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May 7, 1990

Mr. Steven C. Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
Fletcher Building
101 E. Gaines Street
Tallahassee, Florida 32399-0850

RE: ~~Docket No. 891345-EI~~
Direct Testimony of James A. Rothschild

Dear Mr. Tribble:

Enclosed please find corrected pages No. 5 and Schedule 1,
Page 1 of the Direct Testimony of James A. Rothschild filed on
April 27, 1990.

We apologize for any inconvenience this may have caused.

Sincerely,

Stephen C. Burgess
Deputy Public Counsel

- ACK
- AFA 1
- APP
- CAF
- CMU
- CTR over
- EAG
- LEG 1
- LIN 4
- OPC
- RCH
- SEC 1
- W-S
- OTIS

SOB/ch
cc: All parties of record

DOCUMENT NUMBER-DATE

03946 MAY-7 1990

FPC-RECORDS/REPORTING

1 III. SUMMARY OF CONCLUSIONS

2

3 A. Recommended Cost of Capital

4 Q. PLEASE SUMMARIZE YOUR CONCLUSIONS ON THE COST OF CAPI-
5 TAL TO GULF POWER COMPANY.

6 A. The overall cost of capital that should be allowed to
7 Gulf Power Company is 7.92% (see Schedule 1, Page 1).
8 This is based upon an investor supplied capital structure
9 with 42.98% common equity, 8.10% preferred equity, and
10 48.92% debt. The cost of capital is based upon a cost of
11 equity of 11.75%.

12 I also explain in this testimony that the cost of
13 equity to service industrial customers is is estimated to
14 be about 0.4% higher than to service residential or commer-
15 cial customers. This means that the cost to service
16 residential and commercial customers is probably somewhat
17 below 11.75%, and the cost to service industrial customers
18 is probably slightly higher than 11.75%.

19

20 Q. HAVE THE PROBLEMS WITH THE INTERNAL REVENUE SERVICE AND
21 OTHER ALLEGED MANAGEMENT INDISCRETIONS INCREASED THE COST
22 OF EQUITY OF GULF POWER?

23 A. Theoretically, yes. However, I do not believe it is
24 proper for ratepayers to be charged for whatever extra
25 costs might exist as a result of these problems. While I

GULF POWER COMPANY

Recommended Cost of Capital			
	Percent of Capital	Cost Rate	Weighted Cost
Long-term Debt	35.72%	8.72%	3.12%
Long-term Note	0.00%	0.00%	0.00%
Short-term Debt	0.46%	8.00%	0.04%
Preferred Stock	5.99%	7.75%	0.46%
Common Equity	31.80%	11.75%	3.74%
Customer Deposits	1.70%	7.65%	0.13%
Deferred Taxes	19.81%	0.00%	0.00%
Investment Credit-Zero Cost	0.09%	0.00%	0.00%
Investment Credit- Weighted Cost	4.43%	9.94%	0.44%
	100.00%		7.92%

Company Requested Capital Structure			
	Before Adjustments	After Adjustments	After Adjustments
Long-term Debt	439,734	109,798	329,936
Long-term Note	42,089	42,089	0
Short-term Debt	4,432	142	4,290
Preferred Stock	67,432	12,116	55,316
Common Equity	367,404	73,749	293,655
Customer Deposits	15,775	116	15,659
Deferred Taxes	203,823	20,864	182,959
Investment Credit-Zero Cost	858	27	831
Investment Credit- Wtd. Cost	48,068	7,152	40,916
TOTAL	1,189,615	266,053	923,562

Company Requested Cost of Capital					
	Percent:	Percent of Capital	Wtd. Cost	Total Cost	
Long-term Debt	36.96%	41.27%	35.72%	8.72%	3.12%
Long-term Note	3.54%	15.82%	0.00%	0.00%	0.00%
Short-term Debt	0.37%	0.05%	0.46%	8.00%	0.04%
Preferred Stock	5.67%	4.55%	5.99%	7.75%	0.46%
Common Equity	30.88%	27.72%	31.80%	13.00%	4.13%
Customer Deposits	1.33%	0.04%	1.70%	7.65%	0.13%
Deferred Taxes	17.13%	7.84%	19.81%	0.00%	0.00%
Investment Credit-Zero Cost	0.07%	0.01%	0.09%	0.00%	0.00%
Investment Credit- Wtd. Cost	4.04%	2.69%	4.43%	10.48%	0.46%
TOTAL	100.00%	100.00%	100.00%		8.34%

Investor Supplied Capital Only:			
Long-term Debt	47.74%	46.15%	48.29%
Long-term Note	4.57%	17.69%	0.00%
Short-term Debt	0.48%	0.06%	0.63%
Preferred Stock	7.32%	5.09%	8.10%
Common Equity	39.89%	31.00%	42.98%
TOTAL	100.00%	100.00%	100.00%