FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

DATE August 9, 10 and 14, 1990

RE: DOCKET NO. 891345-EI - Application of GULF POWER COMPANY for a rate increase.

Issue: To consider a make a final decision regarding the request by Gulf Power Company for approval of a rate increase. Detailed issues will be shown on the attached Supplemental Issue Listing.

Staff's recommendations were approved with the modifications noted on the attached issue listing.

These decisions resulted in a revenue increase to Gulf Power Co. of $11,838,000 for the first two years and $14,131,000 thereafter. The reduced increase during the first two years reflects a 50 basis point penalty on ROE imposed for mismanagement.

Final rates are shown on the attached Schedule B.

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' VOTES

APPROVED	APPROVED WITH MODIFICATIONS	DISAPPROVED	DEFER

REMARKS/DISSENTING COMMENTS: **TO:**

PSC/RAR33(5/90)

DOCUMENT NUMBER-DATE
07589 AUG 22 1990
FPSC-RECORDS/REPORTING

SUPPLEMENTAL ISSUE LISTING

GULF POWER COMPANY

DOCKET NO. 891345-1EI

AUGUST 9, 10 AND 14, 1990

ISSUE 1: Gulf Power has proposed a rate base of $923,562,000 ($1,192,516,000 System) for the test year. What is the appropriate level of rate base for 1990?
RECOMMENDATION: The appropriate level of rate base for 1990 is $915,892,000.

Modified

A revised rate base of $861,159,000 was approved.

ISSUE 2: The company has included $1,275,624,000 ($1,307,579,000 System) of Plant-In-Service in rate base. Is this appropriate?
RECOMMENDATION: No. The appropriate amount of Plant-in-Service is $1,273,451,000 after making adjustments in specific issues.

Modified

A revised Plant-in-Service amount of $1,218,287,000 was approved.

ISSUE 3: Gulf capitalized $1,964,394 ($6,937,131 System) in excess of the original cost capitalized by Georgia Power Company for its 25% share of Plant Scherer, Unit No. 3. Is this appropriate?
RECOMMENDATION: No. Plant-in-Service should be reduced by $1,520,118 ($5,279,291 system), Accumulated Depreciation should be reduced by $172,313, and Depreciation Expense should be reduced by $48,702.

Moot due to decision on Issue 26.

ISSUE 4: As a result of its purchase of a portion of the common facilities at Plant Scherer, Gulf recorded an acquisition adjustment of $2,458,067 ($8,680,507 System). Is this appropriate?
RECOMMENDATION: No. If the Commission allows Plant Scherer in rate base, the acquisition adjustment should be disallowed. (Reduce Plant-in-Service by $141,000, Acquisition Adjustment by $2,317,000, and Amortization Expense by $73,000 jurisdictional.)

If the Commission allows the acquisition adjustment, then reductions should be made to reflect the impact of the refund and reduction in the cost of the common facilities which were recorded on Gulf's books in 1989. (Reduce Plant-in-Service by $180,976, Acquisition Adjustment by $4,337, Accumulated Depreciation by $21,143, and Depreciation Expense by $5,599 jurisdictional.)

Moot due to decision on issue 26.

ISSUE 5: Is the $31,645,000 total cost for the new corporate headquarters land, building, and furnishings reasonable?
RECOMMENDATION: The costs of the new corporate headquarters should be adjusted to remove $54,099 related to the Business Development Center.

Approved with the modification that the amount of $3,892,355 was also removed from rate base representing the cost of the third floor. Related depreciation and amortization expenses were also disallowed. The Company was allowed, however, to earn a deferred return on this plant investment and related expenses equal to the AFUDC.

ISSUE 6: Is the Caryville "sod farm" operation being properly accounted for by Gulf Power Company?
RECOMMENDATION: The "sod farm" operations are properly accounted for. However, lease revenues of $3,450 should be removed and rate base should be reduced by $135,200 ($139,800 System).

Approved

ISSUE 7: Should the investment and expenses associated with the "Navy House" be allowed?
RECOMMENDATION: No. Rate base should be reduced by $23,257 and expenses by $7,516.

Approved

ISSUE 8: Has Gulf properly allocated all of the appropriate capital investment and expenses to its appliance division?
RECOMMENDATION: No. Plant-in-Service, Accumulated Depreciation and Depreciation Expense should be reduced by $214,000 ($218,000 System), $7,000 ($7,000 System) and $12,000 ($12,000 System), respectively.

Approved

ISSUE 9: Should Gulf's investment in the Tallahassee office be included in rate base?
RECOMMENDATION: Yes, in part. Reduce Plant-in-Service by $23,860 ($24,331 System), Accumulated Depreciation by $11,193 ($11,423 System) and Depreciation Expense by $1,217 ($1,242 System) for lobbying activities. This represents 25% of the office investment and 100% of the car used by its lobbyist.

Approved

ISSUE 10: Should the total cost of the Bonifay and Graceville offices be allowed in rate base?
RECOMMENDATION: Yes. The total cost of the Bonifay and Graceville offices should be allowed in rate base.

Approved

Commissioner Beard dissented.

ISSUE 11: Gulf Power has proposed $454,964,000 ($1,451,703,000 System) as the proper level of accumulated depreciation to be used in this case. Is this appropriate?
RECOMMENDATION: The appropriate jurisdictional amount is $454,774,000.

Modified

A revised accumulated depreciation amount of $ 770,236,000 was approved.

<u>ISSUE 12:</u> Should the plant investment made by Gulf to serve the Leisure Lakes subdivision be included in rate base?
<u>RECOMMENDATION:</u> No. Reduce Plant-In-Service by $142,000 and Depreciation Expense by $5,000.

Approved

<u>ISSUE 13:</u> The company has included $14,949,000 ($15,739,000 System) of construction work in progress (CWIP) in rate base. Is this appropriate?
<u>RECOMMENDATION:</u> Yes, it is appropriate for the company to include $14,949,000 ($15,739,000 System) of CWIP in rate base.

Approved

<u>ISSUE 14:</u> Is the company's method of handling non-interest bearing CWIP consistent with the prescribed system of accounting?
<u>RECOMMENDATION:</u> Yes, Gulf's method of recording non-interest bearing CWIP is in accordance with the prescribed system of accounts.

Approved

ISSUE 15: Gulf has included in its jurisdictional rate base $3,925,000 ($4,025,000 System) of plant held for future use. Is this appropriate?
RECOMMENDATION: No. It is appropriate to include $3,789,800 ($3,885,200 System) of Land Held for Future Use, which is all Land Held for Future Use with the exception of 10% of Caryville which is allocated to the Sod Farm (Addressed in Issue 6).

Approved

Commissioner Beard dissented voting to disallow all of the Caryville land.

ISSUE 16: Has Gulf allocated the appropriate amount of working capital to Unit Power Sales (UPS)?
RECOMMENDATION: Yes. No adjustment should be made to working capital.

Approved

ISSUE 17: The company has included $81,711,0000 ($200,266,000 System) of working capital in rate base. What is the appropriate level of working capital?
RECOMMENDATION: The appropriate jurisdictional amount is $78,476,000.

Modified

A revised working capital amount of $ 72,184,000 was approved.

ISSUE 18: Gulf has included $1,358,278 ($1,485,221 System) prepaid pension expense in its calculation of working capital. Is this appropriate?
RECOMMENDATION: An adjustment should not be made to working capital to exclude $1,358,228 of prepaid pension expense.

Approved

ISSUE 19: Should unamortized rate case expense be included in working capital?
RECOMMENDATION: No. Commission policy is to exclude unamortized rate case expense from working capital. Working capital should be reduced by $765,385 ($765,385 system).

Approved

ISSUE 20: Should the net overrecoveries of fuel and conservation expenses be included in the calculation of working capital?
RECOMMENDATION: Gulf is projecting zero for net overrecoveries of fuel and conservation expenses for 1990. Therefore there is no recommended adjustment to working capital.

Approved

ISSUE 21: Should temporary cash investments of $6,045,000 ($6,399,000 system) be included in jurisdictional working capital?
RECOMMENDATION: No. Temporary cash investments should not be included in working capital.

Approved

ISSUE 22: Gulf has included $1,042,000 (system) for heavy oil inventory. Is this appropriate?
RECOMMENDATION: No. Heavy fuel oil inventory should be reduced to a level equal to seven days burn at a 100% capacity factor. Working capital should be reduced by $596,178 (system), or by $576,462 (jurisdictional).

Approved

ISSUE 23: Gulf has included $359,000 (system) of light oil inventory. Is this appropriate?
RECOMMENDATION: No. The Commission should use the generic inventory policy of Order No. 12645 to determine a reasonable level of light oil inventory. Working capital should be reduced by $123,380 (jurisdictional) if Plant Scherer remains in rate base or by $123,339 (jurisdictional) if Plant Scherer is removed from rate base.

Approved

ISSUE 24: Gulf has included $57,426,000 (system) for coal inventory. Is this appropriate?
RECOMMENDATION: No. The Commission should use the generic inventory policy of Order No. 12645 to determine a reasonable level of coal inventory. Working capital should be reduced $1,833,568 (jurisdictional) if Plant Scherer remains in rate base or by $1,577,068 (jurisdictional) if Plant Scherer is removed from rate base.

Approved with the modification that the level of coal inventory to be allowed is the lesser of a 90 days burn or the amount maintained at the plant site.

Commissioner Easley dissented.

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

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

Approved

ISSUE 26: Should 63 MW of Plant Scherer 3 be included in Gulf Power's rate base?
RECOMMENDATION: For the test year 1990, 63 MW of Plant Scherer 3 (Scherer) should be included in Gulf's rate base, leaving 149 MW of Scherer which is owned by Gulf Power but dedicated to Unit Power Sales in 1990 out of rate base. However, starting in 1992, Scherer should be phased out of Gulf's rate base to reflect the dedication of additional Scherer capacity to Unit Power Sales and Gulf should be required to refund the revenue requirements associated with these megawatts to their territorial customers. Also, if 63 MW of Scherer 3 is included in Gulf's rate base, Gulf's share of the settlement from Gulf States Utilities for the time during which Scherer is in Gulf's rate base should be refunded to Gulf's customers.

Modified

Staff's alternative number 2 was approved. Under this alternative all of Plant Scherer is removed from rate base and all profits and losses from unit power sales and any costs or benefits accruing from any settlement with Gulf States Utilities are to go to the stockholders of Gulf Power Co.

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

RECOMMENDATION: The appropriate adjustments are as follows:

Plant-in-service	$52,987,000
Accumulated depreciation	6,557,000
Acquisition adjustment	2,317,000
Working capital	2,187,000
O&M - expenses	722,000
Depreciation expense	1,701,000
Amortization of plant acquisition adj.	73,000
Amortization of ITC	(96,000)
Other taxes	245,000
IIC offset	(4,792,000)

Approved

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

RECOMMENDATION: No adjustment is needed since the dollars associated with the cancelled building have already been removed from rate base by Gulf.

Approved

ISSUE 29: What, if any, adjustment to rate base is necessary to reflect the proper treatment for rebuilds and renovations which were expensed by the Company?
RECOMMENDATION: No adjustment is necessary.

Approved

ISSUE 30: What, if any, adjustment to rate base is necessary to remove the network protectors from expense to rate base?
RECOMMENDATION: No adjustment is necessary.

Approved

ISSUE 31: Should the remaining balance in Other Investment be included in Working Capital?
RECOMMENDATION: Yes, the remaining balance of $144,354 of Other Investments should be included in Working Capital.

Approved

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

ISSUE 32: Should the working capital item titled "other accounts receivable" be removed?
RECOMMENDATION: No. These receivables are properly included in working capital.

Approved

ISSUE 33: Has the company overstated the materials and supply level?
RECOMMENDATION: No. Materials and Supplies should not be reduced for 1990.

Approved

Commissioner Wilson dissented voting to leave the materials and supply level where it was in the 1989 test year.

ISSUE 34: Should the amounts shown as "other current assets" and "other miscellaneous" deferred debits be removed from working capital?
RECOMMENDATION: No. These amounts are properly included in working capital.

Approved

ISSUE 35: Should the Caryville Subsurface Study be removed from rate base?
RECOMMENDATION: No. The $692,000 in costs for this study should remain in rate base since it relates to engineering work done for the plant site at Caryville.

Approved with the modification that this amount be amortized to expense over a 10 year period.

ISSUE 36: What, if any, additional working capital adjustments are needed to reflect OPC's expense exclusions?
RECOMMENDATION: If the Commission accepts staff's recommendation in Issues 50, 92 and 100, working capital should be reduced by $169,187 ($179,105 System).

If the Commission disallows the expenses related to the plans listed in Issues 50, 92 or 100, working capital should be increased by an additional $985,000, $2,935,000, $12,000, or $59,000, respectively.

Approved - the Commission accepted staff's recommendations on issues 50, 92 and 100.

ISSUE 37: What is the appropriate cost of common equity capital for Gulf Power?
RECOMMENDATION: The appropriate cost of common equity capital for Gulf Power is 12.3%. (This does not include the 50 basis point reduction recommended in Issue 38.)

Modified

A cost of common equity of 12.55% was approved (not including penalty).

Commissioner Wilson dissented voting for a 12.8% ROE.

ISSUE 38: Should the newly authorized return on common equity be reduced if it is determined that Gulf has been mismanaged?
RECOMMENDATION: Yes, staff recommends that the newly authorized return on common equity be reduced by fifty (50) basis points for a two-year period due to mismanagement. Mismanagement is present through the acts of the senior vice president alone. Mismanagement is also present due to the lack of action concerning this individual, by Gulf Power's president, in light of information available at the time.

Approved

Commissioner Beard dissented in favor of a higher penalty.

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

STIPULATED

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

Approved

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

Approved

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

~~Approved~~ DENIED - Temporary cash investments are to be removed from all sources of capital.

ISSUE 42: What is the appropriate balance of accumulated deferred investment tax credits?
RECOMMENDATION: The appropriate 13-month average balance of accumulated deferred ITCs is $42,275,000 at a weighted cost and $858,000 at zero cost, before adjustments are made to reconcile capital structure to rate base.

Modified

A revised amount of accumulated deferred ITCs of $39,093,000 was approved.

ISSUE 43: What is the appropriate balance of accumulated deferred income taxes?
RECOMMENDATION: The appropriate 13-month average balance of accumulated deferred income taxes is $189,038,000, before any adjustments are made to reconcile capital structure to rate base.

Modified

A revised amount of accumulated deferred income taxes of $175,796,000 was approved.

ISSUE 44: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the projected test year ending December 31, 1990?
RECOMMENDATION: The appropriate weighted average cost of capital, including the 50 basis point reduction recommended in Issue 38, is 7.89%.

Modified

Revised weighted average cost of capital rates were approved as follows:
- without ROE reduction = 8.10%
- With ROE reduction = 7.94%

ISSUE 45: Should an adjustment be made to negate the effect of the Company's corporate goal to increase its equity ratio?
RECOMMENDATION: No. Gulf's common equity corporate goal to maintain a strong "A" bond rating is reasonable.

Approved

ISSUE 46: The company has proposed a net operating income of $60,910,000 ($78,848,000 System) for 1990. What is the appropriate net operating income for 1990?
RECOMMENDATION: The appropriate jurisdictional amount is $63,290,000.

Modified

A revised net operating income amount of $61,085,000 was approved.

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

RECOMMENDATION: No. Revenues should not be imputed to Gulf for use of Gulf's logo and name by the appliance division.

Modified

The Commission decided that revenues should be imputed to recognize this benefit, however, due to the lack of a sufficient record basis none were.

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

RECOMMENDATION: Revenues of $16,325 should be imputed for 1990 on the basis of the customer having a standby service capacity of 7959 KW. The company testified that the customer experienced a forced outage of his generator and took standby service for backup power of 7959 KW.

Approved

<u>ISSUE 49:</u> The company has projected total operating revenues for 1990 of $255,580,000 ($262,013,000 System). Is this appropriate?
<u>RECOMMENDATION:</u> The appropriate amount of revenues for 1990 is $255,687,463 ($262,120,463 System).

Approved

A revised total operating revenue amount of $ 255,688,000 was approved.

<u>ISSUE 50:</u> Has Gulf budgeted a reasonable level for salaries and employee benefits?
<u>RECOMMENDATION:</u> Yes, Gulf's budget level for salaries and fringe benefits is reasonable.

Approved

Staff's recommendation that Gulf's medical and life insurance benefits be recognized using the accrual basis of accounting was also approved.

<u>ISSUE 51:</u> Is Gulf Power's projected $510,524 ($510,852 System) bad debt expense for 1990 appropriate?
<u>RECOMMENDATION:</u> Yes. No adjustment is recommended for bad debt expense.

Approved

<u>ISSUE 52:</u> Should fuel revenues and related expenses, recoverable through the fuel adjustment clause, be removed from NOI and, if so, what amount?
<u>RECOMMENDATION:</u> No additional adjustments should be made to the amounts removed by Gulf for fuel revenues and related expenses.

<u>Approved</u>

<u>ISSUE 53:</u> Should conservation revenues and related expenses, recoverable through the conservation cost recovery clause, be removed from NOI and, if so, what amount?
<u>RECOMMENDATION:</u> No additional adjustments should be made to the amounts removed by Gulf for conservation revenues and related expenses.

<u>Approved</u>

<u>ISSUE 54:</u> Should the 1990 projected test year be adjusted for any out-of-period non-recurring, non-utility items or errors found in 1989?
<u>RECOMMENDATION:</u> Yes. O&M expenses should be reduced by $189,840 ($194,229 system) for other non-recurring expenses.

<u>Approved</u>

<u>ISSUE 55:</u> Are Gulf's budgeted industry association dues in the amount of $199,343 during 1990 reasonable and prudent?
<u>RECOMMENDATION:</u> A total of $147,172 of industry association dues should be allowed. This reflects the company's removal of $32,150 of industry association dues to comply with Commission guidelines, the staff's disallowance of $19,378 (33 1/3% of the requested EEI administrative dues of $58,133), and the staff's disallowance of $643 associated with miscellaneous organizations that were not identified by the company except as "Organizations to be joined in 1990." (100% jurisdictional)

Approved

<u>ISSUE 56:</u> What is the appropriate amount of rate case expense to be allowed in operating expenses?
<u>RECOMMENDATION:</u> The appropriate amount of rate case expense to be allowed in operating expenses is $333,333. Projected rate case expense of $1,000,000 should be amortized over 3 years. Therefore, expenses should be reduced by $166,667.

Modified

Rate case expense is to be amortized over four years.

ISSUE 57: Should Gulf be allowed to recover any costs associated with Docket No. 881167-EI, the withdrawn rate case?
RECOMMENDATION: No. Gulf should not be allowed to recover any expenses associated with the withdrawn case. Furthermore, any deferred debits associated with the withdrawn case should be removed from working capital. However, Gulf is not requesting any recovery of expenses from the withdrawn rate case and the company has removed the associated deferred debits from working capital.

Approved

ISSUE 58: Should bank fees and line of credit charges be included in operating expenses?
RECOMMENDATION: Yes. To the extent bank fees and line of credit charges are necessary for the provision of utility service, they should be included in operating expenses.

Approved

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

Approved

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

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

Approved

ISSUE 61: Should the expenses related to the Industrial Customer Activities and Cogeneration Program be allowed in base rates?
RECOMMENDATION: No. Expenses should be reduced by $426,464. This program appears to be a load retention program for large industrial customers.

Approved

ISSUE 62: Gulf has budgeted $50,000 for the Good Cents Incentive program. Is this expense appropriate?
RECOMMENDATION: No. The expenses for this item are split between Issues 63 and 100. Therefore, staff would recommend that this expense only be disallowed once and not double counted in the following issues.

Approved

ISSUE 63: Gulf has budgeted $457,390 for the Good Cents Improved and $1,023,995 for the Good Cents New Home programs. Are these expenses appropriate?
RECOMMENDATION: Yes. While these programs may be only marginally cost-effective, they do provide a valuable customer service.

Approved

Commissioner Beard dissented

ISSUE 64: Gulf has budgeted $767,609 for the Essential Customer Service Program. Is this expense appropriate?
RECOMMENDATION: Yes. This is a support program to other customer service programs.

Approved

ISSUE 65: Gulf has budgeted $425,474 for its Energy Education Program. Is this expense appropriate?
RECOMMENDATION: Yes.

Approved

ISSUE 66: Gulf has budgeted $55,429 for its Presentation/Seminar Program. Is this expense appropriate?
RECOMMENDATION: No. This program is only a promotion for local contractors and should not be included in base rates.

Approved

ISSUE 67: Gulf has budgeted $145,652 for its Shine Against Crime Program. Is this expense appropriate?
RECOMMENDATION: The precentage of this expense attributable to new installations should be disallowed because this promotes the use of electricity and increases KWH consumption. This would result in a disallowance of $91,761.

Approved

ISSUE 68: Gulf has projected $687,000 ($687,000 System) for economic development expense in the sales function for 1990. Is this amount reasonable?
RECOMMENDATION: No. Expenses should be reduced by $687,000. Expenses for economic development promotes the use of additional electricity. Also, Staff does not think that Gulf should be duplicating the efforts of Chambers of Commerce or other development boards in its service area.

Approved

ISSUE 69: Gulf has projected $5,358,179 ($5,655,000 System) in Production-Related A&G expenses for 1990. Is this amount reasonable?
RECOMMENDATION: Yes. The 1990 Production-Related A&G expenses are reasonable.

Approved

ISSUE 70: Gulf has projected $31,070,804 ($32,792,000 System) in Other A&G expenses for 1990. Is this amount reasonable?
RECOMMENDATION: No. The appropriate amount is $29,837,434 ($31,500,000 System) based on adjustments made in other issues.

Approved

ISSUE 71: Has Gulf included any lobbying and other related expenses in the 1990 test year which should be removed from operating expenses?
RECOMMENDATION: Yes. Expenses should be reduced $263,534 ($278,133 System).

Approved

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

ISSUE 72: What is the appropriate C.P.I. factor to use in determining test year expenses?
RECOMMENDATION: The appropriate CPI factor to use is 4.7% for calendar year 1990.

Approved

ISSUE 73: For each functional category of expenses, what is the appropriate level of expenses for services provided by the Southern Company?
RECOMMENDATION: No specific adjustments to SCS expenses are recommended in this issue. The appropriate level of SCS expenses by function are as follows:

	System	
Production	$3,496,551	
Transmission	584,945	
Distribution	~~108,945~~	108,471
Customer Accounts	~~1,173,025~~	2,173,025
Cust. Serv. & Info.	~~199,177~~	199,774
Administrative & Gen.	8,246,591	

Approved with noted corrections

<u>ISSUE 74:</u> Has the company properly removed from 1990 expenses all costs related to IRS, grand jury and other similar investigations?
<u>RECOMMENDATION:</u> Yes. The company has removed from 1990 expenses all costs related to IRS, or the grand jury investigations, including an additional $5,000 in expenses which were identified since the filing of the MFRs.

Approved

<u>ISSUE 75:</u> What is the appropriate amount of pension expense for 1990?
<u>RECOMMENDATION:</u> The appropriate amount of pension expense is $0.

Approved

<u>ISSUE 76:</u> Are the projected O&M expenses for additional personnel reasonable in the steam production function?
<u>RECOMMENDATION:</u> Yes.

Approved

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

ISSUE 77: Gulf has budgeted $210,000 in O&M expenses for research and developmental projects. Are these expenses reasonable?
RECOMMENDATION: The $43,000 system ($31,813 jurisdictional) budgeted for the Acid Rain Monitoring program is an extension of a previous acid rain program and not a new R&D program. Therefore, the company has not justified this variance from the 1990 benchmark and this amount should be disallowed from base rates.

Approved with the clarification that disallowance of this amount is not based on the substance of the program but the lack of justification for the benchmark variance.
Commissioner Gunter dissented voting to allow this amount.

ISSUE 78: Has there been any "double counting" of expenses for services rendered by Southern Company Services or EPRI?
RECOMMENDATION: There were no specific audit exceptions that would indicate "double counting" of services provided by these companies.

Approved

STIPULATED

ISSUE 79: Gulf has budgeted $332,000 for ash hauling at Plant Daniel. Is this expense reasonable?
RECOMMENDATION: All the parties in this proceeding have stipulated that the $332,000 budgeted expense for ash hauling at Plant Daniel is reasonable.

Approved

ISSUE 80: Gulf has budgeted $3,017,000 for Transmission Rents for Plants Daniel and Scherer. Are these expenses appropriate?
RECOMMENDATION: Yes, if Plant Scherer is included in the company's rate base. If Plant Scherer is not allowed, this expense category should be reduced by $1,825,000.

Modified

Transmission Rents were reduced by $423,000 due to the removal of Plant Scherer from rate base. (The amount of the reduction was corrected to eliminate double counting).

ISSUE 81: Gulf has budgeted $1,047,000 for its Public Safety Inspection and Maintenance Program. Is this expense reasonable?
RECOMMENDATION: Yes. Gulf has expanded several existing programs and added some new programs since the company's last rate case.

Approved

ISSUE 82: Gulf has budgeted $47,701,000 ($54,079,000 System) for Depreciation and Amortization expense. Is this amount appropriate?
RECOMMENDATION: No. The appropriate jurisdictional amount is $47,561,000.

Modified

A revised Depreciation and Amortization expense amount of $45,808,000 was approved.

ISSUE 83: Gulf has budgeted $20,822,000 ($36,106,000 System) for Taxes Other. Is this amount appropriate?
RECOMMENDATION: No. If the Commission accepts the staff recommendation in Issues 48 and 87, the appropriate amoumt of Taxes Other is $20,793,000 and no adjustment is necessary here. Otherwise this amount should be adjusted based on the Commission's decisions.

Modified

A revised Taxes Other amount of $20,548,000 was approved.

ISSUE 84: What is the appropriate amount of income tax expense for the test year?
RECOMMENDATION: Jurisdictional income tax expense is $13,831,000, consisting of $14,198,000 current, $1,674,000 deferred, and ($2,041,000) ITC amortization.

Modified

Revised income tax expense amounts were approved as follows:
- -current = $13,714,000
- -deferred = $2,333,000
- -ITC amortization = ($1,945,000)

ISSUE 85: What is the proper interest synchronization adjustment in this case?
RECOMMENDATION: The interest synchronization adjustment should be $231,000.

Modified

A revised interest synchronization adjustment of $672,000 was approved.

ISSUE 86: Should an adjustment be made to the test year reference level of $2,630,877 for the Employee Relations Planning Unit?
RECOMMENDATION: All parties now agree that no adjustment should be made.

Approved

ISSUE 87: Has the Company made the proper adjustment to remove the effect of vacancies on the labor complement?
RECOMMENDATION: No. O&M expenses and payroll taxes should be reduced by $403,222 ($412,544 System) and $29,982 ($31,560 System), respectively.

Approved

ISSUE 88: The Company has included $5,340,000 in Turbine and Boiler inspections. Is further adjustment necessary?
RECOMMENDTATION: No.

Approved

ISSUE 89: What, if any, adjustments should be made to the level of expenses for Plant Daniel?
RECOMMENDATION: None other than those specifically addressed elsewhere in this recommendation.

Approved

ISSUE 90: Would it be proper to amortize the 1989 credit to uncollectibles, which arose due to an accounting change, above the line?
RECOMMENDATION: No. The company properly accounted for the adjustment to uncollectibles and did not adversely impact Gulf's customers.

Approved

ISSUE 91: Should an adjustment be made to remove part or all of the costs associated with the Employee Savings Plan?
RECOMMENDATION: No adjustment should be made for the Employee Savings Plan.

Approved

ISSUE 92: Should the Commission remove all or part of the costs of the Productivity Improvement Plan (PIP)?
RECOMMENDATION: Yes. The O&M expenses of this plan should be reduced by $339,407 ($358,209 System). This adjustment reduces Accounts Payable, thereby increasing Working Capital. Working capital should be increased by $169,187 ($179,105 System). Expenses of $99,066 ($105,968 System) should be allowed for this program.

Approved

ISSUE 93: What amount of the Performance Pay Plan should be approved for retail recovery?
RECOMMENDATION: O&M expenses totalling $1,021,637 for the Performance Pay Plan should be allowed.

Approved

ISSUE 94: What amount of the $326,808 for EPRI nuclear research should be included for setting retail rates?
RECOMMENDATION: None.

Modified

Staff's revised recommendation to allow this amount was approved.

ISSUE 95: Should an adjustment be made to the Plant Smith ash hauling expenses?
RECOMMENDATION: No. These expenses are necessary to increase the ash disposal capacity at Plant Smith.

Approved

ISSUE 96: What adjustment, if any, should be made to the Company's Employee Relations budget associated with the relocation and development programs?
RECOMMENDATION: No adjustment should be made for the employee development program. However, a reduction of $55,988 should be made in expenses associated with the employee relocation program.

Approved

ISSUE 97: Should an adjustment be made to reduce the level of obsolete material to be written off in the test year?
RECOMMENDATION: No adjustment is necessary.

Approved

ISSUE 98: How much, if any, of the officer and management "perks" for tax services and fitness programs should be borne by the ratepayers?
RECOMMENDATION: Gulf's ratepayers should not pay for tax services and fitness programs for executives. These expenses should be borne by the stockholders. Expenses should be reduced by $65,100.

Approved

ISSUE 99: The Company has projected $1,109,000 for duct and fan repairs for the test year. Should an adjustment be made to this level?
RECOMMENDATION: No.

Approved

ISSUE 100: Should an adjustment be made to the Customer Services and Information benchmark?
RECOMMENDATION: This is a summary issue and no other adjustments should be made that have not been specifically addressed in this recommendation.

Approved

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

ISSUE 101: The Company has included expenses for marketing in the test year. Should an adjustment be made to remove this cost?
RECOMMENDATION: No.

Approved

ISSUE 102: What adjustments are necessary to reflect a proper benchmark test of expense levels?
RECOMMENDATION: No other adjustments than those previously mentioned are needed.

Approved

ISSUE 103: Gulf has budgeted $129,712,291 for O&M expenses. Is this amount appropriate?
RECOMMENDATION: The proper level of O&M expenses should be $110,213,000. This is a fallout issue from other previous issues.

Modified

A revised O+M expense amount of $114,144,000 was approved.

__ISSUE 104:__ **Was the production and promotion of the appliance video known as "Top Gun" contrary to the Commission's policy regarding fuel neutrality?**
__RECOMMENDATION:__ Yes.

Approved

__ISSUE 105:__ **Was the production and distribution of tee-shirts with the "Gas Busters" symbol contrary to the Commission's policy regarding full neutrality?**
__RECOMMENDATION:__ Yes.

Approved

__ISSUE 106:__ **Was the incentive program known as "Good Cents Incentive" which utilized electropoints that were redeemable for trips, awards, and merchandise contrary to the Commission's policy regarding fuel neutrality?**
__RECOMMENDATION:__ Yes.

Approved

ISSUE 107: In 1987, a commercial building received energy awards from both the U.S. Department of Energy and the Governor's Energy Office, yet did not receive Good Cents certification because of a small amount of back-up gas power. Was this practice contrary to the Commission's policy regarding fuel neutrality?
RECOMMENDATION: Yes.

Approved

ISSUE 108: Has Gulf participated in misleading advertising in order to gain a competitive edge on gas usage?
RECOMMENDATION: Yes.

Approved

STIPULATED

ISSUE 109: What is the appropriate revenue expansion factor for 1990?
RECOMMENDATION: The appropriate expansion factor for the 1990 test year is 1.631699.

Approved

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

ISSUE 110: Gulf has requested an annual operating revenue increase of $26,295,000. Is this appropriate?
RECOMMENDATION: The appropriate jurisdictional amount is $14,577,000.

Modified

A revised annual operating increase was approved as follows:
- First 2 years (with ROE penalty) - $ 11,838,000
- Thereafter - $ 14,131,000

The Commission directed that at the termination of the penalty period the higher rates are to go into affect automatically with the increase applied equally to all rate classes.

Rates to be implemented immediately and at the end of the penalty period are shown on attached Schedule B.

The Company is to file appropriate tariffs.

ISSUE 111: Should any portion of the $5,751,000 interim increase granted by Order No. 22681 issued on 3-13-90 be refunded?
RECOMMENDATION: Yes. $2,693,000 should be refunded on an annual basis since the 8.05% overall rate of return recommended by staff is less than the 8.26% used in calculating the interim increase. The $2,693,000 is an annual amount and does not represent the actual amount to be refunded.

Modified

A refund amount of $ 2,052,000 was approved.

STIPULATED

ISSUE 112: Should Gulf be required to file, within 30 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements and books and records which will be required as a result of the Commission's findings in this rate case?
RECOMMENDATION: Yes. The utility should be required to fully describe the entries and adjustments which will be either recorded or used in preparing reports submitted to the Commission.

Approved

STIPULATED

ISSUE 113: Are the company's estimated revenues for sales of electricity based upon reasonable estimates of customers, KW and KWH billing determinants by rate class?
RECOMMENDATION: Yes, with the exception that the utility should have included billing determinants for the PXT customer who used 7959 KW of standby power in 1989. The billing determinants are based on the no migration filing.

Approved

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

STIPULATED

ISSUE 114: The present and proposed revenues for 1990 are calculated using a correction factor. Is this appropriate?
RECOMMENDATION: Yes. While staff believes proper estimating procedure would eliminate the need for correction factors, the method used by Gulf requires that the revenue forecast done by revenue class in aggregate be reconciled with the forecast developed by the rate section.

Approved

ISSUE 115: What is the appropriate cost of service methodology to be used in designing the rates of Gulf Power Company?
PRIMARY RECOMMENDATION: The 12 CP and 1/13th cost-of-service methodology should be used. If the Commission approves the staff recommendation in Issue 120, the company's study in Exhibit 231 (study with 7.29 percent rate of return for SS) with the staff adjustments is the most appropriate version. These adjustments reflect the impact of Issue 120 and the proper assignment of cost for additional facilities for OS-I/OS-II.

Approved

ALTERNATE RECOMMENDATION: The Equivalent Peaker Cost of Service methodology (Exhibit 604) should be used.

Denied

STIPULATED

ISSUE 115a: How should Gulf's GS rates be designed?
RECOMMENDATION: The GS rate should be set equal to the RS rate.

Denied

ISSUE 116: How should distribution costs be treated within the cost of service study?
RECOMMENDATION: No distribution costs other than service drops and meters should be classified as customer-related. Demand-related cost should be allocated on a demand allocator, and customer-related cost on a customer allocator.

Approved

ISSUE 117: How should uncollectible expenses be allocated?
RECOMMENDATION: Uncollectible expense should be classified as revenue-related and allocated to all rate classes on revenues so that a customer's cost responsibility would be approximately proportional to the size of his bill.

Approved

ISSUE 118: How should fuel stocks be classified?
PRIMARY RECOMMENDATION: Fuel inventory cost should be classified as demand-related.

Denied

ALTERNATE RECOMMENDATION: The level of fuel stock or inventory allowed in rate base has been based on a specific number of days burn which is a function of the KWH projected to be generated in the test year. Therefore, fuel stock should be classified as energy-related and allocated on energy.

Approved

Commissioner Easley dissented in favor of the primary recomendation.

ISSUE 119: Are Gulf's separation of amounts for wholesale and retail jurisdictions appropriate?
RECOMMENDATION: Yes. Gulf's separation of amounts for wholesale and jurisdiction is appropriate. The actual separations used should be those in the cost of service study approved for use in this docket by the Commission.

Approved

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

<u>ISSUE 120:</u> Is the method employed by the company to develop its estimates by class of the 12 monthly coincident peak hour demands and the class non-coincident peak hours demand appropriate?

<u>RECOMMENDATION:</u> The company's exclusion of "supplemental energy" KWH in the development of the 12 monthly coincident peak hour demands for PX/PXT and LP/LPT and of the class noncoincident peak demand for LP/LPT underestimated these demands and resulted in an underallocation of production and transmission cost to the two classes. The PXT 12 CP KW should have been 6.8 percent higher and the LP/LPTs .79 percent higher. The exclusion of these KWH was inappropriate and the use of the methodology should be denied.

Approved

ISSUE 121: If a revenue increase is granted, how should it be allocated among customer classes?

RECOMMENDATION: The increase should be spread among the rate classes in a manner that moves class rate of return indices closer to parity. Based on the 12 CP and 1/13th energy cost methodology recommended in Issue 115, the RS and OS-II rate classes should receive an increase of two times the system average increase with adjustments (fuel and ECCR). The GS class should receive a reduction commensurate with equalization of RS and GS rates pursuant to the Stipulation in Issue 115a. The OS-III class should receive a decrease of $50,000 as proposed by the company. Because OS-III and OS-IV are combined on the allocation schedule, and OS-IV is getting a $2,000 increase, the net amount is $48,000. The increase given to GSD, LP/LPT, PX/PXT and SS should leave these classes in essentially the same relative position in terms of rates of return.

If the Equivalent Peaker Cost Study is approved, the maximum increase to any one class should be approximately 1.6 times the system average increase. GS would receive a decrease commensurate with setting RS and GS rates equal, and OS-III would receive a $48,000 decrease. Because OS-III and OS-IV are combined on the allocation schedule, and OS-IV is getting a $2,000 increase, the net amount is $48,000. Because the SS class is already 1.5 times the system rate of return, no increase should be allocated to that class. The GSD class would be allocated the remainder of the increase.

Approved with the modification that no rate class shall receive an increase greater than 1.5 times the system average and that the GS class not be brought to complete parity with the RS class at this time (the stipulation under issue 115a was not approved). The approved reduction to the GS class is ~~$1,553,000~~ $1,655,000 ST

Commissioner Wilson dissented in favor of a greater reduction in the GS class.

* The Equivalent peaker cost study was rejected under issue 115.

STIPULATED

ISSUE 122: If an increase in revenues is approved, unbilled revenue will increase. Is the method used by the utility for calculating the increase in unbilled revenues by rate class appropriate?
RECOMMENDATION: Yes. The assumption that unbilled revenues will bear the same relationship to the increase granted as to current revenues is a reasonable basis for assigning unbilled revenues.

Approved

STIPULATED

ISSUE 123: Should the increase in unbilled revenues be subtracted from the increase in revenue from sales of electricity used to calculate rates by class?
RECOMMENDATION: Yes. If not, the increase in rates will be overstated.

Approved

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

ISSUE 124: What are the appropriate customer charges?
RECOMMENDATION: The customer charges should be set as follows:

RATE CLASS	UNIT COST	CURRENT CHARGES	GULF'S PROPOSAL	STAFF PROPOSAL
RS	$ 7.94	$ 6.25	$ 8.00	$ 8.00
RST		9.25	11.00	11.00
GS	17.34	7.00	10.00	8.00
GST		10.00	13.00	11.00
GSD	41.47	27.00	40.00	40.00
GSDT		32.40	45.40	45.40
LP/LPT	447.83	51.00	225.00	225.00
PX/PXT	1222.21	146.00	570.00	570.00

Modified

The Companys proposals were approved.

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

ISSUE 125: What are the appropriate demand charges?
RECOMMENDATION: The level of demand charge for time-of-use rates depends on the Commission's decision of the appropriate cost of service methodology (Issue 115) and on the proper design of time-of-use rates (Issue 128). Staff's recommeded demand charges are based on the Equivalent Peaker cost methodology recommended in Issue 115 and the TOU rate design recommended in Issue 128. Also shown are the proposed demand charges based on the alternate staff-recommended cost method, the Equivalent Peaker. The appropriate demand charges are as follows:

DEMAND CHARGE	12CP and 1/13th COST STUDY	EQUIVALENT PEAKER STUDY
GSD	$ 4.52	$ 4.52
GSDT		
Maximum	2.15	2.15
on-Peak	5.00	3.06
LP	8.51	6.00
LPT		
Maximum	1.81	1.70
On-Peak	7.26	4.45
PX	8.26	7.00
PXT		
Maximum	0.68	0.56
On-Peak	7.75	5.06

Approved with the modification that this decision is with respect to standard demand charges (non time-of-use) only.

Equivalent Peaker study rejected under issue 115.

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

ISSUE 126: The company presently has seasonal rates for the RS and GS rate classes. Should seasonal rates be retained for RS and GS? If so, should they be required for GSD/GSDT, LP/LPT and PX/PXT?
RECOMMENDATION: Seasonal rates should be eliminated from Gulf's tariff. However, if seasonal rates are retained for RS and GS, they should be required for all rate classes.

Approved

Commissioner Wilson dissented in favor of retaining seasonal rates.

ISSUE 127: If seasonal rates are continued, how should they be designed?
RECOMMENDATION: The seasonal price differential for the RS and GS rate classes should be set at the company's proposed ratio of 1.18 to 1.00. The seasonal price differential should be uniform across the GSD/GSDT, LP/LPT and PX/PXT rate classes and recovered through the standard demand charge for non-time-of-use rates and the on-peak demand charge for time-of-use rates.

Moot due to decision on issue 126

ISSUE 128: How should time-of-use rates be designed?
RECOMMENDATION: Time-of-use rates should be developed as follows: The energy KWH charge should be set at class energy unit cost; the maximum billing demand charge should be set equal to the distribution unit cost. The on-peak demand charge would be an amount sufficient to recover the remaining revenue requirement, including costs relating to the transmission plant and the demand-related production plant.

Approved

ISSUE 129: DELETED

ISSUE 130: The company currently gives transformer ownership discounts of $.25 per KW for customers taking service at primary voltage and $.70 per KW for customers taking service at transmission levels. Is the current level of discounts appropriate?
RECOMMENDATION: The transformer ownership discount for primary level customers should be set at $0.35/KW/Month for GSD/GSDT and $0.42/KW/Month for LP/LPT. The transformer ownership discounts for transmission level customers should be set at $0.41/KW/Month for GSD/GSDT, $0.52/KW/Month for LP/LPT, and $0.11/KW/Month for PX/PXT.

Approved

ISSUE 131: All general service demand rate schedules (GSD, GSDT, LP, LPT, PX, and PXT) except Standby Service (SS) and Interruptible Standby Service (ISS) provide for transformer ownership and metering discounts. The company has proposed providing metering discounts only for standby service rate schedules. Should the SS and ISS rate schedules have provisions for both transformer ownership and metering voltage discounts? If so, should the level of the transformer ownership discount and metering voltage discount for SS and ISS be set equal to the otherwise applicable rate schedule?

RECOMMENDATION: Yes, the SS and ISS classes should have provisions for transformer ownership and metering voltage discounts, however; the discounts should not be set equal to the otherwise applicable full requirements rate schedules. The level of the transformer ownership discount should be calculated based on 100 percent ratcheted billing demand in order to match the calculation of the local facilities demand charge applicable to standby service. Paying the same credits as applicable under full requirements rate schedules may provide too great a credit because these are calculated on the sum of annual billing demand (i.e. the sum of each customer's maximum demand during the year times 12).

Approved

STIPULATED

ISSUE 132: Should Gulf's proposed revision of the statement of the customer charge on the standby service rate schedules (SS and ISS) be approved?
STIPULATION: No. Order No. 17159 at 18 requires that, if a company does not have a curtailable rate schedule, it shall utilize the customer charge of the otherwise applicable general service large demand rate schedule plus $25 for the customer charge for standby service. Thus, the LP/LPT customer charge plus $25 should be the customer charge for all standby service customers, except for those taking supplementary service on PX/PXT for whom the charge should be the PX/PXT customer charge plus $25.

Approved

STIPULATED

ISSUE 133: Should Gulf's proposed change in the definition of the capacity used to determine the applicable local facilities and fuel charges on the standby service rate schedules (SS and ISS) be approved?
STIPULATION: No. The changes in the definition of the capacity used to determine the local facilities and [fuel] charges is not in conformance with the terms and conditions prescribed in Order No. 17159 for standby service.

Approved

STIPULATED

ISSUE 134: Should the proposed paragraph on the monthly charges for supplementary service on the SS and ISS rate schedules be approved?
STIPULATION: No. To be consistent with the position on the customer charge for standby service, the second sentence should be eliminated or revised to indicate that the customer does not have a second customer charge for supplementary service.

Approved

ISSUE 135: Should the Interruptible Standby Service (ISS) Rate Schedule's sections on the Applicability and Determination of Standby Service (KW) Rendered be replaced by the language approved for the firm Standby Service (SS) in Docket No. 891304-EI?
RECOMMENDATION: Only the language in the Determination of Standby Service (KW) Rendered should be replaced. The formula for calculating the daily standby service demand should be replaced with the formula approved in Issue 135a. That portion of the language in this section which is not changed by Issue 135a in this docket should be replaced with the language which was approved for the current firm SS tariff in Docket No. 891304-EI.

Approved

ISSUE 135a: How should the daily standby service demand be determined?

RECOMMENDATION: In the formula for calculating daily standby service demand, "the amount of load in KW ordinarily supplied by the customer's generation" should replace "maximized totalized customer generation output occurring in any internal between the end of the prior outage and the beginning of the current outage."

Approved

ISSUE 136: The present standby rates are based on system and class unit costs from Docket No. 840086-EI. Should the standby rate schedules (SS and ISS) charges be adjusted to reflect unit costs from the approved cost of service study (a compliance rerun) in this docket and the 1990 IIC capacity charge rates and designed in the manner specified by the Commission in Order No. 17159?

RECOMMENDATION: The SS charges should be designed using the compliance cost of service study and the rate design specified in Order No. 17159 with a possible exception of the forced outage rate. The forced outage rate to be used to calculate the reservation charge would be that approved in Issue 153. If the resulting charges generate either more or less revenue than the class' revenue responsibility as set by Issue 121, all charges except the customer charge should be decreased or increased by the (same) percentage required to generate the class' revenue requirement. The ISS charges should be the same as the SS charges except for the reservation and daily demand charges. The sum of the CP KW transmission unit cost plus an average IIC monthly charge rate of $6.69 should be used as the unit cost to develop these charges. If the Commission decides in Issue 138 to bill SE customers for distribution system costs on their maximum metered KW whenever it occurs, the billing KW in Exhibit 510 should be used to calculate the local facilities charges.

The company should provide the staff a compliance cost of service study and the SS rates calculated in accordance with this recommendation by August 31, 1990. A spread sheet of component costs by function (retail revenue requirements) in the format of Exhibit 509 for the compliance study should also be provided.

Approved

ISSUE 137: Order No. 17568, Docket No. 850102-EI, approved the experimental Supplemental Energy (SE) (Optional) Rider as a permanent rate schedule on the condition that it become a separate rate class in the company's next rate case. Has Gulf complied with Order No. 17568, and should the SE be a separate rate class?

RECOMMENDATION: A separate rate class consisting of LPT and PXT customers on the SE rider should not be implemented in this rate class. The question of whether a separate rate class(es) should be implemented for either PXT-SE or LPT-SE customers should be considered in the next rate case. Gulf should file its cost of service study in that case with LP/LPT and PXT each broken into SE and non-SE classes and with totals for LP/LPT and PX/PXT. Gulf did not comply with Order No. 17159 on the establishment of a separate SE rate class in this rate class.

If the Equivalent Peaker or Refined Equivalent Peaker cost of service methodology is approved for use in this docket, SE would have to be a separate class as the only no-migration study in the case has SE as a separate class.

Approved

<u>ISSUE 138:</u> How should rates for the separate Supplemental Energy Rate Schedule be designed?
<u>RECOMMENDATION:</u> If SE remains a rider, the rates applicable to SE customers would continue to be the same as the corresponding rates applicable to non-SE customers within the same rate class. <u>If the approved time of use rate design recovers only distribution system cost in the maximum demand charge, SE customers should be billed the maximum demand charge on their maximum metered KW whenever it occurs, i.e., the provision in the rider providing for forgiveness of demand incurred during the SE period would apply only to on-peak demand.</u>

If SE becomes a separate rate class, the time-of-use rate design approved in Issue 128 should also be used for this class. The maximum demand charge should be billed on the customer's maximum metered demand whenever it occurs.

With the exception of the underlined sentence this issue was rendered moot by the decision on issue 137.
The underlined sentence was approved.

<u>ISSUE 139:</u> The applicability clause of the three demand classes (GSD, LP and PX) is stated in terms of the amount of KW demand for which the customer contracts. Is this an appropriate basis for determining applicability?
<u>RECOMMENDATION:</u> No. In the past, contracts have not been required of all these customers, and Gulf's response to Staff's Interrogatory No. 115 (Hearing Exhibit #496) indicates that contract demand often bears little relationship to actual measured demand. As a part of this docket, tariffs should be modified to state that the applicability for both demand and the PX/PXT 75 percent load factor should be based on measured maximum billing demand. For SE customers, this would be the actual measured billing demand in non-SE periods.

<u>Approved</u>

Supplemental Issue Listing
Special Commission Conference
Docket No. 891345-EI
August 9, 10 and 14, 1990

<u>ISSUE 140:</u> The current GSD/GSDT and GSLD/GSLDT (LP/LPT) rate schedules have minimum charges equal to the customer charge plus the demand charge for the minimum KW to take service on the rate schedule for customers opting for the rate schedule. Is this minimum charge provision appropriate?

<u>RECOMMENDATION:</u> No. It unduly penalizes customers who opt for this higher rate class because they pay for the minimum KW to qualify for the class even if their usage falls below this level. Customers who meet the class minimum even once in every 12 month period, do not pay a minimum but pay only for their actual demand, even if it falls below the minimum.

<u>Approved</u>

<u>ISSUE 141:</u> What is the appropriate method for calculating the minimum bill demand charge for the PX rate class?

<u>RECOMMENDATION:</u> The minimum bill demand charge for PX should be the customer charge plus a per KW demand charge, consisting of the KW demand charge for the class plus the KWH charge times the KWH necessary to achieve a 75 percent load factor. (KW charge + ~~546.5~~ 547.5 x KWH charge) = per KW minimum charge

<u>Approved</u> with the noted correction

ISSUE 142: What is the appropriate method for calculating the minimum bill demand charge for the PXT rate class?
RECOMMENDATION: The minimum bill demand charge should be calculated by the methodology outlined in the company's response to Interrogatory No. 124 of Staff's Eighth Set (Hearing Exhibit #272).

Approved

STIPULATED

ISSUE 143: The proposed change in the application of the minimum bill provision allows a customer who has less than a 75 percent load factor in a given month to not be billed pursuant to the minimum bill provision as long his annual load factor for the current and most recent 11 months is at least 75 percent. Is this appropriate?
RECOMMENDATION: Yes. The applicability of the tariff is based on an annual load factor. It is appropriate to assess minimum billing based on an annual load factor as well, even if the monthly load factor temporarily falls below 75 percent.

Approved

ISSUE 144: The company has proposed the implementation of a local facilities demand charge for LP/LPT and PX/PXT customers, which would be applied when the customer's actual demand does not reach at least 80 percent of the Capacity Required to be Maintained (CRM) specified in the Contract for Electric Power. Is this local facilities charge appropriate? If so, to what customer classes should it apply?

RECOMMENDATION: No. It is inequitable to apply the charge to the contract capacity because the contract demand for many customers bears little relationship to measured demand. Furthermore, it is an ineffective charge because no customers would have to pay the charge in the test year. The company's proposed local facilities charge should be rejected.

Approved

ISSUE 145: The company's proposed street and outdoor lighting rates are shown on the revised MFR Schedule E-16d submitted as Item No. 147 of Staff's Eighth Set of Interrogatories. Should these proposed rates be approved?
RECOMMENDATION: No. The staff-recommended street and outdoor lighting rates are shown in staff's memorandum dated July 26, 1990 as Schedules 4 (12 CP method) and 5 (Equivalent Peaker Method). While staff and the Company agree as to the basic methodology used to determine the rates for street and outdoor lighting, the actual rates recommended by staff differ due to the differing revenue increases recommended by staff for the lighting classes. The rates are also dependent on the cost of service methodology used. Staff also recommends that, prior to the next rate case, Gulf be required to obtain information which will allow for the development of cost-based rates for additional facilities pole charges.

Approved

ISSUE 146: The company proposes to eliminate the general provisions pertaining to replacement of lighting systems on the Outdoor Service Rate Schedule (OS). Is this appropriate?
RECOMMENDATION: Yes. The present general provisions relating to the replacement of mercury vapor lighting fixtures with high pressure sodium fixtures should be removed. A new provision should be added. This new provision should require, when a customer requests replacement of a mercury vapor fixture prior to its failure, that the customer pay the company an amount equal to the undepreciated portion of the original cost of the removed fixture, plus the cost of removal, less any salvage value of the removed fixture.

Approved with the modification that new provisions were not adopted. The current provisions are simply deleted as proposed by the Company.

STIPULATED

ISSUE 147: Should the language on OS-III be clarified so that only customers with fixed wattage loads operating continuously throughout the billing period (such as traffic signals, cable TV amplifiers and gas transmission substations) would be allowed to take service on OS-III?
STIPULATION: Yes. The cost responsibility for this class was developed in the company's cost of service study on the basis that OS-III customers' load was constant, i.e., customers usage was at the same level for all 8760 hours. Therefore, the tariff should clearly state that only customers with constant usage are to be served under this schedule.

Approved

ISSUE 148: Since the company's last rate case, sports fields taking service on Rate Schedules GS and GSD were allowed to transfer to the OS-III rate schedule. The company has now proposed an OS-IV rate for sports fields. Is this appropriate, and, if so, how should the rate be designed?
RECOMMENDATION: The sports field customers should be allowed to transfer to the OS-IV rate as designed by the company. However, staff does not believe that the OS-IV rate design is based on accurate load research data. In addition, staff does not in principle advocate the creation of special rates for these and other similar types of customers. The Commission should direct the Company to require sports field customers to take service under the appropriate GS or GSD rate when the next rate case is filed.

Approved

ISSUE 149: The company's proposal for service charges are summarized as follows:

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

Are these charges appropriate?
RECOMMENDATION: The service charges proposed by the company should be accepted as reasonable and cost based.

Approved

STIPULATED

ISSUE 150: Should LP customers who have demands in excess of 7500 KW but annual load factor of less than 75 percent be allowed to opt for the PXT rate?
RECOMMENDATION: No. The PXT rate as designed would underrecover the total cost to service if lower load factor customers were allowed to opt up, simply to reduce an individual customer's bill.

Approved

ISSUE 151: Should Gulf's proposal to decrease the PXT on-peak energy charge and increase the off-peak energy charge be approved?
RECOMMENDATION: No. Although the on-peak and off-peak energy charges under the PXT rate move in the direction of unit cost, these charges should be set equal to the class energy unit cost, consistent with the time of use (TOU) design recommended by Staff in Issue No. 128. This would send the appropriate price signals to customers served under the PXT rate.

Approved

ISSUE 152: Should scheduled maintenance outages of a self-generating customer that are fully coordinated in advance with Gulf Power be subject to the ratchet provision of the SS rate?
RECOMMENDATION: Demands registered during fully coordinated maintenance outages should be subject to the ratchet provision for the local facilities charge. The ratchet provision of the SS rate should be waived for the reservation charge if the maintenance power is used in hours that do not include a peak hour(s) that determines Gulf's IIC payments or revenues.

Approved

ISSUE 153: Should the assumed 10% forced outage factor for self-generating customers that is built into the SS rate design be continued?

RECOMMENDATION: In the absence of reliable data to support a different value for the forced outage rate used to develop the reservation charge, the 10 percent forced outage rate prescribed in Order 17159 should continue to be used.

Approved

ISSUE 154: Would it be appropriate to grant a rate change without allowing the redesign of rates to recover the approved revenue, run the rates in competition, and go through the same iteration process as was done in the original filing of the case and the revised portion of this case?

RECOMMENDATION: No. After Staff prepares initial rates, the company should be allowed one cross-over analysis to determine migrations due to changes in rated structure. The results of this adjustment should then be given to staff for design of the final rates. Only the shortfall in revenues from the migration of customers due to changes in the rate structure in this docket should be recognized in the design of permanent rates.

Approved

ISSUE 155: Which party to this proceeding should design the company's final rates?

RECOMMENDATION: Staff should calculate the permanent rates, subject to Commission approval. The company should be allowed one iteration to calculate the shortfall from the migration of customers due to changes in the rate structure in this docket, and the shortfall should be recognized in the permanent rates.

Approved

ISSUE 156: If the Commission decides to recognize migrations between rate classes, how should the revenue shortfall, if any, be recovered?

RECOMMENDATION: In the absence of cost of service information on the group of migrating customers, the revenue impact of customers transferring from one rate class to another rate class due to a change in rate structure of approved rates should be allocated to the two involved classes proportional to each class's approved revenues. The revenue of migrating customers should be included in the class to which they are migrating.

Approved

ISSUE 157: DELETED

ISSUE 158: Should the SE rate be modified to allow additional opportunity sales to self-generating customers who have generating capacity which is available but less economic?
RECOMMENDATION: No. KWH and capacity purchased to replace energy and capacity normally generated by a customer's generator which is experiencing a forced outage or an outage for scheduled maintenance, is clearly standby power and should be billed as standby power. However, to ensure that power taken to replace reduced generation for purely economic reasons is billed as supplemental power, the definitions of backup service and maintenance service should be more specific. A sentence should be added to the definition of backup service to define unscheduled outage as the loss or reduction of generation output due to equipment failure(s) or other condition(s) beyond the control of the customer. Similarly, under maintenance service a scheduled outage should be defined as the loss or reduction due to maintenance activities of any portion of a customer's generating system.

Approved

PROPOSED RATES FOR GULF POWER COMPANY - DOCKET NO 891345-EI

	CURRENT RATES	COMPANY PROPOSED	COMMISSION VOTE	AFTER EXPIRATION OF MANAGEMENT PENALTY
INCREASE IN REVENUES		$26,137,000	$11,838,000	
RATE CLASS				
RESIDENTIAL				
CUSTOMER CHARGE	$6.25	$8.00	$8.00	$8.07
ENERGY				
Oct - May	$0.03148	$0.03489		
June - Sept	$0.03716	$0.04114		
NON SEASONAL			$0.03487	$0.03518
RESIDENTIAL TOU				
CUSTOMER CHARGE	$9.25	$11.00	$11.00	$11.10
ENERGY				
ON PEAK	$0.07797	$0.08623	$0.10218	$0.10308
OFF PEAK	$0.01378	$0.01608	$0.00529	$0.00534
GENERAL SERVICE				
CUSTOMER CHARGE	$7.00	$10.00	$10.00	$10.09
ENERGY				
Oct - May	$0.06174	$0.05441		
June - Sept	$0.06348	$0.06423		
NON SEASONAL			$0.05086	$0.05131
GENERAL SERVICE TOU				
CUSTOMER	$10.00	$13.00	$13.00	$13.11
ENERGY				
ON PEAK	$0.14727	$0.14324	$0.15711	$0.15849
OFF PEAK	$0.02296	$0.02188	$0.00511	$0.00515
GS-DEMAND				
CUSTOMER CHARGE	$27.00	$40.00	$40.00	$40.35
KW DEMAND	$6.25	$4.52	$4.52	$4.56
ENERGY	$0.00641	$0.01424	$0.01289	$0.01300
GS DEMAND TOU				
CUSTOMER	$32.40	$45.40	$45.40	$45.80
KW DEMAND				
MAXIMUM	$2.96	$2.17	$2.15	$2.17
ON PEAK	$3.42	$2.44	$4.97	$5.01
ENERGY				
ON PEAK	$0.01395	$0.03269	$0.00445	$0.00449
OFF PEAK	$0.00302	$0.00692	$0.00445	$0.00449

PROPOSED RATES FOR GULF POWER COMPANY - DOCKET NO 891345-EI

		CURRENT RATES	COMPANY PROPOSED	COMMISSION VOTE	AFTER EXPIRATION OF MANAGEMENT PENALTY
INCREASE IN REVENUES			$26,137,000	$11,838,000	
RATE CLASS					
LP					
	CUSTOMER CHARGE	$51.00	$225.00	$225.00	$226.98
	KW DEMAND	$6.25	$8.52	$8.50	$8.57
	SE MAXIMUM CHARGE			$1.81	$1.83
	ENERGY	$0.00861	$0.00568	$0.00528	$0.00533
LP TOU					
	CUSTOMER CHARGE	$51.00	$225.00	$225.00	$226.98
	KW DEMAND				
	MAXIMUM	$2.97	$4.15	$1.81	$1.83
	ON PEAK	$3.35	$4.52	$7.21	$7.27
	ENERGY				
	ON PEAK	$0.01928	$0.01211	$0.00417	$0.00421
	OFF PEAK	$0.00390	$0.00300	$0.00417	$0.00421
PX					
	CUSTOMER CHARGE	$146.00	$570.00	$570.00	$575.01
	KW DEMAND	$7.50	$8.25	$8.25	$8.32
	SE MAXIMUM CHARGE			$0.68	$0.69
	ENERGY	$0.00521	$0.00445	$0.00409	$0.00413
PX TOU					
	CUSTOMER CHARGE	$146.00	$570.00	$570.00	$575.01
	KW DEMAND				
	MAXIMUM	$3.56	$3.97	$0.68	$0.69
	OFF PEAK	$3.9[illegible]	$4.32	$7.66	$7.73
	ENERGY				
	ON PEAK	$0.01299	$0.00984	$0.00406	$0.00410
	OFF PEAK	$0.00242	$0.00262	$0.00406	$0.00410

TYPE OF FACILITY	FIXTURE CHARGE	MAINTENANCE CHARGE	ENERGY CHARGE	TOTAL MONTHLY CHARGE
HIGH PRESSURE SODIUM (OS-I)				
5,400 LUMEN	$1.95	$1.34	$0.74	$4.03
8,800 LUMEN	$1.96	$1.06	$1.05	$4.07
20,000 LUMEN	$2.26	$1.56	$2.13	$5.95
25,000 LUMEN	$2.81	$2.03	$2.68	$7.52
46,000 LUMEN	$3.17	$1.61	$4.24	$9.02
20,000 LUMEN *	$4.31	$1.79	$2.13	$8.23
46,000 LUMEN **	$9.09	$2.00	$4.24	$15.33
20,000 LUMEN **	$10.79	$1.79	$2.13	$14.71
8,800 LUMEN ***	$6.14	$1.56	$1.05	$8.75
MERCURY VAPOR (OS-I)				
3,200 LUMEN	$1.44	$1.40	$1.03	$3.87
7,000 LUMEN	$1.43	$1.04	$1.76	$4.23
9,400 LUMEN	$1.91	$1.66	$2.50	$6.07
17,000 LUMEN	$2.22	$1.73	$4.00	$7.95
48,000 LUMEN	$6.03	$3.16	$9.79	$18.98
HIGH PRESSURE SODIUM (OS-II)				
5,400 LUMEN	$1.95	$0.84	$0.74	$3.53
8,800 LUMEN	$1.75	$0.79	$1.05	$3.59
20,000 LUMEN	$2.26	$1.05	$2.13	$5.44
25,000 LUMEN	$2.80	$1.50	$2.68	$6.98
46,000 LUMEN	$3.17	$1.10	$4.24	$8.51
20,000 LUMEN #	$4.27	$1.92	$2.21	$8.40
46,000 LUMEN #	$3.81	$1.79	$4.39	$9.99
8,800 LUMEN ***	$6.15	$0.76	$1.05	$7.96
MERCURY VAPOR (OS-II)				
7,000 LUMEN	$1.41	$0.65	$1.76	$3.82
17,000 LUMEN	$2.21	$1.29	$4.00	$7.50
17,000 LUMEN #	$4.11	$1.84	$4.29	$10.24

* NEW OFFERING, DIRECTIONAL, COASTAL

** NEW OFFERING, DIRECTIONAL

*** NEW OFFERING, DECORATIVE

\# DIRECTIONAL

72

GULF POWER COMPANY
APPROVED STREET AND OUTDOOR LIGHTING RATES
891345-EI

ENERGY RATES ($ PER KWH)

RATE CLASS	RATE
OS-I AND OS-II	$0.02631
OS-III	$0.03751
OS-IV	$0.03711

OS-IV CUSTOMER CHARGE: $10.00

ADDITIONAL FACILITIES CHARGES

30-FOOT WOOD POLE	$2.00
30-FOOT CONCRETE POLE	$4.50