

MEMORANDUM

June 18, 1998

ORIGINAL

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) CW
RE: DOCKET NO. 980001-EI -- GULF POWER COMPANY
AUDIT REPORT - FUEL - PERIOD ENDED MARCH 31, 1998
AUDIT CONTROL NO. 98-057-1-1

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

The audit was prepared using a micro computer and has been recorded on one diskette. The diskette may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are no confidential working papers associated with this audit.

Please forward a complete copy of this audit report to:

Gulf Power Company
Warren E. Tate
One Energy Place
Pensacola, FL 32520-0780

DNV/sp
Attachment

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

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FPSC-RECORDS/REPORTING



FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND FINANCIAL ANALYSIS
BUREAU OF AUDITING

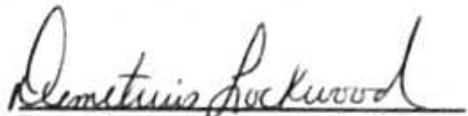
Tallahassee District Office


Gulf Power Company

Fuel Adjustment Audit

HISTORICAL YEAR ENDED March 31, 1998

DOCKET NO. 980001-EI
AUDIT CONTROL NO. 98-057-1-1


Demetrius Lockwood, Audit Manager


Rhonda Hicks, Audit Supervisor

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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**DIVISION OF AUDITING AND FINANCIAL ANALYSIS
AUDITOR'S REPORT**

May 19, 1998

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedules of Fuel Adjustment for the historical 12-month period ended March 31, 1998, for Gulf Power Company. These schedules were prepared by the utility as part of its petition filed in Docket No. 980001-EI. There is no confidential information associated with this audit, and there are no audit staff minority opinions.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should 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.

In our opinion, the schedules referred to above present fairly, in all material respects, the utility's books and records, maintained in conformity with the accounting practices prescribed by the Florida Public Service Commission.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

Scanned - The documents or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Verify - The item was tested for accuracy, and substantiating documentation was examined.

FUEL REVENUE: Verified all rate classes established in FPSC Order No. PSC-97-0359-FOF-EI and PSC-97-1045-FOF-EI. Recomputed jurisdictional revenue.

FUEL COST: Compiled the Fuel Cost of System Net Generation. Scanned and recomputed Energy payments and Fuel Cost Purchased Power. Recomputed Net Purchases/Sales. Verified transmission revenues were properly credited to the fuel clause per FPSC Order No. PSC-98-0073-FOF-EI. Verified the adjustment to coal inventory due to differences between the per book inventory quantities and the semi-annual coal inventory survey quantities were performed per FPSC Order No. PSC-97-0359-FOF-EI.

OTHER: Compiled and Recomputed true-up and interest provision.

CALCULATION OF TRUE-UP AND INTEREST PROVISION
GULF POWER COMPANY
FOR THE MONTH OF: SEPTEMBER 1997

	CURRENT MONTH				PERIOD - TO - DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%
A. Fuel Cost & Net Power Transactions								
1 Fuel Cost of System Net Generation	20,920,094.02	20,152,722	767,372.02	3.81	112,795,375.32	115,470,345	(2,674,969.68)	(2.32)
2 Fuel Cost of Power Sold	(4,306,329.91)	(3,445,600)	(860,729.91)	24.98	(20,243,584.72)	(17,664,800)	(2,578,784.72)	14.60
3 Fuel Cost - Purchased Power	1,896,485.74	1,138,000	758,485.74	66.65	12,828,872.62	10,597,000	2,231,872.62	21.06
3a Demand & Non-Fuel Cost Purchased Power	0.00	0	0.00	NA	0.00	0	0.00	NA
3b Energy Payments to Qualifying Facilities	227,099.98	1,043	226,056.98	21,673.73	1,334,560.72	25,241	1,309,319.72	5,167.27
4 Energy Cost-Economy Purchases	0.00	0	0.00	NA	0.00	0	0.00	NA
5 Total Fuel & Net Power Transactions	18,737,349.83	17,848,165	891,184.83	4.99	106,715,223.94	108,427,786	(1,712,562.06)	(1.58)
6 Adjustments To Fuel Cost	0.00	0	0.00	NA	0.00	0	0.00	NA
7 Adj. Total Fuel & Net Power Transactions	18,737,349.83	17,848,165	891,184.83	4.99	106,715,223.94	108,427,786	(1,712,562.06)	(1.58)
B. KWH Sales								
1 Jurisdictional Sales	884,806,457	797,052,000	87,554,457	10.98	4,924,290,672	4,892,247,000	32,043,672	0.65
2 Non-Jurisdictional Sales	31,898,853	30,254,000	1,644,853	5.44	176,741,932	181,040,000	(4,298,068)	(2.37)
3 Total Territorial Sales	916,505,310	827,306,000	89,199,310	10.78	5,101,032,604	5,073,287,000	27,745,604	0.55
4 Juris. Sales as % of Total Terr. Sales	96.5195	96.3431	0.1764	0.18	96.5352	96.4315	0.1037	0.11

CALCULATION OF TRUE-UP AND INTEREST PROVISION
GULF POWER COMPANY
FOR THE MONTH OF: SEPTEMBER 1997

	CURRENT MONTH				PERIOD - TO - DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%
C. True-up Calculation								
1 Jurisdictional Fuel Revenue	18,671,836.18	16,895,908	1,775,928.18	10.51	104,229,404.37	103,705,852	523,552.37	0.50
2 Fuel Adj. Revs. Not Applicable to Period:								
2a True-Up Provision	198,950.00	198,950	0.00	0.00	1,193,695.00	1,193,695	0.00	0.00
2b Incentive Provision	(13,481.00)	(13,481)	0.00	0.00	(80,896.00)	(80,896)	0.00	0.00
2c Special Contract Recovery Cost	(20,195.00)	(20,195)	0.00	0.00	(121,175.00)	(121,175)	0.00	0.00
3 Juris. Fuel Revenue Applicable to Period	18,837,110.18	17,061,182	1,775,928.18	10.41	105,221,028.37	104,697,476	523,552.37	0.50
4 Adjusted Total Fuel & Net Power Transactions (Line A7)	18,737,349.83	17,846,165	891,184.83	4.99	106,715,223.94	106,427,786	(1,712,562.06)	(1.58)
5 Juris. Sales % of Total KWH Sales (Line B4)	96.5195	96.3431	0.1764	0.18	96.5333	96.4340	0.0993	0.10
6 Juris. Total Fuel & Net Power Transactions Adj. for Line Losses (C4 *C5*1.0014)	18,110,515.64	17,217,620	892,895.64	5.19	103,159,999.91	104,707,667	(1,547,667.09)	(1.48)
7 True-Up Provision for the Month Over/(Under) Collection (C3-C6)	726,594.54	(156,438)	883,032.54	(564.46)	2,061,028.46	(10,191)	2,071,219.46	(20,324.01)
8 Interest Provision for the Month	(6,440.22)	995	(7,435.22)	(747.26)	(32,060.33)	48,819	(80,879.33)	(165.87)
9 Beginning True-Up & Interest Provision	(1,657,507.51)	393,021	(2,050,528.51)	(521.74)	(1,971,578.32)	1,193,695	(3,165,271.32)	(265.17)
10 True-Up Collected / (Refunded)	(198,950.00)	(198,950)	0.00	0.00	(1,193,695.00)	(1,193,695)	0.00	0.00
11 End of Period - Total Net True-Up. (C7+C8+C9+C10)	(1,138,303.19)	38,628	(1,174,931.19)	(3.04166)	(1,138,303.19)	38,628	(1,174,931.19)	(3.04166)

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
GULF POWER COMPANY
FOR THE MONTH OF: MARCH 1998**

	CURRENT MONTH				PERIOD - TO - DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%
A. Fuel Cost & Net Power Transactions								
1 Fuel Cost of System Net Generation	14,857,501.89	14,130,274	727,227.89	5.15	91,912,126.85	90,767,914	1,144,212.85	1.26
2 Fuel Cost of Power Sold	(3,162,679.40)	(1,821,400)	(1,341,279.40)	73.64	(17,583,382.05)	(13,588,600)	(3,994,782.05)	29.40
3 Fuel Cost - Purchased Power	1,738,937.28	1,484,500	254,437.28	17.14	8,372,943.49	6,609,118	1,763,825.49	26.69
3a Demand & Non-Fuel Cost Purchased Power	0.00	0	0.00	NA	0.00	0	0.00	NA
3b Energy Payments to Qualifying Facilities	279,167.54	0	279,167.54	NA	1,054,262.60	179	1,054,083.60	588,873.52
4 Energy Cost-Economy Purchases	0.00	0	0.00	NA	0.00	0	0.00	NA
5 Total Fuel & Net Power Transactions	13,712,927.31	13,793,374	(80,446.69)	(0.58)	83,755,950.89	83,788,611	(32,660.11)	(0.04)
6 Adjustments To Fuel Cost	0.00	0	0.00	NA	0.00	0	0.00	NA
7 Adj. Total Fuel & Net Power Transactions	13,712,927.31	13,793,374	(80,446.69)	(0.58)	83,755,950.89	83,788,611	(32,660.11)	(0.04)
B. KWH Sales								
1 Jurisdictional Sales	680,486,696	679,215,000	1,271,696	0.19	4,063,130,295	4,045,597,000	17,533,295	0.43
2 Non-Jurisdictional Sales	24,062,061	26,051,000	(1,988,939)	(7.63)	149,368,100	158,997,000	(9,628,900)	(6.06)
3 Total Territorial Sales	704,548,757	705,266,000	(717,243)	(0.10)	4,212,498,395	4,204,594,000	7,904,395	0.19
4 Juris. Sales as % of Total Terr. Sales	96.5848	96.3062	0.2786	0.29	96.4542	96.2185	0.2357	0.24

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
GULF POWER COMPANY
FOR THE MONTH OF: MARCH 1998**

	CURRENT MONTH				PERIOD - TO - DATE			
	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%	ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%
C. True-up Calculation								
1 Jurisdictional Fuel Revenue	12,736,948.71	14,243,139	(1,506,190.29)	(10.57)	83,639,525.64	84,836,169	(1,196,643.36)	(1.41)
2 Fuel Adj. Revs. Not Applicable to Period:								
2a True-Up Provision	(670,457.67)	(670,456)	(1.67)	0.00	(4,022,746.02)	(4,022,746)	(0.02)	0.00
2b Incentive Provision	(1,861.50)	(1,859)	(2.50)	0.13	(11,169.00)	(11,169)	0.00	0.00
2c Special Contract Recovery Cost	(11,153.50)	(11,151)	(2.50)	0.02	(66,921.00)	(66,921)	0.00	0.00
3 Juris. Fuel Revenue Applicable to Period	12,053,476.04	13,559,673	(1,506,196.96)	(11.11)	79,538,689.62	80,735,333	(1,196,643.38)	(1.48)
4 Adjusted Total Fuel & Net Power Transactions (Line A7)	13,712,927.31	13,793,374	(80,446.69)	(0.58)	83,755,950.89	83,788,611	(32,660.11)	(0.04)
5 Juris. Sales % of Total KWH Sales (Line B4)	96.5848	96.3062	0.2786	0.29	96.4542	96.2185	0.2357	0.24
6 Juris. Total Fuel & Net Power Transactions Adj. for Line Losses (C4 *C5*1.0014)	13,263,145.86	13,302,472	(39,326.14)	(0.30)	80,900,800.49	80,733,384	167,416.49	0.21
7 True-Up Provision for the Month Over/(Under) Collection (C3-C6)	(1,209,669.82)	257,201	(1,466,870.82)	(570.32)	(1,362,110.87)	1,954	(1,364,064.87)	(69,808.85)
8 Interest Provision for the Month	8,289.08	(2,370)	10,659.08	(449.75)	9,690.75	(53,899)	63,589.75	(117.98)
9 Beginning True-Up & Interest Provision	2,064,945.78	(977,232)	3,042,177.78	(311.31)	(1,136,303.19)	(4,022,746)	2,886,442.81	(71.75)
10 True-Up Collected / (Refunded)	670,457.67	670,456	1.67	0.00	4,022,746.02	4,022,746	0.02	0.00
11 End of Period - Total Net True-Up, Before Adjustment (C7+C8+C9+C10)	1,534,022.71	(51,945)	1,585,967.71	(3,053.17)	1,534,022.71	(51,945)	1,585,967.71	(3,053.17)

STATE OF FLORIDA

Commissioners:
JULIA L. JOHNSON, CHAIRMAN
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

June 19, 1998

Mr. Warren E. Tate
Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0780

Re: Docker No. 980001 - EI - Gulf Power Company
Audit Report - Fuel - Period Ended March 31, 1998
Audit Control # 98-057-1-1

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 case will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Kay Flynn".

Kay Flynn

KF/ABF

Enclosure

cc: Public Counsel
Division of Audit and Financial Analysis