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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In The Matter of

DOCKET NO.

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Application of GULF POWER COMPANY for in increase in rates : and charges.

891345-EI

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CONTINUED PREHEARING CONFERENCE

FPSC Hearing Room 106 Fletcher Building

Florida Public Service Commission

101 East Gaines Street Tallahassee, Florida 32399-0871

Thursday, May 31, 1990

Met pursuant to notice at 10:00 a.m.: 13

BEFORE: 14

COMMISSIONER THOMAS M. BEARD

HEARING OFFICER

APPEARANCES: 15

> G. EDISON HOLLAND, JR., and JEFFREY A. STONE, of the firm of Beggs and Lane, Post Office Box 12950, Pensacola, Florida 32576-2950, Telephone No. (904) 432-2451, appearing on behalf of Gulf Power Company.

ROGER HOWE and DON HALE, Office of the Public Counsel, the Florida House of Representatives, The Capitol, Tallahassee, Florida 32399-1300, Telephone No. (904) 488-9330, appearing on behalf of the Citizens of the State of Florida.

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APPEARANCES (CONTINUED):

MICHAEL PALECKI, ROBERT VANDIVER and MARSHA E. RULE, FPSC Division of Legal Services, 101 East Gaines Street, Tallahassee, Florida 32399-0863, Telephone No. (904) 487-2740, appearing on behalf of the Staff of the FPSC.

JOSEPH A. McGLOTHLIN, of the office of Lawson,
McWhirter, Grandoff & Reeves, 522 East Park Avenue, Suite 200,
Tallahassee, Florida 32301, Telephone No. (904) 222-2525,
appearing on behalf of the Industrial Intervenors.

RONALD C. LaFACE, of the firm of Roberts, Baggett,
LaFace & Richard, 101 East College Avenue, P. O. Drawer 1838,
Tallahassee, Florida 32302, Telephone No. (904) 222-6891,
appearing on behalf of the Florida Retail Federation.

GARY A. ENDERS, MAJOR, United States Air Force, Utility Litigation Team, Headquarters USAF/ULT, Stop 211, Tyndall AFB, Florida 32403, Telephone No. (904) 283-6347, appearing on behalf of the Federal Executive Agencies.

CINDY MILLER, FPSC Office of General Counsel, 101 East

Gaines Street, Tallahassee, Florida 32399, Telephone No. (904)

488-7463, appearing as Counsel to the Commissioners.

ALSO PRESENT: Margaret Meeter, E&G, FPSC

John Slemkewicz, E&G, FPSC

4 REPORTED BY:

SYDNEY C. SILVA, CSR, RPR Official Commission Reporter

PROCEEDINGS

(Hearing reconvened at 10:00 a.m.)

COMMISSIONER BEARD: I assume this is a continuance, so we don't need to reread --

MR. VANDIVER: No notice to read, Commissioner.

COMMISSIONER BEARD: Okay. And the appearances have already been taken. Is there anybody that's not here, if you'll say so?

MR. HOWE: I should make an additional appearance for the Public Counsel's Office. I'm Roger Howe, fortunately able to sit in the stead of Steve Burgess for this Prehearing Conference.

COMMISSIONER BEARD: Did you say fortunately?

MR. HOWE: I got the short straw.

COMMISSIONER BEARD: Okay. I want to make sure we work on the same rules, we do the same thing here (laughter).

I had made a list of things, and let's just review very quickly. As of the end of the last prehearing or before we continued it, there were no outstanding motions at that point in time. Is that still the case?

MR. PALECKI: That's still correct.

COMMISSIONER BEARD: We have one, two, three, four, five, six, seven, eight, nine, 10, 11, stipulated issues and had seven pending stipulation issues that were still open for discussion. If I'm not mistaken.

MR. PALECKI: That's correct, Commissioner. There has

FLORIDA PUBLIC SERVICE COMMISSION

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been a change in the position of Gulf on Stipulated Issue No. 79. It's only a minor change, but I would like to call that to the attention of all of the parties to make sure we still have a stipulation on that issue with the change that's been made by Gulf.

COMMISSIONER BEARD: Okay, let's hear it.

MR. PALECKI: Jeff, if you have that language? It's not in the Prehearing Order, Commissioner.

MR. STONE: Yes, Commissioner. On Issue 79, the issue is, "Gulf had budgeted 332,000 for ash hauling at Plant Daniel. Is this expense reasonable?"

As a result of the last Prehearing Conference, it was our understanding that was a stipulated item. What we pointed out in our new position is that these expenses, the \$332,J00, are also contained in the expenses that are listed in Issue 89, the level expenses for Plant Daniel. And all we did was to add the language to point out the ash hauling expenses at Plant Daniel are included in the total issue expenses of Plant Daniel.

COMMISSIONER BEARD: What you in effect would be saying, by stipulating 79, you would be stipulating that part of 89 that relates to ash hauling at Plant Daniel.

MR. STONE: That is correct.

COMMISSIONER BEARD: That would seem logical anyway.

It wouldn't be stipulating to any of the other expenses in Issue

89. If you stipulated them in 79, it would seem to walk right

into there. MR. STONE: And that was the only reason we had the change in cur position was to make sure everyone was aware of that. COMMISSIONER BEARD: Get a reaction if we can. that present a problem? MR. HALE: Commissioner, we backed off of that issue. That wasn't one of our issues, we didn't take a position, so --COMMISSIONER BEARD: Oh, on 89? MR. HALE: 79. COMMISSIONER BEARD: On 79. So you weren't a party to the stipulation? MR. HALE: No. It's one of those we just didn't take a position on. COMMISSIONER BEARD: Well, --MR. PALECKI: Staff is still willing to stipulate with that. COMMISSIONER BEARD: Okay. I don't see how you can either stipulate to or not oppose in one issue and have the same number appear again and say, "Well, but it's different now." But we'll cross that bridge when we come to it. The parties that were in 79 still stipulate to it. The parties that took no position in 79 still take no position on 79.

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So it's still good.

Okay, did we, let's go down the issues that I show

pending stipulation, if we can. Get that old business out of the way before we get to the new business. Issue 75 was --MR. PALECKI: Commissioner, Staff is unwilling to stipulate to Issue 75. COMMISSIONER BEARD: Solves that problem. Next one was Issue No. 113. Incidentally, you need to remove the asterisk beside Issue 75, as well, when you go back to clean up. MR. PALECKI: Yes. MR. STONE: Just to help me, are the numbers in today's draft Prehearing Crder the same as they were at the last? There were a few additional issues raised, were they put in as As. MR. PALECKI: The numbers, I believe, are the same in the issues. MR. STONE: Okay. MR. PALECKI: None of those numbers were changed. COMMISSIONER BEARD: I don't think you took out 54, 55 or 56 yet, that was to be discussed today. What I didn't make a note of was who was the pending person on stipulation of these issues? I don't remember who had requested further time to look at each of them, so you all have to help me with that. Issue 113, "Are the Company's estimated

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class?"

revenues for sales of electricity based upon the reasonable

estimates of customers' kW and kWh billing determinants by rate

We had Gulf saying yes. Staff saying yes, with 1 explanation. OPC and FRF tentatively agreeing with Staff. Are 2 we less tentative today? 3 MR. HALE: Okay. Now, we do have an issue as far as the 4 sale to the level, but this particular issue would not touch 5 that, I don't believe. 6 COMMISSIONER BEARD: This particular issue? 7 MR. HALE: No, we have no problem with this issue. 8 MR. STONE: I agree with Staff, stipulate. 9 COMMISSIONER BRARD: So Issue 113 becomes stipulated. 10 Next one, 114, "Present and proposed revenues for 1989 11 are calculated using a correction factor. Is this appropriate?" 12 MR. VANDIVER: Commissioner Beard, I am assuming that 13 when you say "stipulated," we're stipulating to Staff's position 14 in each of these? 15 COMMISSIONER BEARD: Well, that's, you're the only one 16 that took a position in 113 and 114. 17 MR. VANDIVER: Yes, sir, I just wanted to make that 18 clear for the record that when we say, "Yes, with the 19 explanation," it includes the Staff position is what we're 20 stipulating to. 21 COMMISSIONER BEARD: Okay, so --22 MR. VANDIVER: That's our understanding. 23 MR. STONE: We can stipulate to 114. 24 25 COMMISSIONER BEARD: Okay, 114 is on the up list.

The next one I show is 129, "Should Gulf's experimental rate schedule RS-VSP, residential service-variable spot pricing, base rate charges be raised so that the rate is revenue neutral with the approved standard RS rate? If so, what should the charges be?" And everybody appears to be agreeing. Does Gulf have a problem with stipulating Staff's position?

MR. HALE: Commissioner, I don't know how much difference there is between the Staff's and our position on that one, but we would rather stipulate to the wording in our position. Unless someone has a big problem with that.

COMMISSIONER BEARD: Is there a problem with that?

MR. PALECKI: Staff has no problem with that.

MS. MEETER: (From the audience) No, no.

MR. PALECKI: We do have a problem with that. (Pause)

MR. STONE: Commissioner, we're kind of at a bit of a disadvantage because the RS-VSP rate has not even been approved as an experimental rate yet.

We agree that if the, you know, the rate increase is granted in this case, that the experimental rate we have submitted for approval ought to be adjusted to conform with the rates approved in this case. I think that's the essence of our position, why we agree with Staff.

As far as the issue that Public Counsel is raising, I just think that's premature. Their additional position on that rate cannot be resolved in this case, I don't believe, since the

experimental rate itself has not been approved and it's really subject to a different docket. For that reason, we would prefer Staff's language to Public Counsel's.

MR. HALE: What is it about the language in ours that you disagree with? The fact that that particular class cover all of its own costs?

MR. STONE: The point that I'm making is that the RS-VSP rate that we have proposed has not been proposed in this docket, it's been proposed in two different dockets, one where we sought approval of our -- this is our Transtext project. That docket was not approved by the Commission. It is coming up again, the Commission was aware of that, in our conservation plan docket.

And the issues as to the permanent design of the rate should be dealt with after the experimental period. It should not be dealt with in this case because we don't right now propose a permanent RS-VSP rate. The only issue that is significant in this case as to that rate would be to make sure that, whenever the experimental rate is adopted, it conforms with whatever rate treatment the Commission --

COMMISSIONER BEARD: May I ask why is this an issue in this case? We don't have it yet, right?

MR. STONE: We didn't raise the issue.

COMMISSIONER BEARD: I understand that.

MR. PALECKI: We thought it would be appropriate to get

the adjustment made at this time in case the rate was approved. It is pending in the conservation docket.

COMMISSIONER BEARD: But what are you going to be adjusting? I mean, what if we don't -- if you make that adjustment here and we don't approve it?

MR. PALECKI: It's a moot issue.

COMMISSIONER BEARD: What adjustment are you talking about making? You're not talking about adjusting the experimental rate that doesn't exist yet, are you?

MR. PALECKI: We're asking that the charge be set at the new RS customer charge, which basically we're seeking that it be revenue neutral.

commissioner BEARD: Wait a minute, time out, listen to me. I understand the issue. What I'm trying to understand is that is it appropriate for this docket when we don't have an experiment approved, disapproved, or dealt with at all? And would you not ask, in wherever this experimental thing comes up in a docket to be approved, would it then at that time be appropriate to ask that the charge be set at such-and-such a level?

MR. PALECKI: Commissioner, we wouldn't have a problem with eliminating this issue.

COMMISSIONER BEARD: Okay. I don't want to foul things up, I'm just trying to understand. But it may be trying to get us to do something that, when it's a separate docket, we'll be

1	double dealing ourselves work load.
2	Any problem with dropping that?
3	MR. HALE: No, I don't have any problem dropping that.
4	MR. LaFACE: (Shakes head from side to side.)
5	COMMISSIONER BEARD: Let's drop Issue 129.
6	MR. PALECKI: Commissioner, Issue 115A, which was one
7	of the new issues added by the Industrial Intervenor, is also one
8	we believe there could be a stipulation to. Or, excuse me, I
9	believe that was OPC's issue.
10	COMMISSIONER BEARD: Well, the wording of you all's is
11	virtually identical.
12	MR. PALECKI: And I believe that Gulf's position is
13	pretty much the same, also.
14	COMMISSIONER BEARD: It would certainly appear that
15	Staff and OPC could stipulate to it.
16	MR. STONE: Gulf would stipulate to it.
17	MR. HALE: To stipulate to it?
18	MR. STONF: Yes.
19	MR. HALE: Yes, we can stipulate to it.
20	COMMISSIONER BEARD: 115A, touchdown.
21	130?
22	MAJOR ENDERS: Commissioner, we can't stipulate to
23	that.
24	COMMISSIONER BEARD: Okay, 130 is a hot topic.
25	133? Got everybody on paper agreeing with Staff.
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FLORIDA PUBLIC SERVICE COMMISSION

MR. HALE: Yeah, we can stipulate to that one. (Pause) 1 MR. STONE: Company is in agreement. I'm sorry. 2 COMMISSIONER BEARD: Okay, we've got stipulation on 3 133. And the last one I show is 140. 4 MR. HALE: Would this be stipulating to Staff's 5 position again on 140? 6 COMMISSIONER BEARD: That's where we're starting. 7 MR. HALE: We would be agreeable to that. (Pause) 8 MR. STONE: Commissioner, the reason for our language 9 after the "No," we agree with Staff that it is inappropriate and 10 that's what the issue asks for. The question then becomes, "What 11 do you do to make it appropriate?" And that's why we have put 12 our language in our position, in trying to inform the Commission 13 what we think ought to be done. 14 I think Staff's language explains why it's 15 inappropriate and we agree it's inappropriate. I think our 16 17 language explains what results should pertain as a result of it being inappropriate. 18 COMMISSIONER BEARD: That's the way I read it as well. 19 The question then becomes, for Staff and for you all, can you 20 stipulate to the, "Since it's no, this is what you ought to do 21 about it," part of it? Do you agree? The net effect is car you 22 stipulate to Gulf's position? 23 MR. PALECKI: Staff cannot stipulate to Gulf's 24

position.

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COMMISSIONER BEARD: 140 is in. I mean you all agree to "No," but if you don't have a fix-it, then there's no stipulation. Okay, that solves that problem.

Now, stipulated testimony. When we last met, there were five people with stipulated testimony on return on equity.

I understand we need to talk about that.

MR. HOLLAND: Yes, sir, we do. What we would -- or if there is a problem, and I wouldn't anticipate there would be because this is how it's been handled in the past. With return on equity witnesses whose testimony have been stipulated, it was stipulated to that we would be given the opportunity to file what is in essence an errata sheet which updates the data -- not the substance of the testimony, not the theory or anything like that, but simply updates the data used in the testimony that was the direct testimony, in this case, of Mr. Moore that was filed in December.

And we would be prepared to and don't have any problem at all with the other parties doing likewise if they deem that to be appropriate for their witnesses

What he would do is basically update using the most current data available. The --

COMMISSIONER BEARD: Which net effect changes your bottom line number.

MR. HOLLAND: It does. And as I recall, in 1984 and in the other cases where return on equity witnesses have been

stipulated to, that was in fact what was done to give the Commission the benefit of the most current data. As a practical matter, what was filed in December really does not, I wouldn't say it's not applicable but it's certainly not the most current, doesn't reflect the most current data.

And again, I think that it would be appropriate if the other cost of capital witnesses would like to update theirs, as well, that that would be likewise appropriate.

COMMISSIONER BEARD: Staff?

MR. VANDIVFR: Staff would like a few minutes to discuss it, if we could pass this and we'll come back to it. My only observation is they just filed rebuttal testimony. It wasn't in there.

MR. HOLLAND: Let me speak to that, Rob, if I could.

I don't think that it would have been appropriate to have co-rected or updated your direct testimony in your rebuttal testimony, because that's not what he was doing. He was rebutting the testimony the theory of the DCF analysis or the risk premium analysis as being applied by the other witnesses. I don't think it would have been appropriate in rebuttal testimony.

MR. VANDIVER: Why don't we pass that and we'll come back to it? We'll confer with Staff and see what we want to do.

COMMISSIONER BEARD: Okay.

I'm trying to decide what to take next.

MR. PALECKI: Commissioner, we have a couple of issues

that have changed that we would just like to point out to the parties so we're clear that these issues have changed and, if they want to change their positions, that that would be appropriate.

COMMISSIONER BEARD: Which issues?

MR. PALECKI: The first is Issue 137, which was one of Staff's issues, the words "and should the SE be a separate rate class" was added in order to clarify that issue.

COMMISSIONER BEARD: Wait, 137, you're in the issue itself?

MR. PALECKI: Yes. In the issue itself, the last phrase of the issue, "and should the SE be a separate rate class?" It was added to that issue to clarify the matter.

I think that all the positions appropriately address the issue; but we wanted to make sure that all of the parties were aware of that change in case they wanted to change their position.

The only other change is in Issue 135A, which was the Industrial Intervenors' issue. This is a new issue. "How should the daily standby service demand be determined?" And I think that most of the parties were already aware of that.

COMMISSIONER BEARD: We only have two positions on it?

MR. PALECKI: Yes, we still have -- well, we have

Gulf's position on it in their prehearing statement.

COMMISSIONER BEARD: Do what now? I don't.

FLORIDA PUBLIC SERVICE COMMISSION

MR. PALECKI: We don't have yet incorporated it into the order, but they have given us, I believe, a statement of their position.

COMMISSIONER BEARD: Okay.

MR. PALECKI: Those are the only two issues that have been changed.

MR. VANDIVER: We're ready to talk about the ROE at your pleasure.

COMMISSIONER BEARD: Okay.

MR. VANDIVER: Basically, Staff is willing to stipulate in new testimony. We'll set up a schedule, let people substitute the numbers, limited to only that. No rebuttal, no nothing else. Updating numbers. That's it.

COMMISSIONER BEARD: Let me understand, I want to be clear what we would be talking about here is the insertion of numbers into the fabric, the theory, that already exists.

Because six months --

MR. VANDIVER: That's my understanding.

commissioner BEARD: -- or whatever has changed. So if you're rebutting someone's theory, you're rebutting their theory, that's all. But you do still have a number change that occurs.

MR. VANDIVER: And we would request that the source documents and backup be dated, everything, so that we know exactly where it is, because we're not going to have the opportunity to cross these people.

1	MR. HOWE: Would we also agree that the updating of the
2	numbers would come from the same source as the source used in the
3	original testimony?
4	MR. HOLLAND: Yes.
5	MR. VANDIVER: Yes.
6	COMMISSIONER BEARD: Data and date/time difference is
7	all.
3	MR. HOWE: With that understanding, I have no problem
9	with that.
10	COMMISSIONER BEARD: Okay.
11	MR. VANDIVER: I guess we just need to set a time frame
12	now for that supplemental direct testimony.
13	COMMISSIONER BEARD: Will Public Counsel have any
14	number changes?
15	MR. HALE: As a result of these?
16	COMMISSIONER BEARD: No, no, no, not as a result of
17	these, as a result of time.
18	MR. HALE: No, we won't.
19	COMMISSIONER BEARD: Staff going to have any number
20	changes as a result of time?
21	MR. VANDIVER: Yes.
22	COMMISSIONER BEARD: Obviously, Gulf does. Okay.
23	What's a reasonable time frame? 5:00 o'clock?
24	MR. VANDIVER: 4:30? (Laughter)
25	COMMISSIONER BEARD: I assume Gulf probably has theirs

FLORIDA PUBLIC SERVICE COMMISSION

pretty close to ready if not --1 2 MR. HOLLAND: Close. MR. VANDIVER: Staff proposes Wednesday. 3 COMMISSIONER BEARD: Wednesday? 4 MR. VANDIVER: Of next week. 5 COMMISSIONER BEARD: Okay. 6 MR. VANDIVER: That would be June o. 7 MR. HOLLAND: What day is that? 8 COMMISSIONER BEARD: Wednesday. 9 MR. HOLLAND: That's fine. 10 MR. HOWE: Commissioner Beard? We would like the 11 opportunity to confer with our expert and see if he has, if he 12 13 would like to update. COMMISSIONER BEARD: Sure, that's fine. Wednesday, 14 close of business, June 6. 15 MR. VANDIVER: Now there is one caveat that is simply 16 for the Commission. That is, that the Prehearing Order in this 17 case is scheduled to be issued Monday. We will have to pencil-in 18 at the start of the hearing -- or I will send an errata sheet to 19 the Commissioners, parties will be on notice -- that the numbers 20 appearing in the Prehearing Order will not necessarily be exactly 21 22 accurate. And I just give that caveat to the parties. COMMISSIONER BEARD: Wait a minute, wait a minute, time 23 out a second. That's in their position statements? 24 25 MR. VANDIVER: Yes, sir.

COMMISSIONER BEARD: Do we know which issues will be 1 affected and could we not at least get that? 2 MR. HOLLAND: I think I can provide that before the end 3 of the week. 4 COMMISSIONER BEARD: When is the order due to go out? 5 6 MR. VANDIVER: Monday 7 MR. HOLLAND: I can do that. COMMISSIONER BEARD: Will you all be able to know if 8 you have a change in a figure that would appear in a position by 9 tomorrow close of business? 10 MR. HOWE: Tomorrow noon, we should be able to do that. 11 COMMISSIONER BEAKD: Let's do that. Tomorrow by noon 12 time if you have any position change that numbers might affect, 13 you have to Wednesday close of business for any errata sheet that 14 might be associated with that and the underlying documents that 15 go with that. I want a clean Prehearing Order. 16 17 MR. VANDIVER: Okay. MR. HALE: I have one more small item. A letter we 18 sent over last Thursday in a handout we put out at our last 19 20 meeting, we had tried to identify all the issues that our consultants were going to speak to and evidently it hasn't made 21 it into that draft yet. 22 COMMISSIONER BEARD: Do you have a copy of that sheet? 23 24 MR. PALECKI: We don't. COMMISSIONER BEARD: Okay. Well, as long as it makes

it into that last one. 1 MR. VANDIVER: Right. 2 MR. HALE: That will be fine. 3 MR. STONE: Commissioner, I have been reviewing Issue 4 137. And our position on it, in light of the slight additional 5 change in language, and I would like the opportunity to provide 6 an additional position by noon tomorrow on that issue. 7 COMMISSIONER BEAPD: Fine, that's fine. Now, I can 8 tell you this: unless something changes drastically, the order is 9 going to come out on time on Monday and we're going to live with 10 it and die with it. Okay. 11 MR. VANDIVER: I guess that brings us to the audit 12 report. 13 COMMISSIONER BEARD: Nope, that brings us to Issues 14 154, 55 and 56 first, saving the best for last. 15 MR. PALECKI: Commissioner, on these issues, there was 16 a bit of confusion amongst all of the parties. They were pretty 17 much numbered by the various parties differently. I would like 18 to explain what we have done on the draft Prehearing Order. We 19 have eliminated previous Issue 154. 20 COMMISSIONER BEARD: Okay. 21 MR. PALECKI: What was Issue 155 was moved to Issue 22 23 154. COMMISSIONER BEARD: Right. 24 MR. PALECKI: What had been Issue 155A is now Issue 25

155. COMMISSIONER BEARD: Right. 2 MR. PALECKI: We still have Issue 157 on the draft, 3 although it's our impression --4 COMMISSIONER BEARD: Whoa, whoa, whoa, 156? 5 MR. PALECKI: 156 remains the same. 6 COMMISSIONER BEARD: Okay. 7 PALECKI: It has not been changed. 8 9 COMMISSIONER BEARD: Okay. MR. PALECKI: It's our impression that Issue 157 was 10 And I just wanted to make sure that that is correct as dropped. 11 to Issue 157. 12 MR. McGLOTHLIN: I think --13 COMMISSIONER BEARD: Old Issue or this Issue 157? 14 MR. PALECKI: This Issue 157. 15 COMMISSIONER BEARD: I need to get my old Prehearing 16 Order is what I need to do. Let's take about five, let me get my 17 old order. I thought I had all the notes transferred but I 18 don't, and I can double check myself as well. 19 (Brief recess.) 20 21 22 COMMISSIONER BEARD: Okay, let's go back on the record. My watch really does have a five-minute timer on it, as opposed 23 to the Commission watch. 24 25 Okay, unfortunately, my old Prehearing Order is at the

FLORIDA PUBLIC SERVICE COMMISSION

house. 157, "How should the reservation and nonfuel energy 1 charges of the SS rate be set?" 2 MR. PALECKI: This is the issue we believe was dropped, 3 Commissioner. 4 COMMISSIONER BEARD: I don't remember the wording of 5 the issue, but I remember right after 156 dropping an issue, I 6 was thinking it was this issue. I could be wrong. 7 MR. HALE: The notes I have indicate we had a question 8 about it. But we have no problem with dropping it. But I don't 9 think it actually had been dropped. 10 COMMISSIONER BEARD: Hadn't officially been dropped 11 yet? Is there anyone -- let me ask the question about dropping 12 13 versus stipulating. MR. STONE: Commissioner, I think the reason -- we were 14 under the impression that it was dropped. That's why we 15 16 indicated in our revised prehearing statement is that Mr. McGlothlin's letter to Ms. Brownless of last Friday clearly 17 indicated that he thought it should be dropped. 18 19 MR. PALECKI: That's correct. MR. STONE: It was his issue. 20 COMMISSIONER BEARD: Okay. Well, he was on the 21 22 telephone. When he comes back in, I'll ask about that one to be sure. 23 That takes care of issue resolution. If Staff didn't 24 25 get the word, incidentally, I polled the Commissioners and the

FLORIDA PUBLIC SERVICE COMMISSION

1	spreadsheets are in. So have a nice day.
2	MR. PALECKI: Do we have a time for the spreadsheets?
3	MR. VANDIVER: From the parties? Prehearing Order goes
4	out Monday.
5	MR. HALE: You have our spreadsheets, right?
6	MR. PALECKI: Yes, we do.
7	MR. HALE: Okay.
8	COMMISSIONER BEARD: Who are you missing?
9	MR. PALECKI: Do we have Gulf's spreadsheets? I don't
10	think we have anyone's but Public Counsel's.
11	MR. STONE: I'm not sure what we're talking about.
12	MR. HOLLAND: A spreadsheet with our numbers on it? I
13	think that's what you're looking for? That's no problem, we'll
14	be glad to do that.
15	MR. PALECKI: That was outlined at the last prehearing
16	as to what the spreadsheet should consist of.
17	COMMISSIONER BEARD: Rate base, NOI and cost of capital
18	is what has been done in the past. Okay? I think I admonished
19	everybody to keep in mind that you're dealing with Commissioners
20	so you have to keep it simple so we can understand it.
21	MR. STONE: In our case, what we're talking about is
22	what we've requested, I quess?
23	MR. VANDIVER: We will give the parties the format.
24	COMMISSIONER BEARD: Unless you want to take Public
25	Counsel's position, we can put this case to bed.

MR. STONE: I just want to make sure we're not 1 2 expecting our spreadsheet to identify at this point all the numbers by issue; you're just talking about what it is that our 3 basic case comes up with in terms of rate base, NOI and --4 COMMISSIONER BEARD: And cost of capital. 5 MR. STONE: -- cost of capital, okay. 6 MR. STONE: Fine. 7 COMMISSIONER BEARD: Let me ask -- let me let them 8 catch up with us here. (Pause) 9 Staff can tell me. In the past, haven't we typically 10 put together -- let's all come back together, please. Rob? Ed? 11 Let's all get back on the same sheet of music. And Joe is back, 12 too. 13 Rob? 14 MR. VANDIVER: Yes, sir? 15 COMMISSIONER BEARD: Haven't we typically in the past 16 had a spreadsheet put together by Staif that puts everybody's 17 position together side-by-side? 18 MR. VANDIVER: Yes, sir, and that's what I understand 19 the Commission wants this time. 20 COMMISSIONER BEARD: That's correct, and we have to 21 have yours. 22 MR. VANDIVER: And it's for three parties; it's for 23 Gulf, Public Counsel and Staff. The other parties doesn't 24 25 typically participate in that process.

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COMMISSIONER BEARD: Lould you not have an example of

MR. SLEMKEWICZ: That's why we have had problems in the FLORIDA PUBLIC SERVICE COMMISSION

past, I would have to plug figures in to make theirs come out.

And, you know, we have, we basically have the Company's as they filed. Then there's Staff, we have each individual adjustment for each issue. And then --

COMMISSIONER BEARD: Let me ask this question. In most instances, wouldn't, for example, Public Counsel's position be in their position statement of that issue?

MR. SLEMKEWICZ: Sometimes it's just, "Yes." Or you don't really know what the dollar amount that they're trying to come out with.

COMMISSIONER BEARD: Could you all get together and find out which ones we're talking about? If you have a dollar amount, fine. It you don't, we'll put a question mark in.

MR. HALE: That's what I was going to say. There are a number of issues that we have not been able to identify dollar amounts or it is not an appropriate thing to come up with a dollar amount.

amount, they don't have a dollar amount. They'll have to verify that. That would be one we may have to pencil in during the hearing, if they finally come to one. Or I guess in theory you'll have a position when the thing is over.

MR. HALE: 90% of our issues, we do have a dollar amount shown there, so there shouldn't any problem.

COMMISSIONER BEARD: Okay.

1	MR. VANDIVER: Staff will get with Mr. Scarbrough and
2	the Company and sit down with Public Counsel as well, today.
3	COMMISSIONER BEARD: I really don't want to get
4	involved in the design of a spreadsheet.
5	MR. VANDIVER: I know you don't.
6	COMMISSIONER BEARD: In fact, I won't. You would have
7	a mess then.
8	Okay, that takes care of that and that. Before we get
9	to the audit report, is there anything left? Because after I
10	hear enough bickering and complaining, I'll get up and leave.
11	MR. McGLOTHLIN: I have a couple of things,
12	Commissioner.
13	COMMISSIONER BEARD: One thing for you, Issue 157 is
14	your issue and they dropped it.
15	MR. McGLOTHLIN: Yes. I already indicated by
16	correspondence that we're satisfied it's covered in 136 and this
17	is duplicative and can be deleted.
18	COMMISSIONER BEARD: Okay. 157 is out of here.
19	MR. McGLOTHLIN. And on 137, the rewording that Staff
20	supplied this morning has led to a need on our part to provide a
21	position. I can supply that
22	COMMISSIONER BEARD: By noon tomorrow.
23	MR. McGLOTHLIN: I can do it today.
24	COMMISSIONER BEARD: When you get done, yeah, that's
25	fine. Anything else for the good of the cause before we get to

the fun?

MR. PALECKI: I'm not sure if there were any new statements of position on issues, the new Issues 154 and 155. If there are, the parties can supply them to me after the hearing.

commissioner BEARD: Anything that's going in this order, okay, is going to be here by noon tomorrow. That's the deal. So take a good, hard look.

Now anything else? Let's talk about the Staff audit report.

MR. VANDIVER: Yesterday in Pensacola Staff had the audit exit conference with representatives of Gulf Power. The Office of Public Counsel attended as an observer at that meeting. As a result, there were certain portions of the audit report rewritten or were agreed to be rewritten. It's my understanding that there, that that new draft is now out. And so we have a final audit report.

In certain cases, of course, it was more or less agreed to disagree, the Company would address the Staff concerns in their responses. And we are prepared to go forward.

COMMISSIONER BEAKD: Responses are due when?

MR. VANDIVER: I talked with Mr. Holland yesterday and he could better speak to it. But it's my understanding we could have that prior to the hearing.

MR. HOLLAND: We can do that.

MR. VANDIVER: And at the present time, it looks like

FLORIDA PUBLIC SERVICE COMMISSION

we will be having Mr. Freeman take the stand. That is somewhat fluid, however. It may be that Mr. Holland, once he's evaluated the responses of Gulf Power, that we could possibly stipulate in both the audit and the audit responses. But that will have to wait on Mr. Holland looking at it.

COMMISSIONER BEARD: That's fine.

MR. VANDIVER: As to additional issues, no specific additional issues were identified. The Electric and Gas Staff has prepared a document going through the audit and listing which issues they fall under and which issues the Staff considered to be nonissues. It's my understanding that Public Counsel has taken the position that certain of these audit disclosures, specifically Nos. 1, 3, 4, 6, 7, 9, 21, 34, 35, 54, 58, 59 and 60, would all fall under the existing Issue 38.

COMMISSIONER BEARD: There's 13 of them I count.

MR. VANDIVER: Yes, sir.

COMMISSIONER BEARD: That would fall under issue what?

MR. VANDIVER: 38, which is the general mismanagement issue. Now, -- and I think Staff is comfortable with that position. We need to talk about the mechanics of how we intend to deal with that in this hearing. And so I guess we need to hear from the parties and see where they are. And if I have misstated any Public Counsel's position?

you say. One, you would place these as topics -- we'll call it

1	that for lack of a better word that would fall under Issue 38
2	that would then require additional live testimony on the part of
3	Public Counsel's witness in that issue. We have just one witness
4	to that issue?
5	MR. HALE: For Issue 38? I don't think we really have
6	one speaking to it.
7	COMMISSIONER BEARD: Okay, hang on a second, let me get
8	where I am. (Pause)
9	Well, we can approach it from a different angle then,
10	you're going to have to have a witness for 38, I assume. Or are
11	you talking about cross-examining?
12	MR. HALE: Yes. Just the record at this point and
13	cross examination.
14	COMMISSIONER BEARD: Then you would not be sponsoring
15	any additional live testimony with respect to those, just
16	crossing their witness?
17	MR. HALE: I was going to ask about that. The live
18	testimony coming from Mr. Freeman, is that going to be confined
19	within the audit report completely or is he going to be
20	addressing other issues?
21	MR. VANDIVER: Only the audit report. That's the only
22	thing he can talk about.
23	MR. HOWE: Commissioner Beard, considering that the
24	audit report and the response is going to be coming in at such a
25	late date the report is soing to be on the Company's response to

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the audit. We would like to have the opportunity that, if appropriate, for witnesses we have on individual issues who have not had a chance to address the audit report, if we could address questions to them on direct in the nature of, "This audit report is now addressing an issue --"

commissioner BEARD: I have no problem with that. That is what actually was envisioned. My question is that, I think in fairness, we need to identify what witnesses potentially where we would be potentially lumping this into one Issue 38. So would you then add 38 to each one of your witnesses' issues to testify to?

MR. HALE: Yeah, to the extent that the audit disclosure affects an issue listed here on this sheet, I definitely think they would be testifying to something if something new came out of Bob Freeman's testimony. So we would be listing those on Issue 38 also.

commissioner BEARD: Well, I haven't heard from Gulf yet, but we will. I'm just talking to the mechanics of this proposal. You have the potential, Public Counsel, you have the potential in theory of a stipulation of the audit report and the responses into the record. Obviously, you can kill that stipulation. I want to think through here the potentials. I mean, you can, obviously as a party, can stop that.

MR. HOWE: You're referring here to Issue 38, which is expressed as, "Should the newly authorized return on common

equity be reduced if it is determined that Gulf has been mismanaged?"

COMMISSIONER BEARD: It is my understanding that these items that came out of Staff audit report, take an example, something that came up in the tax rate hearing, the '88 tax rate, was the Levin bonus. It's not in the test year. As I understand it, there's no dollar that would impact in this rate case. The only way that issue impacts is to the extent that should Gulf be managing its company in that form and fashion?

So you don't bring it up in any dollar figures anywhere else, if I understand it, because it's not test, it doesn't impact. It would only be he responsive to, "Is this the way companies do business or not?"

MR. HOWE: I'm not sure he'll be pleased to hear it,

COMMISSIONER BEARD: Time out. (Pause)

MR. HOWE: I was going to say, Commissioner Beard, we would identify Mr. Larkin as the appropriate witness to address this issue.

COMMISSIONER BEARD: You don't think Mr. Larkin is going to be tickled about that?

MR. HOWE: I'm pretty sure he won't be.

COMMISSIONER BEARD: I understand Okay. Now?

MR. HOLLAND: Commissioner Beard, as I discussed with Mr. Vandiver, not the only but the primary reason that Gulf does

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not feel at this point at least that it could stipulate is Public Counsel's position that these issues that they've identified do pertain to and are relevant to Issue 38. Of course, we disagree with that and would need through cross examination of Mr. Freeman to explore that question.

It would be my or it was my impression last week and continues to be my impression that the way we will handle this, there are no new issues that have been identified, that we would, with supplemental direct, primarily from Mr. Scarbrough, Mr. Bell and maybe Mr. McMillan and some other witnesses, as far as certain of these issues, develop additional testimony that is responsive to it.

COMMISSIONER BEARD: You wouldn't have any in this area from Mr. McCrary?

MR. HOLLAND: Not, not really. Because -- well, mean the Levin bonus is one that, if that is an issue, that he would need to speak to. You identified one. If that is an issue and he is the witness who is primary responsible for addressing Issue 38, so yes, to the extent that that is the case, he would be responding to that.

COMMISSIONER BEARD: Yeah. I was thinking, I was thinking about cross and not thinking about direct additional testimony.

MR. HOLLAND: Probably the way this will -- and trying to think through it all, and it's not something that has come up

a great deal -- we would cross examine Mr. Freeman. Depending on 1 the responses from Mr. Freeman, then in rebuttal of Mr. McCrary, 2 of Mr. Scarbrough, of whoever, we would handle it that way. 3 COMMISSIONER BEARD: Right. Right. So you would have 4 some additional or supplemental direct live testimony from -- and 5 let's identify them. Mr. Scarbrough? 6 MR. HOLLAND: Let's see. 7 COMMISSIONER BEARD: If you can generally identify 8 And I'm not going to hold you. 9 MR. HOLLAND: All right. 10 COMMISSIONER BEARD: At this stage of the game. 11 MR. HOLLAND: Well, I'm just sitting here thinking. 12 Mr. McCrary on, for example, the Levin situation. Mr. 13 Scarbrough, certainly, on certain of the accounting matters. 14 Mr. Gilbert, there's some questions in here about the budgeting 15 process. Mr. Bell, likewise as far as the budgeting. 16 I think one way to do it Mr. Scarbrough just suggested 17 and I think it probably would be appropriate, is look at who is the 18 Company witness responsible for the issue identified in the handout 19 that Staff has passed out. A possible exception to that --20 COMMISSIONER BEARD: I don't have a copy of that, do I? 21 MR. VANDIVER: No, sir. I'll give you mine. 22 23 (Conference between Mr. Vandiver and Commissioner Beard off the record.) 24 25 COMMISSIONER BEARD: Okay, I think that makes sense

FLORIDA PUBLIC SERVICE COMMISSION

then. 2 MR. HOLLAND: 38? COMMISSIONER BEARD: There's an issue reference that 3 would tell us who might be providing additional live testimony. 4 5 That pretty well puts everybody on record. MR. HOLLAND: With a general parameter. But you need 6 7 to, specifically with --COMMISSIONER BEARD: I understand. 8 MR. HOLLAND: -- Issue 38, Mr. McCrary would not speak 9 to, for example, the work order system, those kinds of things. 10 Those are --11 COMMISSIONER BEARD: What we will need to do is go back 12 and, obviously, wherever on this sheet where there shows an issue 13 referenced to an item in the audit, anybody whose name comes as a 14 result of that probably needs to be added on the Prehearing Order 15 as addressing Issue 38 as well. Am I making sense? 16 17 MR. PALECKI: Would the Company be able to give us that information in writing? 18 MR. HOLIAND: I think so. 19 20 MR. PALECKI: We would probably need it by about tomorrow. We have to get this out on Monday, the Prehearing 21 Order. 22 COMMISSIONER BEARD: Do it by tomorrow noon. 23 MR. HOLLAND: I think we can do that. 24 COMMISSIONER BEARD: Based on what I'm looking at here,

FLORIDA PUBLIC SERVICE COMMISSION

it shouldn't be long. We're talking about 13 issues and there's 1 2 a name associated with them. MR. HOLLAND: We can do that. We will also identify to 3 the extent that additional witnesses will be necessary to 4 reference to discuss to provide supplemental testimony on these 5 other issues that are identified here, we will do that, as well. 6 COMMISSIONER BEARD: The other? 7 MR. HOLLAND: The issues under "Issue Reference" on the 8 handout? 9 COMMISSIONER BEARD: Yeah. 10 MR. HOLLAND: There are some of these, perhaps, that, 11 because of the nature of the disclosure, that some other witness 12 other than that listed in the Prehearing Order will need to be 13 added to that position. And we will --14 COMMISSIONER BEARD: On that particular issue, yeah. 15 MR. HOLLAND: -- on that particular issue, we will do 16 that, as well. 17 COMMISSIONER BEARD: I'm, quite frankly, not holding my 18 breath that we are going to see stipulation in of the audit and 19 20 the responses. MR. HOLLAND: I'm not, either. 21 COMMISSIONER BEARD: It's a nice thought but, 22 realistically, I just don't see that as possible. 23 MR. PALECKI: Also, if Public Counsel is going to make 24

those changes, we need those by tomorrow at noon as well.

COMMISSIONER BEARD: Okay.

MR. PALECKI: We just have one other housekeeping matter we'd like to take care of.

COMMISSIONER BEARD: Wait, before we, is there anything else out of the Staff audit that we have to discuss? Those issues that generally fall under 38, and then any other issues that must be identified with the witness relative to Staff audit in preparation for?

MR. VANDIVER: And that supplemental testimony will be oral testimony on the stand. We will not prefile anything, everybody is on notice to that.

COMMISSIONER BEARD: That's correct.

MR. VANDIVER: Just to be.

COMMISSIONER BEARD: Okay.

MR. PALECKI: The housekeeping matter is we don't wint to have to renumber the issues that are in the draft Prehearing Order. We have omitted or deleted two issues.

COMMISSIONER BEARD: 115A and 157?

MR. PALECKI: I believe so.

COMMISSIONER BLARD: 115A goes away, it won't confound a Commissioner, because they will go from 115 to 116, and we won't be stupified. But we'll get stumped going from 156 to 158.

MR. PALECKI: I was going to suggest that on those issues that we deleted that we'll just leave those with the word "deleted" rather than actually taking the number away, which will

confuse the --MR. VANDIVER: And the full Commission will need to 2 vote it to back in and approve the stipulations. 3 COMMISSIONER BEARD: Sure. 4 MR. VANDIVER: So we'll just leave them. 5 COMMISSIONER BEARD: Okay, anything else? We've got a 6 noon Friday deadline for Prehearing Order material. We have a 7 Wednesday close of business for the data, is that right? 8 9 MR. VANDIVER: Yes, sir. COMMISSIONER BEARD: I'm getting confused. Anything 10 11 else? MR. HOWE: No, sir. 12 MR. HOLLAND: (Shakes head from side to side.) 13 14 COMMISSIONER BEARD: Thank you. MR. VANDIVER: Thank you. 15 (Hearing concluded at 11:05 a.m.) 16 17 18 19 20 21 22 23 24 25

1	FLORIDA) CERTIFICATE OF REPORTER
2	COUNTY OF LEON)
3	I, SYDNEY C. SILVA, CSR, RPR, CP, Official Commission
4	Reporter,
5	DO HEREBY CERTIFY that the Continued Prehearing
6	Conference, in the captioned matter, Docket No. 891345-EI, was
7	heard by the Florida Public Service Commission Prehearing Officer
8	at the time and place herein stated; it is further
9	CERTIFIED that I reported in shorthand the proceedings
10	held at such time and place; that the same has been transcribed
11	under my direct supervision, and that this transcript, consisting
12	of 38 pages, inclusive, constitutes a true and accurate
13	transcription of my notes of said proceedings; it is further
14	CERTIFIED that I am neither of counsel nor related to
15	the parties in said cause and have no interest, financial o-
16	otherwise, in the outcome of this docket.
17	IN WITNESS WHEREOF, I have hereunto set my hand at
18	Tallahassee, Leon County, Florida, this 4th day of June, A.D.,
19	1990.
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