

Exhibit B

REDACTED
981594-EI

11.1 through 11.1.18

Internal Audit Report
Review of Affiliated Billings
September 1998

This document consisting of 16 pages is confidential in its entirety.

DOCUMENT NUMBER-DATE

12707 NOV 12 88

FROM ACCESS/REPORTING

11-1A through 11.1A.2

Internal Controls

This document consisting of 2 pages is confidential in its entirety.

11-1B through 11-1B.4

Customer Job Order Procedures

This document consisting of 7 pages is confidential in its entirety.

11-1C through 11-1C.3

1994 Overheads

This document consisting of 3 pages is confidential in its entirety.

11-1D through 11-1D.2

1995 Overheads

This document consisting of 2 pages is confidential in its entirety.

11-1E through 11-1E.3

O/H & Trace to Ledger

This document consisting of 3 pages is confidential in its entirety.

11-1F through 11-1F.5

Lease Data

This document consisting of 5 pages is confidential in its entirety.

11-1G through 11-1G.7

Overhead Rates

This document consisting of 7 pages is confidential in its entirety.

11-1H through 11-1H.20

Comparison to Georgia Power

This document consisting of 20 pages is confidential in its entirety.

From
10-47

10-47

ACTIONS:

A request was made to AFAD EDP to implement a computer run/printout of all transactions (in the Accounts Payables computer file sent by Gulf Power Company to the FPSC) involving a purchase by Gulf Power Company from the Vendor designated "Baskerville" or "Donovan" during Year 1996. As part of the computer run, a number of fields were printed for each of the transactions. These fields included:

..... Invoice# PurchOrder VendorName Description

RESULTS:

AFAD EDP made the computer run as mentioned above. One of the pages of that output is enclosed. On the following page, the item "D1" has been selected for research.

REQUESTS:

- 1) Please provide a brief statement of purpose for the payment made in Year 1996 for item D1.

RESPONSE: The amount paid as indicated by item D1 is for professional surveying services provided to Gulf Power Company.

- 2) Please provide invoice/documentation to support the paid amount for item D1 in Year 1996.

RESPONSE: See attached photocopy of invoice.

- 3) Was this payment (item D1) made as a result of a "contract" by Baskerville-Donovan with Gulf Power Company?

RESPONSE: Yes.

- 3.1) If so, then please provide a photocopy of the contract.

RESPONSE: See attached photocopy of "contract."

- 4) Were any payments by Gulf Power Company during 1996 made to the firm of Baskerville-Donovan the result of any contractual requirement existing between Gulf Power Company and the firm of vendor Baskerville-Donovan?

RESPONSE: Yes.

- 4.1) If so, then please provide a photocopy of the contract.

RESPONSE: See response to item 3.1.

11-8 through 11-8.18

Related Party Transaction

Pages 3-15 and 18 are confidential in their entirety.

(Please Use Ball Point Pen - Press Hard)

FLORIDA PUBLIC SERVICE COMMISSION
DOCUMENT / RECORD REQUEST

TO: D. Echols and R. McMillan
UTILITY: GULF POWER COMPANY
FROM: Mark Caruth
(AUDIT MANAGER)

Mark Caruth
(AUDIT PREPARING REQUEST)

REQUEST NUMBER: MC-BDI DATE OF REQUEST: 6/26/98
AUDIT PURPOSE: Associate Transactions - Related Parties
REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY 7/10/98 (DATE)

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE:

- INCIDENT TO AN INQUIRY
- OUTSIDE OF AN INQUIRY

ITEM DESCRIPTION: Fax # 850-444-6751

Enclosed:

1 Cover Page (This Document Request) 1 Page
1 Memo (AT-BDI) 2 Pages
1 Photocopy of Page from AFAD/EDP 1 Page

Total FOUR PAGES

TO: AUDIT MANAGER MARK CARUTH DATE 7/22/98

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED IN THREE (3) WORK DAYS BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION THIS MATERIAL IS PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. I UNDERSTAND THAT TO OBTAIN TEMPORARY CONFIDENTIAL HANDLING A NOTICE OF INTENT MUST BE FILED WITH THE DIVISION OF RECORDS AND REPORTING. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL, THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE COMMISSION STAFF HAS OBTAINED THE MATERIAL (OR IN THE CASE OF MATERIAL OBTAINED DURING THE COURSE OF AN AUDIT, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE) FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING, REFER TO RULE 25-22.006 F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

D. Echols
SIGNATURE AND TITLE OF RESPONDENT

To: Dennis Echols --- Internal Audit Coordinator
Richard McMillan --- Accounting Manager
Gulf Power Company

From: Mark Caruth --- Audit Manager F.P.S.C.
Affiliate Transactions
Audit of Gulf Power Company

Date: June 26, 1998

Subject: A/P File data {Baskerville-Donovan vendor data}

Memo: AT-BD1

Reference: Document Request# MC-BD1

Dennis,

OVERVIEW:

As part of the affiliate transactions audit, the topic of related party transactions in the Year 1996 is being explored also. This subject includes transactions involving individuals at Gulf Power Company who have satisfied three standards:

- 1) They are an Officer/Director/Manager at Gulf Power Company.
AND
- 2) They also hold a position of influence within a firm or within a proprietorship which serves as a potential/actual Vendor providing goods/services to Gulf Power Company.
AND
- 3) They hold a position of influence within Gulf Power Company in which it would be possible to obtain the selection/use of their firm/proprietorship as a Vendor providing goods or services to Gulf Power Company.

RESEARCH:

Research per Form 10-K indicated that Fred C. Donovan has met the three potential requirements defined above:

- 1) Director of Gulf Power
AND
- 2) President, Baskerville-Donovan (Architectural & Engineering)
AND
- 3) Director, Gulf Power Company
Baskerville-Donovan selected to provide services to Gulf

ACTIONS:

A request was made to AFAD EDP to implement a computer run/printout of all transactions (in the Accounts Payables computer file sent by Gulf Power Company to the FPSC) involving a purchase by Gulf Power Company from the Vendor designated "Baskerville" or "Donovan" during Year 1996. As part of the computer run, a number of fields were printed for each of the transactions. These fields included:

..... Invoice# PurchOrder VendorName Description

RESULTS:

AFAD EDP made the computer run as mentioned above. One of the pages of that output is enclosed. On the following page, the item "D1" has been selected for research.

REQUESTS:

- 1) Please provide a brief statement of purpose for the payment made in Year 1996 for item D1.
- 2) Please provide invoice/documentation to support the paid amount for item D1 in Year 1996.
- 3) Was this payment (item D1) made as a result of a "contract" by Baskerville-Donovan with Gulf Power Company?
 - 3.1) If so, then please provide a photocopy of the contract.
- 4) Were any payments by Gulf Power Company during 1996 made to the firm of Baskerville-Donovan the result of any contractual requirement existing between Gulf Power Company and the firm of vendor Baskerville-Donovan?
 - 4.1) If so, then please provide a photocopy of the contract.

11-9 through 11-9.18

Related Party Transaction

Pages 3-14 and 18 are confidential in their entirety.

RELATED PARTY TRANSACTIONS

MC 10/12/98

GULF POWER COMPANY
AUDIT OF AFFILIATE TRANSACTIONS -
RELATED PARTIES
REQUEST NO. MC-SB1
PAGE 1 OF 2

10-13

From
10-48

ACTIONS:

A request was made to AFAD EDP to implement a computer run/printout of all transactions (in the Accounts Payables computer file sent by Gulf Power Company to the FPSC) involving a payment by Gulf Power Company made to the Vendor designated "SUNTRUST" or "SUN TRUST" during Year 1996. As part of the computer run, a number of fields were printed for each of the transactions. These fields included:

..... Invoice# PurchOrder VendorName Description

RESULTS:

AFAD EDP made the computer run as mentioned above. One of the pages of that output is enclosed. On the following page, the items "D1", "D2", and "D3" have been selected for research.

REQUESTS:

- 1) Please provide a brief statement of purpose for each of the payments made in Year 1996 for items D1, D2, and D3.

RESPONSE:

From
page .3

Item D1 is a payment of the interest subsidy due SunTrust Bank of West Florida as a result of its participation as a lender to eligible customers under Gulf Power Company's FPSC approved Gulf Express Loan conservation program. Each loan is initiated directly between the customer and a participating lender.

From
page .4

Item D2 is a payment of SunTrust Bank of West Florida for a defaulted loan pursuant to the loan guarantee feature of Gulf Power Company's FPSC approved Gulf Express Loan conservation program.

Data
per pages .5
through
page .14

Item D3 is a payment of fees to SunTrust Bank of West Florida for bank services provided to Gulf Power Company associated with the Company's banking accounts at SunTrust Bank of West Florida.

- 2) Please provide invoices/documentation to support the paid amounts for items D1, D2, & D3 in Year 1996.

RESPONSE: See attached photocopies of invoices for items D1, D2, and D3.

3) Were these payments (items D1, D2, and D3) made as a result of a "contract" by SunTrust with Gulf Power Company?

RESPONSE: No. There is no written "contract."

3.1) If so, then please provide a photocopy of the contract.

RESPONSE: N/A.

FLORIDA PUBLIC SERVICE COMMISSION
DOCUMENT / RECORD REQUEST

TO: D. Echols and R. McMillan
UTILITY: GULF POWER COMPANY
FROM: Mark Caruth
(AUDIT MANAGER)

Mark Caruth
(AUDITOR PREPARING REQUEST)

REQUEST NUMBER: MC - SBI DATE OF REQUEST: 6/26/98
AUDIT PURPOSE: Associate Transactions - Related Parties
REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY 7/10/98 (DATE)

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE:

ITEM DESCRIPTION: Fax # 850-444-6751

- INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

Enclosure:

1 Cover Page	{ This Document Request }	1 Page
1 Memo	{ AT-SBI }	2 Pages
1 Photocopy of Page from AFAD/EDP		1 Page

Total: FOUR PAGES

TO: AUDIT MANAGER MARK CARUTH DATE 7/22/98

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
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- (3) AND IN MY OPINION THIS MATERIAL IS PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. I UNDERSTAND THAT TO OBTAIN TEMPORARY CONFIDENTIAL HANDLING A NOTICE OF INTENT MUST BE FILED WITH THE DIVISION OF RECORDS AND REPORTING. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE COMMISSION STAFF HAS OBTAINED THE MATERIAL (OR IN THE CASE OF MATERIAL OBTAINED DURING THE COURSE OF AN AUDIT, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE) FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING, REFER TO RULE 25-22.006 F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

D. Echols
SIGNATURE AND TITLE OF RESPONDENT

DISTRIBUTION:
Original, Utility Complete and Return to Auditor Pink: To FPSC Analyst Goldenrod: Audit File Copy Canary: Utility Retain

To: Dennis Echols --- Internal Audit Coordinator
Richard McMillan --- Accounting Manager
Gulf Power Company

From: Mark Caruth --- Audit Manager F.P.S.C.
Affiliate Transactions
Audit of Gulf Power Company

Date: June 26, 1998

Subject: A/P File data {SunTrust Bank}

Memo: AT-SB1

Reference: Document Request# MC-SB1

Dennis,

OVERVIEW:

As part of the affiliate transactions audit, the topic of related party transactions in the Year 1996 is being explored also. This subject includes transactions involving individuals at Gulf Power Company who have satisfied three standards:

- 1) They are an Officer/Director/Manager at Gulf Power Company.
AND
- 2) They also hold a position of influence within a firm or within a proprietorship which serves as a potential/actual Vendor providing goods/services to Gulf Power Company.
AND
- 3) They hold a position of influence within Gulf Power Company in which it would be possible to obtain the selection/use of their firm/proprietorship as a Vendor providing goods or services to Gulf Power Company.

RESEARCH:

Research per Form 10-K indicated that W. Deck Hull, Jr. has met the three potential requirements defined above:

- 1) Director of Gulf Power
AND
- 2) Vice Chairman, SunTrust Bank
AND
- 3) Director, Gulf Power Company
SunTrust selected to provide services to Gulf

ACTIONS:

A request was made to AFAD EDP to implement a computer run/printout of all transactions (in the Accounts Payables computer file sent by Gulf Power Company to the FPSC) involving a payment by Gulf Power Company made to the Vendor designated "SUNTRUST" or "SUN TRUST" during Year 1996. As part of the computer run, a number of fields were printed for each of the transactions. These fields included:

..... Invoice# PurchOrder VendorName Description

RESULTS:

AFAD EDP made the computer run as mentioned above. One of the pages of that output is enclosed. On the following page, the items "D1", "D2", and "D3" have been selected for research.

REQUESTS:

- 1) Please provide a brief statement of **purpose** for each of the payments made in Year 1996 for items D1, D2, & D3.
- 2) Please provide **invoices/documentation** to support the paid amounts for items D1, D2, & D3 in Year 1996.
- 3) Were **these** payments (items D1, D2, & D3) made as a result of a "contract" by SunTrust with Gulf Power Company?
 - 3.1) If so, then please provide a photocopy of the contract.

11-10 through 11-10.10

Related Party Transaction

Pages 3-6 and 10 are confidential in their entirety.

3.1, If so, then please provide a photocopy of the contract.

RESPONSE: N/A.

From
10-51

ACTIONS:

A request was made to AFAD EDP to implement a computer run/printout of all transactions (in the Accounts Payables computer file sent by Gulf Power Company to the FPSC) involving a payment by Gulf Power Company made to the Vendor designated "BARNETT" during Year 1996. As part of the computer run, a number of fields were printed for each of the transactions. These fields included:

..... Invoice# PurchOrder VendorName Description

RESULTS:

AFAD EDP made the computer run as mentioned above. One of the pages of that output is enclosed. On the following page, the items "D1", "D2", "D3", & "D4" have been selected for research.

REQUESTS:

- 1) Please provide a brief statement of purpose for each of the payments made in Year 1996 for items D1-D4.

RESPONSE: Items D1 and D2 are payments of the interest subsidy due Barnett Bank as a result of its participation as a lender to eligible customers under Gulf Power Company's FPSC approved Gulf Express Loan conservation program. Each loan is initiated directly between the customer and a participating lender.

Items D3 and D4 are payments of fees to Barnett Bank for bank services provided to Gulf Power Company associated with the Company's banking accounts at Barnett Bank.

- 2) Please provide invoices/documentation to support the paid amounts for items D1-D4 in Year 1996.

RESPONSE: See attached photocopies of invoices for items D1-D4.

- 3) Were these payments (items D1-D4) made as a result of a "contract" by Barnett Bank with Gulf Power Company?

RESPONSE: No. There is not a written "contract."

(Please Use Ball Point Pen - Press Hard)

FLORIDA PUBLIC SERVICE COMMISSION
DOCUMENT / RECORD REQUEST

TO: D. Echols and R. McMillan
UTILITY: GULF POWER COMPANY
FROM: Mark Caruth
(AUDIT MANAGER)

Mark Caruth
(AUDITOR PREPARING REQUEST)

REQUEST NUMBER: MC-BBI DATE OF REQUEST: 7/9/98

AUDIT PURPOSE: Associate Transactions - Related Parties

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY 7/16/98 (DATE)

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE:

ITEM DESCRIPTION: Fax # 850-444-6751

- INCIDENT TO AN INQUIRY
- OUTSIDE OF AN INQUIRY

Enclosed:

1	Cover Page < This Document Request >	1 Page
1	Memo < AT-BBI >	2 Pages
1	Photocopy of Page from AFAD/EDP	1 Page
<u>Total:</u>		<u>4 Pages</u>

TO: AUDIT MANAGER MARK CARUTH DATE 7/22/98

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED IN THREE (3) WORK DAYS BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION THIS MATERIAL IS PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. I UNDERSTAND THAT TO OBTAIN TEMPORARY CONFIDENTIAL HANDLING A NOTICE OF INTENT MUST BE FILED WITH THE DIVISION OF RECORDS AND REPORTING. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE COMMISSION STAFF HAS OBTAINED THE MATERIAL (OR IN THE CASE OF MATERIAL OBTAINED DURING THE COURSE OF AN AUDIT, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE) FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING, REFER TO RULE 25-22.006 F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

David J. Edler
SIGNATURE AND TITLE OF RESPONDER

To: Dennis Echols --- Internal Audit Coordinator
Richard McMillan --- Accounting Manager
Gulf Power Company

From: Mark Caruth --- Audit Manager F.P.S.C.
Affiliate Transactions
Audit of Gulf Power Company

Date: July 9, 1998

Subject: A/P File data {Barnett Bank}

Memo: AT-BB1

Reference: Document Request# MC-BB1

Dennis,

OVERVIEW:

As part of the affiliate transactions audit, the topic of related party transactions in the Year 1996 is being explored also. This subject includes transactions involving individuals at Gulf Power Company who have satisfied three standards:

- 1) They are an Officer/Director/Manager at Gulf Power Company.
AND
- 2) They also hold a position of influence within a firm or within a proprietorship which serves as a potential/actual Vendor providing goods/services to Gulf Power Company.
AND
- 3) They hold a position of influence within Gulf Power Company in which it would be possible to obtain the selection/use of their firm/proprietorship as a Vendor providing goods or services to Gulf Power Company.

RESEARCH:

Research per Form 10-K indicated that John E. Hodges, Jr. has met the three potential requirements defined above:

- 1) Vice President a)Customer Ops b)Marketing at Gulf Power
AND
- 2) Director, Barnett Bank
AND
- 3) Vice President, Gulf Power Company
Barnett Bank utilized to provide goods/services related to (or for the benefit of) Gulf Power operations or marketing efforts.

ACTIONS:

A request was made to AFAD EDP to implement a computer run/printout of all transactions (in the Accounts Payables computer file sent by Gulf Power Company to the FPSC) involving a payment by Gulf Power Company made to the Vendor designated "BARNETT" during Year 1996. As part of the computer run, a number of fields were printed for each of the transactions. These fields included:

..... Invoice# PurchOrder VendorName Description

RESULTS:

AFAD EDP made the computer run as mentioned above. One of the pages of that output is enclosed. On the following page, the items "D1", "D2", "D3", & "D4" have been selected for research.

REQUESTS:

- 1) Please provide a brief statement of purpose for each of the payments made in Year 1996 for items D1-D4.
- 2) Please provide invoices/documentation to support the paid amounts for items D1-D4 in Year 1996.
- 3) Were these payments (items D1-D4) made as a result of a "contract" by Barnett Bank with Gulf Power Company?
 - 3.1) If so, then please provide a photocopy of the contract.

11-11 - 11-11.18

Related Party
Transactions

Page 1, lines 7 - 10

Pages 2 - 10 (including all text and tables)

Copy 1/2/2008

ext. 6718

Utility Requests
Confidentiality Status

Received 1/2/08

1} Enclosed is a photocopy of the AFAD EDP computer run page #21 regarding a preliminary selection set per string search (*LANE) in the VendorName field. That page identifies 5 items (S1-S5) for which invoices/documentation (to support each Amount charged) are being requested. The 5 items are divided into two groups. The first group (Group A) consists of S1, S2, and S3. The other group (Group B) consists of S4 and S5.

1.A) Research upon the Description field seems to suggest that a claim/suit involving a charge of discrimination occurred for items S1, S2, and S3.

1.A.1) Please provide a brief general statement regarding the purpose of the financial payments (S1, S2, and S3).

Question 1} Was the single/complete purpose of the dollar amounts (for S1, S2, and S3) to receive ONLY outside Legal Advice from Beggs & Lane for the benefit of Gulf Power Company?

Question 2} Were the payments made as part of a Court Awarded Judgement (or Arbitration Decision) against Gulf Power Company (or against any of its employees, management, officers, directors, vendors, or representatives) resulting from any violations of laws, regulations, statutes, codes, etc.?

Question 3} Were the payments made to Beggs & Lane (serving as legal agent for Gulf Power Company and/or representing Gulf Power Company) as a result of an out-of-court settlement of a Discrimination claim (with Beggs & Lane then making payment to Gordon, or to Gordon's designated representative)?

Question 4} Did Gulf Power Company admit any wrongdoing regarding items S1, S2, and S3?

B) Please provide a general statement of purpose for the monthly payments of items S4 & S5 AND please provide invoices/documentation to support those amounts paid.

RESPONSE:

1.A.1) The amounts paid as indicated by items S1, S2, and S3 are for legal services provided to Gulf Power Company.

Question 1: Yes. Question 2: No. Question 3: No. Question 4: No.

1.A.2) The documentation requested contains information that falls within the scope of the privileged and confidential attorney/client relationship. An opportunity for confidential inspection of the requested documentation will be provided.

1.B) The amounts paid as indicated by items S4 & S5 are for legal services provided to Gulf Power Company. The documentation requested contains confidential contractual information that falls within the scope of the privileged and confidential attorney/client

relationship. An opportunity for confidential inspection of the requested documentation
will be provided.

1) Enclosed is a photocopy of the AFAD EDP correction set per string search (*LANE) in the Vendor (S1-S5) for which invoices/documentation (to support requested. The 5 items are divided into two groups. 1 S2, and S3. The other group (Group B) consists of S4

*See E - copy till
Question*

1.A) Research upon the Description field see charge of discrimination occurred for items S1

1.A.1) Please provide a brief general financial payments (S1, S2, and S3).

RESPONSE: The amounts paid as indicated by items S1, S2, and S3 are for legal services provided to Gulf Power Company.

Question 1) Was the single/complete purpose of the dollar amounts (for S1, S2, and S3) to receive ONLY outside Legal Advice from Beggs & Lane for the benefit of Gulf Power Company?

RESPONSE: Yes.

Question 2) Were the payments made as part of a Court Awarded Judgement (or Arbitration Decision) against Gulf Power Company (or against any of its employees, management, officers, directors, vendors, or representatives) resulting from any violations of laws, regulations, statutes, codes, etc.?

RESPONSE: No.

Question 3) Were the payments made to Beggs & Lane (serving as legal agent for Gulf Power Company and/or representing Gulf Power Company) as a result of an out-of-court settlement of a Discrimination claim (with Beggs & Lane then making payment to Gordon, or to Gordon's designated representative)?

RESPONSE: No.

Question 4) Did Gulf Power Company admit any wrongdoing regarding items S1, S2, and S3?

RESPONSE: No.

1.A.2) Please provide invoices/documentation to support the amounts paid in S1, S2, and S3.

RESPONSE: The documentation requested contains information that falls within the scope of the privileged and confidential attorney/client relationship. Pursuant to discussions with the FPSC Audit Manager, the Company will provide the Audit Manager an opportunity for confidential inspection of the requested documentation in Pensacola during a subsequent field visit.

1.B) Please provide a general statement of purpose for the monthly payments of items S4 & S5 AND please provide invoices/documentation to support those amounts paid.

RESPONSE: The amounts paid as indicated by items S4 & S5 are for legal services provided to Gulf Power Company. The documentation requested contains confidential contractual information that falls within the scope of the privileged and confidential attorney/client relationship. Pursuant to discussions with the FPSC Audit Manager, the Company will provide the Audit Manager an opportunity for confidential inspection of the requested documentation in Pensacola during a subsequent field visit.

(Please Use Ball Point Pen - Press Hard)

FLORIDA PUBLIC SERVICE COMMISSION
DOCUMENT / RECORD REQUEST

TO: D. Echols and R. McMillan
UTILITY: GULF POWER COMPANY
FROM: Mark Caruth
(AUDIT MANAGER)

Mark Caruth
(AUDITOR PREPARING REQUEST)

REQUEST NUMBER: MC-B&L1 DATE OF REQUEST: 6/19/98
AUDIT PURPOSE: Associate Transactions - Related Parties
REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY 6/30/98
(DATE)

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE:

ITEM DESCRIPTION: Fax # 850-444-6751

- INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

Enclosure:

1 Cover Page	< This Document Request >	1 Page
1 Memo	< AT-B&L1 >	2 Pages
1 Computer Run page per AFAD EDP		1 Page

TOTAL: FOUR PAGES

TO: AUDIT MANAGER MARK CARUTH DATE 7/22/98

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED IN THREE (3) WORK DAYS BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION THIS MATERIAL IS PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. I UNDERSTAND THAT TO OBTAIN TEMPORARY CONFIDENTIAL HANDLING A NOTICE OF INTENT MUST BE FILED WITH THE DIVISION OF RECORDS AND REPORTING. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE COMMISSION STAFF HAS OBTAINED THE MATERIAL (OR IN THE CASE OF MATERIAL OBTAINED DURING THE COURSE OF AN AUDIT, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE) FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING, REFER TO RULE 25-22.006 F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

D. Echols
SIGNATURE AND TITLE OF RESPONDENT

To: Dennis Echols --- Internal Audit Coordinator
Richard McMillan --- Accounting Manager
Gulf Power Company

From: Mark Caruth --- Audit Manager F.P.S.C.
Affiliate Transactions
Audit of Gulf Power Company

Date: June 19, 1998

Subject: Supporting Documentation/Invoices {in Year 1996}

Memo: AT-B&L1 {2 Pages}

Reference: Document Request# MC-B&L1

Dennis,

1) Enclosed is a photocopy of the AFAD EDP computer run page #21 regarding a preliminary selection set per string search (*.LANE) in the VendorName field. That page (#21) identifies 5 items (S1-S5) for which invoices/documentation (to support each amount charged) are being requested. The 5 items are divided into two groups. The first group (Group A) consists of S1, S2, and S3. The other group (Group B) consists of S4 and S5.

1.A) Research upon the Description field seems to suggest that a claim/suit involving a charge of discrimination occurred for items S1, S2, and S3.

1.A.1) Please provide a brief general statement regarding the purpose of the financial payments (S1, S2, and S3).

Question 1) Was the single/complete purpose of the dollar amounts (for S1, S2, and S3) to receive ONLY outside Legal Advice from Beggs & Lane for the benefit of Gulf Power Company?

Question 2) Were the payments made as part of a Court Awarded Judgement (or Arbitration Decision) against Gulf Power Company (or against any of its employees, management, officers, directors, vendors, or representatives) resulting from any violations of laws, regulations, statutes, codes, etc.?

Question 3) Were the payments made to Beggs & Lane (serving as legal agent for Gulf Power Company and/or representing Gulf Power Company) as a result of an out-of-court settlement of a Discrimination claim (with Beggs & Lane then making payment to Gordon, or to Gordon's designated representative)?

Question 4) Did Gulf Power Company **admit** any wrongdoing regarding items S1, S2, and S3?

1.A.2) Please provide **invoices/documentation** to support the amounts paid in S1, S2, and S3.

1.B) Please provide a **general statement of purpose** for the monthly payments of items S4 & S5 AND please provide **invoices/documentation** to support those amounts paid.

RELATED ISSUES:

Gulf Power Company may decide to request Confidential status for any invoices/documents/etc. to be provided in response to this Document Request. If Gulf Power Company decides to exercise that option, then please inform this Audit Manager.

11-12 through 11-12.10

Related Party Transaction

Pages 5 - 10 are confidential in their entirety.

1.C) Regarding items S8, S9, S10, S11, S12, S13, S15, and S21; are those items
Contract Administration fees?

RESPONSE: No. See response to item 1.A above.

(Please Use Ball Point Pen - Press Hard)

FLORIDA PUBLIC SERVICE COMMISSION
DOCUMENT / RECORD REQUEST

TO: D. Echols and R. McMillan
UTILITY: GULF POWER COMPANY
FROM: Mark Caruth
(AUDIT MANAGER)

Mark Caruth
(AUDITOR PREPARING REQUEST)

REQUEST NUMBER: MC - B&L2 DATE OF REQUEST: 6/22/98

AUDIT PURPOSE: Affiliate Transactions - Related Parties

REQUEST THE FOLLOWING ITEM(S) BE PROVIDED BY 6/30/98 (DATE)

REFERENCE RULE 25-22.006, F.A.C., THIS REQUEST IS MADE:

ITEM DESCRIPTION: Fax # 850-444-6751

INCIDENT TO AN INQUIRY
 OUTSIDE OF AN INQUIRY

Enclosed:

- 1 Cover Page { This Document Request }
- 1 Memo { AT-B&L2 }
- 3 Pages AFAD EDP Computer Runs

FIVE PAGES TOTAL

TO: AUDIT MANAGER MARK CARUTH DATE 7/22/98

THE REQUESTED RECORD OR DOCUMENTATION:

- (1) HAS BEEN PROVIDED TODAY
- (2) CANNOT BE PROVIDED IN THREE (3) WORK DAYS BUT WILL BE MADE AVAILABLE BY _____
- (3) AND IN MY OPINION THIS MATERIAL IS PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION AS DEFINED IN 364.183, 366.093, OR 367.156, F.S. I UNDERSTAND THAT TO OBTAIN TEMPORARY CONFIDENTIAL HANDLING A NOTICE OF INTENT MUST BE FILED WITH THE DIVISION OF RECORDS AND REPORTING. TO MAINTAIN CONTINUED CONFIDENTIAL HANDLING OF THIS MATERIAL THE UTILITY OR OTHER PERSON MUST, WITHIN 21 DAYS AFTER THE COMMISSION STAFF HAS OBTAINED THE MATERIAL (OR IN THE CASE OF MATERIAL OBTAINED DURING THE COURSE OF AN AUDIT, WITHIN 21 DAYS AFTER THE AUDIT EXIT CONFERENCE) FILE A REQUEST FOR CONFIDENTIAL CLASSIFICATION WITH THE DIVISION OF RECORDS AND REPORTING, REFER TO RULE 25-22.006 F.A.C.
- (4) THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM)

Daniel Echols
SIGNATURE AND TITLE OF RESPONDENT

To: Dennis Echols --- Internal Audit Coordinator
Richard McMillan --- Accounting Manager
Gulf Power Company

From: Mark Caruth --- Audit Manager F.P.S.C.
Affiliate Transactions
Audit of Gulf Power Company

Date: June 23, 1998

Subject: Supporting Documentation/Invoices

Memo: AT-B&L2 {1 Page}

Reference: Document Request# MC-B&L2

Dennis,

1) Enclosed is a photocopy of the APAD EDP computer run for 3 pages [page# 12, 15, 18] regarding a preliminary selection set per string search (*.LANE) in the VendorName field. Those three pages identify items (S6-S21) for which invoices/documentation (to support each Amount charged) are being requested.

1.A) Please provide a general statement of purpose for the payments of items S6-S21.

1.B) Please provide invoices/documentation to support those amounts paid [S6-S21].

1.C) Regarding items S8, S9, S10, S11, S12, S13, S15, and S21; are those items Contract Administration fees?

RELATED ISSUES:

Gulf Power Company may decide to request Confidential status for any invoices/documents/etc. to be provided in response to this Document Request. If Gulf Power Company decides to exercise that option, then please inform this Audit Manager.

11-13B - 11-13B.4

Conflict of Interest
Guidelines 1996

This document consisting of 4 pages is confidential in its entirety.

11-13C - 11-13C.2A

Conflict of Interest
Guidelines 1997

This document consisting of 4 pages is confidential in its entirety.

11-15.1 through 11-15.15

Review of 1996 Arthur Anderson Work Papers

Pages 6, 14 and 15 are confidential in their entirety.

Location in NA W/P

ALLOCATED WORK ORDER CHARGES

1. Obtain Fixed % listing" **[Audit Manager has copy placed in 44 series]**
2. Verify that any new Allocation Basis were properly Approved by SEC. D/memo
3. Verify that any existing Alloc. basis Appro by SEC. D/SEC
3. Select 1 WO from 1 version under each Alloc. basis in FY 1995. D-1

A/A Test procedure

For each work order selected for testing select 3 receiving w/o that receive charges.

D-1
14

4. For each Allocation version selected obtain schedule detailing the statistical calculation used to determine Allocation %.

Gulf Power Company
 Audit of Affiliate Transactions
 For the Years 1993 through 1997
 Docket # Undocketed Audit Control # 96-025-1-1
 Description:

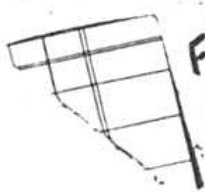
for ALL Allocation versions in year.

- (A) Trace ALL stats to supporting Doc. D (legend)
- (B) Test
- (C) % to Fixed % List

(5) Calc/ Re-compute D-1 - D-1
1 14

Tie-in Direct Charges into W/O.

- (6) For each W/O selected for review Noting Properly approved by SCS



F.P.S.C. Audit Manager Researched 100% of Galb's Work Orders in Workpaper 10-19A.
 by Client company
 Audit Manager also researched "Appropriate" of Account Classifications "Above the Line" & "Below the Line"

Reported by: Mark Canath
8/26/98

Program SA 7755 SS
RPT: I17

From SCS

WO 8388
Version 287

"Version" refers
to the
Allocation Rate used

From SCS

WO 8462
Version 350

WO 873A
Version 604

WO 8842
Version 291

WO 9661
WO 8661
Version 50A

WO 9863
Version Variable Costs

AFPS Audit Manager
Reviewed 100% of
Allocation
Rate
Data
in 4/5 send
[5/14/98]

Western Company Services Inc
Year-To-Date Costs by Work Order
Jan - Aug 1996

Allocation Percentages
Business

WO 3388 GPC

WO 4388 GULF

WO 5388 MPC

Gulf Power Work Orders Analyzed

Allocations
to GULF

D-1
2

D-1
3

D-1
7

D-1
10

D-1
13

D-1
14

variable costs

W/P

Prepared by: Mark Caruth 8/26/98
Testing

A/A
E-1
1

Direct WO Cost Center Charges

E-1
8

① Trace/Recompute

E-2
1

Dept# Direct Labor Hours and Dollars
to Labor Detail/Source
Billing Register*
or
Billing Register*

E-2
8

A/A
State in Audit
that this
was done

Registers tested in 1996
by SCS IAD
during Payroll testing

In Next Audit
Research 100% of ALL Test Procedures

② Trace Expenses to A/P Source Register
~~Register~~ or
to Journal Source Register

For

• Amt charged
WO #

A/A
State in Audit
that this
was done

Source documents tested by
SCS IAD in 1996 during
A/P testing

In next audit
Research 100%
of ALL
Test Procedures

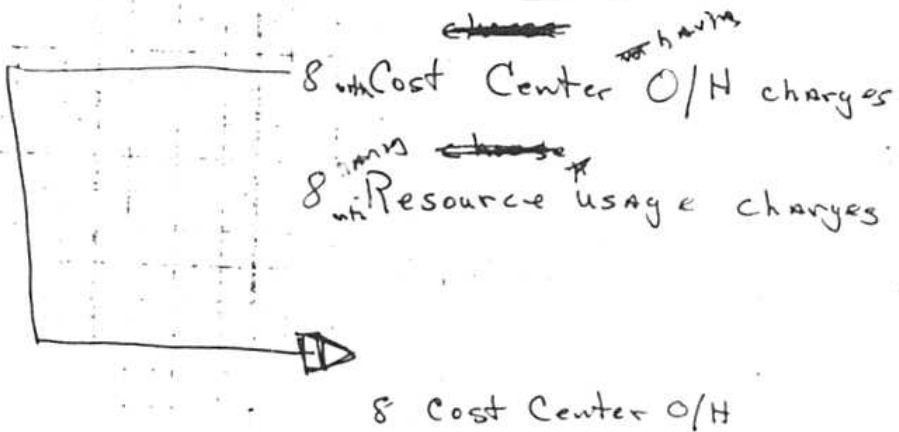
③ Trace WO #, Description, &
client company to original
WO request for Approvals etc.

Gulf Power Company
Audit of Affiliate Transactions
For the Years 1993 through 1997
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Prepared by: Mark Caruth
Testing (continued)

From: Arthur Andersen Test Procedure

16 Direct Work Orders selected



F.P.S. Audit Manager's Research of A/A Audit

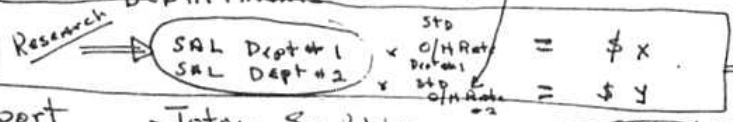
From Southern Company Services Inc
Overhead Report by Cost Center
Cost Center
Depts

to

Program SA 7755 SS
RPT IO5

Date
Client

Work Order #



Per Report

Total SAL & Wages

Total O/H Charge
split between Frings & AIG

Tie-in of Cost Center to WO 2024

Gulf Power Company
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Description:

Prepared
by
Mark Caruth
8/26/98

Cost Center Work Orders

Test of Cost Center O/H Allocations

- WO Accumulations
(charges from depts)
- Allocations of O/H
based on standard O/H rate
- std O/H being utilized

(SCS has several categories
of employees

~~O/H rates~~ ~~vary~~

O/H rates applied to these
different types of
Non-Full-time employees
will vary.

Whether O/H rates are
applied at all

(i.e. the non-full-time
employee charged time
to a non-overhead bearing
SEC account #)

and at what rate

depends on the SEC subaccount
the labor is charged to.

Prepared by
Mark Caruth
8/26/98

Cost Center Work Orders

Test

- W O Accumulation Dept
- Allocation
 - Direct Salaries & wages
 - Respective std O/H rates
 - Review std O/H rate
 - Compare to Actual O/H rate

Gulf Power Company
Audit of Affiliate Transactions
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Description: _____

Prepared by
Mark Caruth
8/26/96

Direct WO / Resource Pools Testing

A/A
E-2
4

Program: SA 7755 SS
RPT: IOS

Southern Company Services Inc
Current Month Costs by Work Order
August 1996

Work Order: 4309

SUB-Total SAL & Expenses \$

SUB-Total Non-IRD Resource Usage \$

Gulf Power Company
Audit of Affiliate Transactions
For the Years 1993 through 1997
Docket # Undocketed Audit Control # 96-025-1-1
Description:



Match From

SCS Resource Usage Reporting & Evaluation
Resource Usage / Cost Summary
08/96 thru 08/96
Recap by Resource Type

A/A
Pool #

Not Restricted
Listed 9433
Listed 9515

Total Units Total Cost cost/unit

Total

Prepared by
Mark Combs
8/26/98

Direct w/o

Resource Pool Testing

Southern Company Services Inc
Current Month Costs by Work Order
March 1996

Program SA7755 SS
RPT IO5

Date:

Client:

Work Order:

Dept:

Subtotal Salary & Expenses

→ Total

↳ IRO Resource Usage \$

↳ Non-IRO Resource Usage \$



match to SCS Resource Usage Reporting & Evaluation

Resource Usage / Cost Summary

03/96 thru 03/96

i.e. March 1996

Resource Type	Total Units	Total Cost
Q1	C1	
Q2	C2	

A/A
Calculates
Cost/
unit

Gulf Power Company
Audit of Affiliate Transactions
For the Years 1993 through 1997
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Description: _____



Prepared by
Mark Caruth
8/26/98

Gulf Power Company
Audit of Affiliate Transactions
For the Years 1993 through 1997
Docket # Undocketed Audit Control # 96-025-1-1
Description: _____

0
A/A

Direct Work Orders

List of 1st Digit [Client Co i.e. 4 = GULF]
WO SUB Client Co
(X) YYY YY

List of 2-3 Digits [Division] set
Engineering
Inso
Gen
Air
Ops.

Test Direct Resource Use $\frac{E-2}{1} - \frac{E-2}{8}$

Test Direct Cost Center Charges $\frac{E-1}{1} - \frac{E-1}{8}$

O/H costs are allocated monthly
to WO that have Labor charges

Two Spread Programs within the General
Accounting System. [SA 7025SS & SA 7035SS]

Allocate the overhead costs to
cost center overhead workorders

These programs use statistics associated
with each cost center such as
salaries, employees, sq ft building space
occupied, etc
for the allocations.

The statistics are updated monthly

Prepared
by
Mark Casella

Cost Center Work Orders

General O/H Costs

900

Group Ins

Corp Svcs / Pgms

Tel

Payroll taxes

Pensions

Interest

Employee Savings

Building Occup - Birn

991

Build Occup - Atlanta

2 Spread Pgms

SA7025SS & SA7035SS

Allocate O/H costs to Cost Center
O/H
Work Orders

Gulf Power Company

Audit of Affiliate Transactions

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Description:

Prepared by
Mark Caruth
8/26/98

~~Direct Labor~~ Cost Center ~~Cost~~ Work Orders

Details

SCS allocates each O/H cost center work order to Billable WO on basis of a standard O/H rate (%) for that cost center

(X) (times)

the direct labor charge dollars to each related billable work order

Standard O/H rate calculated as

Std O/H rate

Cost Center Budgeted O/H Dollars

divided by

Projected Current Year Labor Dollars

Adjust for Prior Year

Update

SCS GOAL VARIANCE $\leq 3\%$

Gulf Power Company
Audit of Affiliate Transactions
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Description: _____

Prepared by
Mark Caruth
8/26/98

Resource Pools

Resource Pool Structure

- Computer Mainframes EDP resource pools
- Non-EDP [Copiers] into Non-IRO resource pools

Resource Pool Accumulation

- Salaries Depreciation Rent Interest
Are charged per resource pool
- Monthly units of usage are accumulated
by pool per user work order

Resource Pool Charges

- To charge these resource pool costs to users
A Standard Rate is Derived Annually

Total Projected Costs

Divided by

Total Projected Units

- This rate is applied monthly
to the actual units accumulated per pool
to calculate each user's workorder costs

- Update Annually ~~to~~ ALL standard rates
- Certain IRO resource pool rates defined
per time of pay & job is processed

Gulf Power Company
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Description: