BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Gulf Power Company for an increase in its rates and charges	Docket No. 891345-EI Filed: May 15, 1990

CITIZENS' PREHEARING STATEMENT

The Citizens of the State of Florida, through their attorney, the Public Counsel, file this Prehearing Statement and state:

a. All Known Witnesses and Exhibits

HELMUTH W. SCHULTZ, III

Exhibit No.	Description
(HWS-1)	Adjusted Net Operating Income
(HWS-2)	Summary of Expenses Adjustments
(HWS-3)	Reference Level Adjustment - Employee Relations
(HWS-4)	Labor Complement Adjustment and Related Payroll Taxes
(HWS-5)	Calculation of Actual & Forecast Average Turbine and Boiler Inspections Expense
(HWS-6)	OPC Benchmark Analysis
(HWS-7)	Steam Production Adjustment
(HWS-7) Page 2	Disallowance of Duplicative SCS Services
(HWS-7) Page 3	Calculation to Restate Budgeted SCS Services to Historical Actual Cost
(HWS-8)	Employee Benefits
(HWS-9)	Calculation of Average Obsolete Distribution Material Expense

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(HWS-10) "Perks"	Disallowance of Expense for Officer and Management
(HWS-11)	Calculation of Average Fan & Duct Repair Expense
(HWS-12)	Disallowance of Former ECCR Recovery Programs from Base Rates
(HWS-13)	Adjustment to Remove Conservation Programs from Customer Service and Information for ECCR Review
(HWS-14)	Adjustment to Remove Test Year Marketing Expenses
(HWS-15)	Summary of Benchmark Adjustments
(HWS-15) Page 2	Distribution System Work Order Clearance

HUGH LARKIN, JR.

Exhibit No.	Description
(HL-1)	Revenue Requirements Calculation
(HL-2)	13 Month Average Rate Base as Adjusted
(HL-3)	13 Month Average Plant Balance
(HL-4)	Depreciation Reserve Balance by Month
(HL-5)	Provision for Depreciation
(HL-5) Page 2	12-Month Average Depreciation Rate-1989
(HL-6) Use	Adjustment to Remove Plant Held for Future from Ratebase
(HL-7)	Adjustmants to Working Capital
(HL-8)	New and Revised Adjustments to Rate Base for 13 Months
(HL-9)	1990 Retail Energy Sales Forecast
(HL-10)	Depreciation and Amortization Expense Adjustment
(HL-11)	Interest Synchronization Adjustment
(HL-12)	Adjustment to Income Tax Expense for Proposed Changes to Operating Income Revenues and Expenses

RICHARD A. ROSEN

Exhibit No.	Description
(RAR-1)	Qualifications
(RAR-2)	Scherer Commitments
(RAR-3)	Reserve Margins
(RAR-4)	Southern Studies Form 2.2 p.3 of 3
(RAR-5)	Economics of Removing Scherer
(RAR-6)	Capacity Settlement Credits Calculation
(RAR-7)	Short Term Retail Forecast Accuracy

JAMES A. ROTHSCHILD

Exhibit No.	Description
(JAR-1)	Recommended Cost of Capital
(JAR-2)	Discounted Cash Flow
(JAR-3)	Non Nuclear Discounted Cash Flow
(JAR-4)	Moody's 24 Electric Utility Companies
(JAR-5)	Non Nuclear External Financing Rate
(JAR-6)	ROE Implied in Zack's Consensus Growth Rate
(JAR-7)	Moody's 24 Electric Utilities Capital Structure Comparison
(JAR-8)	Analysis of Effect of Leverage On Cost of Capital
(JAR-9)	Common Stock Cost of Floatation
(JAR-10)	Dow Jones Industrials from 1920 through 1987
(JAR-11)	Cost of Equity Differential Between Users
(JAR-12)	Sales of Electricity By Customer Class (Appendix II)

ROBERT SCHEFFEL WRIGHT

Exhibit No.	Description
(RSW-1)	Cost Analysis Flowchart
(RSW-2)	Cost of Service Study in Response to Staff Interrogatory No. 1
(RSW-3)	Revenues, Net Operating Income and Class Rates of Return Alternate Cost of Service Studies at Present Rates
(RSW-4)	Comparative Class Shares of Base Load Plant Responsibility and Base Load Fuel, Alternate Cost Studies

b. Basic Position

Gulf's current rate are excessive and revenues should be reduced by $11,791,000.

c. Issues and Position

Rate Base

ISSUE 1: Gulf Power has proposed a rate base of $923,562,000 ($946,840,000 System) for the test year. What is the appropriate level of rate base for 1990?

OPC Position: The proper level of rate base is $842,351,000 ($863,513,000 System).

ISSUE 2: The company has included $1,275,624,000 ($1,307,579,000 System) of plant in service in rate base. Is this appropriate?

OPC Position: No. Based on an actual vs. projected analysis for August, 1989 through March, 1990, the total company plant is overstated by $11,458,000 ($11,178,000 juris.). (Larkin)

ISSUE 3: Gulf capitalized $1,964,394 ($6,937,131 System) in excess of the original cost capitalized by Georgia Power Company for its 25% share of Plant Scherer, Unit No. 3. Is this appropriate?

OPC Position: No. In the event the Commission decides to allow Plant Scherer in rate base, no acquisition adjustment should be included in rate base. (Larkin)

ISSUE 4: As a result of its purchase of a portion of the common facilities at Plant Scherer, Gulf recorded an acquisition adjustment of $2,458,067 ($8,680,507 System). Is this appropriate?

OPC Position: No. In the event the Commission decides to allow Plant Scherer in rate base, no acquisition adjustment should be included in rate base. (Larkin)

ISSUE 5: Is the $31,645,000 total cost for the new corporate headquarters land, building, and furnishings reasonable?

OPC Position: The costs of the new corporate headquarters should be adjusted to remove excessive costs and costs associated with non used and useful land and building space.

ISSUE 6: Is the Careyville "sod farm" operation being properly accounted for by Gulf Power Company?

OPC Position: In the event the sod farm operations are being subsidized by ratepayers, the Commission should remove these costs as non utility in nature.

ISSUE 7: Should the investment and expenses associated with the "Navy House" be allowed?

OPC Position: Only the necessary and reasonable costs incurred to provide electric service should be included for recovery.

ISSUE 8: Has Gulf properly allocated all of the appropriate capital investment and expenses to its appliance division?

OPC Position: Only the necessary and reasonable costs incurred to provide electric service should be included for recovery.

ISSUE 9: Should Gulf's investment in the Tallahassee office be included in rate base?

OPC Position: Plant in service should be reduced by $43,000 and accumulated depreciation by $26,000. (Larkin)

ISSUE 10: Should the total cost of the Bonifay and Graceville offices be allowed in rate base?

OPC Position: Rate base should be reduced by $183,000. (Larkin)

ISSUE 11: Gulf Power has proposed $454,964,000 ($466,642,000 System) as the proper level of accumulated depreciation to be used in this case. Is this appropriate?

OPC Position: The provision should be increased by $3,715,000 ($3,522,000 juris.). (Larkin)

ISSUE 12: Should the plant investment made by Gulf to serve the Leisure Lakes subdivision be included in rate base?

OPC Position: No.

ISSUE 13: The company has included $14,949,000 ($15,308,000 System) of construction work in progress in rate base.

OPC Position: No position at this time.

ISSUE 14: Is the company's method of handling non-interest bearing CWIP consistent with the prescribed system of accounting?

OPC Position: No position at this time.

ISSUE 15: Gulf has included in its jurisdictional rate base $3,925,000 ($4,025,000 System) of plant held for future use Is this appropriate?

OPC Position: Due to the current plans for use, the following items should not be included in rate base. Careyville land at $1,398,000; Bayfront office at $1,844,000; Pace Blvd. land at $612,000. (Larkin)

ISSUE 16: Has Gulf allocated the appropriate amount of working capital to Unit Power Sales (UPS)?

OPC Position: No position at this time.

ISSUE 17: The company has included $81,711,000 ($84,174,000 System) of working capital in rate base. What is the appropriate level of working capital?

OPC Position: The appropriate level of working capital is $71,094,000 ($69,014,000 juris.).

ISSUE 18: Gulf has included $______________ ($1,485,221 System) prepaid pension expense in its calculation of working capital. Is this appropriate?

OPC Position: The prepaid pension of $1,484,000 should be removed from working capital. (Larkin)

ISSUE 19: Should unamortized rate case expense be included in working capital?

OPC Position: Working capital should be reduced by $765,000 to remove this item. (Larkin)

ISSUE 20: Should the net overrecoveries of fuel and conservation expenses be included in the calculation of working capital?

OPC Position: Consistent with past Commission practice, this item should be included in the calculation of working capital.

ISSUE 21: Gulf has included $________________ of temporary cash investments in working capital. Is this appropriate?

OPC Position: No. Reduce working capital by $6,399,000.

ISSUE 22: Gulf has included $_____________ of heavy oil inventory. Is this appropriate?

OPC Position: The staff interim adjustment should be made to fuel inventory. (Larkin)

ISSUE 23: Gulf has included $________________ of light oil inventory. Is this appropriate?

OPC Position: The staff interim adjustment should be made to fuel inventory. (Larkin)

ISSUE 24: Gulf has included $______________ of coal inventory. Is this appropriate?

OPC Position: The staff interim adjustment should be made to fuel inventory. (Larkin)

ISSUE 25: Should 515 MW of Plant Daniel be included in Gulf Power's rate base?

OPC Position: No position at this time.

ISSUE 26: Should 63 MW of Plant Scherer 3 be included in Gulf Power's rate base?

OPC Position: No. This plant is not currently needed to serve retail customers and should not be included in rate base or expenses. (Larkin, Rosen)

ISSUE 27: If Plant Scherer 3 is not included in rate base, what are the appropriate rate base and NOI adjustments to exclude it?

OPC Position: The proper adjustments to remove Plant Scherer are:

Plant in Service	
Accumulated Depreciation	
Working Capital	$3,958,000
Production A&G	$ 263,000
Transmission Line Rentals	$1,822,000

ISSUE 28: What adjustment is proper to remove the 1984 cancelled Southern Company Services' building from rate base?

OPC Position: Remove $346,000 from plant in service and $159,000 from depreciation reserve. (Larkin)

ISSUE 29: What adjustment to rate base is necessary to reflect the proper treatment for rebuilds and renovations which were expensed by the company?

OPC Position: Increase plant in service by $369,000 and increase depreciation reserve by $18,000. (Larkin, Schultz)

ISSUE 30: What adjustment to rate base is necessary to remove the network protectors from expense to rate base?

OPC Position: Increase plant in service by $90,000 and depreciation reserve by $5,000. (Larkin, Schultz)

ISSUE 31: Should the remaining balance in Other Investment be included in working capital?

OPC Position: No. This item has not been justified; remove $113,000 from working capital. (Larkin)

ISSUE 32: Should the working capital item titled "other accounts receivable" be removed?

OPC Position: Yes. There is no evidence that this amount is properly included in rate base. Remove $1,230,000. (Larkin)

ISSUE 33: Has the company overstated the materials and supply level?

OPC Position: Yes. Reduce M&S by $2,307,000. (Larkin)

ISSUE 34: Should the amounts shown as "other current assets" and "other miscellaneous" deferred debits removed from working capital?

OPC Position: Yes. Reduce working capital by $136,000 and $30,000 respectfully. (Larkin)

ISSUE 35: Should the Careyville Subsurface Study be removed from rate base?

OPC Position: Yes. Remove $692,000 from rate base. (Larkin)

ISSUE 36: What additional working capital adjustments are needed to reflect OPC's expense exclusions?

OPC Position: Increase working capital by: $985,000 for supplemental pension and benefits reserve; $2,935,000 for post-retirement life and medical; $12,000 for deferred school plan applicances; $59,000 for productivity improvement plan. (Larkin, Schultz)

Cost of Capital

ISSUE 37: What is the appropriate cost of common equity capital for Gulf Power?

OPC Position: The proper calculated return on equity should be set at 11.75% (Rothschild), however, this ROE should be adjusted downward for mismanagement.

ISSUE 38: Should the newly authorized return on common equity be reduced if it is determined that Gulf has been mismanaged?

OPC Position: Yes. The return on equity should be reduced by 2.00% to reflect mismanagement.

ISSUE 39: Should the preferred stock balance appearing in the capital structure be net of discounts, premiums and issuance expenses?

OPC Position: Yes.

ISSUE 40: Should Gulf Power's non-utility investment be removed directly from equity when reconciling the capital structure to rate base?

OPC Position: Yes. The Company has removed part of this investment from debt (see MFR Sch. D 12a). Reduce equity and increase L-T debt by $7,282,000. (Larkin)

ISSUE 41: Should Gulf Power's temporary cash investments be removed directly from equity when reconciling the capital structure to rate base?

OPC Position: Yes.

ISSUE 42: What is the appropriate balance of accumulated deferred investment tax credits?

OPC Position: $37,987,000.

ISSUE 43: What is the appropriate balance of accumulated deferred income taxes?

OPC Position: $161,078,000.

ISSUE 44: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the projected test year ending December 31, 1990?

OPC Position:

ISSUE 45: Should an adjustment be made to negate the affect of the Company's corporate goal to increase its equity ratio?

OPC Position: Yes. No specific adjustment at this time.

Net Operating Income

ISSUE 46: The company has proposed a net operating income of $60,910,000 ($62,802,000 System) for 1990. What is the appropriate net operating income for 1990?

OPC Position: $75,444,000. ($73,347,000)

ISSUE 47: Should revenues be imputed to Gulf for the benefit derived by the appliance division from the use of Gulf's logo and name?

OPC Position: Yes. Any value attributable to the operation of the Company should be recognized and an appropriate allowance should be credited to the Company above the line.

ISSUE 48: Should revenues be imputed at applicable standby rates for 1990 for the PST customer who experienced an outage of his generation capacity and took back-up power from Gulf but was not billed on the standby power rate?

OPC Position: Yes.

ISSUE 49: The company has projected total operating revenues for 1990 of $225,580,000 ($262,013,000 System). Is this appropriate?

OPC Position: Increase retail sales by $2,493,000. (Larkin, Rosen, Schultz)

ISSUE 50: Has Gulf budgeted a reasonable level for salaries and employee benefits?

OPC Position: Employee benefits should be reduced by $1,405,445.

ISSUE 51: Is Gulf Power's projected $510,524 ($510,852 System) bad debt expense for 1990 appropriate?

OPC Position: No.

ISSUE 52: Should fuel revenues and related expenses, recoverable through the fuel adjustment clause, be removed from NOI and if so, what amount?

OPC Position: Yes. No amount available.

ISSUE 53: Should conservation revenues and related expenses, recoverable through the conservation cost recovery clause, be removed from NOI and if so, what amount?

OPC Position: Yes. No amount available.

ISSUE 54: Should the 1990 projected test year be adjusted for any out-of-period non-recurring, non-utility items or errors found in 1989?

OPC Position: Yes. Remove $116,000 for heavy equipment rebuilds and $252,000 for renovations to the Panama City office. (Schultz)

ISSUE 55: Are Gulf's budgeted industry association dues in the amount of $199,343 during 1990 reasonable and prudent?

OPC Position: In addition to those removed by the Company, based on the latest EEI report an additional $21,608 should be removed.

ISSUE 56: What is the appropriate amount of rate case expense to be allowed in operating expense?

OPC Position: Since no rate increase is necessary, no expense should be allowed for recovery. In the event this Commission determines that a rate increase is appropriate, the expense should be adjusted based on the percentage of the total rate increase requested to the amount granted. This adjusted amount should then be amortized over 5 years. (Schultz)

ISSUE 57: Should Gulf be allowed to recover any costs associated with Docket No. 881167-EI, the withdrawn rate case?

OPC Position: No.

ISSUE 58: Should Bank Fees and Line of Credit charges be included in operating expenses?

OPC Position: The total budgeted amount for this item should be borne by the stockholders. (Schultz)

ISSUE 59: Gulf budgeted $8,963,407 ($9,459,943 System) for Outside Services expenses for 1990. Is this amount reasonable?

OPC Position: No position at this time.

ISSUE 60: Gulf has projected $7,775,000 ($7,780,000 System) in Customer Accounts expenses for 1990. Is this amount reasonable?

OPC Position: No position at this time.

ISSUE 61: Should the expenses related to the Industrial Customer Activities and Cogeneration Program be allowed in base rates?

OPC Position: No position at this time.

ISSUE 62: Are the expenses to Good Cents Inventive appropriate?

OPC Position: No.

ISSUE 63: Should the expenses related to the Good Cents Program be allowed in base rates?

OPC Position: No.

ISSUE 64: Should the expenses related to the Essential Customer Service Program be allowed in base rates?

OPC Position: No.

ISSUE 65: Should the expenses related to the Energy Education Program be allowed in base rates?

OPC Position: No.

ISSUE 66: Should Presentations/Seminars Program be allowed in base rates?

OPC Position: No.

ISSUE 67: Should the expenses related to Shine Against Crime Program be allowed in base rates?

OPC Position: No.

ISSUE 68: Gulf has projected $687,000 ($687,000 System) for economic development expense in the sales function for 1990. Is this amount reasonable?

OPC Position: The total amount for economic development should be excluded from recovery. (Schultz)

ISSUE 69: This issue number was not used in staff's third revised copy.

ISSUE 70: Gulf has projected $5,358,179 ($5,655,000 System) in Production-Related A&G expenses for 1990. Is this amount reasonable?

OPC Position: No, this amount should be reduced as recommended in other issues.

ISSUE 71: Gulf has projected $31,070,804 ($32,792,000 System) in Other A&G expenses for 1990. Is this amount appropriate?

OPC Position: No, this amount should be reduced as recommended in other issues.

ISSUE 72: Has Gulf included any lobbying and other related expenses in the 1990 test year which should be removed from operating expenses?

OPC Position: Due to the circumstances involved in this case, it is highly possible that additional lobbying expenses remain in expenses of rate base.

ISSUE 73: What is the appropriate C.P.I. factor to use in determining test year expenses?

OPC Position: No position at this time.

ISSUE 74: For each functional category of expenses, what is the appropriate level of expenses for services provided by the Southern Company?

OPC Position: The Company's amount related to steam production should be reduced by $734,595. (Schultz)

ISSUE 75: Has the company properly removed from 1990 expenses all costs related to IRS, grand jury and other similar investigations?

OPC Position: Any amounts remaining should be removed.

ISSUE 76: What is the appropriate amount of Pension expense for 1990?

OPC Position: No position at this time.

ISSUE 77: Are the projected O&M expenses for R&D projects reasonable?

OPC Position: No position at this time.

ISSUE 78: Are the projected O&M expenses for additional personnel reasonable in the steam production function?

OPC Position: No position at this time.

ISSUE 79: Has there been any "double counting" of expenses for services rendered by Southern Company Services or EPRI?

OPC Position: Any possible double counting of costs cannot be identified at this time.

ISSUE 80: Are the projected expenses for ash hauling at Plant Daniel reasonable?

OPC Position: No position at this time.

ISSUE 81: Is the amount included in O&M for transmission rental for Plant Daniel and Scherer reasonable?

OPC Position: No.

ISSUE 82: Are the projected O&M expenses for Public Safety Inspection and Maintenance reasonable?

OPC Position: No.

ISSUE 83: Gulf has budgeted $47,701,000 ($48,844,000 System) for Depreciation and Amortization expense. Is this amount appropriate?

OPC Position: Test year depreciation should be reduced by $967,000. (Larkin)

ISSUE 84: Gulf has budgeted $13,185,000 ($13,549,000 System) for Taxes Other. Is this amount appropriate?

OPC Position: No. This amount should be adjusted based on other issues raised.

ISSUE 85: What is the appropriate amount of income tax expense for the test year?

OPC Position: Based on OPC's current position, state income taxes should be increased by $1,243,000 and federal income taxes should be increased by $7,261,000. (Larkin)

ISSUE 86: What is the proper interest synchronization adjustment in this case?

OPC Position: Based on OPC's recommended adjustments, income taxes should be increased by $587,000. (Larkin)

ISSUE 87: What adjustment should be made to the test year reference level for the Employee relations Planning Unit?

OPC Position: The test year reference level is overstated by $728,826 and should be reduced by this amount. (Schultz)

ISSUE 88: Has the company made the proper adjustment to remove the labor complement?

OPC Position: No. The labor complement adjustment is understated by $990,381. This also requires a payroll tax decrease of $78,406. (Schultz)

ISSUE 89: The company has included $5,340,000 in Turbine and Boiler inspections, is further adjustment necessary?

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OPC Position: Yes. Based on a 10 year average, the proper level for this expense is $4,421,065. Reduce expenses by $918,935. (Schultz)

ISSUE 90: What adjustments should be made to the level of expenses for Plant Daniel?

OPC Position: Plant Daniel steam production costs should be reduced by $646,000 and $1,172,000 for A&G costs to reflect the proper benchmark level. (Schultz)

ISSUE 91: Would it be proper to amortize the 1989 credit to uncollectibles, which arose due to an accounting change, above the line?

OPC Position: Yes. Since the customers have paid for prior year uncollectibles, they should receive any credits that arose due to excess amortization. A four year amortization results in a yearly credit of $203,250. (Schultz)

ISSUE 92: Should an adjustment be made to remove part or all of the costs associated with the employee savings plan?

OPC Position: Yes. No amount yet identified. (Schultz)

ISSUE 93: Should the Commission remove all or part of the costs of the Productivity Improvement Plan (PIP)?

OPC Position: Yes. The entire $464,177 should be removed from test year expenses. (Schultz)

ISSUE 94: What amount of the Performance Pay Plan should be approved for retail recovery?

OPC Position: None of this amount is appropriate for recovery in retail rates. Remove $1,021,637. (Schultz)

ISSUE 95: What amount of the $326,808 for EPRI nuclear research should be included for setting retail rates?

OPC Position: The entire amount should be removed from expenses. (Schultz)

ISSUE 96: Should an adjustment be made to the Plant Smith ash hauling expenses?

OPC Position: Yes. This expense is overstated by $360,000. (Schultz)

ISSUE 97: What adjustment should be made to the company's employee relations budget associated with the relocation and development programs?

OPC Position: The development program costs of $72,250 should be removed as well as the $172,460 in costs associated with selling homes of relocated employees. (Schultz)

ISSUE 98: Should an adjustment be made to reduce the level of obsolete material to be written off in the test year?

OPC Position: Yes. The Company has included a write off for distribution material of $109,000; this should be reduced by $83,000. (Schultz)

ISSUE 99: How much of the officer and management "perks" for tax services and fitness programs should be borne by the ratepayers?

OPC Position: Both of these items should be removed. Reduce expenses by $65,100. (Schultz)

ISSUE 100: The company has projected $1,109,000 for duct and fan repairs for the test year. Should an adjustment be made to this level?

OPC Position: Yes. To more properly reflect an average year for this expense, it should be reduced by $310,319. (Schultz)

ISSUE 101: Should an adjustment to made to the Customer Services and Information benchmark?

OPC Position: Yes. Conservation costs not allowed for ECCR recovery should be disallowed in base rates also. Reduce expenses by $1,207,237. (Schultz)

ISSUE 102: The company has included expenses for marketing in the test year. Should an adjustment be made to remove this cost?

OPC Position: Yes. The identifiable level of marketing expense which should be removed is $1,148,489. (Schultz)

ISSUE 103: What adjustments are necessary to reflect a proper benchmark test of expenses levels?

OPC Position: The following expenses have not been adequately explained or verified in the Company's benchmark analysis and should be reduced accordingly. (Schultz)

a. Plant Crist-condensing & cooling proj.	$ 289,000
b. Distrib.-work order clearance	$ 418,154
c. Distrib.-underground line extensions	$ 351,000
d. Distrib.-network protectors	$ 90,000
e. Electric & magnetic fields study	$ 39,000
f. Acid rain monitoring	$ 43,000
	$ 1,230,154

ISSUE 104: Gulf has budgeted $_______________ for O&M expenses. Is this amount appropriate?

OPC Position: Yes. See responses to expense issues.

ISSUE 105: Was the production and promotion of the appliance video known as "Top Gun" contrary to the Commission's policy regarding fuel neutrality?

OPC Position: Yes. These costs should not be included for recovery.

ISSUE 106: Was the production and distribution of tee-shirts with the "Gas Busters" symbol contrary to the Commission's policy regarding full neutrality?

OPC Position: Yes. These costs should not be included for recovery.

ISSUE 107: Was the inventive program known as "Good Cents Incentive" which utilized electropoints that were redeemable for trips, awards, and merchandise contrary to the Commission's policy regarding fuel neutrality?

OPC Position: Yes. These costs should not be included for recovery.

ISSUE 108: In 1987, a commercial building received energy awards from both the U.S. Department of Energy and the Governor's Energy Office yet did not receive Good Cents certification because of a small amount of back up gas power. Was this practice contrary to the Commission's policy regarding fuel neutrality?

<u>OPC Position</u>: Yes.

<u>ISSUE 109</u>: Has Gulf participated in misleading advertising in order to gain a competitive edge on gas usage?

<u>OPC Position</u>: No position at this time.

<u>Revenue Expansion Factor</u>

<u>ISSUE 110</u>: What is the appropriate revenue expansion factor for 1990?

<u>OPC Position</u>: No position at this time.

<u>Revenue Requirements</u>

<u>ISSUE 111</u>: Gulf has requested an annual operating revenue increase of $26,295,000. Is this appropriate?

<u>OPC Position</u>: The Company's requested increase is inappropriate. A rate decrease of $11,791,000 should be implemented.

<u>ISSUE 112</u>: Should any portion of the $5,751,000 interim increase granted by Order No. 22681 issued on 3-13-90 be refunded?

<u>OPC Position</u>: Yes, the entire amount should be refunded.

<u>ISSUE 113</u>: Should Gulf be required to file, within 30 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements and books and records which will be required as a result of the Commission's findings in this rate case?

<u>OPC Position</u>: Yes.

<u>Cost of Service & Rate Design</u>

<u>ISSUE 114</u>: Are the company's estimated revenues for sales of electricity based upon reasonable estimates of customers, KW and KWH billing determinants by rate class?

OPC Position: Tentatively agree with Staff.

ISSUE 115: The present and proposed revenues for 1989 are calculated using a correction factor. Is this appropriate?

OPC Position: Tentatively agree with Staff.

ISSUE 116: What is the appropriate cost of service methodology to be used in designing the rates of Gulf Power Company?

OPC Position: The Equivalent Peaker Cost methodology proposed by Citizens' witness, Robert Scheffel Wright.

ISSUE 117: Are Gulf's separation of amounts for wholesale and retail jurisdictions appropriate?

OPC Position: No position at this time.

ISSUE 118: Is the method employed by the company to develop its estimates by class of the 12-monthly coincident peaks hour demands and the class non coincident peak hours demand appropriate?

OPC Position: Agree with Staff.

ISSUE 119: If a revenue increase is granted, how should it be allocated among customer classes?

OPC Position: Any increase should be allocated among rate classes so as to being class rate of return indices closer to parity as indicated by the cost of service study approved by the Commission in this case. To the extent possible, increases should be limited to 1.5 times the percentage increase in total retail system revenues. If a class' rate of return index can be moved closer to parity by reducing its rates, then such reductions should be implemented. Even if the Commission determines that Gulf should receive no revenue increase, rates should be readjusted in order to move them closer to parity.

ISSUE 120: If an increase in revenues is approved, unbilled revenue will increase. Is the method used by the utility for calculating the increase in unbilled revenues by rate class appropriate?

OPC Position: Agree with Staff.

ISSUE 121: Should the increase in unbilled revenues be subtracted from the increase in revenue from sales of electricity use to calculate rates by class?

OPC Position: Agree with Staff.

ISSUE 122: What are the appropriate customer charges?

OPC Position: No position at this time. Customer charges should be set as close as reasonably practicable to the customer unit costs indicated by the Commission-approved cost of service study.

ISSUE 123: What are the appropriate demand charges?

OPC Position: Basically agree with Staff.

ISSUE 124: The company presently has seasonal rates for the RS and GS rate classes. Should seasonal rates be retained for RS and GS? If so, should they be required for GSD/GSDT, LP/LPT and PX/PXT?

OPC Position: If the Commission determines that seasonal rates are cost-based and therefore should be retained for Gulf's LRS and GS classes, then seasonal rate should also be implemented for Gulf's other rate classes. If the Commission determines that seasonal rates are not cost-based, then they should be eliminated for all rate classes.

ISSUE 125: If seasonal rates are continued, how should they be designed?

OPC Position: Seasonal rates should probably differ from non-seasonal rates by having greater amounts of demand-related production and transmission costs incorporated into the demand charges (for demand-metered customers) or non-fuel energy charges (for non-demand-metered customers) applicable during the months of the defined peak season or seasons, and by seasonally-differentiated fuel charges. One reasonable approach could be to allocate the demand-related production and transmission costs to identified peak seasonal months and non-peak months according to aggregate reliability index values in the peak and non-peak months. The allocation of energy-related production costs and other energy-related costs should not vary seasonally. Non-fuel energy charges should not vary from season to season, nor should local facilities charges, nor should customer charges.

ISSUE 126: How should time-of-use rates be designed?

OPC Position: Agree with Staff.

ISSUE 127: Should Gulf's Experimental Rate Schedule RS-VSP (Residential Service - Variable Spot Pricing) base rate charge be raised so that the rate is revenue neutral with the approved standard RS rate? If so, what should the charges be?

OPC Position: Agree with Staff. If the RS-VSP rate is considered for permanent adoption as an optional rate, the Commission should consider incorporating the additional costs of metering and administering the RS-VSP rate into the customer charge for that rate.

ISSUE 128: The company currently gives transformer ownership discounts of $.25 per KW for customers taking service at primary voltage and $.70 per KW for customers taking service at transmission levels. Is the current level of discounts appropriate?

OPC Position: No position at this time.

ISSUE 129: (Number skipped, originally number 127)

ISSUE 130: All general service demand rate schedules (GSD, GSDT, LP, LPT, PX and PXT) except Standby Service (SS) and Interruptible STandby Service (ISS) provide for transformer ownership and metering discounts. The company has proposed providing metering discounts only for standby service rate schedules. Should the SS and ISS rate schedules have provisions for both transformer ownership and metering voltage discounts? If so, should the level of the transformer ownership discount and metering voltage discount for SS and ISS be set equal to the otherwise applicable rate schedule?

OPC Position: Yes. The level of the transformer ownership discount should be calculated based on 100 percent ratcheted billing demand in order to match the calculation of the local facilities demand charge applicable to standby service. Paying the same credits as applicable under full requirements rate schedules may provide too great a credit because these are calculated on the sum of annual billing demand, which is smaller than 100 percent ratcheted billing demand.

ISSUE 131: Should Gulf's proposed revision of the statement of the customer service on the standby service rate schedules (SS and ISS) be approved?

OPC Position: Agree with Staff.

ISSUE 131a: (Staff repeated number). Should Gulf's proposed change in the definition of the capacity used to determine the applicable local facilities and fuel charges on the standby service rate schedules (SS and ISS) be approved?

OPC Position: Agree with Staff.

ISSUE 132: Should the proposed paragraph on the monthly charges for supplementary service on the SS and ISS rate schedules be approved?

OPC Position: No position at this time.

ISSUE 133: Should the Interruptible Standby Service (ISS) Rate Schedules's sections on the Applicability and Determination of Standby Service (KW) Rendered be replaced by the language approved for the firm Standby Service (SS) in Docket No. 801304-EI?

OPC Position: Agree with Staff.

ISSUE 134: The present standby rates are based on system and class unit costs from Docket No. 840086-LEI. Should the standby rate schedules (SS and ISS) charges be adjusted to reflect unit costs from the approved cost of service study (a compliance rerun) in this docket and the 1989 IIC capacity charge rates?

OPC Position: Agree with Staff.

ISSUE 135: Order No. 17568, Docket No. 850102-EI approved the experimental Supplemental Energy (SE) (Optional) Rider as a permanent rate schedule on the condition that it become a separate rate class in the company's next rate case. Has Gulf complied with Order No. 17568?

OPC Position: Agree with Staff.

ISSUE 136: How should rates for the Supplemental Energy Optional Rider be designed?

OPC Position: The Supplemental Energy rate should have a maximum demand charge designed to recover distribution systems costs, an on-peak demand charge to recover demand-related production and transmission costs, a non-fuel energy charge equal to the class energy unit cost, and a cost-based customer charge. The maximum demand charge should be the distribution unit cost for the SE rate class calculated using 100 percent ratcheted billing demand and assessed on maximum demand registered by the customer during an appropriate ratchet period defined in the tariff. The ratchet period should be the same as the ratchet period applied to local facilities charges for Gulf's standby customers.

ISSUE 137: The applicability clause of the three demand classes (GSD, LP and PX) is stated in terms of the amount of KW demand for which the customer contracts. Is this an appropriate basis for determining applicability?

OPC Position: Agree with Staff.

ISSUE 138: The current GSD/GSDT rate schedules have minimum charges equal to the customer charge plus the demand charge for the minimum KW to take service on the rate schedule for customer opting for the rate schedule. Is this minimum charge provision appropriate?

OPC Position: Agree with Staff.

ISSUE 139: What is the appropriate method for calculating the minimum bill demand charge for the PX rate case?

OPC Position: The minimum bill for PX customers should include at least the customer charge plus a local facilities charge equal to the class distribution unit cost calculated using 100 percent ratcheted billing demand and applied to the customer's highest demand in the two years ending with the current billing month. No position at this time on other cost components of the PX minimum bill.

ISSUE 140: What is the appropriate method for calculating the minimum bill demand charge for the PXT rate class?

OPC Position: The minimum bill for PXT customers should include at least the customer charge plus a local facilities charge equal to the class distribution unit cost calculated using 100 percent ratcheted billing demand and applied to the customer's highest demand in the two years ending with the current billing month. No position at this time on other cost components of the PXT minimum bill.

ISSUE 141: The proposed change in the application of the minimum bill provision allows a customer who has less than a 75 percent load factor in a given month to not be billed pursuant to the minimum bill provision as long as his annual load factor for the current and most recent 11 months is at least 75 percent. Is this appropriate?

OPC Position: Agree with Staff.

ISSUE 142: The company has proposed the implementation of a local facilities demand charge for LP/LPT and PX/PXT customers, which would be applied when the customer's actual demand does not reach at least 80 percent of the Capacity Required to be Maintained (CRM) specified in the Contract for Electric Power. Is this local facilities charge appropriate? If so, to what customer class should it apply?

OPC Position: No. The Commission should require Gulf to implement local facilities demand charges for all of its demand-metered classes calculated and applied in the same way as the local facilities charges prescribed by the Commission for standby customer.

ISSUE 143: The company's proposed street and outdoor lighting rates are shown on the revised MFR Schedule E-16d submitted as Item No. 47 of Staff's Eighth Set of Interrogatories. Should these proposed rates be approved?

OPC Position: No position at this time.

ISSUE 144: The company proposes to eliminate the general provision pertaining to replacement of lighting systems on the Outdoor Service Rate Schedule (OS). Is this appropriate?

OPC Position: No position at this time.

ISSUE 145: Should the language on OS-III be clarified so that only customers with fixed voltage loads operating continuously throughout the billing period (such as traffic signals, cable TV amplifiers and gas transmission substations) would be allowed to take service on OS-III?

OPC Position: No position at this time.

ISSUE 146: Since the company's last rate case sports fields taking service on rate schedules GS and GSD were allowed to transfer to the OS-III rate schedule. The Company has now proposed an OS-IV rate for sports fields. Is this appropriate, and, if so, how should the rate be designed?

OPC Position: No position at this time.

ISSUE 147: The company proposal for service charges are summarized as follows:

	Present	Company Proposed
Initial Service	$16.00	$20.00
Reconnect a Subsequent Subscriber	$16.00	$16.00
Reconnect of Existing Customer after Disconnection for cause	$16.00	$16.00
Collection Fee	$ 6.00	$ 6.00
Installing & Removing Temporary Service	$48.00	$60.00
Minimum Investigative Fee	$30.00	$55.00

Are these charges appropriate?

OPC Position: Agree with Staff.

ISSUE 148: Should LP customers who have demands in excess of 7500 KW but annual load factor of less than 75 percent be allowed to opt for the PXT rate?

OPC Position: No. Allowing customers to opt up based on size, rather than on usage characteristics, would reduce the homogeneity of the PXT class, resulting in potential underrecovery of costs from the customers thus opting up and in potential intra-class cross-subsidization.

ISSUES 149 through 153: Citizens have no position at this time.

Respectfully submitted,

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APPENDIX A
Office Of The Public Counsel
Additional OPC Issues

1. ISSUE: How should Gulf's GS rates be designed?

OPC Position: Gulf's GS rates should be set equal to the Company's RS rates.

2. ISSUE: If the Commission elects to use a Refined Equivalent Peaker cost of service method to allocate costs to rate classes, what modifications should be made?

OPC Position: If the Commission decides to use a Refined Equivalent Peaker cost study, it should require that Gulf perform a new study that uses the classes' relative shares of energy consumption in the Company's actual on-peak hours, not their energy use in the highest-demand hours under the load duration curve, to allocate the energy-related component of production plant. Additionally, the revised study should classify fuel inventory as energy-related and should directly assign the rate base value of primary voltage level conductor that functions as dedicated distribution facilities to the rate classes that these dedicated facilities serve.

APPENDIX B
Office of the Public Counsel
Position on Gulf and Industrial Intervenors Issues

GULF'S RATE DESIGN ISSUES

ISSUE 28: Are the Company's proposed changes to standard demand charges appropriate?

OPC Position: No. The proposed reduction in the GSD demand charge appears to be appropriate, but the Commission should require Gulf to implement local facilities or distribution demand charges for all of its demand-metered classes, both standard and time-of-use rates. These local facilities charges should be calculated and applied in the same way as those applicable to standby service. (Wright)

INDUSTRIAL INTERVENOR'S PRELIMINARY LIST OF ISSUES

OPC Positions:

ISSUE 1: Production plant costs should be classified into demand-related and energy-related components using the Equivalent Peaker cost of service methodology advocated by Citizens' Witness Robert Scheffel Wright and allocated to the classes using appropriate demand and energy allocators, respectively. (Wright)

ISSUE 2: Transmission costs should be classified as peak-demand-related and allocated to rate classes accordingly. (Wright)

ISSUE 3: Generally, distribution costs should be classified as demand-related and allocated to the classes according to their non-coincident peak demands. To the extent possible, the costs of dedicated distribution facilities should be directly assigned to the classes whose customers they serve. (Wright)

ISSUE 4: (Same as Staff's Cost of Service and Rate Design Issue No. 117.) Any increase should be allocated among rate classes so as to bring class rate of return indices closer to parity as indicated by the cost of service study approved by the Commission in this case. To the extent possible, increases should be limited to 1.5 times the percentage increase in total retail system revenues. If a class's rate of return index can be moved closer to parity by reducing its rates, then such reductions should be implemented. Even if the Commission determines that Gulf should receive no revenue increase, rates should be readjusted in order to move them closer to parity. (Wright)

ISSUE 5: The minimum bill for PX customers should include at least the customer charge plus a local facilities charge equal to the class distribution unit cost calculated using 100 percent ratcheted billing demand and applied to the customer's highest measured demand (regardless whether it occurred during an on-peak period, off-peak period, or supplemental energy [SE] period) in the two years ending with the current billing month. No position at this time on other cost components of the PX minimum bill. (Wright)

ISSUE 6: No. Although these changes are in the right directions, the non-fuel energy charges for both on-peak kWh consumption and off-peak kWh consumption should be set equal to the class energy unit cost, unless evidence is presented to establish that variable O&M cost differ between the on-peak and off-peak periods, in which case a slight on-peak/off-peak differential based on such variable O&M cost differences would be justified. (Wright)

ISSUE 7: Yes, all demands registered during maintenance outages, even those fully coordinated with Gulf, should be subject to the ratchet provisions of the SS rate applicable to local facilities charges.

Additionally, all kW demands registered during the monthly peak that determines Gulf's payments or revenues pursuant to the Southern Company Intercompany Interchange Contract should be subject to the ratchet provisions applicable to the Reservation Charge. If a self-generating customer can coordinate its maintenance power service with Gulf so as to avoid (1) any impact on Gulf's demand-based IIC payments or revenues or (2) any other adverse impacts on Gulf or its general body of ratepayers, then a fair case may be made for excusing demands registered during such periods from the ratchet provisions applicable to the Reservation Charge. (Wright)

ISSUE 8: No position at this time.

ISSUE 9: The Reservation Charge should be set equal to the system unit cost per coincident peak kW for demand-related production and bulk transmission costs multiplied times the forced outage rate, which should either be assumed to be 10 percent or calculated based on reliable data collected and reported by Gulf pursuant to the requirements of Order No. 17159. (Wright)

ISSUE 10: No position at this time.

CERTIFICATE OF SERVICE
Docket No. 891345-EI

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U.S. Mail*, hand-delivery**, or by facsimile*** to the following parties on this 15th day of May, 1990.

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