BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

In The Matter of	DOCKET NO. 891345-EI
Application of GULF POWER COMPANY for an increase in rates and charges.	HEARING SIXTH DAY AFTERNOON SESSION

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FPSC Hearing Room 106
Fletcher Building
101 E. Gaines Street
Tallahassee, Florida 32399

MONDAY, June 18, 1990

Met pursuant to adjournment at 12:30 a.m.

BEFORE: COMMISSIONER MICHAEL McK. WILSON, CHAIRMAN
COMMISSIONER GERALD L. GUNTER
COMMISSIONER THOMAS M. BEARD
COMMISSIONER BETTY EASLEY

APPEARANCES:

(As heretofore noted.)

REPORTED BY: JOY KELLY, CSR,RPR
SYDNEY C. SILVA, CSR, RPR
Official Commission Reporters
and
LISA GIROD-JONES, CPR, RPR
Post Office Box 10195
Tallahassee, Florida 32302

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I N D E X

WITNESSES

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EXHIBITS

AFTERNOON SESSION

(Hearing reconved at 12:30 p.m.)

MICHAEL O'SHEASY

having been previously called and sworn as a witness on behalf of Gulf Power Company, resumed the stand and testified as follows:

Q (By Mr. Palecki) Mr. O'Sheasy, Exhibit No. 501 is Staff's Interrogatory No. 209. This requested a Cost of Service Study identical with the Company's revised nonmigration 12 CP and one-thirteenth Cost of Service Study, except for a number of revisions listed in the interrogatory. Is it your testimony that the Company's response to Interrogatory 209 is identical to the revised nonmigration study in Exhibit 231, except for those revisions requested by Staff?

A Yes.

Q And also, except for a correction in the development of the class NCPKW?

A That's correct, and that is reflected in Exhibit 231, also.

Q Is Schedule E-8b, for proposed rates based on a different allocation of the increase than that proposed by the Company in the MFR E schedule?

A I need to make sure I understand the question.

The E-8b -- there are actually two EABs. There is an E-8b based on system rate of return, and there is an E-8b based on class rate of return.

Now, the rate of return, the proposed rates that would be embossed in that unit cost calculation is based on a proposed rate development that Mr. Haskins' group would have done for this Staff's Thirteenth Set of interrogatories.

Q Would Mr. Haskins be more familiar with this?

A He would be familiar with the actual rate design. How it was done, he would have taken the Cost of Service Study, in Staff's Thirteenth Set, and developed proposed rates from that. I would then have taken his proposed rates and developed the E-8b that you see.

Q We would like to enter as a late-filed or perhaps we'll be able to put our hands on it right now, the Revised Equivalent Peaker and Refined Equivalent Peaker Cost of Service Studies, prepared in response to Interrogatories 211 and 212. Do you have those with you at this time, or access to them?

A Yes. We have them available and we can pass them out at this time.

Q Could we do that? We'd like to have those marked as the next consecutive number.

CHAIRMAN WILSON: That would be Exhibit No. 604.

Q Mr. O'Sheasy, have you or anyone employed by Southern Services or Gulf Power Company, run a Cost of Service Study or analysis of any type with SE PXT and SE LPT each as a separate class, either in this rate case, in the rate case withdrawn last year, or at any other time?

A (Pause). I don't recall running a cost study with PXT SE segregated from LPT SE. The only studies I can recall is all SE customers together as a rate group.

CHAIRMAN WILSON: Why don't we give these two different exhibit numbers here. Would that be appropriate?

MR. PALECKI: That would be appropriate. So that would be 604 and 605.

CHAIRMAN WILSON: Yeah, and Item No. 211 would be 604, and Item No. 212 would be 605.

(Exhibit Nos. 604 and 605 marked for identification.)

Q (By Mr. Palecki) Mr. O'Sheasy, we would like to request a late-filed. We would ask you to provide 12 CP and Refined Equivalent Peaker Cost of Service Studies, as requested in Interrogatories 209

and 212, except SE is to be broken into two classes: SE PXT, and SE LPT. RS and GS classes can be combined into one class.

And we'd like to ask that you use the guidelines that we're providing at this time. We realize this is a somewhat complex request for a late-filed, so we've put it in writing and we'll distribute that for your use in a -- as a short title we'll call this "Refined Equivalent Peaker Cost of Service Study."

MR. STONE: Mr. Chairman?

CHAIRMAN WILSON: Yes?

MR. STONE: It is with some hesitation that I have to speak to this issue.

This request would become the 12th and 13th Cost of Service Study filed in this case, if we were to comply with this request. It seems to me that the amount of time and effort that would be required to produce these iterations of a Cost of Service Study are not warranted, in light of the more significant issues in this case.

CHAIRMAN WILSON: What is the amount of time and effort required to run this?

WITNESS O'SHEASY: It would take my associate and myself one to two weeks to do what they would like

done, and I would guess we're talking in the neighborhood of 60 to 80 hours of work, and that's a considerable amount of work, and if I could add this, I'm not sure that anything meaningful could be gleaned from this. What you're going to do is take a rate, comprised of six customers, and break them into two more rates with three customers, and it's quite risky and dangerous to try to cut a cost of service study into a division this small, and garner meaningful information from it.

Cost of service studies should mainly be done on major rates in order to draw conclusions from them. When you cut cost of service studies extremely fine like this would be, regardless of what the results look like, you have to be careful what you use them for. So I see a considerable amount of work and a danger that the results could be misused.

MR. PALECKI: We would like to ask a question regarding the amount of time that it would take to prepare these documents. The amount that you've referred to would be if you were required to add another column to your Cost of Service Study, is that correct?

A No, that's doing it the way you requested it.

Q Because we're not asking that you add another

column. I don't think it would require that you actually have to change the program that you have. Are you still representing that it would take that amount of time, even without adding another column?

A Yes. I am. Because when you combine -- it helps to combine columns so we don't have to add a column. To add a column would probably take a month. But what you have to be careful of when you move combined columns is there are work reports that have to be taken into account.

For example, we've got some ECCR expenses under these programs in Staff's Account 209, I believe was energy education, in the amount of $55,000. And that was allocated by, let's see, it was allocated on energy to the commercial classes.

Well, if you -- and this was done, I might add, by hand. It's not actually in the computer itself. So if you want to take your GS or GSD portion of that and put it in RS, you're really taking what was allocated for the commercial class and putting it in RS. And you have to do this manually. So you have to go into all the work reports and unravel the specific assignments and specific allocations, and make sure they're treated properly. It's just not a simple thing to do.

MR. PALECKI: Commissioners, our Staff has informed me that this is an important and useful and very needed late-filed. So we would reiterate our request for the late-filed.

CHAIRMAN WILSON: How many cost of service runs have been made at Staff's request thus far?

WITNESS O'SHEASY: Commissioner, are you asking me?

CHAIRMAN WILSON: I'm asking anybody.

WITNESS O'SHEASY: All right. I can think of five off the top of my head. I know of at least five.

MR. PALECKI: How many has the Company made because they've changed their data?

WITNESS O'SHEASY: Two.

MR. PALECKI: Commissioner, it's Staff's argument that this is needed to address an underrecovery of the cost with respect to the PXT versus the PXT/SE customers, and I don't see any other way we can get information --

CHAIRMAN WILSON: There's no shortcut way you can get to this?

MR. PALECKI: Well, let's ask the witness.

Q (By Mr. Palecki) Is there a way that you can see of addressing any underrecovery of the cost with respect to the PXT versus the PXT/SE customers without

doing this cost of service study?

MR. STONE: Commissioner, our main point is that the case has been pending, obviously, since December 15th. There's a considerable amount of time that goes into these successive iterations of the cost of service study. And we believe it's unduly burdensome to place this requirement on the Company at this late date, considering the other things we have to do in order to complete this rate case in a timely manner.

WITNESS O'SHEASY: But to answer the initial question, I can't think of a shortcut method that I would feel like was reliable. But I would offer that, looking at Staff's Thirteenth Set, and also our Exhibit 231, it seems to me that the rate of return for the SE rate class is, I believe, in a reasonable range.

If you compare it to PXT and SE, I don't think you see an abnormal rate of return. And a large portion of that SE class -- it's not even a class -- a large portion of that SE column is contributed by PXT customers.

And I honestly believe if these PXT customers were contributing a rate of return that was abnormally low or abnormally high, it would sway the overall rate of return and it would not look in this reasonable

range that we see.

Q (By Mr. Palecki) But can you testify before this Commission that there is not an underrecovery of cost with respect to the PXT versus the PXT/SE class?

A Not with the studies that have been run at this time.

CHAIRMAN WILSON: Let me see that I understand pretty much what you're talking about. I'm looking at Staff's Thirteenth Set, it's Exhibit No. 605, one, two, three, the fourth page in. It says, "Refined Equivalent Peaker Allocation."

Are the comparisons of the returns that you're looking at the ones on that bottom line?

MR. PALECKI: Yes, that's correct, Commissioner.

CHAIRMAN WILSON: And it's the difference between 7.-- well, wait a minute, 8.49%? Which two columns are you comparing?

WITNESS O'SHEASY: (Pause) Commissioner?

CHAIRMAN WILSON: Yes. Am I looking at the wrong thing?

WITNESS O'SHEASY: Not necessarily. If you would, I would like to look at the present rate summaries first.

CHAIRMAN WILSON: All right.

WITNESS O'SHEASY: Because that to me --

CHAIRMAN WILSON: That's on the first page?

WITNESS O'SHEASY: Yes, sir. If you look at the SE column --

CHAIRMAN WILSON: The rate SE, or just the SE?

WITNESS O'SHEASY: Just SE. SE is not a rate. Column 12, Line 33. I believe you will see about a 6.92% rate of return?

CHAIRMAN WILSON: Right.

WITNESS O'SHEASY: And if you will compare that to Columns 7 and 8 on the same line, you'll see that it falls in between those two rates. In other words, the LPT rate of return, LP/LPT is about 6.09, PXT is about 7.44. And that rate falls somewhere in between, and not significantly different from the PXT rate of return.

And that's the point I was trying to make, that SE column has at least half the customers are PXT. And I honestly believe that if their rate of return was abnormally high or abnormally low, you wouldn't see the overall column's rate of return as close to the PXT rate of return as you see.

CHAIRMAN WILSON: What would this exhibit that you're asking for demonstrate? What would it do

to these numbers? What would you anticipate it would do?

MR. PALECKI: Commissioner, the witness has testified that he cannot testify before this Commission that there has not been an underrecovery of cost with request to the PXT versus the PXT/SE classes. And it would show, one way or the other, whether there is such an underrecovery of cost. We can't say now whether there has been or has not been, and the witness is unable to testify one way or another to that question.

CHAIRMAN WILSON: (Pause) And what is it that you want him to do?

MR. PALECKI: Well, we've provided a written guideline. But in a nutshell, we've asked him to provide the 12-CP and Refined Equivalent Peaker Cost of Service Studies, as was previously requested in Interrogatories 209 and 212, except SE is to be broken into two classes, SE/PXT and SE/LPT. And that the RS and GS classes can be combined into one class.

The reason we ask that is so that he doesn't have to add an additional column. We've been told that the program they have on the computer would make it very difficult to add an additional column of figures.

CHAIRMAN WILSON: And what do you anticipate seeing when you get this next cost of service study?

MR. PALECKI: I'm not sure if we expect to see an underrecovery of costs, but we think there is a likelihood.

We expect to see a lower rate of return for PXT and SE, or specifically for PS for the SE class, PXT/SE?

WITNESS O'SHEASY: Could I offer another thought here? Even if one were to do this, to divide this rate class into two subgroups, the LPT/SEs and the PXT/SEs, you certainly will get a rate of return from it. And I, from my professional opinion, believe it's not going to diverge dramatically from what you see from PXT.

But regardless of if it were to, that does not, in any way, imply that the SE rider is necessarily causing this divergence to occur. Every rate, every customer within a rate class, will contribute a rate of return more than likely different from that for the entire average because you're looking at a rate of return for all customers within the rate group together, and some customers who have a higher or lower load factor are naturally going to have a higher or lower rate of return.

And what you would have to do, I would think, to really hone in on the true answer, is take these

customers and find out what kind of rate of return they would have if they were not an SE customer.

Then recalculate your study to see what that rate of return they are incurring as an SE customer. And then you might be able to capture some information that would indicate what the SE is doing to these customers, if that's what you're driving at.

In other words, all I'm saying, if these SE, these PXT/SE customers, they may have load characteristics unique to them that their rate of return would indeed be higher or lower than the overall average; but this would not necessarily be due to their SE characteristics, it would be their own innate supplementary characteristics that could be driving this. (Pause)

CHAIRMAN WILSON: What kind of a divergence would you have to have? Give me an order of magnitude where it would make any difference. I want to know if we're picking nits here. If this is just a nit, then we need to move on with something else and go on with the data that we've got. If this is really critical and something that's real important and we need it and we've got to have it, then we'll get it.

MR. PALECKI: Staff has stated that they do not think this is a nit, that it is important.

MR. STONE: Commissioner, I can only state -- I don't know that there's any evidence to suggest that there would be this underrecovery that we're trying to track down. And it seems to me there needs to be a greater showing that there is an underrecovery before the Company is required to undertake this expense.

CHAIRMAN WILSON: What makes you suspect that there is an underrecovery?

MR. PALECKI: Could Staff address that question?

CHAIRMAN WILSON: Sure. Anybody have any problem with Staff speaking here now, that it would disqualify them from recommending later in the proceeding? Do you have any objection?

MR. HALE: No.

MAJOR ENDERS: No.

MR. STONE: We're fine.

CHAIRMAN WILSON: Go ahead. (Pause)

MR. PALECKI: We think we can bring the reason this is important out in cross and maybe ask the Commission to defer its decision on the late-filed, until some further cross examination.

CHAIRMAN WILSON: All right, let's do that.

MR. PALECKI: Commissioners, this will be through cross of Mr. Wright, which I don't expect we'll

get to today, but we will make a note --

CHAIRMAN WILSON: Well, we can get back to it a day or so, it doesn't matter.

MR. PALECKI: Mr. O'Sheasy --

COMMISSIONER EASLEY: Hold on just a minute. Before you move your microphone again, turn the microphone off. Secondly, when you do come back to it, how about alerting us that that's what you're doing?

MR. PALECKI: Yes.

COMMISSIONER EASLEY: Thank you.

Q (By Mr. Palecki) Mr. O'Sheasy, does your deposition Exhibit 10, which is Exhibit 509 in this proceeding, provide the component cost by function, billing determinants and unit cost at present rates of return? (Pause)

A Yes. It does.

Q Was the summary sheet from the compliance cost of service study of your last rate case in this format used to design your current standby service rates?

A Yes.

Q How soon after the Agenda Conference could you run the compliance study and provide the study and this spreadsheet, based upon the results of the compliance study?

A I don't mean to sound evasive, but it all depends on what the final stipulations are to this hearing. I just can't imagine what we may be required. If there aren't extensive revisions to what we have asked for, a very short period of time, we can turn it around in two days.

Q How long did it take you last time?

A I think it was about two weeks.

Q Are the only customer-related costs that have been assigned or allocated to standby service the extra customer accounting expenses for determining standby?

A Yes. Customer accounting and customer assistance.

Q If the increase to the various demand classes is different from that proposed by the Company, wouldn't the distribution revenue required by class used in the calculation of the local facility's charge be different?

A Would you repeat the question, please?

Q If the increase to the various demand classes is different from that proposed by the Company, wouldn't the distribution revenue requirement by class used in calculation of the local facility's charge be different?

A Yes.

Q Would this result in a different local facility's unit cost by class at the proposed -- at the approved rate of return?

A Yes.

Q Your response to Interrogatory No. 30 of the Staff's First Set, which is Exhibit 170, states, "If any additional facilities, including metering, are required, the additional costs will be paid by the customer taking service under the rider."

Has any cost for additional facilities been collected from SE customers? (Pause)

A I'm really not prepared to answer that question, and I really think you need to refer that to Mr. Haskins.

Q Okay. Thank you. In MFR Schedule E-8a, are the costs for substations transforming power from transmission voltage to primary voltage included in Line 20 in the demand distribution unit cost?

A Yes.

Q Would the costs for dedicated substations for SE customers be included in this demand distribution unit cost?

A Yes.

MR. PALECKI Thank you. We have no further questions.

COMMISSIONER GUNTER: Commissioners, any questions?

(No reponse.)

COMMISSIONER GUNTER: Questions, redirect?

MR. STONE: Thank you, Commissioners.

REDIRECT EXAMINATION

BY MR. STONE:

Q Mr. O'Sheasy, is seven months data on a customer in a class of four, or on customers in a class of four, statistically significant?

A No, it's certainly not.

Q Was the 10% forced outage rate that was required by the Commission to be utilized in the standby rate order designed to be used until there was sufficiently reliable data could be obtained?

A That is my understanding, yes.

Q Do you know when the Company's SS Tariff was initially approved for implementation by the Florida Public Service Commission?

A I'm not sure of the exact date that it came into effect. Mr. Haskins, I'm sure, could answer that, but I do know that the earliest records I have -- I know of a customer beginning on the SE rate was around April of 1988.

Q I believe you said, "SE," did you mean, "SS"

rate?

A Excuse me, I did mean SS.

Q That was April of '88?

A That's correct. Do you know when the earliest generation meter was installed on one of the customers in the SS class?

A The information I have indicates it was March the 31st of 1988 was the first meter installed.

Q In the cost-of-service study that you have performed, is it based on 1987 load research data?

A It's based on 1990 load research projections, which uses 1987 as the seed year, or starting point.

MR. STONE: Thank you. That's all I have on redirect. (Pause)

CHAIRMAN WILSON: I don't have any questions.

Do we have any exhibits that need to be moved? Certainly have 604 and 605.

MR. PALECKI: We would move that they be admitted into evidence.

CHAIRMAN WILSON: Without objection, those will be admitted into evidence.

(Exhibit Nos. 604 and 605 received into evidence.)

CHAIRMAN WILSON: Are all the others late-filed?

MR. PALECKI: I believe they are, Commissioner.

MR. STONE: I believe that's correct.

CHAIRMAN WILSON: Thank you very much. You're excused.

(Witness O'Sheasy excused.)

- - - -

MR. STONE: Commissioner, the next witness is J. L. Haskins. (Pause)

JACK L. HASKINS

was called as a witness on bhealf of Gulf Power Company and, having been previously duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. STONE:

Q Mr. Haskins, I believe you've previously been sworn?

A That's correct.

Q Would you state your name and position with Gulf Power Company for the record?

A My name is Jack L. Haskins. I'm employed by Gulf Power Company as the Manager of Rates and Regulatory Matters and Assistant Secretary.

Q Are you the same J. L. Haskins that has prefiled direct testimony in this docket dated December

15, 1989?

A Yes, that's correct.

Q Do you have any changes or corrections to your prefiled testimony?

A Yes, I have seven changes on various locations in the direct testimony. The first is on Page 7 at Line 5, delete the words "the temporary." Also on that same page, on the next line, Line 6, delete the words "pole service."

On Page 10, Line 17, insert at the beginning of Line 17, "for residential and commercial customers."

On the next page, Page 11, on Line 2, change the word "commercial" to "residential."

And then on the next line, Line 3, change the word "industrial" to "commercial."

Further down on that same page, Line 23, delete the words, "actual demand," and this was is going to be a little longer. I'll read it and then repeat it if necessary, "highest billing demand in the current and previous 11 months."

COMMISSIONER GUNTER: I got the first three words.

WITNESS HASKINS: "Highest billing demand in the current and previous 11 months."

The last one is on Page 27, Line 3, change --

Page 27, Line 3, change the word "your," y-o-u-r, to "you," y-o-u.

Q With these corrections, if I were to ask you the question --

COMMISSIONER GUNTER: Time out on just a minute. On Page 10, go back to your change on Page 10.

WITNESS HASKINS: Yes. That's Page 10, Line 17, insert at the beginning of that line.

COMMISSIONER GUNTER: Okay. I got you.

WITNESS HASKINS: The words, "for residential and commercial customers."

COMMISSIONER GUNTER: You said, "beginning," and I read it at the end, and that wouldn't make any sense.

WITNESS HASKINS: No, it wouldn't.

COMMISSIONER GUNTER: All right.

Q (By Mr. Stone) With these corrections, if I were to ask you the questions contained in your prefiled direct testimony, would your responses be the same?

A Yes, they would.

MR. STONE: I ask that Mr. Haskins' prefiled direct testimony be inserted into the record as though read.

CHAIRMAN WILSON: Without objection, it will

be so inserted.

MR. STONE: Mr. Haskins' exhibits have been previously identified as No. 233 through 292, and they've all be stipulated into the record.

CHAIRMAN WILSON All right.

(Exhibit Nos. 233 through 292 previously stipulated into the record.)

Record Copy

GULF POWER COMPANY
Before the Florida Public Service Commission
Direct Testimony of
Jack L. Haskins
In Support of Rate Relief
Docket No. 891345-EI
Date of Filing December 15, 1989

Q. Please state your name and business address.

A. Jack L. Haskins, 500 Bayfront Parkway, Post Office Box 1151, Pensacola, Florida 32501.

Q. By whom are you employed and in what capacity?

A. I am employed by Gulf Power Company as Director of Rates and Regulatory Matters and Assistant Secretary.

Q. Please describe your educational and professional background.

A. I graduated from the University of Florida in 1959 with a Bachelor of Electrical Engineering Degree. During my employment with Gulf Power, I have completed various training courses including the Public Utility Management Course conducted by the Department of Continuing Education at the Georgia Institute of Technology and the Public Utility Economics Course at the University of Alabama. I am a member of the EEI Rate Research Committee and am immediate past chairman of the Southeastern Electric Exchange Rate Section.

I was first employed by Gulf Power Company as a

Commercial Sales Engineer in 1959. I was in this position in Pensacola, and later Panama City, for approximately seven years. I have since held the positions of Commercial Sales Supervisor, Sales Manager, and Manager of Rates and Load Research. In 1981, I was promoted to my present position of Director of Rates and Regulatory Matters with the duties of Assistant Secretary added in 1985.

Q. What have your responsibilities been in these positions?

A. To some degree, I have been engaged in rate work in all of these positions. While in the various sales positions, I gained valuable experience with regard to the application of rate schedules in customer billing and service situations. Since 1969, I have been directly responsible for all matters relating to the development, application, and performance of the Company's rate schedules, including the fuel cost recovery, and the administration of the Rules and Regulations and the contracts in the Company's Tariff. I am also responsible for providing technical staff assistance to other departments regarding rates and engineering economic analyses. In 1979, I was given responsibility for management of rate case

filings and assurance of Company compliance with the Public Utility Regulatory Policies Act of 1978. In my present position as Director of Rates and Regulatory Matters, I am also responsible for coordination of all filings and other communications with this Commission and the Federal Energy Regulatory Commission.

Q. **Have you testified before the Florida Public Service Commission in the past?**

A. Yes, I have testified before the Commission on behalf of Gulf Power Company in six retail revenue requirements rate cases since 1973, as well as the previous generic rate design hearings held in Docket No. 73694; PURPA-related hearings in Docket No. 790571--Declining Block Rates, Docket No. 800110--Lifeline Rates, Docket No. 780793--Seasonal Rates, and Docket Nos. 780235, 810296, and 830377--Cogeneration; the fuel cost recovery hearings in Docket No. 880001 and all its predecessors; Docket No. 850673--Standby Rates; Docket No. 881055-EI--Non-Firm Standby Rates; and in other dockets related to contracts and specific rate schedules.

I have also filed testimony before the Federal Energy Regulatory Commission in Dockets E77-532,

ER80-534, and ER82-689. These were applications for rate increases which were settled prior to hearings, and I was a primary participant in negotiations leading to the settlement.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present and explain the derivation of the Company's proposed rate schedules and other Tariff revisions designed to produce the requested annual revenue increase of $26,295,000. I will not be explaining the entire Tariff which has previously been approved by this Commission. I will generally address only the changes which we are proposing in the existing Tariff. Our proposal to change only certain portions of the Tariff does not create an obligation to examine and re-justify other previously approved portions unless placed at issue through the testimony of other witnesses.

Q. Have you prepared an exhibit that contains information to which you will refer in your testimony?

A. Yes.

Counsel: We ask that Mr. Haskins' Exhibit, comprised of eight Schedules, be marked for identification as Exhibit 233-240 (JLH-1).

Q. Are you the sponsor of certain Minimum Filing Requirements (MFRs)?

A. Yes, these are listed on Schedule 8 at the end of my exhibit. To the best of my knowledge, the information in all of the listed MFRs is true and correct.

Q. In designing the proposed rates, what basic ratemaking philosophies or approaches were followed?

A. The proposed rates conform to sound and generally accepted principles of rate design. Mr. O'Sheasy's cost-of-service study shown in Schedule 8 of his exhibit serves as the basis for designing the structure and pricing of the proposed rates. In addition to cost-of-service, we have also considered the fairness of the proposed revenue allocation among customer classes and among customers within classes; transition from previous rates; simplicity of design, application, and administration; customer comprehension; load factor improvement; and the

overall effects toward promotion of conservation.

Q. Mr. Haskins, what was the basic philosophy or approach that was used to allocate the total requested revenue increase among the various rate classes?

A. Mr. O'Sheasy's cost-of-service study for present rates serves as the starting point for allocating the increase among the classes. As stated by Mr. O'Sheasy, this study was prepared using, in detail, the methodology approved by the Commission in Gulf's last completed rate case. From that starting point, I have spread the $26,295,000 proposed revenue increase in a manner that causes the rate of return for each class to move closer to the retail system average rate of return at the proposed revenue level. The exception is the revenue from the SS class, which resulted from the use of rate design procedures specified in Order No. 17159 in the Standby Rate docket.

The amount of increase allocated to each rate class is shown in Schedule 1 of my exhibit. The OS-III rate schedule received a decrease in order to move the revenue closer to parity, but at the same time limiting the decrease in OS-III to less than 1.5 times the overall system average percentage rate

change (the Commission's previously stated guideline). As shown on my Schedule 1, even though the total GS/GST rate class did not receive an increase or decrease, the GS rate schedule received a decrease to offset the increase in ~~the temporary~~ service ~~pole service~~ charge revenues which is included in this class. Schedule 2 presents the rate of return and relative index for each rate class at present and proposed revenue levels. This allocation of the increase gives proper recognition to the impact the increases will have on each class, Commission precedent, previous rate case treatment of the various classes, as well as to Mr. O'Sheasy's cost-of-service study.

Q. Please explain the proposed rate schedules included as Schedule 3 and any differences from the present rate schedules, beginning with the customer charges.

A. The first information considered in the process of making a decision on the proper price to propose for customer charges for the Residential Service (RS) and General Service (GS) classes was the customer facilities unit costs of $9.71 for Rate RS and $19.01 for Rate GS. These costs were developed from the cost-of-service study by Mr. O'Sheasy using the

methodology specified by the Commission in Gulf's last completed rate case. They are shown in Mr. O'Sheasy's Schedule 8. The customer charges in Rates RS and GS have been increased from $6.25 and $7.00 to $8.00 and $10.00, respectively. These charges are more fully compensatory and, therefore, are a step in the direction of rates which better track costs. The proposed prices for the RS and GS customer charges are fully supported by Mr. O'Sheasy's cost-of-service study.

In our last completed rate case, Docket No. 840086-EI, we asked for the RS customer charge to be increased to $8.00 and the GS customer charge to be increased to $10.00. That request was denied. We again urge the Commission to approve an increase in these rate components. At the time of this filing, the GS customer charge has been frozen for almost seven years.

We are not asking for customer charges for RS and GS customers that would fully recover the costs of $9.71 and $19.01, respectively, because this would result in a fairly large increase in these components. However, the increase in the GS customer charge needs to be substantial because of the length of time the present customer charge has been frozen

and the wide gap between the present cost and price.

The need to make the residential customer charge more fully compensatory is magnified by the continued proliferation of seasonal residential units in our service territory in recent years. Located primarily in the beach areas, these second homes, townhouses, and condominiums are often occupied on a seasonal basis. Consumption during the off-season may be extremely low, even zero. As evidenced by the bill frequency shown on Schedule 4, the average number of zero usage bills is 24.0 percent higher during the eight off-seasons months of October through May than during the summer months of June through September. At the 100 kilowatt hours usage level, which is less than 10 percent of the average monthly residential usage, this interval of usage is 83 percent higher during the off-season months of October through May. To the extent that the customer-related costs are not recovered through a customer charge, even though they may be included in the energy-demand charge, the Company does not recover its costs from these customers. The remaining customers, who use the Company's facilities more efficiently, must pay higher rates to make up the difference. For these customers,

the effect of the higher customer charge is mitigated by lower energy prices.

Shown below are the customer unit costs and accompanying proposed customer charges for our larger, demand-metered customers' schedules:

Rate Schedule	Customer Unit Cost	Proposed Customer Charge
General Service-Demand (GSD)	$42.02	$40.00
Large Power Service (LP)	$461.77	$230.00
Large High Load Factor Power Service (PX)	$1,099.99	$550.00

The proposed customer charge for the GSD rate has been set close to its unit cost. The LP and PX proposed customer charges have been set at approximately half of their respective unit costs to prevent too large an increase to that particular billing determinant at one time. The large increase in the customer unit costs for residential and commercial customers is a result of a decision by the Commission on May 2, 1989, that costs associated with energy education should be removed from the Energy Conservation Cost Recovery (ECCR) clause and recovered through the Company's base rates as customer service expenses. When these costs were in ECCR, they were allocated to the rate classes based on energy used by each class; however, since these costs are now considered Customer Services and Information expenses,

the costs are directly assigned to revenue classes in the same manner as budgeted. Within the ~~commercial~~ residential and ~~industrial~~ commercial revenue classes, they are then allocated to rate schedule on the basis of number of customers.

The customer charges for the time-of-use (TOU) rates are set equal to their standard rate counterpart's customer charge for rates PXT and LPT, and plus the appropriate additional TOU metering cost for the RS, GS, and GSD rates.

Q. You mentioned that certain customer facilities unit costs were considered in arriving at the customer charges for the RS and GS rates. How are customer facilities costs recovered in the other rate schedules?

A. The local facilities unit cost for the demand rates should be recovered through the demand charge of the rate. To assure complete recovery of all local facilities costs, we will require all customers with a demand over 500 kw (LP/LPT or PX/PXT rates) to execute a Standard Form of Contract for Electric Power. When the customer's ~~actual demand~~ highest billing demand in the current and previous 11 months does not reach at least 80 percent of the Capacity Required to be Maintained (CRM) specified in the Contract, the customer

will be required to pay a Local Facilities Charge as shown on Rate Schedule SS under Demand Charges (b) and (c) (Sheet 6.31), on the additional capacity (kw) that would be needed to reach 80 percent of the CRM, in addition to what is billed under the Demand Charge of the rate applied to the actual metered demand. The Capacity Required to be Maintained will be subject to mutual agreement between the Customer and the Company and will be stated in each customer's Contract for Electric Power.

Q. What is meant by a Local Facilities Charge?

A. A Local Facilities Charge is used to recover localized investment. Localized investment, as the name indicates, is that average investment in the vicinity of the average customer that is required to provide service only to that customer. Specifically, these Local Facilities Charges are designed to recover distribution demand costs, which include specific distribution substation costs, average common substation costs, and average common distribution line costs exclusive of all non-specific services and meters. No production or transmission costs are included. The development of these charges is shown in Schedule 5 of my exhibit and is based on

distribution demand revenue requirements developed in the cost-of-service study prepared by Mr. O'Sheasy. We used 100 percent ratcheted kw in the development of the Local Facilities charge for the GSD/GSDT, LP/LPT and PX/PXT rate classes. They were developed using these procedures specified in Standby Rate Order No. 17159 and are also included on the Standby Service and Interruptible Standby Service Tariffs which will be addressed later in my testimony.

Q. Please describe the derivation of the energy charges in your proposed standard rates, beginning with rates RS and GS.

A. For Residential Service (Rate RS), only the magnitude of the energy charge has changed from the present charge. The proposed energy charges, along with the proposed customer charge increase of $1.75, provide the proposed RS class increase.

Gulf has offered seasonal RS and GS rates since 1962, and our proposed rates continue this differential. Schedule 6 of my exhibit shows that the monthly peaks for the years 1987 and 1988 that were above the respective winter peaks of 1360 mw and 1402 mw occurred during the summer months of June, July, August, and September. This confirms the need to also

increase the kwh price differential between the June-September peak season and the October-May non-peak season to a more meaningful level in Rate GS. The present summer/winter energy price ratio is only 1.03 to 1.00, whereas our proposed differential increases the ratio to 1.18 to 1.00. This will make the GS seasonal differential the same as RS, 1.18 to 1.00. The widening of the seasonal differential in the energy charge is offset by the increased customer charge and increase in service charges, bringing about an adjusted 0.3 percent decrease to customers on this rate. I will address the increase in service charges later in my testimony.

The energy charges found in our proposed demand rates GSD, LP, and PX are designed to produce the proper revenues when combined with the other components in their respective rates.

Q. How did you determine the demand charges which you have included in proposed Rates GSD, LP, and PX?

A. As with the customer charges, the first consideration was the demand cost component identified in Mr. O'Sheasy's cost-of-service study.

Another consideration was the transition from previous rates. The Commission's previously stated

guideline, which suggests limiting the magnitude of any proposed rate component to 1.5 times its predecessor, has been followed. This avoids excessive "rate shock" of any one component of the rate structure in any one rate redesign. Greater changes in individual rate components could result in severe differences in the impact new rates would have on customers at different load factors within a rate class. Thus, consideration was also given to the load characteristics of the customers who make up the GSD and LP classes.

Selection of proposed demand charges for rates GSD and LP was done with a conscious effort to correct a "relationship" problem between the present GSD and LP rates. Based purely on rate economics, every one of our present rate LP customers would prefer rate GSD. This problem is the result of a decision in previous rate cases. The demand charges for those two rates were set equal, $6.25 per kw per month. The result was an energy charge for the LP rate that was larger than the GSD energy charge.

The proposed demand charges and the associated demand unit costs (from Schedule 8, Exhibit ___(MTO-1) are shown below:

Rate Schedule	Demand Charge	Demand Unit Cost
GSD	$4.51/KW	$7.54/KW
LP	$8.52/KW	$9.11/KW
PX	$8.25/KW	$8.95/KW

By moving the LP demand charge closer to unit cost and the GSD demand charge farther from unit cost, it is a step in the right direction toward correcting the "relationship" problem between rates GSD and LP. It is now possible to achieve a breakeven point between a 60 to 70 percent Load Factor at levels of 500 KW and greater. This change in the demand charges was not made just to create a breakeven point between the rates. When you have a very diverse class, such as GSD/GSDT, setting the demand charge at unit cost will result in over collecting from the low load factor customers and under collecting from the higher load factor customers. The proposed GSD demand charge was designed to recognize this wide variance in diversity factors for these customers. Even though the load factors for the GSD/GSDT and LP/LPT classes are very close (54.3 percent versus 56.3 percent), the diversity factor, or the ratio of billing kw to coincident peak kw, is considerably different (1.98 for GSD/GSDT versus 1.36 for LP/LPT.) The analysis on Schedule 7 shows the greater diversity of GSD

customers when compared to LP customers. Even though the load factor for these two classes fall in the 301-600 hours use range, 75 percent of the LP/LPT customers are within the range, whereas only 32 percent of the GSD/GSDT customers fall in this range.

It is an accepted principle that, as load factor improves, the diversity factor goes down and there is an increase in the customer's demand responsibility at the time of the system peak. Thus the coincident peak kw (CPKW) used to assign demand costs to the class moves closer to the non-coincident peak kw and billing kw of the class. It would be reasonable then to set a demand charge closer to unit cost if the class is not very diverse and the majority of the customers have similar load factors, as is the case with rate PX, because the CPKW used to determine the unit cost would closely match the kw used for billing purposes. However, the reverse is normally true for low load factor rate classes that are diverse. For these customers, the demand responsibility at the time of the system peak is spread over more billing kw resulting in a lower demand unit charge.

The point is that in any rate there are always inequities for certain customers. The only way to avoid this would be to design rates for individual

customers based on their individual cost of service. However, this is impossible. Thus, the purpose of rate design is to keep these inequities as few as possible. The GSD rate design is aimed at reducing these inequities.

Q. Mr. Haskins, what approach did you use to design your time-of-use rates?

A. The time-of-use (TOU) rates include rate schedules RST, GST, GSDT, LPT, and PXT. Each TOU rate is designed to be revenue neutral with its standard rate counterpart. This means that the TOU rates were designed to recover the total proposed revenue requirement assuming all customers were on the TOU rate in lieu of the standard rate.

Q. Mr. Haskins, what methodology was used to allocate revenues between on-peak and off-peak periods for your TOU rates?

A. The Load Factor Methodology was used. It is the same methodology as has been approved for use in our last three completed rate cases.

Q. Why do you use this Load Factor Methodology?

A. First, the results obtained provide a reasonable

transition from previous TOU rates, since that same methodology has been used for all of Gulf's approved TOU rates. Also, the use of the lower of class or system load factors to allocate revenues between the on-peak and off-peak periods provides a substantial differential between the on-peak and off-peak prices as an incentive for customers to minimize on-peak load, resulting in improved load factor.

Q. Mr. Haskins, explain how demand charges are derived by using the Load Factor Methodology.

A. First, the customer charge revenue is calculated. As previously stated, these charges were selected based on the unit costs from the Cost-of-Service Study. Next, a total demand charge was selected based on the criteria mentioned previously for each demand rate class. This charge is applied to the maximum billing kw for the class to obtain a demand revenue requirement for the class. The demand revenue requirement is then split between on-peak demand and maximum demand components using the lower of class or system load factors.

For example, assume the demand revenue requirement was $27,000,000, the system load factor was 48 percent, the class load factor was 55 percent,

the total maximum kw was 6,000,000, and the total on-peak kw was 5,600,000. The max and on-peak kw charges would be calculated as shown below:

$$\frac{\$27,000,000\ (.48)}{6,000,000} = \$2.16/\text{Max KW}$$

$$\frac{\$27,000,000\ (1.00 - 0.48)}{5,600,000} = \$2.51/\text{On-Peak KW}$$

Below are the demand charges that were developed:

Rate Schedules	MAX KW	On-Peak KW
GSDT	$2.17	$2.44
LPT	$4.15	$4.52
PXT	$3.97	$4.32

Q. Please explain how the Load Factor Methodology was used to derive the TOU energy charges.

A. The remaining revenue requirement for the class, after deducting customer charge and demand charge revenues, less any voltage and transformer ownership discounts, becomes the energy charge revenue. This revenue is then split between on-peak and off-peak energy charges using the lower of class or system load factor for the GSD/GSDT class. For the LP/LPT rate a minimum off-peak energy charge of $0.00300/kwh was selected to assure recovery of all non-fuel energy costs, and for the PXT rate an off-peak energy charge of $0.00260 per kwh was selected for the same reason. Through the

iteration process, the off-peak energy charge for rate PXT was refined to $0.00262. The remaining revenue for LPT and PXT was used to develop the on-peak kilowatt hour charge.

Q. Mr. Haskins, explain how the proposed Standby Service Rate was designed?

A. All rate components were updated based on the Cost-of-Service Study in this filing and in compliance with Standby Rate Order 17159, Docket No. 850673, issued February 2, 1987. The normal customer charge remains at $25.00 per bill. The Local Facilities Charge was calculated for each demand rate class based on the distribution demand revenue for that class from witness O'Sheasy's Schedule 8 using 100 percent ratcheted kilowatts, again for each demand rate class. The calculation of those charges is shown on my Schedule 5. The Reservation Charge and Daily Demand Charges were both developed using the system unit cost per coincident peak kw (CPKW) for demand related production and transmission functions. Finally, the non-fuel energy charge was set equal to the system energy unit cost.

The resulting increase in the Standby Service rate class is more than 150 percent of the total

system percentage increase. However, Standby Rate Order 17159 is very specific about the design of each rate component of the Standby Service Rate. We were obligated to comply with this order.

Q. Has the Interruptible Standby Service Tariff been updated based on witness O'Sheasy's Cost-of-Service Study?

A. Yes. In addition, some of the language in this tariff has also been revised to more closely match the proposed Standby Service Tariff, where applicable.

Q. Do you propose changes to any of the service charges?

A. Yes. Based on our cost study shown in MFR E-10, we propose to change the minimum investigation fee from $30.00 to $55.00, based on the current cost of $55.02; the temporary service pole charge from $48.00 to $60.00, based on the current cost of $58.67; and the initial service charge from $16.00 to $20.00, based on the current cost of $19.79.

Q. How were the proposed prices for outdoor service under rate Schedule OS determined?

A. Revenue requirements to produce the proposed rate of return for each class of outdoor service were supplied

by Mr. O'Sheasy. The proposed increase for Street and Roadway Lighting (OS-I) and General Area Lighting (OS-II) was designed to bring that class to our overall return of 8.34 percent, while the Outdoor Service (OS-III) return was lowered to 16.97 percent. This rate of return produced a 4.9 percent revenue increase for OS-I and OS-II and a 15.5 percent revenue decrease for OS-III in the test year. The OS-III reduction was limited by the 150 percent criteria as mentioned earlier.

The methodology approved in Gulf's last completed rate case was used to determine the fixture, maintenance, and energy unit costs for each lighting fixture in the OS-I and OS-II class. The unit costs so determined were used as the primary basis for each proposed fixture price. The resulting prices, or rates, were applied to the budgeted billing determinants to produce the required revenue. The price for OS-III was derived by dividing the proposed revenue by the billing determinants for OS-III.

Q. Have you proposed any changes to the types of lighting fixtures to be offered under Rate Schedule OS?

A. Yes. Gulf is offering two new directional street lighting fixtures for its Street Lighting customers

and one new decorative lighting fixture for its General Area Lighting customers. These lights are designed for specific applications and provide more options to meet our customers' lighting needs.

Q. One of the new directional street lighting fixtures is identified as a coastal fixture. Please explain the difference between the new Coastal Directional Service and the Standard Directional Service.

A. Coastal Directional Service is available for installation within one half mile of the Gulf of Mexico. The directional fixture is mounted close to the pole and is designed to withstand the combination of wind and corrosion that causes early failure in conventional streetlight installations. Our experience with conventional streetlights in a system of 53 lights with 16-foot arms was an average of fifteen failures per year. For the past five years, Gulf Power has conducted a test installation of the directional fixtures in this coastal area system. This test recorded no failures among the 53 directional lights due to corrosion and wind.

Standard Directional Service will be available in all other areas. This directional service uses the same fixture as is used in Coastal Directional Service

and provides excellent roadway lighting in locations where a conventional fixture with a very long arm would be otherwise required. However, the price is substantially higher for Standard Directional Service away from coastal areas because there are no offsetting savings from reduced damage due to wind and corrosion.

Q. Have you proposed any changes in the OS-III rate?

A. Yes. We propose to move all customer-owned street lighting and outdoor lighting to the appropriate OS-I or OS-II section of the tariff. We also propose to move the outdoor advertising customers from OS-III to OS-II. This will get all night-time only service on the appropriate OS-I or OS-II section and all 24 hour service on OS-III. We also proposed to move all recreational lighting from OS-III to a new OS-IV rate section in order to recognize the fact that recreational lighting is only used during portions of night-time hours.

Q. What type customer does OS-IV apply to?

A. This section is for recreational lighting such as baseball parks, football and soccer fields, and tennis courts. These customers will be billed for their

actual kwh usage and a customer charge. The customer charge for OS-IV was set the same as the proposed GS rate customer charge because it will require the same type meter and billing.

Q. Mr. Haskins, can you explain the derivation and purpose of the correction factors used in MFR Schedule E-16c?

A. The correction factor is the ratio of forecast revenue under present base rates to present base rate revenues calculated for rate design purposes. This factor is then used to adjust the proposed rate design revenue calculations in order to match the proposed revenue target. Correction factors are required, because billing determinant forecasts for most rate classes are prepared at the aggregate level. Only industrial hand billed customers are forecast on an individual basis. For rate design purposes, however, all forecasting is done on an individual customer basis. Historical billing records for individual customers are expanded using an algorithm which matches the aggregate forecast of number of bills and kilowatt hour sales.

Q. Mr. Haskins, earlier in your testimony, you indicated that among your responsibilities is the management of rate case filings. Does this mean that you are the individual with the overall responsibility for coordination and presentation of this case?

A. Yes, it does. It is a responsibility which neither I nor any of those who work with me have taken lightly. This has been a team effort by employees representing many different departments at Gulf Power. These individuals, as well as the other employees of Gulf Power, believe this filing and the requested rate relief are necessary if we are to continue to provide the historically high quality of service of which we are all justifiably proud. We do not enjoy filing rate cases. We have diligently worked to avoid having to file. Nevertheless, as Mr. McCrary and the others have emphasized, we have reached the point where capacity additions and increases in operating and maintenance expenses make this filing necessary. Even with the requested increase, our overall rates remain among the lowest in the nation. I believe that the case which we have presented very ably justifies the need for the requested rate relief. We appreciate the Commission's consideration of this matter.

Q. Does this conclude your testimony?

A. Yes.

Q (By Mr. Stone) Mr. Haskins, would you please summarize your testimony?

A Yes, I would like to.

From the viewpoint of the customer, the design of rates may be the most important aspect of a rate case. The decisions made by this Commission after hearing the recommendations of its Staff will have an effect on patterns of energy usage and the electric bills of almost 300,000 customers in our service area during the next several years.

The purpose of my testimony is to present the changes in Gulf Power Company's rates that are necessary to provide a complete rate package that provides a fair and equitable distribution of the requested $26.3 million increase. Even with the entire increase requested, Gulf's rates will remain among the lowest in the nation.

In my testimony, I discuss the criteria that we use to design the rates, the methodology of allocating the increase among the classes of customers, and the specific basis for designing the customer demand and energy charges in the rates.

These rates all conform to generally sound rate design practices. I have considered the fairness of the rates internally and among the classes, the

transition from our previous rates, the simplicity of the administration and application of the rates so that customers can understand the rates, and the effect of the rates on energy conservation and load management.

The rate increase has been spread to the various customer classes so as to move each full service customer class closer to parity with the overall company rate of return. Customer charges have been moved closer to cost, especially the charge for rate GS which has not been allowed to increase for over seven years.

Demand charges have also been adjusted to move the prices closer to the actual cost, while recognizing the diversity of the different demand classes.

Energy charges have been adjusted to provide the additional amount of revenue that is required after the other items and rates are adjusted. We also improved the price differential between our summer and winter energy charges for the nondemand rate classes. This is essential to recognize the higher demands customers place on Gulf's system during the summer months compared to other months of the year.

We have proposed a local facilities charge in the large commercial and industrial classes to assist

in recovering of the investment in local facilities which serve these large customers. This charge will only be activated if a customer has a very low usage of specific facilities installed for their service that continues for a year or more.

In order to more fully meet our customer's lighting needs, several new lighting fixtures have been added to the outdoor service tariffs. And we have added a new section of our tariff to recognize the part-time, nightly load of recreational lighting.

The driving force behind all of our rate proposals is fairness and equity. Gulf is the only party in these proceedings that has proposed a complete set of rate schedules representing all customers. I m asking the Commission to approve this comprenensive plan of rate schedules and rate design principles that are fully discussed in my testimony in order to assure that the Company will recover all the revenue authorized by this Commission from its customers in a fair and equitable manner.

This concludes my summary.

MR. STONE: We tender Mr. Haskins, for cross examination.

CHAIRMAN WILSON: Public Counsel has no questions.

Mr. McWhirter?

CROSS EXAMINATION

BY MR. McWHIRTER:

Q Mr. Haskins.

A Good afternoon, Mr. McWhirter. We meet again.

Q On Page 5 of your testimony you discuss the philosophy underlying the design of the proposed rate. Is it fair to say that Mr. O'Sheasy's Cost of Service Study is the primary guideline that you used in the present Gulf's proposed base revenue distribution among the classes?

A That's correct. That's the beginning point.

Q And you still contend that 12 monthly peak and one-thirteenth methodology is the appropriate way to go?

A Yes.

Q Do I understand that it's your intention to move each customer class closer to parity as parity was disclosed in Mr. O'Sheasy's Cost of Service Study?

A Yes.

Q Apparently, according to Page 6 at Line 16 there is one exception to that provision, and that has to do with the SS class, is that correct?

A That is correct.

Q The SS class, rather than using Mr. O'Sheasy's Cost of Service Study, you went back to the broad guidelines established by the Public Service Commission in its 1987 order on the way you set up the pricing for cogenerators, is that correct?

A We went back to what we consider rather specific guidelines in that order.

Q With respect to the energy charge, the energy charge you propose for the SS class is the average energy charge irrespective of voltage level, is that correct?

A That's correct.

Q And so if an SS customer took energy at a higher voltage level and thereby had fewer line losses, he wouldn't get the benefit of those fewer line losses in the prices charged to that customer, would he?

A No. No provision was made for that in the standby rate order. That is for transformer ownership discounts. Now there is a line loss discount included in that tariff.

Q But it's an average line loss -- he's going to be charged average line losses for all customers, irrespective of the fact that at his voltage level, line losses may be less.

A No. We propose the same 1% and 2% discounts

for line losses during our standard tariff.

Q And that's in your .344 cents energy charge?

A No, it's not in there. That energy charge, like all energy charges, is based on average cost. But I think if you look at the tariff you'll find there's a 1 and 2% discount for line losses.

Q So the SS customer would receive a discount for line losses or lesser line losses that would be applied to this .344 cents.

A That's right.

Q Okay.

How did you derive the $1.08 reservation charge? Would you walk through that briefly?

A Just one moment. (Pause)

The reservation charge was based on the production and transmission demand revenue requirements from Mr. O'Sheasy's Cost of Service Study and the annual CPKW from that same study. And then, if you will, discounted for -- prorated down for the 10% forced outage rate that was used in the standby rate order.

Q And in order to determine the demand charges, you looked at what classes? Did you look at just the SS class or did you look at other classes of customers?

A Those costs were based on from looking at the

order of magnitude based on the total retail.

Q And you did that even though Mr. O'Sheasy performed a discrete Cost of Service Study that applied exclusively to the S and S customers, is that correct?

A Yes, that's correct. However -- (Pause)

The standby rate order requires the use of the utility's systems unit cost. It does not make any distinction between those classes that might have customers on SS.

Q So you're talking now about Order No. 17159 in Docket 850673.

A Yes.

Q And so your concern then, is that the order makes you do it that way, and you're compelled to do it, is that correct?

A That's correct.

Q When you made that conclusion, were you aware of the provision on Page 12 of that order which says, "In each utility's next rate case we expect that standby customers would be treated as a separate class and be assigned costs consistent with the appropriate data and the new Cost of Service Study." And then it goes on to say, "Until those costs of service studies are set up, you'll go by the broad guidelines established in this order."

A Yes. And I think that if you look at the standby rate service as a class, for Gulf Power Company, you'll find that it crosses all categories of customers. We have customers that take a wide variety of levels of standby service, and I think that's probably what the Commission had in mind when they said "use a system unit cost" rather than any specific class's cost because you could have a customer that took standby service for any level, any cost.

Q The Commission, back in '87, said that one of the reasons that it was asking you to do a Cost of Service Study was so that the cogenerators would pay their appropriate share of the cost, and they wanted you to look at the cogenerator to see if the cogenerator was -- had shutdown his unit and was using your electricity at the time of your system peaks. And if he was, they wanted to be sure that that cogenerator paid the proper amount. But if he wasn't shutdown, then they concluded that this Cost of Service Study would recognize that that customer didn't contribute to that peak.

As I understand it, however, from Mr. O'Sheasy, even though your Cost of Service Study showed that the forced outage rate of cogenerators was substantially less than 10% during the time of your

system peak, you chose the 10% criteria used in the 1987 order, is that correct?

A I believe you mischaracterized what Mr. O'Sheasy said.

Q What did he say that I mischaracterized?

A He did not make any conclusions with regard to the -- well, you were in the room. At any rate, he did not make any conclusions with regard to forced outage rates for his service rates. He did one customer with regard for seven months with regard to their forced outage rates. And he further said that he saw no conclusions at this time that could be drawn with regard to forced outage rates for standby service in Gulf service territory, based on the short period of time that the standby service had been taken by customers and the small amount of experience with it.

Q And he found that those other three customers had a forced outage rate of greater than 10%?

A He did not find anything, he didn't say anything about them.

Q I see. So although that information was there and available, it was not used by you?

A No. He didn't say it was available.

CHAIRMAN WILSON: It wasn't?

WITNESS HASKINS: There was a few months,

less than seven, on the rest of the customers available with regard to forced outage rates. But it was no where near statistically significant, it would not have been fair to either the Company or customers to try to use that data. It was during the shakedown periods of generators and systems, and we think that you would need to have at least two years worth of data to have anything that would be statistically valid for determining something like this.

Q Back in 1987 when the Commission ordered you to do cost of service studies that would determine those things, several utilities had come in with proposals. And the Commission chose a proposal of Florida Power Corporation modified to incorporate time of use pricing as clearly superior to the others. Then they said, "We find the approach superior to those advocated by FPL, Gulf and TECO. Because FPC approach produces rates that fairly recognize the diversity and coincidence of the individual customers."

But as I perceive it, you're not following the FPC approach, you're adhering to the one that the Commission found to be inferior back in '87?

A We have not followed the Florida Power Corporation approach. We think that any specific approach for any company should be based on the

statistics from a valid statistical determination for the customers within their service area. Gulf has many more cogenerators and many more generators than Florida Power Corporation and different types and --

Q Florida -- excuse me.

A -- we believe the information should be developed strictly for Gulf Power Company.

Q But Gulf Power doesn't have any statistically sound information. Did you take, check on any national averages of forced outage rates or did you check on the Southern System forced outage rates of cogenerators or any other statistically accurate?

A No. We don't think it would be valid for our Gulf system. That's the reason the Commission looked to individual companies to develop their own data.

Q That being the case, you wouldn't think that 10% would necessarily be valid for a Gulf system either, would you?

A I don't know whether 10% is valid for Gulf system or not; but we know that's the best information the Commission had when they established the criteria in 1987 and we plan to stick with that until something better comes along.

COMMISSIONER EASLEY: Could I, Counselor? Was that criteria thay you just referred to that the

Commission found FPC's criteria to be more desirable, was that part of the Order that you were to follow then, or did they say you were to keep on with what you're doing?

WITNESS HASKINS: I'm not familiar specifically with the Florida Power Corporation order, but to my knowledge the other companies in the state were not required to go and do likewise.

COMMISSIONER EASLEY: Thank you.

WITNESS HASKINS: The only other company I know of in Florida that has developed data is, in their report in 1989, Tampa Electric Company reported a 14% forced outage rate.

Q (By Mr. McWhirter) For all of its customers?

A I don't think -- you know, if we picked and chose, we would pick that one rather than Florida Power Corporation, I guess.

Q I imagine so, yes, sir.

Well, Mr. O'Sheasy's study showed that the SS class is presently paying above parity, is that correct?

A Which study? I hate to do that, but there's so many.

Q His original one showed there was, I think, 14%. And then he said there was a second one that

still showed that it was more, but he didn't remember how much. And he said you could tell us how much more it was.

Q No. I think what he said was on the final study that Gulf has provided, we have not designed proposed rates based on that study. So as far as proposed, you could not tell from that study what the cost would be.

Q He said his final study was inconclusive?

A No. His study was complete.

Q And his study, how did it show that the SS class related to parity, above or below it? His final study?

A Just a moment. (Pause)

A On a present rate basis, the study that Mr. O'Sheasy referred to, and you and I were just discussing, showed a rate of return for rate SS of 7.29% compared with a parity of 6.6. So that would indicate that, based on present rates, that they're earning above parity.

Q And when you did your rate design, this was every class moved toward parity except SS, and it moved further away from parity, based on his study, isn't that correct?

A On the original rate design. And I would

like to point out on this final study that -- I'm not sure who your clients are -- but the SS class on present rates is earning less than the PXT class. And your clients are both, I think.

Q That's probably true. You see, I'm working against part of my clients while I'm asking these questions when --

A I think they spend a whole lot more money on PXT than they do at SS.

Q Well, we're just trying to find the facts, Mr. Haskins.

CHAIRMAN WILSON: This is the point at which, Mr. McWhirter, you throw up your hands and say, "Never mind." (Laughter)

MR. McWHIRTER: I'm obviously in deep trouble.

Q (By Mr. McWhirter) Let's look at your rebuttal testimony, Schedule 2. It shows the SS class moving away from system average, is that correct or not?

A Are we cross examining on rebuttal testimony yet?

Q I think, and the reason I'm doing that --

A I have no objection to that, I just want to make sure I understand what we're doing.

Q No, we're not doing it on rebuttal yet, but you keep referring to the most recent cost of study and so the ones I asked you about in your original testimony seem to be outdated. And I would hate to be precluded from asking you about the most recent information. The only trouble is I can't find it.

MAJOR ENDERS: Right here.

COMMISSIONER GUNTER: Join the crowd.

CHAIRMAN WILSON: Just for everyone's edification, the new Commissioner, Mr. Frank Messersmith, just walked in the back of the room. It will probably take him a few minutes to realize that he ought to walk right back out. (Laughter)

Q (By Mr. McWhirter) Do you have that schedule before you at this time?

A Which schedule?

Q I beg your pardon?

A Which schedule?

Q It's Schedule 2.

A I have that.

Q And it shows that the index of the SS class is 1.53% over parity. And then in your proposed rates all the other classes moved toward parity, according to the proposed index here, but SS moves further away. Do I understand that correctly?

A That's correct on --

Q And now you want to get a -- huh?

A That's correct, a correct representation of the numbers on this study. However, this is not the one that you and I were talking about earlier.

Q Okay. There's some other study that does something else?

A That's right.

Q Well, rather than belabor that, I'll go on to another subject.

Seasonal rates. You propose to continue seasonal rates?

A Yes.

Q Do Gulf's seasonal rates presently charge more for for electricity during the summer months than in the winter months?

A Yes.

Q Is this appropriate, in your opinion, because it sends a price signal that electricity is more expensive in the summer months than in the winter months?

A It's appropriate, in my opinion, because it sends the appropriate price signals to customers that they need to conserve energy; and for the GS and RS class, therefore, keep their demands down during the

summer months, because the summer months are the things that are driving our peak demands.

Q Is it your objective, also, to improve your system load factor?

A Yes.

Q I asked Mr. O'Sheasy about the system load factor. What is it presently?

A It's in the range of 55%.

Q 55%?. So 45% of the time you have generating plant that is not delivering electricity to customers?

A No. That's not a correct application of the concept of load factor. Load factor is a very simple concept that you take the total number of kilowatt hours delivered during a specified period of time, daily, weekly, or annually, and divide that by the maximum capability times the number of hours.

Q And that doesn't mean that you have a plant that's not delivering electricity?

A No. It might mean that you have a plant that is less than fully loaded, or it might mean that you have some that are standing by in preparation of serving the peak the next day. But it's a plant that's necessary for providing service to the customer whenever it's needed.

Q So if you improve your load factor, though,

that means, without adding additional capacity, you can derive more revenue from your customers, and all the revenue in excess of the cost of fuel and variable operating cost goes to either help your profit picture or to defray fixed costs of the capital facilities, isn't that correct?

A Within limits, that's true.

Q So you like to improve your load factor?

A That's right; certainly, from the point we are now.

Q What are some of the other benefits of improving load factor?

A I think that's the primary one right there.

Q Do you improve it by encouraging sales during off-peak hours?

A Yes.

Q Is that what the SE rate is all about?

A Yes.

Q And this SE rate, those people don't get that energy if somebody else needs it; if the demands of the other customers go up, you cut the SE customers off, is that the way that works?

A Yes. The SE customers have SE periods declared only when the capacity is available both on Gulf's system and on the Southern System.

Q So would you say the SE type service is not as high a quality as standard firm service?

A Well, SE is sort of interruptible in reverse in that SE can be recalled with appropriate notice; and for that reason, customers -- and the fact that it's off-peak, the customers are relieved from paying demand charges on any demands that are set during that period of time.

Q In general, is SE available to customers only when adequate capacity exists to serve the incremental load that is caused by SE?

A Not only in general, but very specifically, it's available only then.

Q You don't have to add capacity, you're just able to make more sales out of the existing capacity when you offer this rate?

A That's right.

Q As I understand it, there was one place in which you did invest in additional capacity to allow the customer to take SE, is that correct?

A I am not familiar with what you're talking about.

Q Have you used this in order to postpone someone going to cogeneration, or to encourage a customer not to go to cogeneration?

A That's no relation between that and SE, despite the visual signals I get from the Staff over there.

Q My consultant prepared this question and he said there would be some discussion, and in that discussion you would indicate it was cogenerator deferral, but you don't have any knowledge of what he's talking about there, I guess?

A No. If a customer can use the availability of SE to lower his average costs, to the extent that it takes the average costs to purchase energy from us below the average cost of adding cogeneration, so be it. But it is not designed as a cogeneration deferral mechanism. (Pause)

Q Did you provide an SE charge for a customer and in connection with it also impose a 10-cent per kW charge for demand in excess of the demand contracted under other applicable rate schedules?

A Only in the circumstance where additional facilities are installed at the request of the customer specifically to make SE available to him, and that is provided for in the tariffs.

Q And that 10 cents covers the cost of those additional facilities?

A In the particular case where that charge is

being levied, it does.

Q If rates were designed under which all local T&D costs were recovered, and the maximum demand charge, including SE demand and all remaining production and transmission demand-related costs recovered in an on-peak demand charge, would this rate design eliminate the necessity for the extra local facility charge?

A No.

A No.

Q And why not?

A Now, you said "extra local facilities charge," and my "no" answer serves both purposes. But when you ask, "why not," I've got to make sure I'm talking about the right one. Are you talking about the 10 cents that's used in one specific case on one customer for SE, or are you talking about the local facilities charged I proposed in my testimony?

Q I think I'm talking about the one for the specific customer. I guess what the question is designed to do, and frankly I'm --

A Now, I need to ask you to read the question again.

Q Okay, here's what he said. "If the rate were designed under which all local T&D costs were recovered

and the maximum demand charge, including SE demand and all remaining production and transmission demand-related costs recovered in an on-peak demand charge, would this rate design eliminate the necessity of an extra local facility charge for SE use?"

A No, you would still have to have the extra local facilities charge for the SE customers because they are asking specifically for additional facilities to be included that are not covered by our contract or billing demands otherwise.

Q I think what he's saying is if this were rolled into the on-peak demand charge, would it be necessary to independently state it?

A Okay, if you rolled it into the total demand charge, it would not be necessary, but we would not recommend that becuase that would benefit -- in this particular case, this one customer we have now, or if were two or three others that were similarly situated, to the detriment of our other customers, and this is a customer that is asking for capacity to be available to him when he wants it, really on the -- it's really a risky thing for him because it's on the basis that he might not ever have an opportunity to take that capacity, because remember, we don't have an obligation to declare SE. We could sit right here and never do

it.

And so you start separating out an SE customer, or including an SE customer as far as cost causation and all these others, you get into a problem, for the local facility's charges only.

Q Over the years you and I have talked about rate design principles, and you've often referred me to Chapter 366.06, which says that in setting rates, the Commission should look at rate history, value of service and the experience of the public utility, consumption and load characteristics of various classes of customers and public acceptance of the rate structures.

Do you do those things when you design rates?

A Yes, sir, sure do. That's, if you will, the art involved with rates once you get the cost.

Q And do you try to develop cost of service methodologies that incorporate this kind of statutory thinking?

A Yes.

Q And is it your professional opinion that the cost of service study utilized by your Company is superior to the one proposed by the Office of Public Counsel or the Commission Staff in meeting these statutory --

A Absolutely.

Q Why do you say that?

A Because I think that very a basic reason that the methodologies proposed by the Staff and the Office of Public Counsel do not recognize the realities of the way an electric system, particularly Gulf's and Southern System is planned, is designed and built, and also that it is a mechanism for merely shifting cost on an energy basis, from the residential class, and maybe a small commercial class, over to the industrial class, which are the high load factor customers on our system, and helping improve this load factor you're talking about.

The main thing, I think, is that it is just out of touch with reality as far as the way a utility system is designed and planned and operated.

Q Do you try to look at rate design from the customers' viewpoint also to see how the customer would react to rates?

A Yes.

Q If you had a customer that's paying you $10 million a year, do you think you could charge that customer more for electricity than he would have to pay if he produced it himself?

A Absolutely not.

Q Have you done any studies to determine on what it costs these customers to produce electricity for themselves?

A When we have had a couple of customers in the past interested in installing cogeneration facilities where they would put in facilities to serve themselves, and in discussion with them, we really jointly evaluated with them the cost of their own generation versus the cost of buying it from us. And to that extent, I guess you could say we evaluated their proposal. And we also have folks that are not at Gulf, but at Southern Services Company, that are specifically involved in evaluating those types of proposals to see whether or not it is cost beneficial for both the Company and the individual customer.

Q What conclusions did you reach as a result of those discussions?

A Well, each one has to stand on its own bottom, but I think the situation in Gulf's territory where we have, indeed, had two customers recently that have decided to defer generation based on specific proposals we made to them for deferral of that capacity until the time we needed it, has said that right now it's a very "iffy" thing, very close to margin. In previous times it may not have been that way. Gulf has

about 150 megawatts of -- excuse me, 150 -- yeah, megawatts of cogeneration on its system right now.

Q Forgetting those customers for the moment --

CHAIRMAN WILSON: Did you say Gulf has that much?

WITNESS HASKINS: Yes, sir, it's been in a long time. I think that's something many folks don't realize.

CHAIRMAN WILSON: Is that self-generation?

WITNESS HASKINS: It's self-generation, but the effect on Gulf is the same. And they are using -- and it's technically a cogeneration capacity because they are taking fuels and using both the heat and electrical energy from the generators. So it qualifies as cogeneration.

CHAIRMAN WILSON: Technical cogenerator.

WITNESS HASKINS: Yes.

CHAIRMAN WILSON: As opposed to a political cogenerator.

WITNESS HASKINS: That's right.

MR. McWHIRTER: As opposed to what kind?

CHAIRMAN WILSON: Political.

Q (By Mr. McWhirter) Political cogenerator.

Mr. Haskins, disregarding the high load factor industrial consumer and looking at the interests

of the other consumers, would it be in their best interest if these high load factor people got off your system and did it for themselves rather than jointly sharing in your generating facilities?

A No, there would be two basic detriments to that. One would be that it would cause a deterioration, a further deterioration in our system load factor because anytime a customer gets off your system that has this load factor that's higher than your average, it drives the average down. And the other is, we would be left with a stranded investment in production transmission and distribution facilities if there were any for those customers.

Q I'm mindful of the gas industry. Have you followed that situation where customers have the opportunity to burn oil for their boiler fuel rather than gas, and the Commission has come up with what they call "flex rate schedule"?

A I was somewhat familiar with that during the time it was evolving before the Commission. I have not looked into it recently, and I have no idea how well it's working.

Q Are you aware of the one gas company where it lost a major industrial consumer and had to immediately raise the rates to industrial -- or to residentials by

some 30%?

A I'm not aware of that.

Q As one of your ways to discourage cogeneration, I notice that your system average requested rate increase is 10%, but for the SS class, you're asking for a 17% increase on current rates?

A Let's see. (Pause) Well, again, it depends on which study you're talking about, but that's close.

MR. McWHIRTER: I tender the witness.

CHAIRMAN WILSON: Let's take about a ten-minute break.

(Brief recess.)

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COMMISSIONER GUNTER: Let's get started. Major.

MAJOR ENDERS: Thank you, Commissioner.

CROSS EXAMINATION

BY MAJOR ENDERS:

Q Good afternoon, Mr. Haskins.

A Good afternoon, sir.

Q Would you agree with me that the discount for transformer ownership does not recognize the reduction in line and transformer losses for customers taking service above secondary distribution levels?

A Yes, I would.

Q Do you believe that these losses have a resulting cost difference between customers taking service at different voltage levels?

A Yes.

Q Is it correct to say that because line and transformer losses are greater for lower voltage service, lower voltage service costs more?

A Yes.

Q Mr. Haskins, if you could direct yourself to Staff's Eighth set of Interrogatories, Question 113, I believe it's Exhibit 269. (Pause)

A That's Staff's 8th set, Item 113?

Q Right.

A I have that.

Q Okay, sir. Do you propose, in the Company's response to that item, that metering discounts be set for customers taking service at primary or transmission levels?

A Yes.

Q Would I be correct in summarizing your proposal as providing two discounts: To customers who take service at higher voltage levels and who own their own transformers?

A Yes. A discount for line losses, which is frequently referred to in this arena as metering

discounts, and the transformer ownership discount.

Q From your discount proposal, do you exclude certain things?

A I'm not sure what you're getting at.

Q All right. Do you exclude line losses?

A No. That's what is normally referred to as a metering discount.

Q Do you exclude other voltage step-down, like from three to four? (Pause)

A I don't like to defer a question back to a witness that just left, but Mr. O'Sheasy is actually the one that derived these costs and is responsible for this interrogatory, and so you really would need to direct questions as to how the costs were derived from, to him.

Q All right. Let's try this one. Do you exclude other second area costs, like poles and conductors?

A I really can't respond to which costs go into these determinants. If I tried to guess at it, I might be wrong and I prefer not to do that.

MAJOR ENDERS: All right, sir. I have no further questions, Commissioner.

COMMISSIONER GUNTER: Staff.

CROSS EXAMINATION

BY MR. PALECKI:

Q Mr. Haskins, I'm going to refer back to one of the matters that Mr. McWhirter brought up concerning the 10-cent charge for the SE customers. Where is the 10-cent charge for SE customers in Gulf's tariffs?

A The 10-cent charge, specifically, is not in Gulf's tariff. However the SE tariff, the optional rider, does provide -- and I think I'd better look at that and just read you the language. (Pause)

"If any additional facilities, including metering, are required, the additional cost will be paid by the customer taking service under this rider."

Q Are you referring to your Deposition Exhibit No. 10?

A I'm referring to the availability clause of our Revised Sheet No. 6.13, attached to my direct testimony. It may be where you are referring to it also, but that's what I'm looking at

Q I'd like to refer you to your Deposition, Exhibit 10, which is Exhibit 288 in this proceeding. Does that contain, among other things, a form entitled, "Amendment to Contract for Electric Power, SE Rider Endorsement and Standby Service Agreement," with the customer's identification concealed?

A Yes, it includes that.

Q Does that amendment document contain on Page 2 a provision for a monthly facilities charge of 10 cents per kilowatt, for a specified number of kilowatts?

A Yes.

Q When was this amendment executed?

A Just a moment. (Pause) Be patient, maybe we have it. (Pause)

Well, the copy I have, I just realized is not dated. It has an effective date of February blank, 1990. And I'm not sure what that -- I think it's February 1st, 1990, but the copy I have that's not filled in.

Q Is this minimum facilities charge part of your standard contract available to any customer?

A No, that's the reason that their standard contract was amended.

Q Did you file this amendment pursuant to rule 25-9.034 Subsection (1) which requires Commission approval of all special contracts prior to execution of the amendment?

A No, because this is not a special contract. It's an amendment to our standard contract. However, we had intended to file this with the Commission after it was executed, and, in fact, I have it with me here

in Tallahassee. But this particular thing had become such an issue in our rate case, we decided that it probably would not be appropriate to throw it into the fray right now, but just do it at some later time once the issue had been settled.

Q Well, you characterized this as not being a special contract. What differentiates this from a special contract?

A Because it is an amendment to a standard contract that has an amendment that quantifies a provision that is provided for in a tariff. It is not something that is outside of our tariff.

Q Well, apart from the fact you say, "it's not a special contract," are you familiar with any other circumstances where Gulf has filed a special contract with the Commission prior to execution?

A Yes. We have filed complete special contracts with the Commission on several occasions and received approval for them prior to execution. There have been other times when we have done as we had intended to do with this one, until it got to be such an item of contention, where we have submitted an amendment to the Commission or the Staff, actually, for inclusion in the contracts binder, where we had an amendment to a standard contract.

Q Well, wouldn't the fact that it's an item of contention be all the more reason to file this as a special contract for the Commission's approval?

A Yes. I think so. And it was sort of a chicken-or-the-egg situation, I guess, where we had to decide whether to file it and let it be thrown into this situation, or wait until -- let this situation be resolved and then maybe we wouldn't have to file it at all.

If the Commission said we should not collect the 10 cents, we would go back to the customer and say "Well, that contract is no good," and we wouldn't have to file it.

Q Has Gulf collected any costs for additional facilities from SE customers other than the 10-cent charge for the one SE customer?

A No. Because there was no reason to. There was no additional facilities associated with taking the SE from any other customer.

Q Isn't it true that, if Gulf's peak demand in a valley month is lower because of a deterioration in Gulf's annual load factor, Gulf will receive more IIC revenues or pay less IIC charges?

A I think you should direct those questions to Mr. Howell, who is our witness to the interchange

contract.

Q Are the proposed revenues by rate class in the MFR Schedules E-8b, which were provided in the Company's response to Interrogatories Nos. 209, 211 and 212, and these have been introduced in this case as Exhibits 501, 503 and 504, are they based on a different allocation of the increase in revenues than that proposed in the Company's filing and supported by the Company?

A I think I know the answer to that, but let me look at the document you're referring to. If you could tell me which issue that is, we have things filed very handily by issue. Or, I guess -- you gave me the exhibit number, so that would work.

Q This would be under Cost of Service Allocation Increase.

Q Which exhibit number was that?

A They're exhibit numbers for this rate case is Exhibits 501, 503 and 504, specifically Staff's Interrogatories 209, 211 and 212. (Pause)

A We're looking. (Pause) Which item in the interrogatory was it in, 209?

Q 209, 211 and 212. We're talking about the proposed revenues by rate class in the MFR schedules E-8b. Are those reflecting the cost of service study

runs? (Pause)

A Now I hate to ask you to do this, but I need you to ask the question one more time, now that I've got the documents here.

Q Are the proposed revenues by rate class in the MFR schedules E-8b based on a different allocation of the increase in revenues than that proposed in the Company's filing and supported by the Company?

A In both cases, the criteria that I specified in my testimony, as far as moving closer to parity and those sorts of things, were followed in this interrogatory response.

Q Are there any exceptions? (Pause) I guess our question is whether these rates were redesigned since the time of the Company's filings?

A Yes. The rates were completely redesigned to try to conform to the criteria we had in our original filing, so that the proposed rates would bear a reasonable relationship with each other and with the rates that we had originally filed.

Because we felt like, if you're going to do this, you need to take the next step. Some of the indexes look different, particularly with regard to SS, because of the change in allocation on SS. We still moved the rates closer to parity, some moved right to

parity, and maintained the same criteria that we had before.

We did have some revenues that we needed to do something with, and so we were able to reduce the GS rate class, whereas in our initial filing, we had not been able to propose a base rate reduction for the GS class.

Q I would like to ask a few questions that were referred to you by other witnesses. The first was a matter that Mr. Kilgore was unable to answer and that is, does the Company currently have any contracts with GSD customers?

A I was not able, I don't know personally and I was not able to check into that with the Contract Administrator before I got on the stand. However, to my knowledge of being involved with our Power Contract Committee, I don't recall, at the present time, any power contracts with GSD customers. That's the customers between 20 and 500 kW.

There have been some cases, I believe, in the past with sawmills in remote locations, and things like that, where we may have gotten a GSD contract, but I really don't know of any right now. It would be the exception rather than the rule.

Q Was Customer No. 1 on your Deposition Exhibit

12, which is Exhibit 511, billed for the usage of any standby service kW for September 1989?

A Which deposition exhibit was that?

Q Exhibit 12, which is Exhibit 511 for purposes of this hearing.

A And you're asking was Customer No. 1 billed for standby, when?

A Was he billed for any standby usage for September 1989?

A No. He was not.

Q Have you reviewed the customer's demand integrated over 15-minute intervals for September 2 and 3, 1989?

A Yes.

Q Did the customer's demand increase by 50% between one particular 15-minute interval and the next 15-minute interval?

A Yes.

Q Was the customer having a problem with the bark that they were burning in the generator clogging the rotary grate used to fire the boiler?

A Yes.

Q Was the customer forced to shut down his generator because of the problem?

A Yes.

Q After reviewing the load data for September 2 and 3, is it your opinion that this customer was taking standby service due to a forced outage?

A In 20/20 hindsight, it is our opinion that he probably was, even though he did not understand that he needed to notify us of that fact.

Q Does your Deposition Exhibit 15, which is Exhibit 513 in this proceeding, calculate the additional revenue the customer would have been billed in 1989 and 1990, if he were billed for taking standby service on September 2 and 3?

A Yes.

Q was 7,959 kW the maximum amount of standby service used on September 2 and 3?

A Yes.

Q Was this customer taking supplementary service on the PXT rate schedule in September 1989?

A Yes.

Q Did you bill the customer for September 1989 on the basis of the PXT minimum monthly bill provision?

A No.

Q Would the customer have had a higher bill if he had been billed on the basis of the minimum monthly bill provision?

A Yes.

Q Why wasn't the customer billed on the minimum monthly bill provision for September?

A Well, as I explained in great detail in, both my depositions, this customer is a customer that has multiple generators and is a -- and this reflects not only on the answer to your question, but also the situation with regard to SS -- multiple generators and has gone through a very lengthy renovation process in their plant.

And had been -- and also during this same time, when they were learning how to operate their plant, really, even though it was an old plant, it had a lot of renovations in it, it has four generators of varying sizes. They were learning how to operate the plant. The standby rate was new and they were learning how to live with the standby rate.

And as a result, their situation was very uncertain. And this was an accident -- an incident that happened that they did not think required, at that time, required standby. And it was, it was a one-time occurrence. We talked with them and they said that that sort of thing is not going to happen any more and, in fact, it hasn't.

We felt like it was not fair to penalize the customer because of the state of flux that the standby

rate situation was in and the problems they were having with their system.

Q Well, I'm not asking why you didn't penalize them, I'm asking why you didn't go back after you obtained the knowledge that they were taking standby power and bill them?

A I think that answer I just gave you answers that, too. Maybe we'd rather be good than right, I don't know.

Q I guess I misstated that question. It was, "Why wasn't the customer billed under the PXT minimum bill provision and why didn't you go back and do that?"

A We made a decision, at that time, not to do that. It was not something that occurred a long time after-the-fact.

Q Did the customer notify Gulf that he had had a full or partial forced outage on September 2 or 3?

A Not at the time that it occurred.

Q Did the original sheets of your standby service tariff become effective on April 1, 1988?

A Yes.

Q And did this customer sign his first contract for standby service in June 1989?

A That's correct.

Q Were the meters installed on this customer's

generators in February of 1990?

A I believe that's correct. And during that interim period of time, from June to February, he was taking zero, he had contracted for zero standby.

Q Isn't it true that the Commission's Order 17159 on the generic investigation of standby rates for electric utilities, which is Docket 850673-EU, requires metering on the generating units of self-generating customers?

A Yes, it does. And from the moment these customers sign the contract, and in some cases prior to that time, we were attempting to get metering on those generators, but it's not simple to do that, particularly in a plant like this one that is over 50 years old but has been recently renovated to some degree and has four generators that need to be tied together. It's not a simple matter to get metering on that customer's generation, particularly when you remember this is not the only instance when a customer is required to allow Gulf Power Company to put metering inside their premises. As Commissioner Gunter was mentioning earlier today when we were talking about dedicated facilities, it's very important to know where the meter is. Well, these are meters that are well-beyond our billing meter. They're inside the

customer's plant. And that's not always easy to do. Sometimes it is. One of our customers we got the meter on it, installed the day before the contract started. This one we were not able to do that.

MR. PALECKI: We would ask the Commission to take notice of its Order 17159 on the generic investigation of standby rates.

CHAIRMAN WILSON: No problem.

Q (By Mr. Palecki) Was this customer generating power for his own use in April of 1988?

A Yes.

Q And he has been using his own generation for about 40 years, correct?

A To varying degrees, yes.

Q According to the language in the standby service tariff, it was the customer's responsibility to notify the Company of an outage, correct?

A An outage of his generation, and I can't get inside the customer's head to really know what he was thinking, but I wouldn't be surprised if these customers didn't think, "I had a problem with fuel, I didn't have a problem with my gnerator."

Q The point I'm getting at, it was the customer's decision as to whether he was taking standby service, correct?

A Ye.

Q Isn't it true that at your deposition you testified that the standby service kW billed for a standby service customer for 1989 represents the actual amount of standby service taken using the definition of standby and supplementary service in your tariff?

A I'm not sure exactly where -- could you refer to me the context of that quote from my deposition?

Q That's on Page 71 of your deposition.

A Which one?

Q March 1990.

"Question: Would it be your testimony that the standby service kW billed for '89 represents the actual amount of service taken using the definition of standby and supplementary generation as a tariff?

"Answer: Yes, using the definition that's in the tariff as best it could be determined" -- with criteria that the tariff -- "with the criteria that the tariff at the time provided."

A I still agree with that.

Q In your deposition you were asked if it was your testimony that all forced outages were reported to Gulf, is that correct? And I refer to Page 71, also.

A Where did you ask that? I can't see. I'm sure it's there.

Q That's Page 70.

A Page 70?

Q Correct, Line 20. Was your answer to that question, "No, we have no way of knowing"?

A That's right, in that old tariff, all he had to do was report, or not report.

Q Did you state in your deposition of February 21 that this customer we've beem discussing was going to sign up for zero kW of standby and that it was reasonable to assume that the customer would not know, would not in actuality take standby power?

A Well, I think these questions and these two depositions indicate the fluid nature of that situation. I don't know where you say I said that, but I very well may have, because a customer did initially sign up for zero, and later he signed up for 3000, and a few days later modified that to 7500.

And I think one of the things the Commission needs to understand in a case like this is that everything that happens on standby is plowing new ground, particularly with these customers. And it's a real learning process, and they need to be allowed an opportunity to get their act together and for us and the Commission to get is act together. We've changed our tariff three times since we got it in. With a

moving target like that -- we're trying to get it better, I understand that, but nevertheless, that provides a moving target for the customer.

Q These next questions refer to expenses which have been reclassified by Gulf as demand rated -- demand related from energy related. In your deposition in Docket 881676-EI, you stated that maintenance for coal grinding mills is directly related to kWh. Is that correct?

A I said that.

Q And also that maintenance for cooling towers depends on running time. Wouldn't the amount of time cooling towers run depend on the kWh to be generated?

A That's true. And I may not have been entirely accurate on those because you had me way out of my field. But, I think if you have got those, you wil find probably some portion of those are energy related and some portion are demand related. And in the context that we were discussing it there, I think that those are obvious things that might need more specific determination than I could provide to you. I'm not a maintenance specialist.

Q Since your last rate case, has the Company designated, declared or had a supplemental energy period during which any one of the following occurred,

and I'm going to describe three separate incidences: One is Gulf's System territorial monthly peak hour demand; two, Southern System territorial monthly peak hour demand; or three, average system fuel lambda for the SE period exceeded the average full cost recovery factor as shown in Schedule E-1 for the applicable period.

A Absolutely not.

Q How many of the standby service customers take service on PXT?

A Two.

Q Isn't it your position that the standby service charges should be based on unit costs from the compliance rerun of the cost of service study as described in Order No. 17159?

A Yes.

Q How would you resolve the problem that the compliance cost of service study won't be completed before the final agenda conference and we won't be able to use system unit cost as the approved system rate of return to determine the actual increase to standby service and the standby service rates in accordance with Order 17159?

A Well, I'm not trying to be coy, but I didn't say, "Could be." I said, "It should be." And I think

that is a real problem that we have to deal with, and probably the best thing to do is to look at the cost of service study that's used as a basis for whatever rates the Commission ultimately decides. Obviously, if we get $26.3 million and no changes are made in rate structure, we can use the one we filed in our case. But, there are enough cost of service studies in this case, I think we just need to pick the one that most clearly represents what the Commission's final decision is and do the best job we can of using that to design the SS rate and then we'll proceed to do a compliance study. And if the compliance study shows that the SS rate needs to be modified, after our rates go into effect, do that. We haven't been reluctant to modify the SS rate up until this point.

Q Does the current interruptible standby service tariff include a Southern IIC average monthly charge rate of $7.50 in the calculation of the reservation and daily demand charges?

A Just a moment. (Pause)

Yes. Did you say $7.19?

Q $7.50.

A Well, I'm sorry, I don't find that number. I've got a -- are you looking at the No Migration study that we referred to in Staff's Thirteenth Set?

Q What number do you find as the IIC charge?

A For IIC, what I see, based on the footnote here, is $5.76. And I -- all I have is just a work paper that has a footnote that says that's what that number is.

Q When the rate was designed in 1989, didn't it include the charge of $7.50?

A I don't know. I really -- I'll be honest with you, I haven't paid much attention to this rate because we don't have any customers on it, don't expect to have any in a while.

Q Has the Company proposed eliminating the PX/PXT class in the last ten years?

A I beg your pardon?

Q Has Gulf ever proposed eliminating the PX/PXT class over the last ten years?

A Unless your memory is better than mine, we haven't. I don't know why we would have.

Q For how many years prior to 1980 were there four customers taking service on the PX/PXT rate schedule?

A I don't have the foggiest idea.

Q I would you agree, subject to check, that at least since 1980, until 1988, there were four customers taking service on the rate class, rate schedule?

A Until 19 -- between 1980 and 1988, four customers?

Q Yes, sir.

A That sounds reasonable.

Q Were there ever fewer than four customers taking service on the PF/PXT rate schedule?

A Well, I guess there probably was when it got started, because we signed up one, then we signed up another, but I think generally there's been four to five on that rate.

Q Should a dedicated substation be sized large enough to serve the highest demand the customers expected to have in any time?

A It should be designed to and installed to serve the highest demand the customer has contracted to take within limitations of standard sizes of transformers.

Q Does your deposition Exhibit 12, which is Exhibit 511 in this proceeding, provide data for substations that were built in 1989? (Pause)

And my next question is, do all of these customers for whom substations were built --

A Pardon me, the answer to your question is yes, but there is a lot better exhibit than this one to give that information.

Okay, now ask your question. I'm referring to Staff's Eighth Set of Interrogatories, Item No. 127 Page 2 of 2 amended.

Q Without going through my previous question, do all of the customers for whom substations were built in 1989 take service on the SE rider? (Pause)

A I'm having to look for a version of this exhibit that has the customers' names on it. And that has their rate on it.

Q I think Exhibit 517 might be helpful to you on this question. It's entitled "Gulf Power Company Customers on SE Rider."

A Okay. The substation for Customer 1 was built in 1989, and that customer is on the SE rate. The substation for Customer 2 was built in 1989, and that customer is on the SE rate. The substation for Customer 3 was built in 1989, and that customer was on the SE rate.

Q Now referring back to Exhibit 511, does the sum of Columns 3 and 4 in that exhibit represent the demand on which the customer is billed for these costs each month?

A I've got 15 sheets of paper here. I don't have 511 yet. We're jumping around to much. (Pause)

Yeah, I've got it here. That's Late-Filed

Exhibit No. 12. Now, what was the question?

Q Does the sum of Columns 3 and 4 in Exhibit 511 represent the demand on which the customer is billed for these costs for substations, each month?

A I'm not sure I've got what you're looking at yet, because I don't see anything that says Columns 3 and 4.

Q That's on Page 1 of Exhibit 511, Page 1 of 2.

A Is that my Late-Filed, deposition Exhibit No. 12?

Q Yes. The last two columns being supplementary, maximum billing kW.

A Okay. You're talking about -- I see. The column are not numbered, and so I didn't know what you were talking about. Supplementary max billing kW and SS billing kW. Now, what was the question?

Q Is whether this represents the demand on which the customer is billed for these costs each month.

A Are you looking at Customer No. 3? Or, excuse me, are you looking at Answer No. 3?

Q Excuse me?

A Are you looking at Answer No. 3.

Q Yes, Answer No. 3, the last two columns.

A Okay. Yes, it does, except that that's the

customer that's also paying an additional 10 cents per kilowatt.

Q Wouldn't that reflect a substantial underbilling?

A What do you mean "underbilling"? He pays for what he's got.

Q The kW on which the customer is being billed is much less than the capacity of the substation.

A Well, you need to look -- at the other deposition you asked for that shows the makeup of that capacity.

Let's see. That customer hit a maximun demand of 25 in September of '89, or 15,000 in the other times, and they had -- that 30 megawatts of capacity is made up of one transformer that is rated base rating as 20 megawatts. That's a standard size transformer, and that customer is paying for any additional capacity that he has in his substation beginning in February of '90.

Q These next questions refer to docket 850102-EI, which is Gulf's petition for permanent implementation of rate schedule SE, supplemental energy.

Do you recall the recommendation in that case contains a statement that Gulf agrees that they will

treat the SE customers as a separate rate class in the Company's next rate case? Isn't it true that Gulf agreed, prior to that recommendation, that in May of 1987 they would treat the SE customers as a separate rate class in their next rate case?

A Yes, we did, reluctantly, and that was a bad decision to do that. And, as a matter of fact, they now have been separated. Gulf filed its case -- it didn't say we had to file our next case that way. It said it had to be treated that way in the case and they now have been, even though we don't agree with it.

Q If the SE is made a separate rate class, does the company prefer two SE rate classes to one?

A First, the Company does not prefer that a rider be made a separate rate class. I think too much is being made out of trying to separate out SE.

SE is a rider; that is a very simple thing, and it was a very innovative rate when it was put into effect and the Commission approved it as such. And I think it would be destroyed as far as any effectiveness is concerned in reducing the cost to our customers if it were so rigidly structured as a separate rate class that customers had to sign up for a certain period of time and then get off of it.

Whereas, a rider allows the flexibility that

was intended in the rate schedule, the rider schedule, to allow the Company to let customers get on this rider. They still get billed under the standard rate. The only thing, they do not have to pay a demand charge during a designated SE period. It's a flexible TLU rate. And we think that it would be bad enough to make it one SE rate schedule, but to make it two, you might as well forget about it and do away with one of the most innovative rates this Commission has ever approved.

Q If there is a PXT SE rate schedule with a maximum demand charge billed on metered maximum demand and set equal to the distribution unit cost, should the on-peak billing demand or maximum billing demand be used to calculate the load factor requirement for the rate schedule?

A The load factor for customers that are on the SE rider and on any variation you might make of that, should be calculated based on demand set during a non-SE period because that's what you want to do.

I heard somebody say earlier that a customer had 105% load factor. If you don't use the demands in the SE period, hey, that's great, that's what we're after. I'd like for it to be higher than that, because that says they're using energy in the nonpeak period

and are not purchasing during the peak period, and that's exactly what that rider was intended to do.

Q Which demand would Gulf want to use for the size qualification for the rate?

A It could still be the non-SE demand.

Q Did the Company allow recreational lighting load to transfer from the otherwise applicable rate schedule to OS-3 since the Company's last rate case?

A Yes.

Q Were you aware that in 1981 and 1982 the Commission eliminated special rates for sports fields, poultry farms and municipal service?

A Yes, and that's the reason we let them transfer the OS-3 rate. It was not a special rate for them.

Q Does your deposition, Exhibit 19, which is Exhibit 530 in this proceeding, show the revenue saved by some recreational lighting customers who transferred to OS-3?

A Yes.

Q Is there a break-even point for the GS and GSD classes such that all customers with load factors lower than the break-even point would get a lower bill if they took service on GS?

A Yes, there is.

Q And customers with load factors higher than the break-even point would find it cost effective to take service on GSD?

A That's right.

Q Isn't it true that allowing customers to opt for GS and GSD would result in rate classes that are more homogeneous with respect to load factor and coincidence factor, which are important cost causing characteristics?

A Yes, it would. However, that subject needs to be approached with caution, because right now, on the basis of our rates that were originally proposed in this docket, without any consideration for that question, the break-even point is about 15% load factor, which is too low. What that would mean is we would have a rush of GSD customers to the GS rate, and we would have to put a lot of demand meters on those customers -- excuse me, I said that backwards.

Let me look at this chart. The break-even point is now about 15%. And so we would have a rush of relatively load factor GS customers off of GS onto GSD. I'll get that right this time. And, therefore, we'd have to put a lot of meters on these customers, and we don't know what the revenue effect of that is because we don't have demand records on these GS customers at

this time.

The reason that would be the case is that the GS rate is really higher than its cost right now, substantially, so. And it might be as a result of this case that the GS and GSD rates could be designed so that you could eliminate that, and frankly, I'd like to see that done, but at the present 15% break point, that's too low.

Q If RS and GS were equal at the present rates, what would the break-even point be between GS and GSD be?

A We have not looked at that. It would raise it substantially, but I don't know what it would be.

Q Would allowing customers to opt for CS solve the problem of the appropriate rate for recreational lighting, churches and other low load factor customers?

A It would be a substantial help. And I think that given the appropriate relationship between GS and GSD, that that would be a good move.

Q These next questions refer to rate migration. Are you aware that since the Staff started calculating the rates in 1983, the utilities have all done one analysis for migrations between rate classes due to changes in rate structure as a result of the rate case?

A No. I was not aware of that. But that would

be a step in the right direction to allow the utilities to do one migration study. But you really need to do at least one more because as a result of that migration, you need to redesign rates and check it again.

Q Isn't it true that the revenues at present rates in the rate case for a group of customers who will migrate from one rate class to another rate class as a result of a rate structure change in the proceeding are based on the rates of the class in which the migrating customers are currently taking service; in other words, the class from which they are migrating?

A Yes.

Q Will the cost of service have been run for a group of migrating customers to determine their actual cost to serve before the agenda when the final design of the rates must be completed?

A If you're asking again about the compliance study, no, it will not be done before that.

Q The next questions concern the Company's proposed street and outdoor lighting rates. Was Late-filed Exhibit No. 16 of your second deposition prepared by you or under your supervision? I believe this is Exhibit 499 in this proceeding.

A Yes, it was.

Q And that Exhibit shows Gulf's proposed rates for street and outdoor lighting?

A Yes.

Q Would you agree that in establishing the energy charge for each of the fixtures in OS-I and OS-2, that such charges should be set so that they recover the nonfuel energy-related, demand-related and customer-related costs at the class-approved rate of return?

A Like the design of other rates, I think that that certainly is the beginning point that you would use for determining these charges. There may be adjustments that have to be made to maintain a proper relationship with present rates and among the fixtures on these schedules, but that certainly would be the place you start.

Q Was this, in fact, the methodology used to develop the energy charges in your proposed rates?

A Yes.

Q Was the response to Item No. 143 in Staff's Eighth Set of Interrogatories prepared by you or under your supervision? This is Exhibit 523. (Pause)

A I have that.

Q And this exhibit indicates that maintenance

and administrative and general expenses allocated to OS-1 and OS-2 in the cost of service study total $826,000, correct?

A Yes.

Q Should the maintenance charges be designed in such a manner that they recover these costs?

A Yes, they should, to the extent possible.

Q Do you agree that after developing the energy charges, maintenance charges, and the additional facilities charges, that the remaining street and outdoor lighting requirement should be recovered through the fixture charges?

A Yes. Again, if the result that you get makes sense with regard to your transition from previous rates and the relationship among the light fixtures.

Q Were the revised work papers showing the calculation of the proposed outdoor and street lighting maintenance and fixture charges submitted by Wayne Jordan under cover letter dated May 14, 1990 and prepared under your direction?

A Yes, they were.

Q That's Exhibit 527 for this proceeding. Do Pages 2 and 3 of this exhibit show the results of the street and outdoor lighting engineering studies?

A I'm sorry, would you repeat that question?

Q Do Pages 2 and 3 show the results of the street and outdoor lighting engineering studies?

A Yes. It does.

Q Do these pages contain maintenance charges which are based on the total operations and maintenance cost of the lighting fixtures as determined by the engineering studies?

A Yes. They do.

Q And these studies also contain fixture charges which are based on the total incremental installed cost of each fixture as determined by the engineering studies?

A Yes.

Q Would you agree that these maintenance and fixture charges, when applied to the 1990 test year billing determinants, generate maintenance and fixture revenues which are in excess of those revenues allocated for maintenance and fixtures in the cost of service study?

A Yes. That's true.

Q Does the bottom line figure of $440,364 on Page 4 of this exhibit, which is labeled "Reduced Total Fixture Charge By," does this represent the excess amount?

A Yes. And I think you read that, "Reduce

Total Fixture Charge By," is correct and I believe there's a couple of words missing on that schedule. It should say, "Reduce Total Fixture and Maintenance Charge By," and affect everything but the energy.

Q In developing your proposed rates, were adjustments made to the engineering study maintenance fixture charges so that the proposed rates collected the amount of revenue indicated in the cost of service study for these charges?

A That's correct.

Q Do the works papers on Pages 5 and 6 of the exhibit show these adjustments?

A Yes, they do.

Q Could you briefly explain the manner in which the adjustments were made? (Pause)

A Well, it's sort of a complicated process. But if you look on the page that shows the adjustment per fixture, you can see the amount that the fixture was adjusted. And, essentially, the amount is prorated over the fixtures on a percentage basis so that the revenue comes in on target.

Q Was Late-filed Exhibit No. 14 of your deposition prepared by you or under your supervision?

A Yes, it was.

Q And does this exhibit contain the estimate of

the OS-2 additional facilities revenue for 1990 totaling $424,048? I refer you to Exhibit 524.

A Yes, it does, uh-huh.

Q Could you briefly explain the manner in which this estimate was calculated?

A This was basically calculated in the manner that is shown on Page 1 of that exhibit where we have the breakdown of additional facilities charges for each one of the three rates, or each one of the three sections of -- (Pause).

We have a report from each one of the divisions that shows what's referred to as the unmetered rate report; the additional facilities, by divisions, by light. And that is the second page, I guess, really, is the best place to go, of the Late-filed Exhibit No. 14. And those reports off of our billing records added up and then, in addition to that, there is $605 that has to be added to it for some specific poles. But it comes basically off of our meter records for each one of the divisions.

Q Currently Gulf's OS tariffs contain a monthly additional facilities charge of $2.00 for each 30-foot wood pole and $4.50 for each concrete pole. Is Gulf proposing changes to these charges in this rate case?

A No.

Q Prior to 1982, were customers who required additional facilities billed a monthly amount equal to the cost of those facilities multiplied by a fixed carrying charge?

A That's correct.

Q Do these pre-1982 customers continue to pay for their additional facilities in this manner today?

A Yes, they do.

Q Would you agree then that these customers are not paying for their additional facilities, wood and concrete poles, in the manner set forth in the tariff?

A I believe, and I don't have that 1982 order before me, but I believe that there was a provision that this pole charge would apply only to customers taking service after that time, because of the difficulty and expense of trying to go back and search records and find all the customers that were paying for the specific types of poles that had been put in since year one, up until 1982; that it was much more cost effective just to start charging all customers at that time for the pole charge. And ultimately, they'll all get that way anyway, because who knows how many that were in service prior to 1982 still have their service.

Q Would you agree then that Gulf doesn't know how many wood and concrete poles are in place to serve

these customers?

A That's correct, other than the ones we are charging the pole charge for.

Q Now, beginning in 1982 through the present, has Gulf billed new customers for wood and concrete poles dedicated to additional facilities based on the tariff rates for those poles?

A Yes.

Q Do Gulf's records reflect the number of wood and concrete poles on which additional facility charges are being collected for those customers who acquired them since 1982?

A It does. It's not easy to find, but we have it, it's there. It's not ever printed out on a specific report, but it is in the internals of the computer records.

Q Was Late-filed Exhibits No. 4 and 5, which is Exhibit 500 for this proceeding, prepared by you or under your supervision?

A Yes.

Q On Page 2 of this exhibit shows the quantity of units which exist to provide the additional facilities revenue projected for 1990. Would you agree, since Gulf doesn't know how many poles exist for which additional facilities are being collected, what

the quantities of poles shown is and that the quantities are only estimates in that exhibit?

A That's true. In fact, that's the case of everything in this case because it's on a projected test year. But this is our best estimate of that.

Q Would you agree that it's difficult to design cost-based rates for the additional facilities pole charges without knowing how many poles exist for the additional facilities?

A Absolutely. That's the reason we're trying to devise a manner of getting that information out so that we know -- but I think at this stage, from what we know and the way this estimate was made, that this is a -- for purposes of this case, that this is a reasonable estimate.

Q Would you agree that it would be difficult to calculate the revenue impact of a change in the rates charged for poles if it just isn't known how many poles exist for additional facilities?

A Certainly. We're not proposing to change the rate for the poles.

COMMISSIONER EASLEY: Are you leaving that, Counsel?

MR. PALECKI: Yes.

COMMISSIONER EASLEY: Mr. Haskins, did Gulf

participate in the underground utility docket?

WITNESS HASKINS: Yes.

COMMISSIONER EASLEY: Did you provide information as to projected cost of undergrounding versus overhead?

WITNESS HASKINS: Yes, we did. I did not personally participate in that, but I am somewhat familiar with it.

COMMISSIONER EASLEY: Do you know whether or not it was -- in the event cost information was based on the replacement of poles, including wooden poles?

WITNESS HASKINS: As I recall, that cost information that was provided in that docket, it was based on specific cases that were in effect, hypothetical cases of substation layouts.

COMMISSIONER EASLEY: You didn't try to take current inventories and project replacements, either in total or by subdivision or by area?

WITNESS HASKINS: I wish I could help you on that, but you've just gotten beyond my threshold of information about that, what we did in that docket.

COMMISSIONER EASLEY: Well, kind of beyond my memory threshold. I was hoping you were going to jog my memory on that a little bit.

WITNESS HASKINS: Well, I wish I could, but I

did not, because of these rate case proceedings, I did not participate in that docket as heavily as I otherwise would have.

COMMISSIONER EASLEY: My problem is I'm not sure I'm remembering the right company, but it seemed to me there was more information available in that docket than apparently -- and I don't know whether it's because of the projected test year or just different basis for the information. I'm having trouble putting the two together.

WITNESS HASKINS: There is one difference here. We are talking about specifically poles that are used only for outdoor lighting, and outdoor lighting only; whereas, in the underground docket you would have been talking about all poles that are used for distribution. These would be poles that are used solely for outdoor lighting, would not have any other lines or transformers on them.

COMMISSIONER EASLEY: That brings up another question because there was another discussion in that underground docket as to the fact that the lighting poles would remain. Maybe that's where I'm getting confused.

WITNESS HASKINS: It might be, and that is certainly true, they don't have a good way of putting

lights on the curbs yet.

COMMISSIONER EASLEY: I just thought we had better numbers. Thank you.

CHAIRMAN WILSON: Let me ask you something. I'm looking at your tariff on outdoor lighting on Page 19 of the tariffs attached to your testimony.

WITNESS HASKINS: Just a moment, please, sir. Okay.

CHAIRMAN WILSON: Do you see where I am?

WITNESS HASKINS: Yes.

CHAIRMAN WILSON: I think that's OS --

WITNESS HASKINS: That's OS-2, which is general area lighting.

CHAIRMAN WILSON: Right.

WITNESS HASKINS: At the top of the page. It starts on OS-3 at the bottom.

CHAIRMAN WILSON: Right. If a customer comes to you and says they want one of these, what's it going to cost them a month? Am I reading this correctly, that it would be, for a mercury vapor, 7000 lumen, $3.75?

WITNESS HASKINS: That's correct, plus the fuel cost adjustment. However, we don't install mercury vapors anymore.

CHAIRMAN WILSON: All right, let's go back to

high pressure sodium vapor.

WITNESS HASKINS: Let's go back to the previous page, and our most popular light is the 8800 lumen, high-pressure sodium vapor, which is $3.52, plus the fuel cost adjustment per month.

CHAIRMAN WILSON: All right, and that includes what, installation of pole? It includes the lamp?

WITNESS HASKINS: In this particular case all it includes is -- this would be on an existing pole, So that would include only the lamp and fixture and maintenance.

CHAIRMAN WILSON: Maintenance including if the bulb burns out you replace the bulb, and all that?

WITNESS HASKINS: That's right.

CHAIRMAN WILSON: Now, if they don't have a pole and they want one, is that what's going to cost $? a month?

WITNESS HASKINS: That's right. So as you can imagine, we don't get a lot of folks that get the smaller lights put on a pole just specifically for that purpose.

CHAIRMAN WILSON: Plus the fuel charge?

WITNESS HASKINS: Yes, sir.

CHAIRMAN WILSON: These are all metered?

WITNESS HASKINS: No, sir, they are not.

CHAIRMAN WILSON: How do you calculate the fuel charge?

WITNESS HASKINS: You see the lamp wattage column there?

CHAIRMAN WILSON: Uh-huh.

WITNESS HASKINS: For the 8800 lumen lamp, that's 116 watts?

CHAIRMAN WILSON: Uh-huh.

WITNESS HASKINS: That's multiplied times the annual burning hours of 4200 -- I believe it's a number close to that -- to arrive at the annual kilowatt hours that's divided by 12 -- one moment. I'm not sure whether we divide that by 12 or have a monthly pro ration. (Pause) I'm just told to move over one column and you see the estimated kilowatt hours. They would pay the fuel charge on 40 kilowatt hours a month, plus the ECCR also.

CHAIRMAN WILSON: So does that make it a fixed charge?

WITNESS HASKINS: No, because -- well, it would be fixed for six months.

CHAIRMAN WILSON: Six months?

WITNESS HASKINS And then it will vary slight with the fuel adjustment, which would not be much on 40

kilowatt hours.

CHAIRMAN WILSON: Right. All right, now, can a customer get that same rate -- well, obviously, he can get it, you say, put on an existing pole. Is that your existing pole or their existing pole?

WITNESS HASKINS: It's our existing pole.

CHAIRMAN WILSON: What happens if they put it on their own pole?

WITNESS HASKINS: If they --

CHAIRMAN WILSON: Would you put one of your lamps on somebody else's pole?

WITNESS HASKINS: We will not put one of our lamps on somebody else's pole for safety reasons, but if they have a lamp that conforms to our specifications -- and that's provided over on the next page -- and would use the same wattage and kilowatt hours as our lamp would, we'll charge them just the energy charge. If they have a special light of some sort, where we don't know exactly what the wattage is and therefore the kilowatt hours and how it might burn or whatever, we charge a monthly rate of 2.63 cents a kilowatt hour. To my knowledge --

CHAIRMAN WILSON: How do you -- I'm sorry, go ahead.

WITNESS HASKINS: That's all right.

CHAIRMAN WILSON: Is that metered?

WITNESS HASKINS: The 2.631 cents per kilowatt hour would be based on the estimated usage of the unit, and if we weren't real sure what to expect it to do, we might put a meter out there as a check meter. But it is intended to be based on the estimated usage.

CHAIRMAN WILSON: If I'm a residential customer and I live out in the -- got some land and I want to put one out there, I can put up a pole, I can put up a lamp and you'll charge me, if it's comparable to what you're putting in, which is the 8800 lumen, I basically pay the energy charge?

WITNESS HASKINS: That's right, pay the $1.05 energy charge.

CHAIRMAN WILSON: Does this same rate apply to commercial or industrial or anyone else?

WITNESS HASKINS: Yes.

CHAIRMAN WILSON: Anybody qualifies for that?

WITNESS HASKINS: Anybody.

CHAIRMAN WILSON: And it's not metered? They pay it based on --

WITNESS HASKINS: They pay it based on that wattage.

CHAIRMAN WILSON: What that wattage and what the estimated kWh usage can possibly be using that lamp

burning basically all the time?

WITNESS HASKINS: That's right. That's right. And it's up to them to maintain and see that it does continue to burn.

CHAIRMAN WILSON: What does one of those lamps cost?

WITNESS HASKINS: Well, for a customer-owned lamp the cost can vary widely because you can go to a hardware store and probably buy one for $30, something like that. The ones we put in cost more because we don't want to have to go out and maintain them all the time. (Pause) I think our fixtures, if they buy one just like we would put in, it would cost about $100.

CHAIRMAN WILSON: Mr. Gunter wants to know how many people you have sneaking out there and hooking their houses up to your pole attachment there?

WITNESS HASKINS: We have people that look out for that.

CHAIRMAN WILSON: What does a pole run?

COMMISSIONER GUNTER: At that kilowatt hour rate, you know, I'd want to have my house on the downstream side of the meter you put up there. I'd purposely put up a funny light.

WITNESS HASKINS: We have to watch that.

CHAIRMAN WILSON: What is the cost of a pole?

WITNESS HASKINS: I'm not sure. It's probably in our work papers what the cost of a pole installed is. Right offhand I really don't know, by the time you get one installed, what the cost is.

COMMISSIONER GUNTER: While he's looking, does that $100 for the light, does that include the drop to the house, or to the source?

WITNESS HASKINS: That's an estimate just what the fixture cost is. (Pause) Our current unit cost in the ground for a 30-foot wood pole is $121.42.

CHAIRMAN WILSON: And that's the same pole you charge $2 a month for?

WITNESS HASKINS: That's correct.

COMMISSIONER GUNTER: Is that a compensatory rate?

WITNESS HASKINS: I would think -- let's see, that would be $24 a year, and if you assumed a 20% fixed charge rate on that $121 pole, that would be $24 a year.

COMMISSIONER GUNTER: Well, you're depreciating it, too.

WITNESS HASKINS: I would include the depreciation in that fixed charge rate. It might be a little higher than 20%.

COMMISSIONER GUNTER: So that's a break-even

item.

WITNESS HASKINS: Well, your fixed charge rate has got a return in it. I'm not sure that the fixed charge rate on a pole would be 20%. It might be a little higher than that, I don't know. But It's in the appropriate range, anyway.

CHAIRMAN WILSON: Is that all the costs that are associated with customer-installed lighting, would be they would have to put in the pole, they would have to buy their own lamp, and then you'd charge them energy charge?

WITNESS HASKINS: That's right.

CHAIRMAN WILSON: What's the connection fee going to be?

WITNESS HASKINS: They would have to pay $16 -- (Pause) There is no connection fee for OS.

CHAIRMAN WILSON: No connection fee? Even if the customer installs the pole and the light?

WITNESS HASKINS: I hadn't thought about that before.

COMMISSIONER EASLEY: I don't know why you sell any lights.

WITNESS HASKINS: One of the considerations that's a little bit different from this rate than the others is that there is a term of contract, it's

specifically spelled out in this tariff for these lights.

CHAIRMAN WILSON: For the Company-supplied lights and poles or for customer supplied lights and poles?

WITNESS HASKINS: For any service under this rate schedule.

CHAIRMAN WILSON: How long is that contract term?

WITNESS HASKINS: It's on Page 20.

CHAIRMAN WILSON: Five years.

WITNESS HASKINS: And it's rare that we get a customer that wants us to simply provide energy. In fact, I'm not sure we have any that are doing that. Because usually they don't want to have to be involved with the making of the fixture. That's one of the main things they want to get it from us for, they can put it up and forget about it.

CHAIRMAN WILSON: Well, one of the reason I'm asking you this question is I want to know why. Is it just because it is a bother, or is it because what you're charging is so damn low that nobody can afford -- it wouldn't be worthwhile for them to put that their own pole. That's kind of a sanity check to see if you're charging the right rate here.

WITNESS HASKINS: You find people that put lights like this up, but most of the time they put them on the side of a barn or on the side of a house and they don't put up a separate pole for it, so it gets hooked into their own energy usage for their house or commercial establishment. The vast majority of the cases, when somebody wants a light on a pole, they want us to put it in.

CHAIRMAN WILSON: Well, if they hooked it to the side of their barn, what are they paying, what's the kWh charge for that going to be?

WITNESS HASKINS: They would have to hook it into their, whatever service they had going into the barn.

CHAIRMAN WILSON: And that's going to run you about what, these days?

WITNESS HASKINS: The general service rate would be about 6 cents a kilowatt-hour, 6-1/2 cents a kilowatt-hour.

CHAIRMAN WILSON: Can I have a pole installed in my living room?

COMMISSIONER EASLEY: How high is your ceiling?

WITNESS HASKINS: Well, the reason the energy is so low on this light, keep in mind that when you

have an energy rate, an energy only rate, that you're recovering both your demand and energy charges through that rate, and these customers, being controlled lighting, are generally off-peak, and so they have very little demand cost allocated to them, and that's the reason that energy price is as low as it is. Whereas the general service class, which is the 6, 6-1/2 cents per kilowatt-hour I was talking about, that class is one that has demand costs allocated to it and that demand cost, as it is in the residential class, is recovered through the energy price. But this has very little demand cost allocated to it and that's the reason the energy price is as low as it is.

CHAIRMAN WILSON: What is your -- you offer an off-peak rate?

WITNESS HASKINS: Yes, we have time of use rates as alternatives to all of our classes of customers, as well as the rate SE that's been discussed so much as an off-peak.

CHAIRMAN WILSON: What is the residential off-peak rate?

WITNESS HASKINS: And I'll talk about our present rates, I guess, would be a better --

CHAIRMAN WILSON: Yeah.

WITNESS HASKINS: The on-peak charge is 7.79

cents per kilowatt-hour. And the off-peak charge is 1.378 cents per kilowatt-hour.

CHAIRMAN WILSON: That doesn't include fuel, does it?

WITNESS HASKINS: Plus fuel cost and ECCR, that's right. And on a proposed basis, if you want to compare directly to 2.631 that's in this outdoor service rate, you can turn back to Page 28 of the schedules you're looking at and that's comparable proposed rates.

So you can see that in the off-peak period it's still considerably less than this energy price on OS, which would indicate there is no demand component in the off-peak period on the RST rate. So I guess if you were on the residential time-of-use rate, and had a light hooked into your main service, that you would pay less for it than you would if you're tying it under the OS rate.

CHAIRMAN WILSON: And there is no connection fee associated with the outdoor lighting?

WITNESS HASKINS: No.

CHAIRMAN WILSON: Were there any other charges at all? I mean the only thing I would pay, if I ordered it from you, would be the $2.00 a month plus the approximately $3.52 and that's it.

WITNESS HASKINS: Plus fuel and ECCR, which you would paid on that number of kilowatt hours, regardless of the rates you bought it under.

CHAIRMAN WILSON: Right. And if I bought my own light and I hooked it to my barn or hooked it on to a pole, the only thing -- and if you directly connected that and I didn't run it through my regular service, it would cost me the energy charge, and there are no other charges applicable to that? Energy charge plus fuel and ECCR?

WITNESS HASKINS: Right.

CHAIRMAN WILSON: There are no other charges associated with that?

WITNESS HASKINS: No.

CHAIRMAN WILSON: (Pause) Okay. Thanks.

MR. STONE: Commissioner, if we're going on to a different subject, might it be an appropriate time to take a short break.

CHAIRMAN WILSON: Sure. Let's take about a ten minute break.

(Recess)

Q (By Mr. Palecki) Mr. Haskins, do you have any corrections to the amount of investment in Interrogatory No. 127 of Staff's Thirteenth Set? This is Exhibit 517. (Pause)

A Yes.

Q And what is the correction?

A The Customer No. 5 information needs to be corrected. Well, actually, we have filed amended data, it may have been filed too late for you to be able to get it. We filed an amended statement on June 6th and if you would like, I'll read those numbers into the record.

Q Has it been filed?

A Yes.

Q What we're driving at is approximately the fixed carrying charge rate for substations.

A Item 127?

Q I'm sorry. That's only two changes, correct, the data that is corrected?

A We're talking about Item 127, which is the customers' list, list of customers on SE rider?

Q Correct.

A Yes. The information for Customer No. 5 was corrected on an amended filing on June the 6th, for the installed cost, the accumulated depreciation and the net plant.

Q Please read the correction into the record.

A All right. First, the year installed should be changed from 1971 to 1954.

The installed costs should be $31,753.93. The accumulated depreciation is 28,033.19. Giving a net plant of 3,720.74.

Q What, approximately, is the fixed carrying charge rate for substations?

A I'm not sure. If you're referring to the entire -- to a substation, I may be able to get that information. But this particular information I just read off and corrected for you is not a substation; that is strictly a connection point at 115 kV and is primarily metering.

Q Well, not referring to that, just to substations in general, do you have a fixed carrying charge rate; and if so, what is it?

A Yes. I don't know what that is. I don't have those fixed charge rates with me.

Q And what witness would be cognizant of that?

A I don't think any witness would. We could provide the information, but no one would have that information available right now. I can bring it back with me when I come back on rebuttal.

Q Just a ballpark, would that be about 20%?

A It would be in the range of 20 to 23, somewhere in there.

Q Thank you. Are recreational lights billed on

OS-3, billed in a given month on the kWh, recorded on the meter for that month?

A OS-3 is billed on the estimated kilowatt hours each month and there is a meter that's installed so that it can be read once a year and trued up, if necessary.

Q Does all recreational light billed on OS-3 have meters?

A I guess I was anticipating your next question, because that response I gave really refers to recreational lighting that is now on OS-3. They all have meters for that purpose.

Q For the next question I'd like to refer you to Exhibit 490, which is the Company's Response to Interrogatory No. 10 of Staff's First Set. And that's the Company's response to the following question: "What is the ratio of the highest winter MW demand to the highest summer MW demand for Gulf Power for the years 1982 through '89?"

Would you agree that the closer the pattern of this ratio is to one, the less the need for a seasonal price differential? (Pause) And that's the ratio of the highest winter peak to the highest summer peak.

A In one respect that's true. However, if you

keep in mind the purpose of a seasonal differential, and that would be to ideally make that one, and would not want to stop having that differential as you approached one, unless you got right on top of it, for fear of never closing the gap. And I think as a general proposition, obviously it makes sense that the need for it tapers off as you approach one. But I think you need to be careful not to drop your seasonal differentials too soon, and also to look at what you expect to happen in the future and not necessarily what's happened in the past.

Q You indicated at your April 26th deposition that a seasonal rate is necessary for promoting conservation, as well as improving system load factor, Is this correct?

A Yes.

Q Would you agree that although load factor may improve relative to peak demand during the winter months, usage increases as well? So it may be unclear whether there are any conservation effects during the year because it may be offset by greater winter usage, Is that correct?

A It may be. But I think in a system such as Gulf's where the heating requirement is much less than the cooling requirement, that the opportunities for

conservation during the cooling season are much greater than the possibility of increased usage in the wintertime.

Q Has Gulf filed any information regarding seasonal costs in this docket?

A Not in this docket. Gulf has filed information with regard to seasonal costs in previous dockets, but not in this one.

Q Are seasonal rates cost-based?

A I have made no representation with regard to our seasonal rates relative to whether or not they are cost-based. I think intuitively you might think that they would be, considering that our investments are driven by summer demand. However, we made no representation about that in this acse. It is designed to recognize the benefits of balanced load from season to season.

Q Well, although you've made no representation, in your opinion are seasonal rates cost-based?

A Oh, absolutely.

Q You indicated at your March 28th deposition that the capacity and energy charges from Southern comprise a portion of Gulf's cost of service when the Company buys power from the pool, is this correct?

A I'm sorry, I --

Q That's your March 28th deposition.

A -- got lost in that.

Q And you indicated at that time that the capacity and energy charges from Southern comprise a portion of Gulf's cost of service when the Company buys power from the pool. And I'll refer you to Page 7, Lines 1 through 5. (Pause)

A Yes, that's true.

Q Is it correct that under the Company's IIC, the capacity charges Gulf pays to Southern when Gulf buys from the pool are based on monthly equalized reserves?

A Yes.

Q Is it correct that under the IIC, the energy charges Gulf pays to Southern when Gulf buys power from the pool are based on Southern System's hourly economic dispatch sequence? (Pause)

A That's close to being a correct representation, but I don't think it's exactly right. And I'm not really the one to get that straightened out with precision. I think maybe Mr. Howell could do that better, because there's a distinction between the dispatch and the billing, and what we pay is based on the billing, not the dispatch.

Q Is it correct that for a significant portion

of costs incurred by Gulf when the Company is buying power, that seasonal rates charged to the ultimate customer are not tracking costs the way they are incurred? (Pause)

A If you are relating that question to the cost only associated with the interchange contract, that would be true as to the capacity portion of tnat cost.

As to the energy portion, to the extent that energy costs vary with the season, then what we pay would vary with the season, if you want to try to hang the whole cost causation of the SE -- of the seasonal rates, rather -- on Gulf's interchange contracts, which I don't agree with.

Q Is it correct that in deciding to develop a rate which recognizes seasonal load patterns that the monthly load patterns should be considered -- monthly load patterns?

A Well, seasonal rates are no more than time of use rates in their most elementary form. It's a time of use rate based on an annual load shape. The Commission requires all companies to have optional time of use rates for all classes of customers, based on times of day and seasonal variations because the time periods vary with the season. And so it just depends on how thin you want to slice it. You could

have it vary with the month, but I think that first you need to look at the seasonal variations, and that's a very simple, straight-forward thing to administer, and if that's good, then certainly, in theory, having monthly price variations would be better.

But, as far as administration and ease of customer understanding and those sorts of things, we think that the best route to go is a simple seasonal variation that customers can understand.

Q Would you agree that based on each class's load patterns of CPKW, as found in MFR Schedule E-20 for 1987, the GSD, GSDT, LP, LPT and PXT classes show higher coincident peak demand during summer months than during winter months? (Pause)

A I think you're probably right, but let me look at it just to be sure what I'm talking about here. Which classes were those?

Q GSD, GSDT, LP, LPT and PXT.

A And you have calculated a coincidence factor?

Q No, just the estimated coincident peak.

A Okay. Now, what is the question? You're saying that that's higher in the summer than it is in the winter?

Q Correct.

A That was GSD?

Q GSDT, LP, LPT and PXT. And the question is would you agree these classes show higher coincident peak demands during summer months than for winter months?

A The GST does, and I don't see a GSDT.

Q Just go ahead to LP, LPT and PXT, please.

A LP doesn't, really; it sort of does, sort of doesn't. It has demands in the winter that are almost as high as the summer. And LPT does and PXT does.

Q Would you agree that the response to Staff Interrogatory Number 114, which is Exhibit 491 here, shows that for 1987, 1988 and 1989, the load patterns of CPKW for the LP class for customers greater than 900 kW, LPT and PXT classes indicate a higher coincident peak demand for summer months than for winter months?

A Yes.

Q Would you agree that the pattern of this data indicates that a seasonal price variation is needed for the Company's demand rate schedules?

A Yes, and we have proposed those in the in the past.

Q If the Commission were to require a seasonal rate, or seasonal rates for all of Gulf Power's rate classes, would you agree that the seasonal differential for the demand rate classes would most appropriately be

recovered through the standard or on-peak demand charge?

A Yes.

Q Would you agree that the appropriate basis, to the extent costs are used for designing seasonal rates, would be to design a rate which recovers the class's coincidence to the system peak demand during the summer months? (Pause)

A I'm not sure I understand that question, because it doesn't define what costs you would be attempting to recover during that time period.

Q We're talking about cost that drive peak demand, peak-related costs. And the question is to the extent such costs are used for designing seasonal rates, would you agree that an appropriate basis with which to design a rate is one that would recover the class's coincidence to the system's peak demand during the summer months?

A I think that if an appropriate method was devised to split your demand-related cost between on-peak and off-peak periods, that it would be appropriate to recover that on-peak cost during the summer months.

I am careful the way I try to say that, because I don't want to leave the other months without

having appropriate demand charges to recover the production capacity that needs to be used to serve those customers in other months.

Q Is it correct that the costs of dedicated local facilities for serving backup and maintenance power are determined using 100% racheted billing kW and the full distribution costs of the class to which the customer would otherwise belong pursuant to Order 17159?

A That's correct.

Q Are transformation costs included as part of the total distribution costs which would be recovered through the local facility's charge?

A Yes.

Q Would it be reasonable to provide a transformer ownership discount equal to the otherwise applicable rate schedule using 100% racheted billing kW since transformation costs for SS and ISS are equal to the transformation costs under the otherwise applicable rate schedule?

A It might be, but I really don't know. That's a curious thing, because we went through days and days and days of hearings in the standby rate docket and that question was never raised. And so we have -- do not propose those discounts and do not have those

discounts in our standby service rates. And I just have an uneasy feeling about saying we should now do that in this docket, or this one company, when we went through all those hearings in the standby rate docket with all those experts sitting around the table and nobody brought it up.

COMMISSIONER GUNTER: Get smasrter as time goes on.

WITNESS HASKINS: I'm not sure this is being smart. There must be some reason why nobody brought it up, even with the customers and all those folks that were there.

Q (By Mr. Palecki) So is your answer that it sounds good to you but there must be some reason that nobody thought of it before?

A I guess that's a pretty good characterization of it.

Q You stated in your deposition at Page 59, Lines 15 through 18, that the local facilities is the appropriate charge to apply -- the local facilities charged is the appropriate charge to apply the transformer ownership discount, is that correct?

A Yes.

Q The Company presently discounts both kWh and kW charges of its full requirements. Demand customers

to recognize the line and transformation losses for customers served above secondary voltage. Is this correct?

A Yes.

Q Did you have prepared under your supervision Late-Filed Deposition Exhibit No. 20, which is Exhibit 515? (Pause)

A Yes, I have that.

Q Does this exhibit show the billing determinants for computing transformer ownership discounts for the standby service rates?

A Let's see. If you were going to have discounts for that, these are the billing determinants that would apply for those discounts.

MR. PALECKI: Thank you. We have no further questions.

CHAIRMAN WILSON: Questions, Commissioners? Redirect.

REDIRECT EXAMINATION

BY MR. STONE:

Q Mr. Haskins, you were asked earlier some questions about the winter-summer price differential.

Do you know what the magnitude of Gulf's winter peak is expected to exceed the magnitude of its summer peak at any time during the Company's planning

horizon?

A I am familiar with that information and it does not. It remains relatively constant and that's the reason why we feel that the summer-winter differential is important to retain because we don't want to get any divergence on those in getting what it is.

Q Mr. McWhirter went into some questions with you regarding the development of, I guess loosely you could say he was talking about the development of the SE rate rider and SS rate schedule. He asked you some questions about this that seemed to allude to the intent or effect of the Company's overall rate design.

Is it either the intent or the effect of the Company's overall rate design to deter development of cost effective cogeneration?

A No. Our intent is to have our rates remain neutral with regard to cogeneration ,such that if there is beneficial cogeneration to be available we would want to have it; and to the extent it's not beneficial, that the customers themselves would not find it beneficial to them.

Q What is the overall intent of Gulf's rate design?

A The overall intent of Gulf's rate design is

to recover our costs in a fair and equitable manner from all of the customers.

Q Is part of the intent of Gulf's overall rate design, or design of its overall package of rates, to minimize the overall cost to the retail customers?

A Certainly. The objective of rate design, as reflected in the cost basis for rates, as reflected in the seasonal rider, as reflected in SE, is to minimize the cost to all classes of customers, both those that may be the specific beneficiaries of any particular aspects of the rates, and to the nonparticipating customers.

Q When was the Company's SS tariff initially approved for implementation by this Commission?

A April '88.

Q I believe either you've indicated or other witnesses have indicated there are approximately four customers that are on the Company's SS tariff, is that correct?

A That's right.

Q Have all these -- did all these customers come on to the SS tariff at the same time?

A No. They came on at various times.

Q Based on the -- there's been some discussion about the '87 order. Do you know why there was such a

delay between the 1987 order, which is referred to as 17159, and the initial approval or the approval for initial implementation in 1988 of Gulf's SS tariff? (Pause)

Perhaps you could simplify it.

Do you recall whether or not there was a Motion for Reconsideration for Order 17159?

A Yes, there was, and that caused some delay in implementation.

Q Has the Company been able to collect sufficient data -- sufficient reliable data on which to base a change in the forced outage rate from that adopted by this Commission in the generic docket?

A No.

Q Is that something the Company would expect to have in the future, as time passes, as more experience is gained with these customers?

A Yes. It should be available, I would think in 18 months or so.

Q From a rate design perspective, are there reasons not to change from the 10% forced outage rate absent reliable data on the forced outage rate of cogenerators on Gulf's system?

A Yes, there is. You should not change a rate that's in operation without a good reason for doing so.

And particularly in this case when there's been a lot of uncertainty with regard to the SE rate up -- excuse me, the SS rate, up until this time. And it looks like we may kind of have things settled down so the customer understand how it operates, we understand how it operates and things are going pretty good.

And it would not be prudent, I don't think, to make a change in this time without any basis for it and then maybe have to undo it at some future time.

Q Is that, in fact, one of the premises of rate design; that is, the stability over time is something that is to be strived for?

A Yes, it is, because customers learn how to live with whatever rates you have over a period of time. They may even make investments to properly accommodate them -- their loads to rates that you have, and you don't need to unnecessarily upset that.

Q You have referred to the SE rider as a time-of-use type of rate. Could you elaborate on that?

A Well, the SE rider actually was referred to by the Commission in its order as a step beyond traditonal time-of-use rates because the time-of-use rates that are optional for all of our customers, and the other customers in the state of Florida, have fixed time periods. Like in our time-of-use rate in the

summertime, the on-peak period is noon to 9, Monday through Friday, regardless of what the weather is, or what the load on the system may be. That's it; noon to 9, Monday through Friday. In the wintertiome it's 6 to 10 in the morning and 6 to 10 in the afternoon, regardless of what the weather or anything else is.

And so there is nothing wrong with that for a mass group of customers like you have available for other -- for the time-of-use rates. But SE goes a significant step beyond that and lets the Company look at its loads and its incremental cost of fuel and designate what is essentially an off-peak period in advance, and let the customer know that, so that he can use whatever energy he wants to during that period of time and be assured that he will not have to pay a demand charge on it because it does not impose demand cost during that time on our system, and it's a variable time-of-use rate, in the purest sense of the word.

CHAIRMAN WILSON: Sort of like a K-Mart blue-light special.

WITNESS HASKINS: That's exactly right.

CHAIRMAN WILSON: "Attention shoppers."

WITNESS HASKINS: And we have got our hand on the switch, on or off.

MR. STONE: I have no further questions.

MR. STONE: I have no further questions.

CHAIRMAN WILSON: Who can take the off-peak rate, anybody?

WITNESS HASKINS: The SE rate or the time--of-use rates?

CHAIRMAN WILSON: Time-of-use.

WITNESS HASKINS: There is a time-of-use optional rate available for every class of service.

CHAIRMAN WILSON: Every class of service?

WITNESS HASKINS: Every class, that's right.

CHAIRMAN WILSON: The rate isn't the same for each class, though, is it?

WITNESS HASKINS: No, no. Every class has a time-of-use rate that is theoretically revenue neutral with the standard rate, RS, GS, GSD, LP and PX. And, in fact, it has varying degrees of success. For example, there are no customers on this nontime-of-use PX rate; they're all on the PXT rate. It varies from rate to rate, but they are revenue neutral with the standard rate.

CHAIRMAN WILSON: All right. Do we have any exhibits with this witness? Or are they all late-filed?

MR. PALECKI: I don't think we introduced any

with Mr. Haskins.

CHAIRMAN WILSON: I don't think we did, either. Okay. Thank you very much, you may step down.

(Witness Haskins excused.)

(Transcript follows in sequence in Volume XIV.)

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