

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: August 28, 2002
TO: Division of Economic Regulation (Bohrman)
FROM: Division of Auditing and Safety (Vandiver)
RE: ~~Docket No. 020007-EI~~; **Company Name:** Gulf Power Company; **Audit Purpose:** Fuel Cost Recovery Clause; **Audit-Control No.** 02-056-1-1

020007-EI

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are no confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of the Commission Clerk and Administrative Services (2)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. Ronnie Labrato
Chief Financial Officer & Comptroller
Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Ms. Susan D. Ritenour, Assistant Secretary
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

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FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING

Tallahassee District Office

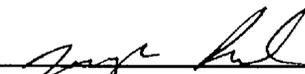
GULF POWER COMPANY

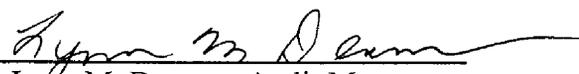
FUEL ADJUSTMENT AUDIT

TWELVE MONTH PERIOD ENDED DECEMBER 31, 2001

DOCKET NO. 020001-EI

AUDIT CONTROL NO. 02-056-1-1


Joseph Perdue, Audit Staff


Lynn M. Deamer, Audit Manager

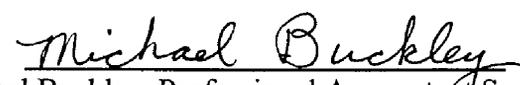

Michael Buckley, Professional Accountant Specialist

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**DIVISION OF AUDITING AND SAFETY
AUDITOR'S REPORT**

August 26, 2002

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying fuel adjustment schedules for the twelve month period January 2001 through December 2001, for Gulf Power Company. These schedules were prepared by the utility as part of its petition filed in Docket No. 020001-EI. There is no confidential information associated with this audit.

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.

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: Revenue was audited in Revenue Sharing Audit, Audit Control Number 02-149-1-1. No exceptions were found.

FUEL EXPENSE: Compiled the fuel cost of system net generation. Scanned and recomputed energy payments and fuel cost purchased power. Recomputed net purchases/sales. Verified that Gains derived from non-separated, non-energy broker network, wholesale energy sales were credited to the fuel clause and separated between retail and wholesale customers based on the appropriate separation factor. Judgementally sampled inventory Account 151 - Fuel Stock-Coal. Verified the adjustments to coal inventory due to differences between the per book inventory quantities and the semi-annual coal inventory survey quantities were performed per Commission Order No. PSC-97-0359-FOF-EI.

OTHER: Recalculated true-up and interest provision. Verified Commercial Paper rates in calculation of interest provision.

**CALCULATION OF TRUE-UP AND INTEREST PROVISION
GULF POWER COMPANY**

FOR THE MONTH OF: DECEMBER 2001

	CURRENT MONTH				PERIOD - TO - DATE				
	ACTUAL	ESTIMATED	AMOUNT (\$)	DIFFERENCE %	ACTUAL	ESTIMATED	AMOUNT (\$)	DIFFERENCE %	
A. Fuel Cost & Net Power Transactions									
1 Fuel Cost of System Net Generation	12,557,398.24	15,421,025	(2,863,626.76)	(18.57)	195,554,954.41	198,152,168	(2,597,213.59)	(1.31)	
1a Other Generation	169,947.40	152,513	17,434.40	11.43	1,133,129.54	1,795,125	(661,995.46)	(36.88)	
2 Fuel Cost of Power Sold	(2,431,885.48)	(3,865,000)	1,433,114.52	(37.08)	(49,220,846.14)	(70,452,000)	21,231,153.86	(30.14)	
3 Fuel Cost - Purchased Power	2,615,017.76	1,953,000	662,017.76	33.90	64,403,916.90	53,410,000	10,993,916.90	20.58	
3a Demand & Non-Fuel Cost Purchased Power	0.00	0	0.00	#N/A	0.00	0	0.00	#N/A	
3b Energy Payments to Qualifying Facilities	376,309.00	0	376,309.00	#N/A	3,441,067.00	210,570	3,230,497.00	1,534.17	
4 Energy Cost-Economy Purchases	0.00	0	0.00	#N/A	0.00	0	0.00	#N/A	
5 Total Fuel & Net Power Transactions	13,286,786.92	13,661,538	(374,751.08)	(2.74)	215,312,221.71	183,115,863	32,196,358.71	17.58	
6 Adjustments To Fuel Cost	0.00	0	0.00	#N/A	0.00	0	0.00	#N/A	
7 Adj. Total Fuel & Net Power Transactions	13,286,786.92	13,661,538	(374,751.08)	(2.74)	215,312,221.71	183,115,863	32,196,358.71	17.58	
B. KWH Sales									
1 Jurisdictional Sales	762,062,636	818,603,000	(56,540,364)	(6.91)	10,173,244,714	10,157,572,000	15,672,714	0.15	
2 Non-Jurisdictional Sales	29,817,407	29,800,000	17,407	0.06	347,970,520	356,114,000	(8,143,480)	(2.29)	
3 Total Territorial Sales	791,680,043	848,203,000	(56,522,957)	(6.66)	10,521,215,234	10,513,686,000	7,529,234	0.07	
4 Juris. Sales as % of Total Terr. Sales	96.2589	96.5103	(0.2514)	(0.26)	96.6927	96.6129	0.0798	0.08	

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CALCULATION OF TRUE-UP AND INTEREST PROVISION
GULF POWER COMPANY
FOR THE MONTH OF: DECEMBER 2001

	CURRENT MONTH				PERIOD - TO - DATE			
	\$ ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%	\$ ACTUAL	ESTIMATED	DIFFERENCE AMOUNT (\$)	%
<i>C. True-up Calculation</i>								
1 Jurisdictional Fuel Revenue	14,851,486.65	14,666,766	184,720.90	1.26	183,435,991.60	181,991,873	1,444,118.69	0.79
2 Fuel Adj. Revs. Not Applicable to Period:								
2a True-Up Provision	(387,727.50)	(387,727)	(0.50)	0.00	(4,652,730.00)	(4,652,728)	(2.00)	0.00
2b Incentive Provision	(15,079.33)	(15,079)	0.00	0.00	(180,951.96)	(180,952)	0.00	0.00
2c Special Contract Recovery Cost	0.00	0	0.00	#N/A	0.00	0	0.00	#N/A
3 Juris. Fuel Revenue Applicable to Period	14,448,679.82	14,263,960	184,719.82	1.30	178,602,309.64	177,158,193	1,444,116.64	0.82
4 Adjusted Total Fuel & Net Power Transactions (Line A7)	13,286,786.92	13,661,538	(374,751.08)	(2.74)	215,312,221.71	183,115,863	32,196,358.71	17.58
5 Juris. Sales % of Total KWH Sales (Line B4)	96.2589	96.5103	(0.2514)	(0.26)	96.6927	96.6129	0.0798	0.08
6 Juris. Total Fuel & Net Power Transactions Adj. for Line Losses (C4 *C5*1.0014)	12,807,620.54	13,203,250	(395,629.46)	(3.00)	208,490,409.01	177,173,142	31,317,267.01	17.68
7 True-Up Provision for the Month Over/(Under) Collection (C3-C6)	1,841,059.28	1,060,710	580,349.28	54.71	(29,888,099.37)	(14,949)	(29,873,150.37)	199,833.77
8 Interest Provision for the Month	(38,281.12)	5,701	(43,982.12)	(771.48)	(311,616.76)	83,743	(395,359.76)	(472.11)
9 Beginning True-Up & Interest Provision	(25,060,320.46)	2,856,545	(27,916,865.46)	(977.29)	2,255,189.47	(410,840)	2,666,029.47	(648.92)
10 True-Up Collected / (Refunded)	387,727.50	387,728	0.00	0.00	4,652,730.00	4,652,730	0.00	0.00
11 End of Period - Total Net True-Up, Before Adjustment (C7+C8+C9+C10)	(23,069,814.80)	4,310,684	(27,380,498.80)	(635.18)	(23,291,796.66)	4,310,684	(27,602,480.66)	(640.33)
12 2000 Revenue Sharing Refund True-Up			0.00	#N/A	221,981.86		221,981.86	#N/A
13 End of Period - Total Net True-Up (C11 + C12)	(23,069,814.80)	4,310,684	(27,380,498.80)	(635.18)	(23,069,814.80)	4,310,684	(27,380,498.80)	(635.18)