total plant.

Gulf sponsored testimony of Mr. M. L. Gilchrist on the Plant Scherer buy-out issue. Mr. Gilchrist detailed Georgia Power's arrangement to buy out the three contracts and discussed the potential savings in fuel costs which resulted. Mr. Gilchrist testified that the net effect on the weighted average price of coal supplied to Plant Scherer was to decrease it from $73.76 per ton in May, 1987, to $42.65 per ton as of October, 1987. Mr. Gilchrist stated his belief that efforts to lower the fuel costs of Plant Scherer had been successful and in the best interest of the ratepayers. He urged that Gulf's share of the buy-out costs, approximately $2.9 million, be included in fuel cost recovery.

There was no specific opposition to Gulf's proposed recovery of the Plant Scherer coal contract buy-out costs at hearing. However, the Industrial Intervenors (INDUS), while taking no position on the issue, did so with the understanding reached at prehearing that they would maintain the right to challenge the apportionment of the buy-out costs between wholesale and retail customers at some later date, if they believed it appropriate to do so. The basis for this position is more fully explained in the challenge of INDUS to Gulf's Schedule R Sales discussed below.

Having reviewed the testimony of Mr. Gilchrist and upon the recommendation of the Staff, we find that Gulf's Plant Scherer coal contract buy-out costs should be approved for recovery through the fuel adjustment clause. In approving the recovery of these costs, we acknowledge that INDUS may wish at some time to revisit the issue so far as the allocation of costs to its members may be affected. We note that INDUS had originally taken the position that this issue should be deferred pending completion of its discovery and that acknowledgement of its ability to revisit the issue was in lieu of its further pursuit of a motion to defer.

The primary issue raised by INDUS was one which had been deferred from the August, 1987 fuel hearings. That issue was stated as follows: Do Gulf Power's Schedule R Sales to Unit Power Sales (UPS) customers cause retail ratepayers to bear inappropriate fuel charges? This ultimate issue is simple enough; however, to put the issue in proper perspective, we will repeat a portion of the background material contained in the prehearing order.

Gulf Power Company has Unit Power Sales contracts with Florida Power and Light (FPL), Jacksonville Electric Authority (JEA), and Gulf States Utilities that cover Plants Daniel and Scherer. The UPS contracts require two minimum energy purchases: (1) a pro rata share of energy when the units are

AUDIT DISCLOSURE NO. 40

SUBJECT: Electronic Data Interchange

DISCUSSION: "Several U.S. utilities are edging into electronic data interchange (EDI) programs with their vendors and discovering savings of time and money. Georgia Power, a Southern Company affiliate, expects annual savings of $1.2-million from inventory carrying costs alone.

EDI programs involve the electronic exchange of information between two parties, generally replacing paper communications, such as requests for proposals or orders for goods and services. EDI is almost always a computer-to-computer exchange.

Southern Company unit Georgia Power is operating an advanced EDI program. Of its 1,200 vendors Georgia Power is now trading electronically with about 200. Each of the Southern Company utilities - including Gulf Power - also has an EDI program underway but not as advanced as that of Georgia Power.

Savings for the utilities come from reduced inventory expenses and reduced overhead for processing purchasing functions. EDI shortens purchasing cycles so that you can reduce your supply of safety stocks. Processing expenses drop sharply. Currently Georgia Power spends about $70 for each paper purchase order it issues. With EDI the cost falls to about $35.

Georgia Power's annual savings will approach $1.2 million of inventory carrying costs, plus many intangibles, such as fewer keyboard errors and a better relationship between utility buyers and trading partners."

Source: ELECTRIC UTILITY WEEK - March 13, 1989

AUDIT DISCLOSURE NO. 41

SUBJECT: **Separation Factors**

DISCLOSURE: We did not audit the separation factors that Gulf Power has used in their MFRs. These factors are requested percentages. They have not been audited, they have been accepted in this audit subject to a more intensive review by the Electric and Gas Division.

AUDIT DISCLOSURE NO. 42

SUBJECT: Tax related work

DISCLOSURE: Tax related issues were not researched as part of this audit. The Tax Bureau of The Division of Auditing and Financial Analysis is conducting their own investigation of these issues. The Tax Bureau will be issuing a separate report discussing their findings. It is hopeful that this review will be completed in the near future and will be issued as an addendum to this audit report.

AUDIT DISCLOSURE NO. 43

SUBJECT: REFERENCE LEVEL

DISCUSSION: Gulf Power begins building the current year's O & M budget through the use of a "Reference Level" . A "Reference Level" represents the prior year's budgeted amount for any given "Planning Unit" (a budget area), less all nonrecurring and corporate controlled items. Each of the companies "Planning Units" is budgeted separately and has its own "Reference Level." The current year's budget is a combination of the "Reference Level" plus or minus the current year's adjustments. The "Reference Level" represents a substantial percentage of each planning units budgeted dollars for any given year.

Due to the unique nature of the "Reference Level", it was very difficult to audit the budget of Gulf. In order to effectively audit the "Reference Level" for 1989, one would have to audit the prior year's budget (1988), since the "Reference Level" is based on that budget. However, it doesn't stop there, because that budget (1988) is also based on a "Reference Level" - which is also based on a prior budget (1987) - and so on. There appears to be no end (or beginning) to the "Reference Level."

COMPANY RESPONSE: Company may respond at a later date.

AUDIT DISCLOSURE NO. 44

SUBJECT: 1988 OUT OF PERIOD EXPENSES - UPS

DISCUSSION: Testing of unit power sales expenses revealed several out of period items. These items increase 1988 UPS expenses -- with a subsequent decrease in 1988 utility expenses to Florida rate payers:

Remove 1987 costs: (2/88 JV 2072)	($46,613)
Remove 1987 costs: (4/88 JV 2032)	($47,976)
Remove 1987 adjustment: (2/88 JV 2072)	$34,059
Remove 1983 adjustment: (4/88 JV 2072)	$23,193
Add 1988 costs: (2/89 JV 2032) (3/89 JV 2072)	$25,558
Add 1988 costs: (4/89 JV 2032)	$188,616
subtotal	$176,837
Jurisdictional factor	.967
Jurisdictional expense	$171,001
Less Income Tax Impact (@ 37.63%)	($64,348)
1988 Revenue Impact	$106,653

COMPANY COMMENT: The company may respond at a later date.

Gulf Power Company
Rate Case Audit
1989 Projected Test Year

Rate Base
('000)

Rate Base Components	Total Co. Per Books	Company Adjustments	Total Co. Adjusted	Jurisdictional Factor	Juris. Total
Plant in Service	1,426,354	(158,315)	1,268,039	0.9763753	1,238,082
Accum. Depr. & Amort.	456,927	(20,788)	436,139	0.9755537	425,477
Net Plant in Service	969,427	(137,527)	831,900	0.9768061	812,605
CWIP	14,476	(2,888)	11,588	0.9783397	11,337
PHFU	3,536	0	3,536	0.9751131	3,448
Working Capital	211,559	(131,074)	80,485	0.9713487	78,179
Total Rate Base Per Co.	1,198,998	(271,489)	927,509		905,569
Audit Adjustments:					
Exception No. 1 - Plant	(34)		(34)	0.9763753	(33)
Exception No. 2 - PHFU	(100)		(100)	0.9751131	(98)
Exception No. 3 - Plant	(346)		(346)	0.9763753	(338)
Exception No. 4 - Plant	(7,980)		(7,980)	0.9763753	(7,791)
Total Co. Rate Base per Audit	$1,190,538	($271,489)	$919,049		$897,309

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: GULF POWER COMPANY

DOCKET NO. 881167-EI

EXPLANATION: Provide the company's 13-month average cost of capital for:
1) the test year,
2) the prior year if the test year is projected, and
3) the test year of the last rate case

Type of Data Shown:
Historic Test Year Ended
Projected Test Year Ended
Prior Test Year Ended 1984
Witness: A. E. Scarbrough

Test Year Ended 12/31/84

Line No.	Class of Capital	Requested: Jurisdictional Rate Base (000)	Requested: Ratio %	Requested: Cost Rate %	Requested: Weighted Rate %	Approved: Jurisdictional Rate Base (000)	Approved: Ratio %	Approved: Cost Rate %	Approved: Weighted Rate %
1	Long-Term Debt	285,157	42.42	9.21	3.91	269,192	43.03	9.24	3.97
2	Short-Term Debt	6,252	0.93	9.20	0.09	5,894	0.94	9.20	0.09
3	Preferred Stock	57,139	8.50	8.63	0.73	54,242	8.67	8.65	0.75
4	Common Equity	187,685	27.92	15.85	4.43	173,641	27.76	15.60	4.33
5	Customer Deposits	9,478	1.41	7.88	0.11	9,230	1.48	7.88	0.12
6	Deferred Taxes	86,503	12.88			80,850	12.92		
7	Investment Credit - Zero Cost	1,412	0.21			1,304	0.21		
8	Investment Credit - Weighted Cost	38,518	5.73	9.83	0.56	31,241	4.99	9.75	0.49
		672,224	100.00		9.83	625,602	100.00		9.75

Supporting Schedules: D-4a, D-4c, D-12

Recap Schedules: A-1, A-2b, A-15a, A-15b, B-3c

Schedule C-2d

ADJUSTED NET OPERATING INCOME

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: Provide a schedule of proposed and commission adjustments to net operating income per books for the test year.

COMPANY: GULF POWER COMPANY

DOCKET NO. 881167-EI

Type of Data Shown:
Historic Test Year Ended
Projected Test Year Ended 1989
Prior Year Ended
Witness: A. E. Scarbrough

Adjusted Jurisdictional Net Operating Income Calculation for the Twelve Months Ended 12/31/89

(Thousands)

Line No.	Description	(A) Total Company per Books	(B) Non-Electric Utility	(C) Electric Utility (A - B)	(D) Commission Adjustments (Sch. C-2e)	(E) Utility Adjusted per Commission (C + D)	(F) Company Adjustments (Sch. C-2e)	(G) Total Adjusted Utility (E + F)	(H) Unit Power Sales Net Operating Income	(I) Total Adjusted Utility net of UPS (G - H)	(J) Jurisdictional Separation Factor	(K) Jurisdictional Amount (I x J)
	Operating Revenues:											
1	Sales of Electricity	470,089		470,089	(186,715)	283,374		283,374	31,828	251,546	0.9761197	245,539
2	Other Operating Revenues	10,431		10,431	(4,897)	5,534		5,534		5,534	0.9631370	5,330
3	Total Operating Revenues	480,520	0	480,520	(191,612)	288,908	0	288,908	31,828	257,080	0.9758402	250,869 ✓
	Operating Expenses:											
4	Operation - Fuel	180,796		180,796	(180,796)	0		0		0		0
5	Interchange	(7,609)		(7,609)	902	(6,707)	(902)	(7,609)		(7,609)	0.9687066	(7,371)
6	Other Operation & Maintenance	123,929		123,929	(4,493)	119,436	5,299	124,735	5,486	119,249	0.9788250	116,724
7	Depreciation & Amortization	53,047		53,047		53,047	(927)	52,120	4,768	47,352	0.9773822	46,281
8	Amortization of Investment Credit	(2,540)		(2,540)		(2,540)		(2,540)	(263)	(2,277)	0.9776021	(2,226)
9	Taxes Other Than Income Taxes	27,997		27,997	(7,578)	20,419		20,419	697	19,722	0.9795153	19,318
	Income Taxes											
10	Federal	16,756		16,756	(294)	16,462	(1,114)	15,348	3,746	11,602	0.9708671	11,264
11	State	2,881		2,881	(50)	2,831	(191)	2,640	644	1,996	0.9709419	1,938
	Deferred Income Taxes - Net											
12	Federal	2,800		2,800		2,800		2,800	666	2,134	0.9630061	2,054
13	State	841		841		841		841	200	641	0.9637509	618
14	Investment Tax Credit	0		0		0		0		0		0
15	Total Operating Expenses	398,818	0	398,818	(192,309)	206,509	2,165	208,674	15,944	192,730	0.9781663	188,522 ✓
16	Net Operating Income	81,702	0	81,702	697	82,399	(2,165)	80,234	15,884	64,350	0.9688733	62,347 ✓

Supporting Schedules: C-2b, C-2e, C-6

Recap Schedules: A-1, A-2b, A-14, B-3b

✓= Ties to Sch. A-14, pg 1 of 1

State of Florida

STEVE TRIBBLE, Director
Division of Records & Reporting
(904) 488-8371

Public Service Commission

May 4, 1989

Gulf Power Company
Attn: Bonnie Sprinkle
Post Office Box 1151
Pensacola, FL 32520-1151

Dear Ms. Sprinkle

Docket No. 881167-EI -- Gulf Power Company Audit Report
for 12-Month Test Period Ending December 31, 1989

The enclosed report is forwarded for your review.

The audit report and 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,

Steve Tribble

ST/FD/sp
Enclosure

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf Power Company) DOCKET NO. 891345-EI
for an increase in its rates and)
charges.)
)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Prefiled Testimony of Robert Alan Freeman has been served by First Class U. S. Mail, postage prepaid, on Edison Holland, Jr., Esquire (Gulf Power Company), Beggs and Lane, Post Office Box 12950, Pensacola, Florida 32576, with copies to the following parties of record, this 27 day of April, 1990:

Federal Executive Agencies (FEA)
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