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MAIL ROOM **GULF POWER**

A SOUTHERN COMPANY

November 24, 1998

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Undocketed – Gulf Power Company Affiliate Transactions Audit Report
Historical Years 1997, 1996, 1995, 199, and 1993
Audit Control #98-025-1-1

Attached is Gulf Power Company's response to the above mentioned audit report.

Sincerely,

Susan D. Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

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Attachment

- ACK
- AFA
- APP
- CAF
- CMU
- CTR
- EAG
- LEG
- LIN
- OPC
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- SEC
- WAS
- OTH

DOCUMENT NUMBER - DATE

13408 NOV 30 98

REC'D - RECORDS REPORTING

Disclosure No. 1

Subject: Work Orders involving review of proposed regulations.

Statement of Fact: The summary cover sheet for Work Order # 4375 indicates that the costs charged into this work order are for the purposes of:

Item 1...reviewing...proposed environmental regulations.

Item 1A: "Review and assemble comments on proposed federal environmental regulations for submission to government agencies."

Item 1B: "Support"...industry groups, which participate in rulemakings, litigation, and policy development, related to environmental regulations.

Item 1C: "Participate in...other industry trade groups..."

FERC Account Number 426.4 Expenditures for certain civic, political, and related activities, includes "expenditures for the purpose of influencing public opinion ... legislation, or ordinances..."

Audit Opinion: These items could be considered as falling within the definition of CFR/FERC Account Number 426.4.

Company Response: The professional services performed by SCS for Gulf Power in work order 4375 primarily relate to the preparation of technical information that enables the operating companies to provide the Environmental Protection Agency data to base environmental regulatory decisions on sound science and cost-effective technology. These activities did not involve lobbying, and were properly recorded to utility operating expenses.

DOCUMENT NUMBER-DATE

13408 NOV 30 2008

EPSC-RECORDS/REPORTING

Disclosure No. 2

Subject: Work Orders involving non-imposition of controls.

Statement of Fact: The summary cover sheet for Work Order 4523 indicates that the costs charged into this work order are for the purposes of:

Item 1: Other services necessary to ensure that unwarranted emission controls are not imposed on the fossil fuel generation facilities of The Southern Company.

FERC Account Number 426.4 Expenditures for certain civic, political, and related activities, includes "expenditures for the purpose of influencing public opinion ... legislation, or ordinances..."

Audit Opinion: These items could be considered as falling within the definition of CFR/FERC Account Number 426.4.

Company Response: The professional services performed by SCS for Gulf Power in Work Order 4523 primarily relate to the development of technical, legal, and economic information necessary to demonstrate that proposed Environmental Protection Agency initiatives related to emission controls on utilities are unwarranted. These activities are technical in nature and are necessary to ensure that regulatory decisions are based upon sound science and cost-effective technology. These activities did not involve lobbying, and were properly recorded to utility operating expenses.

Disclosure No. 3

Subject: Inconsistent Titles within Work Order Reports.

Statement of Fact: The summary cover sheet for Work Order 47HB indicates that the costs charged into this work order are for the purposes of:

Item 1:end use research.....to satisfy the requirements of the Florida Public Service Commission. This work order will be charged only for incremental research costs, i.e.,that would not be incurred were it not for Commission requirements.

The title of this Work Order was: "Incremental End Use Research" for 1994 cost assignments.

This title was compared to the title listed in the Work Order File Summary Report for 1996. The Work Order File Summary Report title corresponding to Work Order Number 47HB is different for 1996. Within the 1996 Work Order File Summary Report, the work order number 47HB is titled as: "Marketing Activities in support of House Bill 280."

FERC Account Number 426.4 Expenditures for certain civic, political, and related activities, includes "expenditures for the purpose of influencing public opinion ... legislation , or ordinances..."

Audit Opinion: The title of this Work Order could be considered as falling within the definition of CFR/FERC Account Number 426.4.

Company Response: The work order title indicated on the 1996 Work Order File Summary Report is incorrect. The correct title is consistent with the Work Order Request Form - "Incremental End Use Research". The incorrect title was a result of a clerical error made when the work order was established in the SCS work order database. The support for House Bill 280 was related to Georgia's House Bill 280 and had no relation to Gulf Power or the state of Florida. These costs were actually charged to workorder 37HB and billed directly to Georgia Power Company.

The 47HB work order activities for Incremental End Use Research provided Gulf Power with detailed end use load data for use as a baseline for forecasting and measuring the effectiveness of demand side management programs. This work was an approved project under Gulf Power's Conservation Demonstration and Development program. These activities did not involve lobbying, and were properly recorded to utility operating expenses.

Disclosure No. 4

Subject: Work Orders involving regulatory initiatives.

Statement of Fact: The summary cover sheet for Work Order 4902 indicates that the costs charged into this work order are for the purposes of:

Item 1: "...the monitoring, evaluating, and shaping of regulatory and/or legislative initiatives associated with generating and transmitting electricity; and obtaining the appropriate regulatory approvals to implement strategies."

1.1: The title of this work order was "Bulk Power Services."

1.2: The FERC account authorized on the work order summary cover was 500-100.

FERC Account Number 426.4 Expenditures for certain civic, political, and related activities, includes "expenditures for the purpose of influencing public opinion ... legislation, or ordinances..."

Audit Opinion: The title of this Work Order could be considered as falling within the definition of CFR/FERC Account Number 426.4.

Company Response: The professional services performed by SCS for Gulf Power in work order 4902 were related to the planning and coordination of bulk power resources (energy and capacity purchases and sales) strategies which maximized the use of system assets and minimized the cost to our territorial customers. This would include presenting or supporting policy positions to federal and state governmental/regulatory agencies such as the FERC and FPSC. These costs were recorded to FERC 557-010, not 500-100 noted on the work order form. As noted in response to several audit requests, Gulf's Accounting Department reviews and assigns all account numbers based upon the work to be performed, irrespective of the proposed account number on the form. These activities did not involve lobbying, and were properly recorded to utility operating expenses.