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December 27, 2001

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Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk  
and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0870

RE: Docket No. 010949-EI

Dear Ms. Bayó:

Enclosed is a copy of Direct Testimony of Helmuth W. Schultz, III, containing information deemed confidential by Gulf Power Company for for filing in the above-referenced docket.

Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

Sincerely,

Stephen C. Burgess  
Deputy Public Counsel

16122-01  
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF HELMUTH W. SCHULTZ, III  
DOCKET NUMBER 010949-EI

DECEMBER 27, 2001

Respectfully submitted,

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1 DIRECT TESTIMONY OF HELMUTH W. SCHULTZ, III  
2 ON BEHALF OF THE CITIZENS OF FLORIDA  
3 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
4 GULF POWER COMPANY  
5 DOCKET NO. 010949-EI

6  
7 INTRODUCTION

8 Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?

9 A. My name is Helmuth W. Schultz, III. I am a Certified Public Accountant licensed in  
10 the State of Michigan and a Senior Regulatory Analyst in the firm of Larkin &  
11 Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington  
12 Road, Livonia, Michigan 48154.

13  
14 Q. PLEASE DESCRIBE THE FIRM LARKIN & ASSOCIATES, PLLC.

15 A. Larkin & Associates, PLLC, is a Certified Public Accounting and Regulatory  
16 Consulting Firm. The firm performs independent regulatory consulting primarily for  
17 public service/utility commission staffs and consumer interest groups (public  
18 counsels, public advocates, consumer counsels, attorneys general, etc.). Larkin &  
19 Associates, PLLC, has extensive experience in the utility regulatory field as expert  
20 witnesses in over 400 regulatory proceedings including numerous water and sewer,  
21 gas, electric and telephone utilities.

1 Q. HAVE YOU PREPARED AN APPENDIX, WHICH DESCRIBES YOUR  
2 QUALIFICATIONS AND EXPERIENCE?

3 A. Yes. I have attached Appendix A, which is a summary of my experience and  
4 qualifications.

5

6 Q. BY WHOM WERE YOU RETAINED, AND WHAT IS THE PURPOSE OF YOUR  
7 TESTIMONY?

8 A. Larkin & Associates, PLLC, was retained by the Florida Office of Public Counsel  
9 (OPC) to review the rate increase requested by Gulf Power Company (Gulf or  
10 Company). Accordingly, I am appearing on behalf of the Citizens of Florida  
11 (“Citizens”).

12

13 Q. ARE ANY ADDITIONAL WITNESSES APPEARING ON BEHALF OF THE  
14 FLORIDA OFFICE OF PUBLIC COUNSEL IN THIS CASE?

15 A. Yes. Kim Dismukes, of Acadian Consulting, is presenting testimony on several  
16 expense items in this case. Mike Majoros will be addressing depreciation issues on  
17 behalf of the OPC. Additionally, James Rothschild is presenting testimony on the  
18 OPC’s recommended rate of return.

19

20 OVERALL FINANCIAL SUMMARY

21 Q. HAVE YOU PREPARED AN EXHIBIT IN SUPPORT OF YOUR TESTIMONY?

22 A. Yes. Attached to this testimony are several exhibits, which I will discuss in further

1 detail throughout this testimony. The first exhibit, Exhibit\_\_(HWS-1) consists of  
2 Schedules A-1, B-1 and C-1, with supporting schedule B-2 and C-2 through C-13. It  
3 is this first exhibit, Exhibit\_\_(HWS-1), that presents the OPC's adjustments to the  
4 recommended revenue requirement sought by Gulf Power Company in this case.

5

6 Q. WHAT DOES SCHEDULE A-1, ENTITLED "REVENUE REQUIREMENT"  
7 SHOW?

8 A. Schedule A-1 presents the calculation of revenue requirement, at this time, giving  
9 effect to all the adjustments I am recommending in this testimony, along with  
10 adjustments recommended by OPC witnesses Kim Dismukes and Mike Majoros, and  
11 the overall rate of return recommended by OPC Witness James Rothschild. The  
12 adjustments presented on Schedule A-1 which impact rate base can be found on  
13 Schedule B-1. Schedule B-2 presents the detailed calculation supporting the  
14 adjustment to rate base. The OPC adjustments to net operating income are listed on  
15 Schedule C-1. Schedules C-2 through C-13 provide supporting calculations for the  
16 adjustments to operating income presented on Schedule C-1.

17

18 As shown on line 8 of Schedule A-1, the OPC's recommended adjustments at this  
19 time demonstrate that Gulf Power's rate increase request is excessive by at least  
20 \$54,853,000. As discussed throughout this testimony, the OPC is still awaiting a  
21 significant level of support for the Company's projected test year. Consequently, the  
22 amount of increase recommended by the OPC may be revised after the additional

1 supporting information is received. I will discuss each of the adjustments I am  
2 recommending in the remaining sections of this testimony.

3

4 RATE BASE - PLANT IN SERVICE

5 Q. WHAT ADDITIONS HAS THE COMPANY REFLECTED THROUGH THE  
6 PROJECTED TEST YEAR?

7 A. The Company has added \$414,564,000 to plant in service. This represents a 22%  
8 increase over the year 2000 three-month average additions to plant in service of  
9 \$1,862,910,000. The major contributor to the budgeted additions is the \$220,500,000  
10 budgeted for Smith Unit 3.

11

12 Q. WHAT BUDGET INFORMATION WAS PROVIDED BY THE COMPANY?

13 A. Mr. Saxon provided a summary of the \$413,891,000 construction budget on  
14 Exhibit \_\_\_-(RMS-1), Schedule 2. The \$251,069,000 of production related additions  
15 were listed by project by Company witness Moore, on Exhibit No. \_\_\_(RGM-1),  
16 Schedules 9 and 10. Mr. Howell offered approximately two pages of testimony in  
17 support of the \$56,035,000 of transmission construction costs budgeted. Also, Mr.  
18 Fishers provides two pages of testimony as justification for the distribution  
19 construction budget of \$95,418,000 and five sentences as justification for \$7,700,000  
20 of general plant additions.

21

22 Q. DO YOU HAVE ANY CONCERNS WITH THE ADDITIONS TO PLANT AND

1 THE ASSOCIATED CONSTRUCTION BUDGET?

2 A. Yes. The Company has the burden of proof for the amount requested for plant. The  
3 information included in the Company's filing as justification for additions is not  
4 adequate. As mentioned above, the budgeted production additions are listed out by  
5 project. The summary provided some indication regarding what the additions are and  
6 specific inquiries were possible. The transmission, distribution and general plant  
7 additions are not identified by the Company. The Company's failure to provide a  
8 description of the \$162,822,000 of distribution, transmission and general plant  
9 additions is an attempt to shift the burden of proof.

10

11 Q. WHAT INQUIRY DID YOU MAKE REGARDING THE PRODUCTION  
12 BUDGET?

13 A. An analysis was requested identifying the starting date of the project, current status of  
14 the project, estimated completion date and if there was a cost benefit analysis  
15 performed.

16

17 Q. WHAT DID YOU DETERMINE FROM YOUR INQUIRY?

18 A. Twenty-one projects that were scheduled to start prior to November 2001 did not start  
19 on time. A number of projects completed or near completion were under-budget.  
20 Five projects that appear to be significantly over-budget require further investigation.  
21 Tentatively, I believe the production plant additions are overstated.

22

1 Q. HAVE YOU MADE FURTHER INQUIRIES ON THE PRODUCTION PLANT  
2 ADDITIONS?

3 A. Yes. Each of the completed projects where the dollars expended significantly  
4 exceeded the budget were started before 2001. For each of the projects, I expect to  
5 find that the prior years budget amounts will eliminate or significantly reduce what  
6 appears to be an unfavorable budget variance. A request for additional information  
7 has been made.

8  
9 Q. ARE THERE ANY OTHER CONCERNS FROM YOUR REVIEW OF THE  
10 PRODUCTION BUDGET?

11 A. Yes. A number of the projects indicate a benefit from the project. It is not clear  
12 whether that benefit has been reflected in the operations and maintenance expense  
13 budget. If the benefit is not reflected in the operations and maintenance expense  
14 budget, the shareholders will receive the benefit at ratepayers expense. This is not  
15 appropriate.

16  
17 Q. HAVE YOU MADE ANY DETERMINATION ON THE TRANSMISSION AND  
18 DISTRIBUTION CONSTRUCTION BUDGETS?

19 A. Not at this time. A detailed listing of projects and the status of those projects has been  
20 requested. When the information is received, an evaluation of the information will be  
21 made to determine what adjustments are necessary.

22

1 Q. ARE YOU MAKING ANY ADJUSTMENT TO PLANT IN SERVICE AT THIS  
2 TIME?

3 A. Not at this time. After reviewing the responses on the information requests  
4 outstanding, I will determine whether an adjustment to plant in service is appropriate  
5 and necessary.

6

7 WORKING CAPITAL

8 Coal Inventory

9 Q. HAVE YOU REVIEWED THE COMPANY'S REQUEST FOR FUEL  
10 INVENTORY INCLUDED IN WORKING CAPITAL?

11 A. Yes. As a result of my review, I determined that the inventory is overstated by  
12 \$8,130,000.

13

14 Q. IS THE COMPANY'S REQUEST FOR COAL INVENTORY WITHIN THE  
15 GUIDELINES PREVIOUSLY ALLOWED BY THE FLORIDA PUBLIC SERVICE  
16 COMMISSION IN GULF'S LAST RATE CASE?

17 A. No. Mr. Moore has suggested the inclusion of coal inventory based on 52 days of  
18 projected burn in the current filing is appropriate because it is less than the 90  
19 projected burn days allowed in the last rate case. The Order in that case went beyond  
20 what Mr. Moore has stated. On page 18 of Order No. 23573, it states:

21 We are of the opinion that Gulf has failed to justify this request and will allow  
22 a level equal to 90 days projected burn or the amount actually maintained in  
23 the test year at each plant site, whichever is less. (Emphasis added)

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The “whichever is less” is the applicable terminology in this docket. The average amount of cost inventory actually maintained in the historic test year was 476,481 tons. The Company’s request for 695,289 tons plus the in-transit exceeds what should be allowed. I recommend that the fuel inventory included in working capital be based on the historic test year average maintained of 476,481 tons, plus the Company’s requested increase of 76,223 tons at Plant Smith, plus 80% of the Company’s requested in-transit amount.

Q. WHY DID YOU UTILIZE 80% OF THE COMPANY’S REQUESTED IN-TRANSIT COAL AMOUNT?

A. The combination of the year 2000 average maintained of 476,481 tons, and the Company’s requested increase of 76,223 tons for Plant Smith, results in an average maintained of 552,704 tons. That average of 552,704 tons is 79.5% of the Company requested coal inventory on hand of 695,289 tons. Assuming the Company requested in-transit amount was overstated by the same percentage that the maintained inventory was overstated, I applied the 80% to determine a reasonable level of in-transit coal.

Q. WHAT ADJUSTMENT TO THE COMPANY’S COAL INVENTORY IS REQUIRED?

1 A. As shown on Schedule B-2, the coal inventory is overstated by \$8,130,346.

2

3 Deferred Return Third Floor

4 Q. WHY HAVE YOU MADE AN ADJUSTMENT FOR THE DEFERRED RETURN  
5 ON THE THIRD FLOOR?

6 A. The Company has elected to amortize the deferred return on the third floor of the  
7 corporate offices over three years, based on the stipulation adopted in Order No. PSC-  
8 99-2131-S-EI. The Order, which provided for a sharing of excess revenues, allowed  
9 Gulf at its “discretion to record an additional accrual...up to \$1 million per year to  
10 reduce the accumulated balance of the deferred return on the third floor of the  
11 corporate offices.” Gulf did not make such an election in the time frame established  
12 by the stipulated revenue sharing, or as part of the revenue sharing. The three-year  
13 amortization of \$1,157,000 requested is for the test year as part of this proceeding. It  
14 is not consistent with the stipulation which allowed the write-off of “up to \$1  
15 million.” The inclusion of the deferral in rate base, and the amortization period  
16 requested, are not appropriate.

17

18 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

19 A. The working capital allowance should be reduced \$2,893,000 and amortization  
20 expense should be reduced \$1,157,000. If the Commission were to allow the deferral  
21 in rate base, the amortization should be based on the life of the building, not the three  
22 years proposed by the Company.

1                   Third Floor Corporate Office

2    Q. WHAT ADJUSTMENT ARE YOU MAKING FOR THE THIRD FLOOR OF THE  
3    CORPORATE OFFICE?

4    A. I am removing the \$3,800,000 of plant and \$338,000 of accumulated depreciation  
5    discussed on page 14 of Mr. Labrato's September 10, 2001 prefiled testimony. The  
6    justification for Gulf's inclusion of the third floor in rate base is not sufficient.

7

8    Q. WHY IS GULF'S JUSTIFICATION INSUFFICIENT?

9    A. The third floor of the Corporate Office was purportedly a storage area in 1989, that  
10    was to serve as additional office space to accommodate Gulf Power's growth. Today,  
11    the third floor purportedly is still storage space. The Company had an employee  
12    complement of 1,626 in 1989. The year 2000 employee complement was 1,319. The  
13    referenced tour by the FPSC auditor provides no more justification for including the  
14    third floor in rate base today than did the claim by Gulf in 1989 that the same storage  
15    area was necessary in 1989.

16

17                   BUDGETED TEST YEAR EXPENSES

18    Q. WHAT IS THE PROJECTED TEST YEAR USED BY THE COMPANY IN ITS  
19    MFRS?

20    A. Gulf Power Company selected a test year ended May 31, 2003. This test year consists  
21    of seven months of the 2002 budget and five months of the 2003 forecast.

22

1 Q. DO YOU HAVE CONCERNS REGARDING THE SELECTED TEST YEAR?

2 A. Yes. The test year is based entirely on a projection. A projection is an approximation  
3 or estimate of what resources are anticipated to be needed in the future or what the  
4 Company would like to have available for future operations. The fact that the  
5 Company's request is based on what it would like to have available initiates my first  
6 concern. Of even greater concern is the fact that it has not been possible to evaluate  
7 the amounts contained in the projections.

8

9 Q. WHY WERE YOU UNABLE TO EVALUATE THE REQUESTED AMOUNTS?

10 A. The budget detail and process at Gulf Power Company does not provide readily  
11 accessible information that can be evaluated. Citizens request for Production of  
12 Document (POD) No. 9, submitted early in the schedule, asked for the budget in the  
13 most detailed format available for five annual periods. The response was a single  
14 page, which I have attached as Exhibit\_\_\_(HWS-2). The response identified five  
15 functions plus the category "other." The function totals were the sum of a select  
16 number of the Company's twenty-nine separate planning units, plus the "General To  
17 All" budget unit amount. Simply put, the response only identified extremely high  
18 level budgeted amounts with absolutely no detail.

19

20 Q. IS IT YOUR OPINION THAT A MORE DETAILED BUDGET EXISTS?

21 A. Yes. The Company was asked, in Citizens request for Production of Document No. 4,  
22 to provide "in the most detailed format available" budget to actual variance reports for

1 2000 and 2001 to date. The variance reports, a sample of which I have attached as  
2 Exhibit \_\_\_(HWS-3), are prepared by function. However, the functions are not  
3 identical in title and/or amount as the functions provided in response to POD No. 9. I  
4 have prepared a side by side analysis of the two responses (i.e., POD 9 and POD 4) on  
5 Exhibit\_\_\_(HWS-4). While the total budget for 2000 is the same, the reporting  
6 functions and/or planning units are different in description and/or amounts. The  
7 variance reports suggest a more detailed budget exists.

8

9 Q. IS THE VARIANCE REPORT AT A SUFFICIENT LEVEL OF DETAIL?

10 A. No. The variance reports do not provide explanations for the variances. Although  
11 there is a further identification of costs within the respective planning units, the  
12 variance reports do not provide anything specific. For example, the Corporate  
13 Planning Unit has \$5,653,556 identified as Customer Accounts Expense. This does  
14 not identify the amount included for labor, employee expense, materials, etc. The  
15 information provided is not in the most detailed format available, it is a summary  
16 budget.

17

18 Q. WAS ADDITIONAL DETAIL REQUESTED?

19 A. Yes. A request for a more detailed response to POD No. 9 resulted in a nine page  
20 analysis of the budget by FERC account and sub account, which I have attached as  
21 Exhibit \_\_\_(HWS-5). Although more informative, it did not tie directly to any  
22 respective planning unit totals. Further inquiries were required.

1 Q. WHAT ADDITIONAL INQUIRIES WERE MADE?

2 A. First, I needed to identify how the 2002-2003 test year was developed. Based upon a  
3 response to On-Site Request No. 1, it was determined the test year was the respective  
4 monthly budgets amounts for the months of June 2002 through May of 2003, as  
5 opposed to being an allocation of 7/12 of 2002 and 5/12 of 2003. Next, I inquired as  
6 to why the cost detail by account by month consisted of more entries than planning  
7 units. I am still waiting for this information.

8

9 Q. WHY WAS THE NUMBER OF ENTRIES IMPORTANT?

10 A. In order to assess the costs budgeted, there must be an understanding of what the  
11 costs are for and how the costs are accumulated and rolled into the respective planning  
12 units. For example, Account 5000000 had a test year budget of \$7,462,190. Based  
13 on the representation that the 29 planning units are the lowest level at which the  
14 budgeting is done, I would expect 29 budget amounts at most for Account 5000000.  
15 The monthly budget run provided in response to On-Site Request No. 1 identified 116  
16 entries. Simply put, one of the questions that needs to be answered is why are there  
17 116 entries for an account if there are only 29 planning units preparing the budget, as  
18 purported by Gulf Power.

19

20 Q. ARE THERE OTHER INQUIRIES THAT YOU ARE AWAITING RESPONSES  
21 TO?

22 A. Yes. In an attempt to assess the projected costs requested by the Company, I

1 identified a number of accounts and asked for identification of the different types of  
2 cost budgeted, along with an explanation regarding how each of the respective types  
3 of costs were determined. A response has not been filed as of the date this testimony  
4 was prepared.

5

6 Q. DOES THE COMPANY HAVE GUIDELINES FOR ITS BUDGET PROCESS?

7 A. Yes, to some degree. In response to Citizens' First Set of Interrogatories, Number 9,  
8 Gulf stated that the "Planning units use a modified zero base budgeting  
9 methodology." The response also stated the modified methodology: "Allows the  
10 planning unit the flexibility to build their budget program by program each year or use  
11 the prior year approved budget and adjust the dollars for escalation or new programs."

12

13 Specific guidelines are outlined in the annual budget message. The guidelines  
14 identify escalation rates, customer growth, how to retrieve labor escalation, and  
15 includes various directives including what is required to be maintained to support the  
16 planning units budget.

17

18 Q. WHAT IS REQUIRED FOR SUPPORT?

19 A. The budget message states: "Each Planning Unit is responsible for developing and  
20 maintaining supporting records and working papers for their budget and forecast  
21 requests. Please ensure that detail is maintained within in the Planning Unit in order  
22 to support regulatory and management requests." (Emphasis added) This is the level

1 of detail that I sought to review, to no avail.

2

3 Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO EXPENSE AT THIS  
4 TIME?

5 A. Yes. While I am recommending several adjustments at this time, I may revisit my  
6 recommendation or make additional recommendations upon review of the outstanding  
7 information requests. It was impossible to make a thorough evaluation of the  
8 projected test year based on the extremely limited and incomplete support provided by  
9 Gulf Power Company to date.

10

11

12

13 PAYROLL, FRINGE BENEFITS AND PAYROLL TAXES

14 Q. WHAT AMOUNT OF PAYROLL EXPENSE IS INCLUDED IN THE  
15 COMPANY'S FILING?

16 A. The filing indicates that the projected test year gross payroll will be \$78,328,343 for  
17 1,367 employees. The portion of this that is expensed is not provided. In an attempt  
18 to identify payroll expense, the Company was asked to provide the O&M expense  
19 budget in the most detailed format available. The response, attached as Exhibit  
20 \_\_\_\_ (HWS-2), was not detailed at all. Since the budget on which this entire rate  
21 proceeding is based is not very detailed, the amount of payroll expense could not be  
22 identified. Two additional attempts to secure more budget detail still did not provide

1 sufficient information to identify the amount of payroll expense included. More  
2 specific information has been requested, since the level of budget detail provided was  
3 not as expected.

4  
5 Q. DO YOU HAVE CONCERNS WITH THE PAYROLL FOR THE PROJECTED  
6 TEST YEAR?

7 A. Yes. Company testimony and benchmark schedules identify an increase in  
8 employees. To verify the increase identified, an interrogatory inquired as to the status  
9 of the 29 positions to be filled. The response to Citizens' Interrogatory No. 12  
10 indicated 28 positions had been filled. The Company testimony failed to indicate that  
11 the projected test year payroll was based on an employee complement of 1,367, while  
12 the historic test year had an employee complement of 1,319. The increase of 48  
13 employees has not been addressed in the testimony or in the benchmark justifications.  
14 In fact, the benchmark justifications refer to downsizing, not employee growth. It is  
15 not appropriate that the Company incorporate in its filing a significant increase in the  
16 employee complement without providing any justification for the increase.

17

18 Q. ARE YOU SATISFIED WITH THE PROJECTED INCREASE OF 29 POSITIONS  
19 FOR SMITH UNIT 3?

20 A. Yes. Those additions were identified in the filing, and there has been justification  
21 provided for the addition of the 29 employees. Furthermore, the Company has  
22 provided affirmation that 28 positions have already been filled.

1 Q. WHAT ARE YOU PROPOSING FOR THE REMAINING 19 POSITIONS?

2 A. Since the projected test year includes an increase of 48 employees, and the Company  
3 specifically identified 29 employees for Smith Unit 3, 19 positions remain as  
4 unsupported. The 19 unidentified positions should be removed from the filing. The  
5 Company has not provided testimony and/or justification for increasing the employee  
6 complement beyond that needed for Smith Unit 3. In fact, through 1998 it appears  
7 downsizing was the trend. In 1999, eight positions were added, and five more  
8 positions were added in 2000. The Company is now apparently claiming that in the  
9 next 17 months, 19 unexplained positions are needed.

10

11 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

12 A. As shown on Exhibit \_\_\_(HWS-1), Schedule C-2, payroll expense should be reduced  
13 \$701,420, fringe benefits should be reduced \$131,177, and payroll tax expense should  
14 be reduced \$58,475 in order to remove the 19 positions from the projected test year.

15

16 INCENTIVE COMPENSATION

17 Q. DO YOU HAVE ADDITIONAL PAYROLL-RELATED CONCERNS?

18 A. Yes. The Company's MFR Schedule C-33 provides a summary of gross payroll and  
19 fringe benefits. In reviewing this schedule, it was presumed to be inclusive of all  
20 compensation and benefits. **\*\*\*Begin Confidential\*\*\*** During the on-site review, it  
21 was discovered that the historical test year 2000 costs included an accrual of \$10.8  
22 million for bonuses and/or performance pay. This is an increase of 83% over the

1 1999 accrual of \$5.9 million. **\*\*\*End Confidential\*\*\*** An accrual of this magnitude  
2 is significant in relation to the gross payroll in 2000 of \$72.6 million and fringe  
3 benefits of \$14.6 million. In an attempt to resolve my concern, additional detail has  
4 been requested for the years 2000-2003 regarding the amount of incentive  
5 compensation, the new incentive plan established in 2000, and how the costs are  
6 reported. No support for payment of any incentive compensation has been included in  
7 the Company's filing.

8

9 Q. ARE YOU RECOMMENDING AN ADJUSTMENT FOR INCENTIVE  
10 COMPENSATION?

11 A. Yes. The adjustment is tentative, pending receipt of the additional requested  
12 information. Without any indication as to what amount of incentive related costs  
13 have been expensed in the projected test year, and whether the cost is included in  
14 gross payroll and/or fringe benefits, I cannot make a final assessment of the plan or  
15 determination as to what amount may be reasonable. **\*\*\*Begin Confidential\*\*\*** My  
16 recommendation, as shown on Exhibit \_\_\_(HWS-1), Schedule C-3, removes the  
17 difference between the accrual in 1999 and the accrual in 2000. This results in an  
18 adjustment of \$4,916,800 based on the information provided to date. **\*\*\*End**  
19 **Confidential\*\*\***

20

21 PRODUCTION OPERATION AND MAINTENANCE EXPENSE

22 Q. HAVE YOU REVIEWED THE COMPANY'S REQUEST FOR PRODUCTION

1 OPERATION AND MAINTENANCE EXPENSE?

2 A. Yes. The Company has requested \$83,695,000 in the budgeted test year. The request  
3 of \$83,695,000 is \$9,367,000 higher than the test year benchmark of \$74,328,000.  
4 The two major contributors to the benchmark variance are for production steam  
5 (\$5,786,000) and production other (\$3,840,000). The request is excessive and not  
6 justified by the information provided.

7

8 Q. HAS THE COMPANY EXPLAINED WHY THE REQUESTED AMOUNT IS  
9 NECESSARY?

10 A. The explanation for the \$3,840,000 of production other costs is \$3,376,000 for  
11 operation and maintenance at Plant Smith for Unit 3 and \$450,000 for an extended  
12 service agreement at the Pea Ridge co-generation facility. At this time, I am not  
13 taking exception to this request.

14

15 The \$5.8 million variance for steam production is purportedly due, in part, to  
16 additional maintenance costs associated with the increased amounts of generation and  
17 diagnostic tools not available in 1990 that increase the maintenance activities  
18 performed today.

19

20 Q. WHY IS ADDITIONAL MAINTENANCE ASSOCIATED WITH INCREASED  
21 GENERATION?

22 A. Company witness Moore explains that since the 1990 rate case, the Gulf "generating

1 units have aged significantly and have been required to produce more electricity on an  
2 annual basis.” The increased activity causes extremely high stress “due to the high  
3 temperatures and pressures” at which the units operate.

4  
5 Q. ARE THE UNITS MAINTAINED IN A MANNER THAT A SIGNIFICANT  
6 INCREASE IN COSTS CAN BE AVOIDED?

7 A. That would be expected. Mr. Moore eluded to this on page 5 of his prefiled  
8 testimony, as follows:

9 During the last 12 years, we have worked hard to maintain these units so that  
10 they have continued to provide reliable, low cost service to our customers.  
11

12 Mr. Moore, however, then states that Gulf is now at the point where it must spend  
13 additional money on these units so that they can continue to provide reliable service  
14 in the future.

15  
16 Q. BASED ON THE EXPLANATION GIVEN BY MR. MOORE, IS THERE ANY  
17 REASON WHY THE REQUEST MAY NOT BE APPROPRIATE?

18 A. Yes. The significance of the increase, accompanied by the suddenness, raises a  
19 concern. To illustrate this, I have prepared Exhibit \_\_\_(HWS-6). The Company  
20 summarized its maintenance expense into three classifications, baseline (i.e., normal  
21 maintenance), planned outages and special projects. As shown on Exhibit \_\_\_(HWS-  
22 6), lines 1-5, the normal maintenance costs remained relatively stable from 1996-  
23 2000, averaging \$41.16 million. The Company budgeted \$40.2 million for 2001,

1 continuing the trend. Suddenly, in the projected test year, the budgeted cost increased  
2 \$10.4 million to \$50.6 million. The \$50.6 million projection represents a 23%  
3 increase over the historical five-year average of \$41.16 million. A sudden required  
4 increase of this magnitude raises a great deal of concern.

5  
6 Q. WHAT ABOUT THE REQUEST FOR THE PLANNED OUTAGES?

7 A. The same scenario exists, with two exceptions. First, the overall costs, as shown on  
8 line 10 of Exhibit \_\_\_(HWS-6), were relatively steady except for a dip in  
9 expenditures in 1997. This dip in 1997 is consistent with a dip in expenditures in  
10 1992 for the five-year period 1991-1995; therefore, it does not appear to be an  
11 anomaly. Second, the budget in 2001 did increase \$2.1 million, or 24%, over the  
12 five-year average of \$9 million. The 2001 budget of \$11.1 million was only \$193,807,  
13 or 1.8%, over the \$10.9 million expended in 2000. However, the projected test year  
14 budget of \$14 million is \$2.9 million more than the 2001 budget; \$3.1 million more  
15 than the year 2000; and \$5 million more than the five-year historical average. The  
16 increase in costs is a concern due to the significance and abruptness of the purported  
17 need.

18  
19 Q. DOES THE SAME CONCERN EXIST FOR SPECIAL PROJECTS?

20 A. Yes. The historical average of \$1 million a year is suddenly transformed into a \$3  
21 million need in 2001 and a \$2.7 million need in the projected test year. I would like  
22 to note that the Company's response to Citizens' Interrogatory No. 18 shows the

1 actual September 2001 year-to-date expenditures for special projects is \$47,579.  
2 Annualized, that would amount to \$63,439 of expenditures for 2001, which is  
3 \$2,964,166 under-budget. It appears the 2001 budget is significantly overstated,  
4 which suggests that the projected test year budget is also overstated.

5

6 Q. ARE THERE OTHER CONCERNS WITH THE AMOUNT REQUESTED IN THE  
7 PROJECTED TEST YEAR?

8 A. Yes. Referring to Exhibit \_\_\_(HWS-6), you will notice that on line 18 I have  
9 calculated the benchmark amount for each of the historical years, the five-year  
10 average, the 2001 budget, and the projected test year. For each comparison of actual  
11 to benchmark, the actual expenditures are significantly less than the benchmark  
12 except in the projected test year. Over the last five-years, the Company expended, on  
13 average, \$7.8 million less than the benchmark. Suddenly, the projected test year is  
14 over the benchmark.

15

16 Q. WHY IS THERE A DIFFERENCE BETWEEN THE BENCHMARK VARIANCE  
17 OF \$5.8 MILLION FOR PRODUCTION STEAM REFERRED TO EARLIER AND  
18 YOUR EXHIBIT \_\_\_(HWS-6), WHICH SHOWS A \$2.2 MILLION VARIANCE.

19 A. That is a question I do not have an answer for. I have requested that the Company  
20 explain the difference. What I can explain is that in the response to Citizens'  
21 Interrogatory No. 18, the Company indicated that the baseline budget for the projected  
22 test year is \$50.6 million. Company Exhibit No. \_\_\_(RGM-1), Schedule 8, indicates

1 the filing includes a baseline budget of \$54.1 million. If the \$3.5 million difference  
2 were reflected on my Exhibit \_\_\_(HWS-6), the difference between the historical  
3 benchmark variance and the projected benchmark variance would increase.

4

5 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

6 A. The production steam expense should be reduced \$10,251,700.

7

8 Q. HOW DID YOU DETERMINE YOUR ADJUSTMENT?

9 A. As shown on Exhibit \_\_\_(HWS-6), the amount historically expended has been  
10 relatively consistent, even though cost from year-to-year fluctuate either up or down.  
11 Taking that into consideration, on Exhibit \_\_\_(HWS-1), Schedule C-4, I inflated the  
12 2000 historic test year expenditures of \$53,395,120 by the change in the Company's  
13 calculated compound multiplier between 2000 and 2002. The result is \$56,152,991. I  
14 then assumed the Company would break from the historical trend of underspending  
15 and expend an amount closer to the \$65,083,609 benchmark for the projected test  
16 year. Assuming a compromise between the adjusted historical spending of  
17 \$56,152,991 and the test year benchmark of \$65,083,609, I estimated that the  
18 Company will expend \$60,618,300 in the projected test year for production steam  
19 operations and maintenance. The \$60,618,300 is \$10,251,700 less than the  
20 Company's request of \$70,870,000.

21 DISTRIBUTION EXPENSE

22 Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO TEST YEAR

1 DISTRIBUTION EXPENSES?

2 A. Yes. At this point, I am recommending several different revisions to Gulf's projected  
3 distribution expenses. I will discuss each of the distribution expense  
4 recommendations below.

5

6 Cable Inspection

7 Q. PLEASE EXPLAIN YOUR FIRST ADJUSTMENT TO DISTRIBUTION  
8 EXPENSE.

9 A. Company witness Fisher indicates in his testimony that before 1990, Gulf Power  
10 installed over 600 trench miles of underground primary cable. To extend the life of  
11 this cable, the Company proposes to inject a silicone fluid into the underground cable  
12 to remove water and fill voids. The projected cost of this program is \$166,000. The  
13 entire cost of this program in the projected test year is questionable.

14

15 Q. WHY ARE YOU QUESTIONING THE COST ASSOCIATED WITH THE CABLE  
16 INSPECTION PROCESS DISCUSSED BY MR. FISHER?

17 A. First, Mr. Fisher indicates that the process will greatly extend the life of the cable.  
18 Costs associated with extending the life of an asset are typically capitalized, not  
19 expensed. Second, the Company has expended \$229,435 since 1991 in the  
20 performance of this cable inspection process. That is less than \$23,000 a year. In the  
21 year 2000, nothing was budgeted and nothing was expended. In 2001, again nothing  
22 was budgeted. The projected test year has \$166,099 budgeted. The level of cost

1 projected does not appear to be representative of costs on an annual, recurring basis.

2

3 Q. WHAT IS YOUR RECOMMENDATION?

4 A. As shown on Exhibit \_\_\_(HWS-1), Schedule C-5, the five-year average of cost  
5 associated with this cable inspection process is \$36,336. A reduction of \$129,763 is  
6 recommended to better reflect an annualized level of costs for this program.

7

8 Substation Maintenance

9 Q. WHY ARE YOU RECOMMENDING AN ADJUSTMENT TO SUBSTATION  
10 MAINTENANCE EXPENSE?

11 A. Mr. Fisher indicates increased maintenance is required due to the aging of the  
12 substation equipment. He indicates an increase of \$555,000 annually for diagnostic  
13 procedures; \$200,000 annually for transformer banks, breakers and capacitor banks;  
14 and \$60,000 additional will be expended each year for cleaning. While Mr. Fisher  
15 suggests that the costs are required “during the 2001 to 2003 time period,” the major  
16 portion of the increase occurs in the test year budget period. The request for  
17 \$1,647,000, a 102% increase over the year 2000, is excessive, particularly when one  
18 considers that the costs expended in 1999 were \$861,904; the costs expended in 2000  
19 were \$817,256; and the budget for 2001 is \$1,150,811.

20

21 Q. HAS THE COMPANY PROVIDED ANY JUSTIFICATION FOR THE 102%  
22 INCREASE?

1 A. The Company's justification, in the testimony of Mr. Fisher and in Benchmark  
2 Variance explanations, is that it will incur \$815,000 of additional costs on an annual  
3 basis during the 2001 to 2003 time period. The 2001 budget of \$1,150,811 certainly  
4 does not reflect an annual increase of \$815,000. This significant projected increase in  
5 spending raises a concern as to whether the sudden request for an additional \$815,000  
6 is rate case related. If the need for these expenditures exists, then one would think  
7 that the Company's actual historic costs would be closer to the 1999 benchmark of  
8 \$1,196,666, instead of the \$861,904 that was expended. The same applies to 2000  
9 when the benchmark was \$1,263,056 and only \$817,256 was expended. The two  
10 years of under-spending the benchmark level, coupled with the required annual  
11 increase-not being reflected in the 2001 budget (also below the benchmark), raises a  
12 concern regarding the sudden significant increase projected in the test year.

13

14 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

15 A. The projected test year should be reduced \$391,316. This adjustment is based on the  
16 most recent five year average (1996-2000) of actual costs grossed up to 2002 cost  
17 levels. The resulting recommended cost of \$1,255,684 for the projected test year is  
18 \$438,428 or 54% more than was actually expended in the year 2000. This adjustment  
19 is calculated on Schedule C-6, and results in a more than reasonable level of  
20 spending, particularly as the Company has only expended more than \$1 million twice  
21 in the last ten years for substation maintenance.

22

1                   Tree Trimming

2       Q. WHAT ADJUSTMENT ARE YOU MAKING TO TREE TRIMMING EXPENSE?

3       A. The Company's request for \$4,122,705 for tree trimming expense should be reduced  
4       \$1,379,080 to \$2,743,625. The calculation of this recommended adjustment  
5       presented on Schedule C-7. Mr. Fisher once again indicates in his testimony that the  
6       need is there for improvements. Mr. Fisher states that a more proactive tree-trimming  
7       program is required due to the increase in the number of tree related outages. The  
8       increase requested is based on a proposed change from a seven-year trimming cycle to  
9       a three-year trimming cycle. This claim is not supported by either Company studies  
10      or actions.

11  
12      Q. WHY DO YOU CONTEND THE CLAIM IS NOT SUPPORTED?

13                                   **\*\*\*\*\*Begin Confidential\*\*\*\*\***

14      A. A review of recent customer surveys identifies maintaining reliable services as a  
15      strength of Gulf Power. While the percentage of customers who site reliability as a  
16      strength varies from period to period, the question of reliability consistently is Gulf  
17      Powers most favorable strength.

18                                   **\*\*\*\*\*End Confidential\*\*\*\*\***

19      Gulf Power's action toward proactive tree-trimming speaks louder than words. In the  
20      year 2000, Gulf Power budgeted \$3,010,997 and only expended \$1,634,914. The  
21      2001 budget was set at \$1,639,694. Suddenly, the proactive position is determined to  
22      be the direction the Company must head toward, and a budget of \$4,122,705 is

1 established for the projected test year. The sudden need for a change to a three-year  
2 cycle and a significant increase of costs in the projected test year is suspiciously  
3 convenient.

4  
5 Pole Inspections

6 Q. WHY IS THE ADJUSTMENT FOR POLE LINE INSPECTIONS NECESSARY?

7 A. Once again, the Company claims that due to the condition of aging equipment, an  
8 increase in expenditures is required. The request for the increase to \$734,000  
9 annually is not appropriate. The Company did not expend any funds in 1999 or 2000  
10 for this type of maintenance. As with the distribution expenses discussed previously,  
11 the need for this increase was not reflected in the 2001 budget, but it does appear in  
12 the test year projections. According to the Benchmark Variance Justification, the  
13 Company began the inspection program in 1991 and has inspected 48,000 poles over  
14 the last ten years. Suddenly, Gulf claims there is a need to inspect the remaining  
15 60,000 poles over the next five years. There also is no indication as to what period of  
16 time the \$734,000 proposed annual level will continue for. Additional detail has been  
17 requested to better evaluate this request.

18  
19 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

20 A. Based on the fluctuating level of expenditures for this program from 1993 to 2000,  
21 the most appropriate level of costs would best be determined by averaging the  
22 historical costs. Inflating the average historical costs to a 2002 level results in a

1 recommended annual cost level of \$207,274. As presented on Schedule C-8, a  
2 reduction of \$526,726 is recommend to the Company's test year projection of  
3 \$734,000.

4

5 Light Maintenance

6 Q. WHY IS AN ADJUSTMENT TO STREET AND OUTDOOR LIGHT  
7 MAINTENANCE EXPENSE NECESSARY?

8 A. The Company's request of \$1,438,000 is excessive, and sufficient justification for the  
9 request, does not exist. Historically, the annual expense has been less than \$1  
10 million, with the exception of 1998, which was \$1,090,648. The growth rate in lights  
11 is not an appropriate factor to be applied to the 1990 allowed expense in justifying the  
12 request. The annual maintenance expense per light has declined approximately 20%.  
13 Actual detail on the budgeting for the \$1,438,000 has been requested for review. A  
14 response is still outstanding at this time.

15

16 Q. HOW DID YOU DETERMINE YOUR ADJUSTMENT?

17 A. The historical costs for the period 1996-2000 were totaled and divided by the number  
18 of lights maintained to arrive at an average cost per light of \$7.86. This rate was  
19 multiplied by the estimated number of lights in the test year of 142,255, resulting in  
20 an expense of \$1,117,857. The calculated expense is \$320,143 less than the  
21 Company's \$1,438,000 request for the test year. The adjustment, which is presented  
22 on Schedule C-9, is reasonable on a going-forward basis. It recognizes the historical

1 growth and changes on the maintenance cost per light.

2  
3 PROPERTY INSURANCE

4 Q. IS THE PROJECTED PROPERTY INSURANCE EXPENSE REASONABLE?

5 A. No. The Company had a negative reserve back in 1995. To compensate for the  
6 excess of costs over the annual expense provision, the Company was authorized, in  
7 Docket No. 951433-EI, to increase its annual accrual to a minimum of \$3,500,000.  
8 Since 1996, the average annual charge against the reserve has been \$1,536,600. The  
9 reserve has increased to \$8,731,000 as a result of the increase in the annual provision  
10 and the lower amount of annual charges. If the Company continues to accrue at the  
11 current rate, the reserve balance will be \$16,488,000 at May 31, 2003. The historical  
12 charges suggest the reserve is at a sufficient level to justify a reduction in the annual  
13 reserve accrual.

14  
15 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

16 A. As shown on Exhibit \_\_\_(HWS-1), Schedule C-10, the average annual charge to the  
17 reserve from 1996 to 2000 has been \$1,536,600. Applying the change in the  
18 multiplier from 2000-2002, the annual cost would be \$1,679,616. Due to the  
19 significant amount in the reserve as of December 2000, further increases are not  
20 justified. An annual accrual of \$1,679,616 is considered reasonable to offset any  
21 charges and still maintain the current reserve balance. Adjusting the accrual from  
22 \$3,360,000 to \$1,679,616 results in a reduction to expense of \$1,680,384.

1        CUSTOMER ACCOUNTS

2        Q. WHAT IS THE COMPANY REQUESTING FOR CUSTOMER ACCOUNTS  
3        EXPENSE?

4        A. The amount requested is \$16,662,000. The adjusted benchmark is \$14,160,000, and  
5        the year 2000 actual expense is \$15,362,000.

6

7        Q. HAS THE COMPANY JUSTIFIED ITS REQUEST?

8        A. No. Explanations were provided for four benchmark variances. The explanations  
9        provided some functional variance explanations, but they do not provide a complete  
10       analysis of the changes in customer accounts.

11

12       Q. WHAT CHANGES ARE OF CONCERN?

13       A. Account 90300205-Postage was \$1,114,054 in the year 2000. The projected test year  
14       includes \$1,645,717 for this account, or an increase of \$531,663 or 48%. There is no  
15       justification in the filing for an increase of postage expense of this magnitude. I  
16       recommend the projected postage expense be reduced by \$427,975.

17

18       Q. DO YOU KNOW HOW THE COMPANY DETERMINED ITS POSTAGE  
19       EXPENSE REQUEST?

20       A. No. The filing does not provide any explanation for the increase in postage. A  
21       request has been made for budget detail to determine how the amount was determined  
22       and what caused the increase. That information has not been received at this time.

1 Q. HOW DID YOU DETERMINE YOUR ADJUSTMENT?

2 A. My adjustment of \$427,975 is based on the difference between the year 2000 expense  
3 inflated by the change in the compound multiplier from the year 2000 to 2002 and the  
4 Company's request of \$1,645,717. The calculation is shown on Exhibit \_\_\_(HWS-1),  
5 Schedule C-11.

6

7 CUSTOMER RECORDS

8 Q. WHY ARE YOU ADJUSTING CUSTOMER RECORD EXPENSE?

A. 9 A. The requested Company Record's expense of \$3,102,769 in the projected test year is  
10 \$763,942 higher than the year 2000 expense of \$2,338,827. The increase of 33% is  
11 not justified or supported in the filing. The benchmark justifications discuss changes  
12 implemented years ago, and they provide no insight as to why the cost in Account  
13 90300020 increased so significantly between the year 2000 and the projected test year  
14 ending May 31, 2003.

15

16 Q. HAVE YOU INQUIRED AS TO WHAT THE DIFFERENCE COULD BE?

17 A. Yes. However, I have not received the requested budget detail for this account.

18

19 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?

20 A. The requested customer records expense should be reduced \$546,261, as shown on  
21 Exhibit \_\_\_(HWS-1), Schedule C-12. The adjusted amount is based on the year 2000  
22 expense, as adjusted by the compound multiplier.

1           RATE CASE EXPENSE

2           Q. ARE YOU RECOMMENDING AN ADJUSTMENT TO RATE CASE EXPENSE?

3           A. Yes. An adjustment is necessary for two reasons. First, the estimated cost is  
4           considered excessive; specifically, for the 219.13% increase in legal fees. Second, the  
5           four year amortization period is not appropriate.

6

7           Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING FOR LEGAL EXPENSES?

8           A. The estimated legal expense is overstated by \$153,223. My estimate of \$449,777, as  
9           presented on Schedule C-13, is based on the prior rate case actual of \$188,953  
10          indexed by the 2002 compound multiplier to \$345,982. I then added a 30% increase  
11          of \$103,795 for additional billable hours.

12

13          Q. WHAT AMORTIZATION PERIOD ARE YOU RECOMMENDING?

14          A. The last rate case, Docket 891345-EI, had a six-year time lapse between that case and  
15          Gulf's last rate case. The time between Docket 891345-EI and this rate case is eleven  
16          years. I recommend that a minimum six-year amortization period be utilized,  
17          reducing expense \$140,829. My recommended adjustments to rate case expense are  
18          presented on Schedule C-13.

19

20          Q. DOES THIS COMPLETE YOUR TESTIMONY?

21          A. Yes, at this time. As discussed throughout this testimony, there are numerous  
22          interrogatories outstanding. Consequently, I reserve the right to supplement this

1 testimony at a future time.

GULF POWER COMPANY  
 Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
 Exhibit\_\_(HWS-1)  
 Schedule A-1

Revenue Requirement  
 (Thousands of Dollars)

Line No.	Description	Per Company Amount (A)	Per OPC Amount (B)	Reference:
1	Jurisdictional Adjusted Rate Base	1,198,502	1,187,320	Schedule B-1
2	Rate of Return	8.64%	7.41%	Rothchild
3	Jurisdictional Income Required	103,551	87,980	Line 1 x Line 2
4	Jurisdictional Adjusted Net Operating Income	61,378	78,917	Schedule C-1
5	Income Deficiency (Sufficiency)	42,173	9,063	Line 3 - Line 4
6	Earned Rate of Return	5.12%	6.65%	Line 4 / Line 1
7	Net Operating Income Multiplier	1.656666	1.656666	Co. Sch. C-58
8	Revenue Deficiency (Sufficiency)	69,867	15,014	Line 5 x Line 7

GULF POWER COMPANY  
 Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
 Exhibit \_\_ (HWS-1)  
 Schedule B-1  
 Page 1 of 2

Adjusted Rate Base  
 (Thousands of Dollars)

Line No.	Rate Base Components	Adjusted Total Amount per Company (A)	OPC Adjustments (B)	Adjusted Total Amount per OPC (C)	Jurisdictional Rate Base Factor (D)	Per OPC Jurisdictional Adjusted Amount (E)
1	Plant In Service	2,015,013	(3,800)	2,011,213	0.9759203	1,962,784
2	Accum. Depreciation & Amortization	876,236	(3,291)	872,945	0.9747363	850,891
3	Net Plant In Service	1,138,777		1,138,268		1,111,893
4	Plant Held for Future Use	3,164		3,164	0.9687105	3,065
5	Construction Work In Progress	16,361	-	16,361	0.9687672	15,850
6	Plant Acquisition Adjustment	-		-		
7	Net Utility Plant	1,158,302		1,157,793		1,130,808
8	Working Capital Allowance	69,342	(11,023)	58,319	0.9690231	56,512
9	Other Rate Base	-	-	-		
10	Total Rate Base	1,227,644		1,216,112		1,187,320

Source/Notes:

Col. (A): Company MFR Schedule B-3, page 3

Col. (B): See Page 2

Col. (D): Average Jurisdictional Rate Base Factors from Company MFR Schedule B-3, page 3

GULF POWER COMPANY  
 Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
 Exhibit\_\_(HWS-1)  
 Schedule B-1  
 Page 2 of 2

Adjusted Rate Base - Summary of Adjustments  
 (Thousands of Dollars)

Line No.	Adjustment Title	Reference	Plant In Service	Accum. Deprec. & Amortization	CWIP	Working Capital Allowance	Other Rate Base Items	Total Rate Base
1	2001 Depreciation Study Adjustment	(1)		(1,200)				(1,200)
2	Smith CC Depreciable Life Adjustment	(1)		(1,753)				(1,753)
3	Coal Inventory	Sch. B-2				(8,130)		(8,130)
4	Deferred Return - Third Floor	Testimony				(2,893)		(2,893)
5	Third Floor Corporate Office	Testimony	(3,800)	(338)				(4,138)
								-
6	Total Rate Base Adjustments		<u>(3,800)</u>	<u>(3,291)</u>	<u>-</u>	<u>(11,023)</u>	<u>-</u>	<u>(18,114)</u>

Notes:  
 (1) Adjustment Sponsored by OPC Witness Mike Majoros

GULF POWER COMPANY  
 Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
 Exhibit\_\_(HWS-1)  
 Schedule B-2

Working Capital - Fuel Inventory

Line No.	Description	(A) Units	(B) \$/Unit	(C) Cost
<b><u>Coal Inventory</u></b>				
1	Allowable Actual Maintained	476,481	38.463	18,326,889
2	Company Increase at Plant Smith	76,223	38.463	2,931,765
3	80% of Company In-Transit Amount			10,504,000
4	Adjustment for Plant Scherer			<u>(2,678,000)</u>
5	Average Recommended Coal Inventory			29,084,654
6	Company Requested Coal Inventory			<u>37,215,000</u>
7	Coal Inventory Adjustment			<u><u>(8,130,346)</u></u>

Source: Columns A and B are from Company Schedule B-17a.  
 Line 4 is from Company Schedule B-14.

GULF POWER COMPANY  
 Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
 Exhibit\_\_(HWS-1)  
 Schedule C-1  
 Page 1 of 2

Adjusted Net Operating Income  
 (Thousands of Dollars)

Line No.	Description	Adjusted Total Amount per Company (A)	OPC Adjustments (B)	Adjusted Total Amount per OPC (C)	Jurisdictional Separation Factor (D)	Per OPC Jurisdictional Adjusted Amount (E)
<b>Operating Revenues:</b>						
1	Sales of Electricity	364,924	-	364,924	0.9834870	358,898
2	Other Operating Revenues	14,085	-	14,085	0.9809017	13,816
3	Total Operating Revenues	<u>379,009</u>		<u>379,009</u>		<u>372,714</u>
<b>Operating Expenses:</b>						
4	Operation - Fuel	-	(1,198)	(1,198)	1.0000000	(1,198)
5	Interchange	-		-	-	-
6	Other Operation & Maint.	186,354	(23,514)	162,840	0.9788843	159,402
7	Depreciation & Amortization	79,530	(5,481)	74,049	0.9752798	72,218
8	Amort. Of Investment Credit	(1,499)		(1,499)	0.9753169	(1,462)
9	Taxes Other Than Income	37,604	(58)	37,546	0.9831135	36,912
<b>Income Taxes:</b>						
10	Federal	18,464	10,006	28,470	1.0349328	29,465
11	State	3,044	1,665	4,709	1.0348226	4,873
<b>Deferred Income Taxes - Net</b>						
12	Federal	(5,563)		(5,563)	1.0434932	(5,805)
13	State	(583)		(583)	1.0434932	(608)
14	Investment Tax Credit	-		-	-	-
15	Total Operating Expenses	<u>317,351</u>		<u>298,771</u>		<u>293,797</u>
16	Net Operating Income	<u>61,658</u>		<u>80,238</u>		<u>78,917</u>

Source/Notes:

Col. (A): Company MFR Schedule C-2, page 3

Col. (B): See Page 2

Col. (D): Average Jurisdictional Rate Base Factors from Company MFR Schedule C-2, page 3

Adjusted Net Operating Income - Adjustment Summary  
 (Thousands of Dollars)

Line No.	Adjustment Title	Reference	Sales of Electricity	Other Operating Revenues	Operation-Fuel	Other O&M	Depreciation and Amortization	Taxes Other Than Income	Federal Income Taxes	State Income Taxes	Total NOI Impact
1	Payroll, Fringe Benefit & Payroll Taxes	Sch. C-2				(833)		(58)	295	49	(547)
2	<b>Incentive Compensation-Confidential</b>	Sch. C-3				(4,917)			1,626	270	(3,021)
3	Production O&M	Sch. C-4				(10,252)			3,391	564	(6,297)
4	Distribution - Cable Inspection	Sch. C-5				(130)			43	7	(80)
5	Distribution - Substation Maintenance	Sch. C-6				(391)			129	22	(240)
6	Distrtibution - Tree Trimming	Sch. C-7				(1,379)			456	76	(847)
7	Distribution - Pole Inspections	Sch. C-8				(527)			174	29	(324)
8	Distribution - Street & Outdoor Lights	Sch. C-9				(320)			106	18	(196)
9	Property Insurance	Sch. C-10				(1,680)			556	92	(1,032)
10	Customer Accounts - Postage	Sch. C-11				(428)			141	24	(263)
11	Customer Accounts - Customer Records	Sch. C-12				(546)			181	30	(335)
12	Rate Case Expense	Sch. C-13				(141)			46	8	(87)
13	Deferred Return Third Floor	Testimony					(1,157)		383	64	(710)
14	2001 Depreciation Study Adjustment	(1)					(815)		270	45	(500)
15	Smith CC Depreciable Life Adjustment	(1)					(3,509)		1,161	193	(2,155)
16	Southern Co. Svcs. Affiliate Adjustmen	(2)				(1,420)			470	78	(872)
17	SCS Wholesale Energy Costs	(2)			(1,198)				396	66	(736)
18	Advertising Expense	(2)				(550)			182	30	(338)
19	<b>Total Net Operating Income Adjustments</b>		<b>-</b>	<b>-</b>	<b>(1,198)</b>	<b>(23,514)</b>	<b>(5,481)</b>	<b>(58)</b>	<b>10,006</b>	<b>1,665</b>	<b>(18,580)</b>

Notes:

- (1) Adjustment Sponsored by OPC Witness Mike Majoros
- (2) Adjustment Sponsored by OPC Witness Kim Dismukes

Payroll, Benefit and Payroll Tax Expense Adjustment

Line No.	Description	Cost	Reference
<b>Payroll</b>			
1	Gross Payroll in 2000	72,597,114	A
2	Expensed Payroll in 2000	46,773,144	B
3	Percentage of Payroll Expensed	<u>64.43%</u>	Line1/Line 2
4	Projected Average Gross Per Employee	57,299	A
5	Unidentified Positions	19	Testimony
6	Unsupported Gross in Projected Test Year	<u>1,088,681</u>	Line 4 x Line 5
7	Unsupported Expense in Projected Test Year	<u>(701,420)</u>	Line 3 x Line 6
<b>Fringe Benefits</b>			
8	Fringe Benefits in Projected Test Year	15,967,865	A
9	FICA, Federal, State Unemployment Taxes	<u>(6,530,000)</u>	A
10	Fringe Benefits Excluding Payroll Taxes	9,437,865	Line 8 - Line 9
11	Total Projected Employee Complement	<u>1,367</u>	A
12	Projected Average Benefit Per Employee	6,904	Line10/Line 11
13	Unsupported Expense in Projected Test Year	<u>(131,177)</u>	Line 5 x Line 12
<b>Payroll Taxes</b>			
14	Payroll Taxes in Projected Test Year	6,530,000	A
15	Gross Payroll in Projected Test Year	78,328,343	A
16	Percentage of Payroll Taxes to Payroll	<u>8.34%</u>	Line 14/Line 15
17	Unsupported Expense in Projected Test Year	<u>(58,475)</u>	Line 7 x Line 16

Source (A) Company Schedule C-33.  
 (B) Company response to Citizens' POD No. 13.

GULF POWER COMPANY  
Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
Exhibit\_\_(HWS-1)  
Schedule C-3

Incentive Compensation Adjustment

**CONFIDENTIAL**

<u>Line No.</u>	<u>Description</u>	<u>Cost</u>	<u>Reference</u>
1	Test Year 2000 Accrual	10,827,970	A
2	1999 Accrual	<u>5,911,170</u>	A
3	Unsupported Increase	<u><u>(4,916,800)</u></u>	Line 2 - Line 1

Source (A) Company response to Citizens' POD No. 16.

GULF POWER COMPANY  
 Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
 Exhibit\_\_ (HWS-1)  
 Schedule C-4

Production O&M Expense Adjustment

<u>Line No.</u>	<u>Description</u>	<u>Cost</u>	<u>Reference</u>
1	Baseline Production O&M Expense	41,057,629	A
2	Planned Outage O&M Expense	10,919,524	A
3	Special Project O&M Expense	<u>1,417,967</u>	A
4	Total Year 2000 Production Steam O&M Expense	<u>53,395,120</u>	A
5	Indexed Test Year Production Steam O&M Expense	<u>56,152,991</u>	Line 4 x 1.05165
6	Test Year Benchmark	<u>65,083,609</u>	B
7	Average of Indexed Test Year and Test Year Benchmark	60,618,300	(L.5 + L.6)/2
8	Test Year Amount per Company	<u>70,870,000</u>	B
9	Test Year Adjustment	<u><u>(10,251,700)</u></u>	Line 7 - Line 8

Source: (A) Amounts from Company response to Citizens' Interrogatory No. 18.  
 (B) Amounts are from Company Exhibit No.\_\_\_\_(RGM-1), Schedule 7.

Distribution Expense - Cable Inspection

Line No.	Description	Year	(A) Factor	(B) Historical Cost	(C) Inflated Cost
1		1996	1.33532	127,524	170,286
2		1997	1.26408	9,013	11,393
3		1998	1.20212		-
4		1999	1.15372		-
5		2000	1.09307		-
6	Total			<u>136,537</u>	<u>181,679</u>
7	Indexed Five Year Average				36,336
8	Test Year Amount per Company				<u>166,099</u>
9	Test Year Adjustment				<u><u>(129,763)</u></u>

Source Column A, Lines 1-5 are calculated from the Company Schedule C-56.  
 Column B, Lines 1-5 are from the Company response to Citizens' Interrogatory No. 38.  
 Line 8 is from Company Schedule C-57, Page 24.

GULF POWER COMPANY  
 Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
 Exhibit (HWS-1)  
 Schedule C-6

Distribution Expense - Substation Maintenance

Line No.	Description	Year	(A) Factor	(B) Historical Cost	(C) Inflated Cost
1		1996	1.33532	1,059,337	1,414,558
2		1997	1.26408	938,694	1,186,587
3		1998	1.20212	1,488,667	1,789,561
4		1999	1.15372	861,904	994,392
5		2000	1.09307	817,256	893,320
6	Total			<u>5,165,858</u>	<u>6,278,419</u>
7	Indexed Five Year Average				1,255,684
8	Test Year Amount per Company				<u>1,647,000</u>
9	Test Year Adjustment				<u><u>(391,316)</u></u>

Source Column A, Lines 1-5 are calculated from the Company Schedule C-56.  
 Column B, Lines 1-5 are from the Company response to Citizens' Interrogatory No. 32.  
 Line 8 is from Company Schedule C-57, Page 21.

GULF POWER COMPANY  
 Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
 Exhibit (HWS-1)  
 Schedule C-7

Distribution Expense - Tree Trimming

Line No.	Description	Year	(A) Factor	(B) Historical Cost	(C) Inflated Cost
1		1996	1.33532	2,771,714	3,701,137
2		1997	1.26408	1,947,769	2,462,142
3		1998	1.20212	2,656,185	3,193,062
4		1999	1.15372	2,231,662	2,574,703
5		2000	1.09307	1,634,914	1,787,080
6	Total			<u>11,242,244</u>	<u>13,718,123</u>
7	Indexed Five Year Average				2,743,625
8	Test Year Amount per Company				<u>4,122,705</u>
9	Test Year Adjustment				<u><u>(1,379,080)</u></u>

Source Column A, Lines 1-5 are calculated from the Company Schedule C-56.  
 Column B, Lines 1-5 are from the Company response to Citizens' Interrogatory No. 33.  
 Line 8 is from the Company revised response to Citizens' POD No. 9 and Company witness Mr. F.M. Fisher.

GULF POWER COMPANY  
 Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
 Exhibit\_\_(HWS-1)  
 Schedule C-8

Distribution Expense - Pole Inspections

Line No.	Description	Year	(A) Factor	(B) Historical Cost	(C) Inflated Cost
1		1996	1.33532	85,063	113,587
2		1997	1.26408	76,592	96,819
3		1998	1.20212	687,088	825,964
4		1999	1.15372	-	-
5		2000	1.09307	-	-
6	Total			<u>848,743</u>	<u>1,036,370</u>
7	Indexed Five Year Average				207,274
8	Test Year Amount per Company				<u>734,000</u>
9	Test Year Adjustment				<u><u>(526,726)</u></u>

Source Column A, Lines 1-5 are calculated from the Company Schedule C-56.  
 Column B, Lines 1-5 are from the Company response to Citizens' Interrogatory No. 31.  
 Line 8 is from Company Schedule C-57, Page 25.

Distribution Expense - Street & Outdoor Lights

Line No.	Description	Year	(A) Lights	(B) Historical Cost	(C) Average Cost
1		1996	97,880	705,308	7.21
2		1997	103,069	758,229	7.36
3		1998	113,783	1,090,648	9.59
4		1999	119,005	880,264	7.40
5		2000	124,891	967,403	7.75
6	Total		<u>558,628</u>	<u>4,401,852</u>	<u>39.29</u>
7	Five Year Average		<u>5.52%</u>		<u>7.8581</u>
8		2001	131,784		
9		2002	139,057		
10		2003	146,732		
11	Test Year		142,255	x \$7.8581	1,117,857
12	Test Year Amount per Company				<u>1,438,000</u>
13	Test Year Adjustment				<u>(320,143)</u>

Source Columns A & B, Lines 1-5 are from the Company response to Citizens' Interrogatory No. 40.  
 Lines 8-10 are based on the average growth rate for 1996-2000 as shown on line 7.  
 Line 12 is from Company Schedule C-57, Page 20.

Property Insurance Adjustment

Line No.	Description	Year	(A) Factor	(B) Historical Cost	(C) Inflated Cost
1		1996		273,000	
2		1997		1,344,000	
3		1998		4,192,000	
4		1999		1,576,000	
5		2000		298,000	
6	Total			<u>7,683,000</u>	
7	Indexed Five Year Average		1.09307	1,536,600	1,679,616
8	Test Year Amount per Company				<u>3,360,000</u>
9	Test Year Adjustment				<u>(1,680,384)</u>

Source: Column A, Line 7 is calculated from the Company Schedule C-56.  
 Column B, Lines 1-5 are from the Company response to Citizens' Interrogatory No. 43.  
 Line 8 is from Company Schedule C-57, Page 44.

GULF POWER COMPANY  
Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
Exhibit \_\_ (HWS-1)  
Schedule C-11

Customer Accounts Expense - Postage

<u>Line No.</u>	<u>Description</u>	<u>Cost</u>	<u>Reference</u>
1	Actual Year 2000 Expense	1,114,054	A
2	Index Rate	<u>1.09307</u>	B
3	Indexed Test Year Expense	1,217,742	Line 1 x Line 2
4	Test Year Amount per Company	<u>1,645,717</u>	A
5	Test Year Adjustment	<u>(427,975)</u>	Line 4 - Line 3

Source: (A) Company supplemental response to Citizens' POD No. 9.  
(B) Calculated from the Company Schedule C-56.

GULF POWER COMPANY  
Projected Test Year Ended May 31, 2003

Docket No. 010949-EI  
Exhibit\_\_(HWS-1)  
Schedule C-12

Customer Accounts Expense - Customer Records

<u>Line No.</u>	<u>Description</u>	<u>Cost</u>	<u>Reference</u>
1	Actual Year 2000 Expense	2,338,827	A
2	Index Rate	<u>1.09307</u>	B
3	Indexed Test Year Expense	2,556,508	Line 1 x Line 2
4	Test Year Amount per Company	<u>3,102,769</u>	A
5	Test Year Adjustment	<u><u>(546,261)</u></u>	Line 4 - Line 3

Source: (A) Company supplemental response to Citizens' POD No. 9.  
(B) Calculated from the Company Schedule C-56.

Rate Case Expense

<u>Line No.</u>	<u>Description</u>	<u>Cost</u>	<u>Reference</u>
1	Actual Legal Expense Prior Case	188,953	A
2	Index Rate	<u>1.83105</u>	B
3	Indexed Test Year Expense	345,982	Line 1 x Line 2
4	30% Increase for Additional Hours	<u>103,795</u>	Line 3 x 30%
5	Estimated Legal Services	449,777	Line 3 + Line 4
6	Other Company Rate Case Expenses	<u>780,500</u>	A
7	Projected Rate Case Expense	<u>1,230,277</u>	Line 5 + Line 6
8	Amortization Based on 6 Years	205,046	Line 7/6
9	Test Year Amount per Company	<u>345,875</u>	A
10	Test Year Adjustment	<u><u>(140,829)</u></u>	Line 8 - Line 9

Source: (A) Company Schedule C-24.  
 (B) Multiplier from the Company Schedule C-56.

Citizen' First Request for  
Production of Documents  
Docket No. 010949-EI  
GULF POWER COMPANY  
November 9, 2001  
Item No. 9  
Page 1 of 1

9. Budget. Provide a copy of the O&M budget for the years 2000, 2001, 2002, 2003 and the test year in the most detailed format available (i.e., cost center, budget center, etc.)

ANSWER:

Planning Unit	Total by Planning Unit (O&M, ECRC, ECCR)				
	1 2000 Budget	2 2001 Budget	3 2002 Budget	4 2003 Budget	5 Test Year Budget
<b>POWER DELIVERY &amp; CUST OP</b>					
Customer Service	7,908,944	7,899,857	8,547,750	8,850,688	8,674,500
Customer Operations Support	373,581	380,730	411,286	426,956	417,854
Transportation	0	0	0	0	0
Power Delivery	20,261,655	19,981,194	26,176,653	26,916,999	26,671,303
Security Services	1,074,249	1,028,801	1,118,530	1,155,964	1,134,207
Corporate Real Estate & Quality	2,002,215	2,001,392	3,806,035	3,843,343	3,778,394
Total PDCO	<u>31,620,644</u>	<u>31,291,974</u>	<u>40,060,254</u>	<u>41,193,950</u>	<u>40,676,258</u>
<b>GENERATION &amp; TRANSMISSION</b>					
Procurement & Materials	329,356	320,898	334,019	347,760	339,776
Transmission	2,445,338	2,503,840	2,757,919	2,854,870	2,925,690
Environmental Affairs	1,451,804	1,650,698	1,685,209	1,746,348	1,709,748
Power Generation Office	393,979	563,086	598,176	618,098	606,000
Plant Crist	26,486,572	27,812,165	37,208,800	33,354,175	31,473,180
Plant Smith	8,890,978	8,083,066	13,999,386	15,248,972	15,599,523
Plant Scholz	3,783,794	3,150,502	4,868,592	3,993,298	4,335,197
Gulf CoGen	450,000	457,000	456,800	456,819	456,810
Plant Daniel	14,112,324	13,214,789	16,098,221	16,484,577	15,913,247
Plant Scherer	5,013,311	6,871,564	3,925,721	4,019,940	3,963,986
Total G&T	<u>63,357,456</u>	<u>64,627,608</u>	<u>81,932,843</u>	<u>79,124,857</u>	<u>77,323,157</u>
<b>MARKETING &amp; EEA</b>					
Marketing & Load Management	7,554,923	8,144,621	8,897,017	9,086,275	9,002,386
Appliance Sales	0	0	0	0	0
Economic Development	781,882	787,297	937,397	1,010,701	966,412
Emp Relations/Safety & Health	1,168,911	1,178,272	1,483,127	1,532,901	1,453,420
Human Resources	286,457	297,660	327,114	338,915	332,050
Governmental Affairs	0	0	0	0	0
Corporate Communications	2,409,708	2,477,508	2,714,974	2,793,332	2,747,479
Total M & EEA	<u>12,201,881</u>	<u>12,885,358</u>	<u>14,359,629</u>	<u>14,762,124</u>	<u>14,501,747</u>
<b>TREASURY OFFICER/CIO</b>					
Executive	2,493,622	2,477,902	2,587,946	2,677,238	2,625,052
Sec., Treas. & Rates	1,512,725	1,616,788	1,930,433	2,170,885	2,103,310
Total TO/CIO	<u>4,006,347</u>	<u>4,094,690</u>	<u>4,518,379</u>	<u>4,848,123</u>	<u>4,728,362</u>
<b>CHIEF FINANCIAL OFFICER</b>					
Accounting	2,157,079	2,187,296	2,280,454	2,381,115	2,326,346
Corporate Planning	681,726	706,194	901,878	930,463	917,475
Regulatory Affairs	165,309	171,096	182,170	188,808	184,972
Total CFO	<u>3,004,114</u>	<u>3,064,586</u>	<u>3,364,502</u>	<u>3,500,386</u>	<u>3,428,793</u>
<b>OTHER</b>					
SCS	37,742,948	36,485,101	37,181,961	37,665,597	37,809,589
General To All	20,699,781	24,380,291	22,093,380	23,424,579	22,657,825
Total Other	<u>58,442,729</u>	<u>60,865,392</u>	<u>59,275,341</u>	<u>61,090,176</u>	<u>60,467,414</u>
Total Company	<u>172,633,171</u>	<u>176,829,608</u>	<u>203,510,948</u>	<u>204,519,516</u>	<u>201,125,731</u>





# Gulf Power Company

## O&M Analysis (O & M, ECCR, & ECRC) by FERC & SUB

12/5/2001

Ferc Sub	Description	Original Budget 2000	Original Budget 2001	Original Budget 2002	Original Budget 2003	Test Year Budget
50000000	Oper,spvsn&enr	5,978,154	6,389,029	7,399,905	7,636,622	7,462,190
50100000	Other Misc Fuel Expense	2,133,655	1,853,689	1,854,588	1,902,061	1,873,383
50100011	Coal Handling	319,531	1,794,965	1,866,421	1,927,998	1,890,505
50100012	Oil Handling	-	19,478	16,782	17,185	16,981
50100031	Residual Ash Disposal & Sales	-	13,650	402,264	411,918	405,795
50200000	Steam Expenses	4,754,976	5,314,197	4,106,163	4,249,711	4,166,180
50200101	Ecrc-sulfur	5,000	5,000	5,000	5,000	5,000
50500000	Electric Expens	2,632,995	4,153,858	3,848,579	3,976,064	3,901,941
50600000	Misc Stm Pwr Ex	9,066,343	7,977,969	8,715,317	8,983,415	8,887,101
50600001	Research & Development	319,541	593,302	537,030	544,213	541,244
50600002	Air Quality Control	252,716	348,259	324,552	328,906	326,342
50600003	Water Quality Control	237,051	286,106	298,213	282,911	276,567
50600102	Ecrc-air Emission Fees	683,208	684,000	778,106	780,317	778,106
50600103	Ecrc-title V	184,892	72,616	77,046	80,524	78,317
50600104	Ecrc-asbestos Fees	5,500	4,500	4,500	4,500	4,500
50600105	Ecrc-emission Monitoring	185,119	323,500	435,270	298,103	390,400
50600106	Ecrc-general Water Quality	250,188	424,834	400,367	406,852	402,289
50600108	Ecrc-state Npdes Admin	42,500	34,500	42,000	42,000	42,000
50600109	Ecrc-lead & Copper Rule	14,400	21,000	18,257	18,575	18,335
50600110	Ecrc - Environmental Aff	-	-	3,000	3,072	3,000
50600111	Ecrc-general Solid & Hazardous Waste	223,220	224,530	226,774	232,457	229,196
50600112	Ecrc-above Ground Storage Tanks	10,875	25,000	25,000	275,000	125,904
51000000	Maint,spvsn,eng	5,724,980	6,668,775	7,267,583	7,683,175	7,455,457
51100000	Maint-structure	3,365,595	3,726,922	4,585,927	4,864,363	4,656,014
51200000	Maint-boiler Plt	22,170,479	20,955,633	20,695,052	25,254,989	25,326,154
51200113	Ecrc - Low Nox	-	-	50,000	50,000	50,000
51200116	Ecrc-sodium Injection	-	25,000	48,000	49,152	48,480
51300000	Maint-elec Plnt	7,662,696	5,969,558	10,246,259	8,341,234	7,832,483
51300001	Cooling Tower	-	77,000	295,000	202,400	202,400
51400000	Maintenance-misc Steam Plant	-	1,366,210	1,468,396	1,539,201	1,483,761

Ferc Sub Description	Original Budget 2000	Original Budget 2001	Original Budget 2002	Original Budget 2003	Test Year Budget
51400001 Mtn Of Misc Steam Plant	935,313	-	0	0	
51400105 Ecrc-emission Monitoring	318,390	138,200	170,041	177,596	173,086
54800000 Oprs Supv & Engineering	34,676	35,218	122,727	178,145	174,589
54800000 Other Generation Expenses	27,144	23,382	493,603	905,321	862,453
54900000 Other Misc Expenses	7,026	5,747	169,686	284,287	273,920
55100000 Other Mtn Supv & Engineering	9,526	6,394	66,201	104,169	107,048
55200000 Mtn Of Other Power Gen Struct	-	-	46,815	117,371	95,561
55300000 Mtn Of Equipment	485,355	454,355	1,481,965	2,851,040	2,370,912
55400000 Mtn Of Other Power Plant	-	-	11,389	23,568	20,613
55600010 Sys & Load Disp	1,467,495	1,066,018	1,131,889	1,151,355	1,137,683
55700010 Other Expenses	1,038,449	1,224,637	1,268,256	1,325,480	1,288,893
56000100 Oper Supe & Eng	1,131,548	807,260	923,364	905,417	920,610
56100100 Load Dis Sup&en	2,118,009	2,096,374	2,235,191	2,358,044	2,293,252
56100300 Suppl&exp Lo	118,802	134,515	137,588	139,582	139,595
56200110 St Labor Exc Gc	44,320	97,073	87,584	90,611	90,501
56200190 St Exp Other	50,182	-	0	0	
56300046 46 Kv & routine	1,539	1,570	1,611	1,650	1,631
56300116 115 Kv Routine	197,531	191,674	332,723	341,507	342,098
56300119 11k Kv Other Ov	-	-	51,192	52,523	52,146
56300236 230 Kv Routine	2,761	2,816	2,889	2,951	2,914
56300990 Exp General Ov	80,000	80,000	81,872	83,859	83,141
56600100 Misc Transmssl	403,367	439,434	478,219	485,328	481,114
56700100 Rent	1,163,350	1,163,350	1,163,559	1,163,618	1,163,577
56800100 Maint Sup & Eng	271,010	291,330	304,923	319,546	315,504
56900207 Ecrc-groundwater Contamination Investigation	78,206	121,998	124,589	126,520	125,124
57000100 Main Station Eq	439,058	456,406	535,751	551,175	649,083
57000800 Sup & Teleme Eq	1,500	1,500	1,536	1,573	1,557
57000904 All Equipment-excluding Gwo Work	-	35,276	24,840	25,436	25,090
57100111 115kv And Above	600,000	960,000	895,430	1,179,541	965,335
57100304 46 Kv And Under	8,000	8,000	8,188	8,384	8,319
57100511 115kv Overhead	96,169	75,160	107,639	110,350	109,313
57300100 Main Misc Trans	77,400	75,683	116,011	121,570	118,303
58000100 Oper Sup & Eng	4,034,072	4,181,470	4,870,645	4,947,001	4,934,732
58000102 Dist Oper Trng	19,467	90,000	87,213	89,306	88,071
58000151 Exp Off Computr	1,500	10,000	10,234	10,480	10,329
58100100 Load Dispatchln	242,862	768,935	825,750	863,180	844,788
58200100 Station Expense	293,068	271,490	286,289	296,580	293,929
58300100 Oil Cleanup-transformer Svc	5,000	1,050	1,074	1,101	1,089
58300111 Inst&remo On Lt	268,361	304,389	359,613	369,814	369,586
58300112 Install & Remov	480,000	226,000	231,289	236,904	233,647

Ferc Sub Description	Original Budget 2000	Original Budget 2001	Original Budget 2002	Original Budget 2003	Test Year Budget
58300200 First Cost Of I	(415,000)	(265,000)	(272,950)	(282,230)	(276,381)
58300211 Ecrc-general Solid & Hazardous Waste	-	15,000	15,000	15,360	15,150
58300900 Other Overhead	1,014,702	980,899	1,089,785	1,122,546	1,120,624
58400331 Instal & Re Gen	75,023	66,646	77,119	79,140	78,616
58400332 Instal & Re Dso	265,000	252,000	257,897	264,142	260,587
58400400 First Cost Of I	(187,958)	(168,063)	(173,105)	(178,991)	(175,634)
58400950 Other Undergrnd	420,000	525,000	649,390	666,533	661,546
58500112 Municipal Stree	306,369	393,259	401,957	413,033	411,996
58500192 St Light & Sign	198,328	233,259	238,213	245,257	246,319
58600110 Inst/rem Mtr	920,453	939,032	1,020,593	1,044,161	1,030,413
58600111 Instal & Re Gen	265,273	267,838	283,027	291,771	286,994
58600112 Instal & Re Dso	50,000	16,000	16,374	16,771	16,552
58600114 Test Re & Insta	12,000	2,000	2,046	2,096	2,066
58600115 Re & Insta Me/r	56,878	24,378	24,964	25,634	25,263
58600200 First Cost Of I	(76,000)	(80,000)	(82,400)	(85,202)	(83,632)
58600300 Meter Operatlon	697,773	699,110	836,313	860,160	829,642
58600400 First Cost Of I	(30,000)	(39,000)	(40,170)	(41,536)	(40,768)
58700100 Misc Work Custo	4,200	5,000	5,116	5,240	5,167
58700400 Inspect & Inves	375,800	405,000	450,726	466,065	462,533
58700401 Cust Inspectlon	26,473	26,830	30,547	30,580	30,559
58700482 Investlgallon C	289,870	266,485	291,489	301,792	295,815
58800170 Emp Train Schoo	196,896	155,120	231,664	237,549	234,796
58800172 S Bell Pole Cnt	-	65,000	0	0	0
58800173 Earned Progress	93,916	102,634	105,409	109,236	107,023
58800190 Other Distribut	1,564,735	1,682,439	1,714,840	1,736,910	1,728,583
58900100 Rent Pay & Exp	55,000	57,050	83,503	85,507	84,338
59000100 Maint Sup & Eng	2,053,852	2,155,596	2,517,303	2,631,373	2,592,520
59100100 Maint Structure	1,750	2,326	2,367	2,411	2,392
59100207 Ecrc-groundwater Contamination Investigation	1,186,303	1,098,002	1,103,414	1,120,000	1,105,901
59200100 Maint Stat Equi	1,013,697	1,150,811	1,583,154	1,622,494	1,632,507
59200800 Supv & Telemete	5,867	12,000	12,280	12,575	12,435
59300100 Ovhd Line Clrg	3,010,997	1,639,694	4,234,995	3,964,845	4,122,705
59300200 Ovhd Line Maint	3,415,462	3,910,741	4,162,186	4,210,213	4,220,178
59300201 Arms Project	8,000	16,000	16,374	16,767	16,525
59300203 Ovhd Lines Db10	50,000	-	102,342	104,826	103,486
59300205 Pole Line Insp	350,000	345,000	670,000	776,735	733,861
59300208 Pole Relocation	10,000	-	25,584	26,202	25,900
59300210 Copper Changout	50,000	-	102,357	104,902	104,197
59300250 Maint Oil Circu	125,000	77,000	181,224	186,975	183,742
59300295 Comp Owned Ser	100,000	100,000	112,575	115,277	113,694

Ferc Sub Description	Original Budget	Original Budget	Original Budget	Original Budget	Test Year
	2000	2001	2002	2003	Budget
59300400 Minor Strm Exp	250,000	320,000	425,792	438,343	441,986
59400100 Underground Lin	75,000	35,000	81,872	83,837	82,893
59400500 Urd-ucd Lines	1,408,550	1,700,772	1,806,549	1,857,238	1,854,495
59400505 Urd Cable Repla	-	-	163,744	167,673	166,099
59500100 Ovhd Line Trans	731,559	656,399	680,720	696,930	687,610
59500211 Ecrc-general Sold & Hazardous Waste	-	51,144	44,000	45,056	44,440
59500301 Urd Trans Paint	25,000	-	81,873	83,839	83,467
59600112 Municipal Stree	67,233	84,000	101,317	103,788	102,501
59600192 St Light & Sign	268,070	211,482	659,506	677,953	677,680
59700100 Maint Of Meters	120,223	101,882	118,272	121,465	117,130
59800100 Maint Misc Dist	131,060	215,311	426,301	451,419	436,821
90100010 Supervision	391,870	312,115	361,750	382,828	370,571
90200010 Supv & Clerical	131,127	185,418	194,179	200,528	196,848
90200020 Reg Employees	1,335,857	1,444,747	1,598,001	1,666,525	1,626,551
90200030 Oper Depart Emp	152,720	1,300	1,331	1,362	1,346
90200040 Supplies Meter	7,757	7,507	7,682	7,865	7,762
90300010 Supv-cust Recor	950,704	1,294,887	1,351,910	1,415,769	1,376,740
90300020 Customer Record	2,351,931	2,629,400	3,057,450	3,165,661	3,102,769
90300021 Final Bill Collections Activity	-	117,674	108,734	113,035	110,535
90300030 Cust Call Cntr	2,076,974	2,035,058	2,304,739	2,386,138	2,338,494
90300080 Malling Expense	8,326	9,900	10,131	10,375	10,236
90300100 Supv-collection	72,110	81,634	89,255	91,427	90,164
90300110 Coll- Reg Emplo	500,342	573,247	285,671	286,748	286,109
90300120 Coll - Oper Dep	14,500	14,400	14,736	15,090	14,881
90300130 Collection Agen	11,600	47,450	48,560	49,726	49,040
90300140 Coll Office Exp	100	100	100	100	100
90300202 Operations	3,429,277	2,357,724	2,662,777	2,624,957	2,642,052
90300203 Forms	194,826	202,763	210,741	210,742	210,731
90300205 Postage	1,118,728	1,655,107	1,634,372	1,661,604	1,645,717
90300210 Css Training Scs W/o 46cs-tr Labor And Expens	267,849	182,242	186,975	192,922	189,405
90400020 Uncoll Act Prov	1,192,015	1,252,200	1,556,728	1,518,328	1,543,131
90500010 Misc Cust Expen	748,358	744,078	788,812	795,610	791,482
90700010 Supervision	864,698	1,028,200	1,047,568	1,131,009	1,080,930
90701010 Supv - Labor	186,175	190,946	175,076	182,079	178,015
90701015 Supv Mat & Exp	338,899	691,681	789,321	771,020	819,839
90701900 Prog Eval Serv	238,803	124,691	136,486	141,945	138,778
90701901 Adm-mkt Ser-mat	83,287	36,505	43,657	44,381	45,946
90701906 Mkt Svcs-other-goal Dockets & Goal Setting Pro	4,500	-	0	0	0
90701910 Marketing Services-economic Eval & Mkt Rept-la	-	193,432	121,452	126,311	123,482
90701911 Marketing Services-economic Eval & Mkt Rept-o	-	39,937	37,100	37,494	40,432

Ferc Sub Description	Original Budget 2000	Original Budget 2001	Original Budget 2002	Original Budget 2003	Test Year Budget
90801096 Res-lcwrte-oth	500	500	0	0	0
90801100 Res-gc New-lab	559,238	695,726	677,027	716,955	693,784
90801101 Res-gc New-oth	383,354	431,950	435,874	431,627	448,914
90801105 Res-gc Imp-lab	247,762	368,470	369,592	384,874	376,002
90801106 Res-gc Imp-oth	168,663	239,826	239,635	244,312	247,688
90801107 Gc Conversn-lab	22,870	-	0	0	0
90801108 Gc Conversn-oth	27,814	-	0	0	0
90801115 Rs-ener Aud-lab	195,476	216,112	198,221	225,378	209,618
90801116 Rs-ener Aud-oth	57,831	58,517	59,553	59,151	64,041
90801117 Rs-mail Aud-lab	36,331	30,076	18,966	19,725	19,284
90801118 Rs-mail Aud-oth	8,663	6,348	6,395	6,447	7,431
90801120 Res-ess Cus-lab	195,362	-	0	0	0
90801121 Res-ess Cus-oth	104,170	-	0	0	0
90801145 Gf Exp Loan-lab	2,859	-	0	0	0
90801148 Gf Exp Loan C/o	4,000	4,000	4,000	4,096	4,025
90801150 Geothrm Pmp Lab	99,346	93,434	100,229	111,575	104,986
90801151 Geothrm Pmp Oth	98,350	106,472	104,266	108,429	107,013
90801155 Res Pwr Qty-lab	36,213	41,760	41,532	45,512	43,199
90801156 Res-pwr Qty-oth	10,924	20,486	20,642	20,871	21,379
90801160 Res Adv Eng-lab	322,086	443,055	368,388	419,003	389,627
90801161 Res-adv Eng-oth	449,044	670,435	1,297,721	1,313,192	1,347,107
90801163 Good Cents Select-Promotlon	-	-	2,000	2,048	2,020
90801166 Res-adv Wh-oth	500	500	0	0	0
90801188 Wt Htr Conv-oth	75,000	96,000	96,000	98,304	96,575
90801200 Com-gc New-lab	204,133	265,328	297,550	288,556	293,777
90801201 Com-gc New-oth	48,749	53,408	53,179	53,065	57,783
90801210 Solar Sch-labor	3,385	3,635	2,293	2,314	2,299
90801211 Solar Sch-other	500	300	300	307	305
90801215 Cm-ener Aud-lab	168,195	199,732	213,128	232,559	221,282
90801216 Cm-ener Aud-oth	42,411	40,779	40,360	40,392	44,016
90801217 Id-mail Aud-lab	21,486	24,528	25,697	26,725	26,128
90801218 Id-mail Aud-oth	47,888	25,348	15,395	15,663	16,485
90801235 Ele Vehicle-lab	31,928	11,378	36,047	37,489	36,653
90801236 Electric Vehicle Program-other	45,010	44,280	38,267	39,157	38,628
90801275 Com-hospit-lab	175,363	193,852	177,398	194,191	184,443
90801276 Com-hospit-oth	56,169	52,201	55,311	55,601	59,628
90801280 Com-health-lab	110,587	73,621	84,760	88,151	86,186
90801281 Com-health-oth	38,524	37,782	31,416	31,987	32,695
90801285 Com-educat-lab	221,337	188,176	211,967	201,430	207,543
90801286 Com-educat-oth	54,890	44,200	46,971	47,596	50,191

Ferc Sub Description	Original Budget 2000	Original Budget 2001	Original Budget 2002	Original Budget 2003	Test Year Budget
90801288 Energy Direct Expense	-	-	92,361	95,698	93,245
90801290 Com-generl-lab	255,662	331,534	346,932	359,173	352,070
90801291 Com-generl-oth	89,096	221,283	233,076	237,856	265,725
90801295 Com-govermt-lab	84,753	35,791	40,629	42,254	41,312
90801296 Com-govermt-oth	20,169	15,724	16,660	16,976	17,279
90801315 In-ener Aud-lab	117,991	120,308	120,481	125,300	122,503
90801316 In-ener Aud-oth	24,826	16,376	17,184	17,332	18,835
90801330 Ind-tech Tr-lab	126,622	101,537	46,117	47,962	46,889
90801331 Ind-tech Tr-oth	79,051	51,906	47,735	48,140	52,454
90801380 Industrial-military Segment-labor	70,116	83,190	76,781	79,852	78,069
90801381 Ind-military-mat	50,498	48,692	66,051	67,436	67,442
90801385 Industrial-chemical Segment-labor	89,780	94,805	107,827	112,140	109,635
90801386 Ind-chemical-mat	130,302	83,154	88,262	90,498	93,537
90801390 Industrial-manufacturing & Municipalities-labor	282,799	341,531	291,466	303,125	296,360
90801391 Ind-mfg/mun-mat	98,444	128,347	136,109	139,007	144,417
90801395 Industrial-forest Products Segment-labor	62,577	73,989	72,700	75,608	73,920
90801396 Ind-forest-mat	56,885	69,446	74,091	76,055	79,182
90801500 Lr-cus Asst-lab	94,389	103,575	116,630	121,295	118,588
90801501 Lr-cus Asst-oth	596,075	219,062	305,351	240,079	352,242
90801550 Mr-cus Asst-lab	118,585	96,793	205,742	213,972	209,197
90801551 Mr-cus Asst-oth	683,303	646,549	697,859	711,616	824,955
90801651 Tech Assess-oth	159,814	-	0	0	0
90801671 Com-dem&dev-oth	184,220	165,897	165,800	167,160	185,354
90801681 Energy Ed-other	2,000	-	0	0	
90801686 Comm Tech-other	800	-	0	0	
90801700 Forecast -lab	115,188	76,396	86,117	89,562	87,561
90801701 Forecast - Oth	142,033	105,091	108,309	112,501	127,455
90801850 Rate Admin-lab	143,422	133,334	172,310	144,758	174,647
90801851 Rate Admin-oth	84,931	221,384	341,651	260,594	355,484
90801870 Real Tm Prc-lab	11,948	55,963	57,769	60,080	58,650
90801871 Real Tm Prc-oth	98,578	63,470	56,938	57,453	64,339
90801875 Marketing Svcs-earthcents-labor	-	16,024	8,395	8,731	8,523
90801876 Marketing Svcs-earthcents-material & Expenses	-	7,708	6,162	6,266	6,469
90801881 Green Pricing Initiatives-materials	-	25,000	25,000	25,600	25,150
90901100 Res Gd ? Labor	10,038	-	0	0	0
90901101 G Cents New-adv	192,800	197,250	203,050	204,032	203,264
90901105 Res Gd ? Labor	12,046	-	0	0	0
90901106 G Cents Imp-adv	156,000	162,000	162,000	165,888	162,990
90901108 Gc Conversn-oth	25,000	-	0	0	0
90901115 Res Ener Aud-la	6,023	6,318	6,318	6,568	6,424

Ferc Sub Description	Original Budget 2000	Original Budget 2001	Original Budget 2002	Original Budget 2003	Test Year Budget
90901116 En Aud/loan/adv	100,200	100,200	100,200	102,605	100,800
90901118 Rs-mail Aud-adv	50,000	50,000	50,000	51,200	50,300
90901120 Res Ess Cs-lab	13,470	26,326	26,326	27,372	26,765
90901121 Res-ess Cs Adv	131,348	134,303	147,733	151,279	148,393
90901150 Geothermal-advertising-labor	10,038	9,124	9,124	9,486	9,276
90901151 Geothermal-advertising-other	111,000	111,000	112,500	115,200	113,179
90901156 Gc Surge Protct	25,000	25,000	25,000	25,600	25,150
90901161 Aem Advertising	25,000	100,000	300,000	307,200	301,800
90901188 W/h Convers-oth	20,000	20,000	20,000	20,480	20,120
90901201 Com-g Cents-adv	24,125	18,625	18,625	19,072	18,740
90901215 Com-eng Aud-lbr	2,008	2,106	2,106	2,186	2,140
90901216 Com-ene Aud-adv	5,000	4,500	4,000	4,096	4,025
90901276 Com-hospitl-adv	500	500	500	512	505
90901288 energy Direct.com	-	-	4,500	4,608	4,526
90901291 Com-general-adv	5,000	3,000	3,000	3,072	3,018
90901876 Marketing Svc-earthcents-adv-material & Exp	-	7,500	3,000	3,072	3,018
91001011 Cust Ser & Info	147,697	478,785	181,349	184,785	182,984
91201199 Res-sup Activity	25,400	22,500	24,500	25,088	24,647
91201299 Com-sup Activity	12,100	11,200	18,700	16,589	18,173
91201399 Ind-sup Activity	15,762	15,000	18,000	18,432	18,108
91201406 Economic Development	830,329	817,481	1,026,739	1,106,840	1,058,589
91202000 Bulk Power Sales	400,369	225,367	240,505	249,820	243,471
92000010 Admin & Gen Sal	9,720,776	10,843,568	10,182,748	10,715,405	10,406,527
92100101 Meals Trav Exec	56,000	63,576	65,576	67,136	66,226
92100102 Meals, trav Othe	500,737	512,746	695,916	708,402	703,478
92100104 Emplmnt & Reloc	402,335	392,335	481,700	493,405	486,580
92100105 Leap/econ Club	2,375	150	1,535	1,573	1,550
92100150 Expensed Off Fu	70,000	67,900	297,800	191,500	210,597
92100155 Expnsed Misc Eq	8,000	654	669	685	674
92100200 Off Supp & Exp	392,876	339,734	389,806	399,035	393,647
92100202 Bank Supp & Exp	3,009	3,047	3,119	3,193	3,149
92100207 Comp Sftwr Exp	-	5,650	13,556	13,876	13,610
92100208 Remarketing & Other Outside Agents Fees	128,763	129,000	129,000	129,000	123,662
92100209 Printing Svcs	358,204	379,054	391,257	400,839	395,257
92100210 Line Of Cre Fee	41,250	44,250	55,500	59,000	55,500
92100211 Main Bk Ser Fee	102,340	123,255	165,000	195,000	177,515
92100212 Custodn Ser Fee	1,034	1,241	1,489	1,787	1,614
92100213 Bnk Ser Fee Oth	30,844	37,013	44,415	53,298	48,125
92100300 Building Servc	738,391	270,051	471,735	484,933	477,254
92100500 Ethics Training	15,000	15,000	15,775	16,500	16,075

Ferc Sub Description	Original Budget 2000	Original Budget 2001	Original Budget 2002	Original Budget 2003	Test Year Budget
92100595 Osha Expenses	3,544	19,000	11,045	11,310	11,491
92200010 Admin Ex Transf	(299,216)	(293,997)	(305,729)	(317,929)	(310,823)
92300010 Serv Fees & Exp	10,301,604	10,531,863	9,921,897	10,224,619	10,025,269
92300020 Attorney Fees A	216,858	356,035	412,025	421,913	416,155
92300030 Other Outside S	583,025	644,608	799,885	831,593	812,553
92400010 Insurance - Reg	550,618	652,897	721,216	876,190	794,911
92400020 Insurance - Sel	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
92500010 Injuries & Dama	1,819,326	1,584,945	1,618,077	1,668,791	1,650,937
92500020 Workmans Comp Assessment Fees	107,109	107,709	134,000	137,216	78,240
92600100 Pensions-accr	(5,270,000)	(5,730,000)	(6,140,000)	(6,180,000)	(6,156,686)
92600105 Pensions-per Sh	340,000	450,000	520,000	590,000	549,200
92600110 Administrative	11,954	7,053	8,985	9,319	9,000
92600120 Pension Cost Tr	(6,242)	35,071	17,200	13,800	15,780
92600140 Employee Benefits-plant Schere	260,882	-	-	-	587,001
92600150 Pension-suppl	474,845	569,598	570,346	610,270	157,815
92600155 Other Retir Ben	16,000	-	-	-	5,078,008
92600190 Post Retire Cap	(44,174)	192,618	172,000	138,000	1,110,855
92600205 Grp Ins-flex Cr	4,263,368	4,629,673	4,937,653	5,274,114	3,707,545
92600209 Life-post Retlr	990,000	1,020,000	1,090,000	1,140,000	(101,585)
92600210 Med-post Retire	3,680,000	3,450,000	3,670,000	3,760,000	-
92600220 Ins Cost Tranfe	(134,409)	(154,034)	(98,753)	(105,428)	962,597
92600300 Other Emp Benef	950,899	850,040	948,895	977,969	-
92600310 Education Reimb	41,400	45,000	47,000	48,128	47,564
92600327 Savings Plan	2,087,349	2,253,220	2,365,881	2,484,175	2,415,226
92600329 Sav Plan Tranfe	(63,279)	(56,563)	(47,317)	(49,683)	(48,306)
92600331 Sav Plan Capt	(339,209)	(360,734)	(473,177)	(496,835)	(483,032)
92600335 Defined Contrib	34,319	38,527	25,000	25,000	25,000
92600340 Employee Benefits Paid To Associated Compani	475,027	700,571	742,686	760,511	750,086
92600390 Other Ben Capit	(787,018)	(1,017,139)	(987,531)	(1,054,823)	(1,015,602)
92800100 State Regulator	57,150	65,761	267,143	412,494	411,914
92800101 Outside Sv-fpsc	469,026	469,026	451,050	461,875	455,560
92800200 Federal Regulat	143,073	171,158	191,411	196,005	191,411
92800201 Outside Sv-ferc	2,500	5,000	5,000	5,120	5,050
92900010 Duplicate Charg	(368,400)	(400,000)	(1,930,438)	(1,976,769)	(1,949,766)
93000100 Advert-sal&exp	13,470	26,326	26,326	27,372	26,765
93000110 Advert - Produc	250,000	255,625	200,000	204,800	203,120
93000120 Advert - Media	260,000	215,057	317,750	325,376	320,336
93000180 Indus Spons Adv	27,000	27,000	0	0	0
93000200 Industry Associ	234,577	196,991	270,954	277,398	275,833
93000205 Chamber Dues	32,648	36,763	32,370	33,148	32,690

Ferc Sub Description	Original Budget 2000	Original Budget 2001	Original Budget 2002	Original Budget 2003	Test Year Budget
93000210 Trustee,reglstr	81,824	81,719	90,585	91,317	90,814
93000220 Telephone Commu	9,031	9,053	30,775	31,032	31,032
93000380 Other Experimen	31,500	34,500	35,467	36,318	36,318
93000400 Communicatn Exp	20,880	17,160	17,160	17,572	17,330
93000500 Consumer Affair	16,339	5,690	11,523	11,522	11,517
93000505 Consumer Affrs	-	-	600	614	600
93000901 Dir Fees And Ex	254,300	255,263	313,309	313,352	313,201
93000907 A&g - Joint Ownership	2,867,559	3,280,345	2,851,601	2,920,040	2,877,554
93000909 Other Misc Gen	17,136	38,797	25,058	25,615	26,091
93100100 Rent Payments	97,346	97,135	44,416	45,360	44,816
93100200 Other Rent Expe	18,702	18,702	0	0	0
93101681 Rent-energy Ed	37,824	37,824	0	0	0
93101686 Rent-comm Tech	12,600	12,600	0	0	0
93500100 General Structu	609,582	167,224	344,946	365,542	353,579
93500300 General Data Eq	31,652	22,824	23,358	23,945	23,603
93500400 Office Furn&equ	65,609	66,730	92,479	94,727	93,253
93500900 Other Gen Plant	36,951	35,788	36,625	37,504	36,990
93500902 Transportation	74,000	76,000	77,779	79,667	78,564
<b>Total Operation &amp; Maintenance</b>	<b>172,633,171</b>	<b>176,829,608</b>	<b>203,510,948</b>	<b>204,519,616</b>	<b>201,125,731</b>

Line No	Description	1996	1997	1998	1999	2000	Average	2001	Test Year
<b>Baseline</b>									
1	Cnst	20,011,934	20,459,194	20,995,773	21,075,454	20,253,064	20,559,084	19,991,945	23,879,624
2	Smith	6,056,864	7,629,519	6,714,403	8,867,807	7,148,324	7,283,383	6,508,630	11,335,649
3	Scholz	1,962,700	1,822,274	2,147,410	2,238,978	2,732,987	2,180,870	2,778,424	3,494,872
4	Daniel	10,490,926	10,694,791	11,994,753	11,569,992	10,923,254	11,134,743	10,959,096	11,905,417
5	Total	38,522,424	40,605,778	41,852,339	43,752,231	41,057,629	41,158,080	40,238,095	50,615,562
<b>Planned Outage</b>									
6	Cnst	6,218,549	2,844,087	2,488,129	5,532,883	6,602,464	4,737,222	6,821,000	6,315,296
7	Smith	441,184	278,914	3,508,815	4,193,072	1,129,292	1,910,255	1,428,994	3,305,454
8	Scholz	155,486	318,782	1,122,018	459,376	849,603	581,053	870,000	752,400
9	Daniel	2,669,443	1,447,664	1,361,021	909,977	2,338,165	1,745,254	1,993,337	3,606,668
10	Total	9,484,662	4,889,447	8,479,983	11,095,308	10,919,524	8,973,785	11,113,331	13,979,818
<b>Special Projects</b>									
11	Crist	473,157	0	950,000	1,063,746	200,000	537,381	2,650,000	1,278,260
12	Smith	0	0	0	0	786,897	157,379	306,985	958,420
13	Scholz	0	0	0	0	0	0	2,120	87,925
14	Daniel	444,348	372,216	322,848	48,290	431,070	323,754	68,500	401,162
15	Total	917,505	372,216	1,272,848	1,112,036	1,417,967	1,018,514	3,027,605	2,725,767
16	Grand Total	48,924,591	45,867,441	51,605,170	55,959,575	53,395,120	51,150,379	54,379,031	67,321,147
17	% Change		-6.25%	12.51%	8.44%	-4.58%		6.31%	23.80%
18	Benchmark	56,355,595	57,720,286	59,049,299	59,875,531	61,887,124	58,977,567	63,503,440	65,083,609
19	Variance	(7,431,004)	(11,852,845)	(7,444,129)	(3,915,956)	(8,492,004)	(7,827,187)	(9,124,409)	2,237,538

Source: Lines 1-4, 6-9 and 11-14 are from Company response to Citizens' Interrogatory No. 18.  
Line 18 is the 1990 allowed multiplied by the respective compound multiplier shown on Company Schedule C-56.  
Line 19 = (Line 16 - Line 18).

**CERTIFICATE OF SERVICE**  
**DOCKET NO. 010949-EI**

I HEREBY CERTIFY that a true and correct copy of the foregoing DIRECT TESTIMONY OF HELMUTH W. SCHULTZ, III has been furnished by hand-delivery(\*) or U.S. Mail to the following parties on this 27th day of December, 2001.

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\_\_\_\_\_  
Stephen C. Burgess  
Deputy Public Counsel