

ORIGINAL



February 1, 2002

Ms. Blanca S. Bayo, Director  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Re: Docket No. 010949-EI

The following are Gulf Power's responses to the exceptions noted in the FPSC Staff Audit Report in Docket No. 010949-EI.

**Exception No. 1, Advertising Expenses:**

Company Response - Gulf Power acknowledges that the Commission has taken the position in previous rate proceedings disallowing advertising expenses regarded as image building. However, Gulf believes that such advertising is important to the overall success of our marketing programs. The Company uses all advertising to establish credibility and loyalty with customers, which are critical elements in encouraging customers to participate in our products and programs such as energy efficiency and power quality. Customers will not participate if they do not believe in the program or the provider. The messages conveyed in Gulf's advertising are critical to establishing the Company as worthy of a relationship with our customers based on value and dependability. Therefore, Gulf has requested the recovery of these advertising expenses in its MFR filing. These expenses were not included in the MFR data for the historical year 2000 consistent with the current ratemaking treatment for these expenses as reflected in the monthly surveillance reports.

**Exception No. 2, Lobbying Expenses and Donations:**

Company Response - The Company processes approximately 70,000 documents through Accounts Payable annually. It is the Company's policy to record all transactions in accordance with the Uniform System of Accounts, 18 CFR 101. However, due to the large volume of transactions processed by the Company and the human element involved, a small number of transactions may unintentionally be

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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recorded incorrectly. The payment to St. Andrew Bay Center and the purchases for a golf tournament in the historical year ended December 31, 2000 were charged to FERC account 500 in error. Therefore, adjustments of \$500 and \$600 respectively will be made in January 2002 to properly classify the transactions in FERC account 426 as charitable contributions. The classification errors in 2000 have no impact on the test year O & M.

Management made the decision to charge the membership dues from the Associated Industries of Florida (AIF) to FERC account 930.2 based on the Company's utilization of the information provided by AIF for normal utility business purposes. The Company utilizes the information provided by AIF to stay informed of important economic, business and legislative issues. However, the Company acknowledges that some of AIF's activities are related to lobbying and agrees to reclassify the AIF membership dues to FERC account 426 in the future and that the test year O & M should be reduced by \$7,000.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire