

MEMORANDUM

July 12, 1996

TO: DIVISION OF RECORDS AND REPORTING

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

RE: DOCKET NO. 960001-EI -- GULF POWER COMPANY  
CAPACITY COST AUDIT REPORT - PERIOD ENDED MARCH 31, 1996  
AUDIT CONTROL NO. 95-298-1-2

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

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

Please forward a complete copy of this report to:

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

DNV/sp

Attachment

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

Research and Regulatory Review (Harvey)  
Office of Public Counsel

DOCUMENT NUMBER-DATE

07330 JUL 12 96

FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED MARCH 31, 1996

FIELD WORK COMPLETED

JULY 10, 1996

GULF POWER COMPANY

PENSACOLA, FLORIDA

ESCAMBIA COUNTY

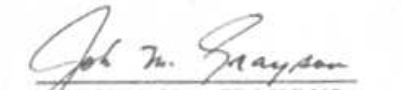
CAPACITY COST AUDIT

DOCKET NUMBER 960001-EI

AUDIT CONTROL NUMBER 95-298-1-2

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
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- LEG \_\_\_\_\_
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- SEC \_\_\_\_\_
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

  
CHRISTOPHER HOLMAN  
AUDIT MANAGER

  
JOHN M. GRAYSON  
FIELD AUDIT SUPERVISOR

DOCUMENT NUMBER-DATE  
07330 JUL 12 88  
FPSC-RECORDS/REPORTING

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## I. Executive Summary

**Audit Purpose:** We have applied the procedures, described in Section II of this report, to audit the appended Capacity Cost Recovery True Up Filing, filed by Gulf Power Company in support of Docket NO. 950001-EI for the twelve months period ending March 31, 1996.

**Scope Limitation:** This report is not based on any confidential information.

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

**Opinion:** The appended exhibits, for the twelve months ended March 31, 1996 represent utility books and records maintained in substantial compliance with Commission Directives; The expressed opinions extend only to the scope of work described in section II of this report.

## II. Audit Scope

The opinions contained in this report are based on the audit work described below. When used in this report COMPILED is defined as audit work which includes the following:

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

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

Schedule "E" Capacity Revenue: There were no Schedule "E" Revenues for the 12 months period ending March 31, 1996.

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

Capacity Included in Retail Base Rate Revenue: Traced to the applicable Commission order.

Other: Recalculated the true-up and interest provision for the twelve months period ended March 31, 1996; traced the beginning true-up to the prior filing; traced the interest rates used in the calculation of the interest provisions to the 30 Day Commercial Paper Rate.

AUDIT DISCLOSURE NO. 1

SUBJECT: Audit Period

**STATEMENT OF FACT:** The Commission ordered Gulf Power Company to change its filing period from two six month periods, ending September 30, and March 31 respectively, to a twelve month period ending September 30. This is found in Docket No. 950001-EI, Order PSC-95-1089-FOF-EI. The current Audit Request specifies the time period for the audit to be April 1, 1995 through March 31, 1996.

The current filing procedures present difficulties in performing the audit.

- 1). The twelve month audit period includes six months from the period ending September 30. The filing is not comparable to the filing for the second six month period ending March 31.
- 2). The filing for the 12 month period ending May 31 actuals and from June through September 30 estimated does not include the calculation of the interest provision and calculation of the end of period total net true-up as in the six month period ending September 30. Therefore, these cannot be audited unless the auditor prepares the schedules, which was done in this audit.
- 3). The schedules for the period ending March 31 are not filed until the scheduled due date of the audit. Therefore, the auditors must prepare the schedule, file the audit late, or simply audit the General ledger with no reconciliation to a filing.

**AUDIT DISCLOSURE NO. 2**

**SUBJECT:** Schedule "E" Revenue

**STATEMENT OF FACT:** The Company did not have Schedule "E" Revenue for the 12 month period ending March 31, 1996. Schedule "E" Revenue amounts ended December 31, 1994.

**AUDIT DISCLOSURE NO. 3**

**SUBJECT:** FP&L Audit of Southern Company

**STATEMENT OF FACT:** Florida Power & Light (FP&L), Jacksonville Electric Authority (JEA), the City of Tallahassee, and Florida Power Corporation (FPC) purchase power through long term Unit Power Sales (UPS) Agreements. The UPS billings include three components: Energy, Production Capacity, and Transmission Capacity. During 1995 FP&L performed an audit on Southern Company that covered Production Capacity billings for the calendar years 1992 through 1994, and for Transmission Capacity for calendar years 1992 and 1993.

FP&L issued its audit report on December 27, 1995 that included a number of recommendations and issues for adjustment and resolution. Gulf Power Company reported that none of the issues (items I through XV) noted in this report appear to affect Gulf Power Company.



**GULF POWER COMPANY  
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF FINAL TRUE-UP AMOUNT  
APRIL 1995 - SEPTEMBER 1995**

1. Estimated over/(under) -recovery for the period APRIL 1995 - SEPTEMBER 1995 (Schedule CCE-1b approved in Order No. PSC-95-1089-FOF-EI dated September 5, 1995)	190,165
2. Actual over/(under)-recovery for the period APRIL 1995 - SEPTEMBER 1995 (Schedule CCA-2 Line 11+12 in the Total column)	<u>600,870</u>
3. Amount to be refunded/(recovered) in the October, 1996 - September, 1997 projection period (Line 2 - Line 1)	<u><u>410,705</u></u>

**GULF POWER COMPANY  
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF TRUE-UP AND INTEREST PROVISION  
FOR THE PERIOD APRIL 1995 - SEPTEMBER 1995**

	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	ACTUAL TOTAL
1. IIC Payments / (Receipts) (\$)	(359,551)	202,794	592,062	635,252	368,600	403,224	1,842,381
2. Schedule E Capacity Revenues (\$)	0	0	0	0	0	0	0
3. Total Capacity Payments/(Receipts) (Line 1 + 2) (\$)	(359,551)	202,794	592,062	635,252	368,600	403,224	1,842,381
4. Jurisdictional %	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859
5. Jurisdictional Capacity Payments / (Receipts) (Line 3 x 4) (\$)	(346,602)	195,491	570,739	612,374	355,325	388,702	1,776,029
6. Amount Included in Retail Base Rate Revenues (\$)	(137,667)	(137,667)	(137,667)	(137,667)	(137,667)	(137,665)	(826,000)
7. Total Jurisdictional Recovery Amount (Line 5 - 6) (\$)	(208,935)	333,158	708,406	750,041	492,992	526,367	2,602,029
8. Jurisdictional Capacity Cost Recovery Revenue Net of Taxes (\$)	329,904	440,952	468,636	532,066	532,956	764,403	3,068,917
9. True-Up Provision (\$)	20,002	20,002	20,002	20,002	20,002	20,002	120,012
10. Jurisdictional Capacity Cost Recovery Revenue (Line 8 + 9) (\$)	349,906	460,954	488,638	552,068	552,958	784,405	3,188,929
11. Over/(Under) Recovery (Line 10 - 7) (\$)	558,841	127,796	(219,768)	(197,973)	59,966	258,038	586,900
12. Interest Provision (\$)	1,798	3,435	3,127	1,948	1,481	2,181	13,970
13. Beginning Balance True-Up & Interest Provision (\$)	84,625	625,262	736,491	499,848	283,821	325,266	84,625
14. True-Up Collected/(Refunded) (\$)	(20,002)	(20,002)	(20,002)	(20,002)	(20,002)	(20,002)	(120,012)
15. End Of Period Total Net True-Up (Lines 11 + 12 + 13 + 14) (\$)	625,262	736,491	499,848	283,821	325,266	565,483	565,483

Florida Public Service Commission  
 Docket No. 960001-EI  
 GULF POWER COMPANY  
 Witness: S. D. Cranmer  
 Exhibit No. (SDC-1)  
 SCHEDULE CCA-2

**GULF POWER COMPANY  
PURCHASED POWER CAPACITY COST RECOVERY CLAUSE  
CALCULATION OF INTEREST PROVISION  
FOR THE PERIOD APRIL 1995 - SEPTEMBER 1995**

	ACTUAL APRIL	ACTUAL MAY	ACTUAL JUNE	ACTUAL JULY	ACTUAL AUGUST	ACTUAL SEPTEMBER	TOTAL
1 Beginning True-Up Amount (\$)	84,625	625,262	736,491	499,848	283,821	325,266	
2 Ending True-Up Amount Before Interest (\$)	623,464	733,056	496,721	281,873	323,785	563,302	
3 Total Beginning & Ending True-Up Amount (\$) (Lines 1 + 2)	708,089	1,358,318	1,233,212	781,721	607,606	888,568	
4 Average True-Up Amount (\$)	354,045	679,159	616,606	390,861	303,803	444,284	
5 Interest Rate - First Day of Reporting Business Month	0.061200	0.060700	0.060700	0.061000	0.058600	0.058400	
6 Interest Rate - First Day of Subsequent Business Month	0.060700	0.060700	0.061000	0.058600	0.058400	0.059400	
7 Total Interest Rate (Lines 5 + 6)	0.121900	0.121400	0.121700	0.119600	0.117000	0.117800	
8 Average Interest Rate	0.060950	0.060700	0.060850	0.059800	0.058500	0.058900	
9 Monthly Average Interest Rate (1/12 Of Line 8)	0.005079	0.005058	0.005071	0.004983	0.004875	0.004908	
10 Interest Provision For the Month (Lines 4 X 9) (\$)	1,798	3,435	3,127	1,948	1,481	2,181	13,970

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Florida Public Service Commission  
 Docket No. 960001-EI  
 GULF POWER COMPANY  
 Witness: S. D. Cramer  
 Exhibit No. (SDC-1)  
 SCHEDULE CCA-3

**Purchased Power Capacity Cost Recovery Clause  
Calculation of True-up  
Gulf Power Company  
October 1996 - September 1997**

Estimated over/(under)-recovery, October 1995 - September 1996 (Schedule CCE-1b, line 16)	\$374,156
Final True-up, April 1995 - September 1995 (Exhibit No. ___(SDC-1), filed May 17, 1996)	<u>\$410,705</u>
Total Over/(Under)-Recovery	<u><u>\$784,861</u></u>
Jurisdictional KWH sales, October 1996 - September 1997	8,788,587,000
True-up Factor (Line 3 / Line 4) x 100 (Cents/KWH)	(0.0089)

Purchased Power Capacity Cost Recovery Clause  
 Calculation of Estimated True-Up Amount  
 Gulf Power Company  
 For the Period October 1995 - September 1996

	Actual October	Actual November	Actual December	Actual January	Actual February	Actual March	Actual April	Actual May	Estimated June	Estimated July	Estimated August	Estimated September	Total
1 IIC Payments/(Receipts) (\$)	352,489	998,863	1,209,535	1,185,652	1,692,302	2,007,664	(235,204)	80,434	853,961	960,872	496,183	684,876	10,287,646
2 Projected Capacity Payments to Monarchs (\$)	0	0	0	0	0	0	0	0	62,202	62,202	62,202	62,202	248,808
3 Total Capacity Payments/(Receipts) (Line 1 + Line 2) (\$)	352,489	998,863	1,209,535	1,185,652	1,692,302	2,007,664	(235,204)	80,434	916,163	1,023,074	558,385	747,078	10,536,454
4 Jurisdictional %	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	0.9639859	
5 Jurisdictional Capacity Payments/(Receipts) (Line 3 x Line 4) (\$)	339,794	962,890	1,165,974	1,142,952	1,631,355	1,935,360	(226,734)	77,537	883,187	986,229	538,275	720,173	10,156,992
6 Amount Included in Retail Base Rate Revenues (\$)	(137,667)	(137,667)	(137,666)	(137,667)	(137,667)	(137,666)	(137,667)	(137,667)	(137,666)	(137,667)	(137,667)	(137,666)	(1,652,000)
7 Total Jurisdictional Recovery Amount (Line 5 - Line 6) (\$)	477,461	1,100,557	1,303,640	1,280,619	1,769,022	2,073,026	(89,067)	215,204	1,020,853	1,123,896	675,942	857,839	11,808,992
8 Retail KWH Sales									853,513,000	903,862,000	919,730,000	785,135,000	
9 Purchased Power Capacity Cost Recovery Factor (\$/KWH)									0.140	0.140	0.140	0.140	
10 Capacity Cost Recovery Revenues (Line 8 x Line 9/100) (\$)	841,442	800,579	987,087	1,019,781	934,042	934,731	789,305	1,073,704	1,194,918	1,265,407	1,287,622	1,099,189	12,227,807
11 Revenue Taxes (Line 10 x .01583) (\$)	13,320	12,673	15,626	16,143	14,786	14,797	12,495	16,997	18,916	20,031	20,383	17,400	193,567
12 True-Up Provision (\$)	12,898	12,898	12,898	12,898	12,898	12,898	12,898	12,898	12,899	12,899	12,898	12,898	154,778
13 Capacity Cost Recovery Revenues net of Revenue Taxes (Line 10 - Line 11 + Line 12) (\$)	841,020	800,804	984,359	1,016,536	932,154	932,832	789,708	1,069,605	1,188,901	1,258,275	1,280,137	1,094,687	12,189,018
14 Over/(Under) Recovery (Line 13 - Line 7) (\$)	363,559	(299,753)	(319,281)	(264,083)	(836,868)	(1,140,194)	878,775	854,401	168,048	134,379	604,195	236,848	300,026
15 Interest Provision (\$)	3,627	3,694	2,152	665	(1,880)	(6,425)	(7,148)	(3,272)	(1,045)	(427)	1,175	3,014	(5,870)
16 Total Estimated True-Up for the Period October 1995 - September 1996 (Line 14 + Line 15) (\$)													374,156

NOTE: Interest is Calculated for June through September at May's rate of .45% per month.

State of Florida

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



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

Public Service Commission

July 12, 1996

Warren E. Tate  
Gulf Power Company  
Post Office Box 13470  
Pensacola, Florida 32591-3470

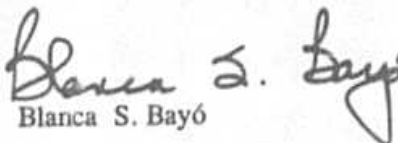
RE: Docket No. 960001-EI -- Gulf Power Company  
Capacity Cost Audit Report - Period Ended March 31, 1996  
Audit Control #95-298-1-2

Dear Mr. Tate:

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

Thank you for your cooperation.

Sincerely,

  
Blanca S. Bayo

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