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M E M O R A N D U M

May 14, 1990

TO : DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (PALECKI) MY

RE : DOCKET NO. 891345-EI - PETITION OF GULF POWER COMPANY FOR AN INCREASE IN ITS RATE AND CHARGES.

Attached is the Staff's Prehearing Statement to be filed in the above docket.

ACK ___
AFA ___
APP ___
CAF ___
CMU ___
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SEC ___
WAS ___
OTH ___

DOCUMENT NUMBER-DATE
04185 MAY 14 1990
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf Power Company for an increase in its rates and charges.	DOCKET NO. 891345-EI

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. 22750, issued on March 29, 1990, Staff files the following prehearing statement:

a. WITNESSES

1. Scott Seery	Cost of capital; capital structure
2. Robert A. Freeman	FPSC audit reports
3. Kathryn D. Brown	Customer service
4. Roberta S. Bass	Gulf management; criminal plea

b. EXHIBITS

Exhibit	Witness	Description
	Seery	Schedule No. 1 - The consumer price index - average annual percentage changes and the five year moving average
	Seery	Schedule No. 2 - Yield on seasoned "A" utility bonds - average annual percentage changes and the five year moving average

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FPSC-RECORDS/REPORTING

Exhibit	Witness	Description
	Seery	Schedule No. 3 - Interest and inflation rates
	Seery	Schedule No. 4 - Aa/AA rated electric utilities investment risk characteristics
	Seery	Schedule No. 5 - A/A rated electric utility ratio summary
	Seery	Schedule No. 6 - Gulf Power Company - quality measurements
	Seery	Schedule No. 7 - DCF model equation
	Seery	Schedule No. 8 - Two-stage, annually compounded disocutned cash flow model
	Seery	Schedule No. 9 - Two-stage, annually compounded discounted cash flow analysis for the As/AA rated electric utility index
	Seery	Schedule No. 10 - Risk premium equation
	Seery	Schedule No. 11 - Estimated monthly risk premiums As/AA electric uitility index

Exhibit	Witness	Description
	Seery	Schedule No. 12 - Bond yield differential
	Seery	Schedule No. 13 - Standard and Poor's financial benchmarks
	Seery	Schedule No. 14 - Comparison - overll cost of capital
	Seery	Schedule No. 15 - Summary of cost of equity analysis
	Freeman	(RAF-1) Rate case audit report filed in Docket No. 871167-EI
	Freeman	(RAF-2) Rate case audit of Gulf Power Company in Docket No. 891345-EI
	Freeman	(RAF-3) Professional experience
	Brown	Attachment I - Gulf Power Company logged complaints
	Brown	Attachment II - Type and justification for Gulf Power complaints received and closed during 1989
	Brown	Attachment IIB - Bar chart of complaints

Exhibit	Witness	Description
	Brown	Attachment III - Justification for Gulf Power Company Complaints
	Brown	Attachment IVA - Electric industry calendar year comparison of complaint activity
	Brown	Attachment IVB - Electric industry calendar year comparison of complaint activity - continued
	Brown	Attachment V - January - March, 1990 division of consumer affairs complaint activity electric industry
	Bass	(RSB-1) -Amounts associated with plea agreement - Count 1
	Bass	(RSB-2) - Amounts associated with plea agreement - Count 2
	Haskins	Deposition Exhibit No. 4 and 5 - Gulf OS-I/OS-II Additional Facilities Revenue
	Haskins	Deposition Exhibit No. 6 - Revision of J. Haskins Schedule 5

Exhibit	Witness	Description
	Haskins	Deposition Exhibit No. 12 - Data for new dedicated substations
	Haskins	Deposition Exhibit No. 15 - Additional standby service revenue for nonmigrating PXT customer
	Haskins	Deposition Exhibit No. 16 - Revised MFR Schedule E-16d
	Haskins	Deposition Exhibit No. 17 - Percentage increase for moving customers from OS-III to GSD
	Haskins	Deposition Exhibit No. 18 - Revenue impact for allowing GSD customers to opt for GS
	Haskins	Deposition Exhibit No. 19 - Revenue saved by migrating Recreational Lighting customers
	O'Sheasy	Deposition Exhibit No. 1 - Recalculation of unit cost for a change in rate of return
	O'Sheasy	Deposition Exhibit No. 10 - Component costs by function for standby service

Exhibit	Witness	Description
	Kilgore	Deposition Exhibit No. 6 - Maximum metered KW for SE customers
	Kilgore	Deposition Exhibit 10 - Standby service revenues for nonmigrating PXT customer
	Kilgore	Deposition Exhibit No. 11 - Standby service revenues for other three SS customers
	Kilgore	Deposition Exhibit No. 12 - SEP KWH Excluded in Development of CP KW
	Kilgore	Deposition Exhibit No. 13 - Ratios of on-peak billing KW to 12 CP KW
	Kilgore	Deposition Exhibit No. 17 - Revised response to Industrial Intervenors First Request for Production of Documents No. 26
	Howell	Staff's 1st Set of Int. No. 8 - Southern IIC 1990 monthly charge rates

Exhibit	Witness	Description
	Kilgore	Staff's 1st Set of Int. No. - 15 Monthly Load Factors for PXT customers
	Kilgore	Staff's 1st Set of Int. No. 18 - MWHs and 12 CP KW for wholesale class
	Kilgore	Staff's 1st Set of Int. No. 24 - Annual Load Factors for 2 new PX/PXT customers
	Haskins	Staff's 1st Set of Int. No. 41 - Billing Determinants for Recreational Lighting
	Kilgore	Staff's 3rd Set of Int. No. 52 - Revenue Neutral Proposed RS-VSP rates
	O'Sheasy	Staff's 3rd Set of Int. No. 53 - Allocation of Uncollectible Expense
	Haskins	Staff's 3rd Set of Int. No. 54 - Hypothetical SE Rate Schedule
	Haskins	Staff's 3rd Set of Int. No. 64 - Revised MFR Schedule for separate SE class

Exhibit	Witness	Description
	Howell	Staff's 3rd Set of Int. No. 69 Southern System Policy Regarding Treatment of Interruptible Load under IIC
	Kilgore	Staff's 3rd Set of Int. No. 76 - Number of Days for which no portion of the on-peak hours was designated as an SE period
	Haskins	Staff's 3rd Set of Int. No. 77 - Minimum Bill Provision KW
	Kilgore	Staff's 8th Set of Int. No. 115 - Contract Capacity Required to be Maintained by Customer
	Haskins	Staff's 8th Set of Int. No. 122 - Billing KW and Load Factor for PXT Customer
	Kilgore	Staff's 8th Set of Int. No. 123 - Annual Load Factors for LP/LPT customers with KW of 7500 or more
	Haskins	Staff's 8th Set of Int. No. 124 - Cost-effectiveness of LP/LPT Customers' Opting for PX/PXT

Exhibit	Witness	Description
	Haskins	Staff 8th Set of Int. No. 127 - Dedicated Facilities for SE Customers
	Kilgore	Staff's 8th Set of Int. No. 128 - 1989 and 1990 SEP KWH
	Bowers	Staff's 8th Set of Int. No. 130 - Expense for Four Conservation Programs Removed from the FCCR Clause
	Kilgore	Staff's 8th Set of Int. No. 134 - Number of SE Period Hours Designated by Year
	Kilgore	Staff's 8th Set of Int. No. 137 - 12 CP and NCP Load Factors for SE and non-SE Customers (6 PXT customers)
	Kilgore	Staff's 8th Set of Int. No. 138 - 12 CP and NPC Load Factors for SE and non-SE customers (5 PXT customers)
	Kilgore	Staff's 8th Set of Int. No. 139 - Metered and Billing KW; Ratios of 12 CP to Metered and Billing KW (6 PXT customers)

Exhibit	Witness	Description
	Kilgore	Staff's 8th Set of Int. No. 140 Metered and Billing Kw; RAtios of 12 CP to Metered and Billing KW (5 PXT customers)
	Haskins	Staff's 8th Set of Int. No. 144 - Application of PX and PXT minimum bill provision
	O'Sheasy	Staff's 13th Set of Int. No. 209 - 12 CP Cost of Service Study with Staff's Requested Revisions
	O'Sheasy	Staff's 13th Set of Int. No. 210
	Haskins	MFR-E Schedules for Staff's
	Kilgore	Proposed Cost of Service Study and Separate SE class
	O'Sheasy	Staff's 13th Set of Int. No. 211 - Equivalent Peaker Cost of Service Study with Staff's Requested Provision
	O'Sheasy	Staff's 13th Set of Int. No. 212 - Refined Equiv. lent Peaker Cost of Service Study with Staff's Requested Revisions

Exhibit	Witness	Description
	O'Sheasy	Staff's 13th Set of Int. No. 214 - Standby Service Customer Data
	O'Sheasy	Staff's 13th Set of Int. No. 215 - Number of Standby Service Customers Taking Supplementary Service on PXT
	Kilgore	Staff's 13th Set of Int. No. 217 - Data for 71 Highest System Peak Hours
	O'Sheasy	Staff's 13th Set of Int. No. 218 - Revision of Company's Revised 12 CP Cost of Service Study corrected for the error in the Calculation of Standby Service KW
		Industrial Intervenors 2nd Set of Int. No. 12 - Revised MFR Schedules for nonmigrating scenario
		Federal Executive Agencies 1st Set of Int. No. 11 - Assessment of cost or penalty for exceeding contract demand
		Standard Form of Contract for Electric Power (First Revised Sheet 7.2)

Exhibit	Witness	Description
	Pollock	Staff's 1st Set of Int. to Industrial Intervenors No. 1 - Revised Near Peak Cost of Service Study
	Pollock	Staff's 1st Set of Int. to Industrial Intervenors No. 2 - Revised Corrected Refined Equivalent Peaker Cost of Service Study
	Pollock	Staff's 1st Set Request for Production of Documents to Industrial Intervenors-Standby Service Near Peak KW
	O'Sheasy	Response to Staff's Int. No. 110 of Staff's 8th Set of Interrogatories
	O'Sheasy	Response to Staff's Int. No. 111 of Staff's 8th Set of Interrogatories
	O'Sheasy	Response to Staff's Int. No. 113 of Staff's 8th Set of Interrogatories
	Kilgore	Response to Staff's Int. No. 114 of Staff's 8th Set of Interrogatories

Exhibit	Witness	Description
	Howell	Response to Staff's Int. No. 11 of Staff's 1st Set of Interrogatories
	Kilgore	Response to Staff's Int. No. 10 of Staff's 8th Set of Interrogatories
	Haskins	Late-filed Deposition Exhibit No. 20
	Haskins	Late-filed Deposition Exhibit No. 21
	O'Sheasy	Late-filed Deposition Exhibit No. 7

c. STAFF'S BASIC POSITION

Staff is unable to state a basic position at this time due to outstanding discovery.

d. STAFF'S POSITION ON THE ISSUES

Rate Base

1. ISSUE: Gulf Power has proposed a rate base of $923,562,000 ($946,840,000 System) for the test year. What is the appropriate level of rate base for 1990?

   STAFF: No position at this time.

2. ISSUE: The company has included $1,275,624,000 ($1,307,579,000 System) of plant in service in rate base. Is this appropriate?

   STAFF: No position at this time.

3. ISSUE: Gulf capitalized $1,964,394 ($6,937,131 System) in excess of the original cost capitalized by Georgia Power Company for its 25% share of Plant Scherer, Unit No. 3. Is this appropriate?

STAFF: No position at this time.

4. ISSUE: As a result of its purchase of a portion of the common facilities at Plant Scherer, Gulf recorded an acquisition adjustment of $2,458,067 ($8,680,507 System). Is this appropriate?

STAFF: No position at this time.

5. ISSUE: Is the $31,645,000 total cost for the new corporate headquarters land, building, and furnishings reasonable?

STAFF: No position at this time.

6. ISSUE: Is the Careyville "sod farm" operation being properly accounted for by Gulf Power Company?

STAFF: No position at this time.

7. ISSUE: Should the investment and expenses associated with the "Navy House" be allowed?

STAFF: No position at this time.

8. ISSUE: Has Gulf properly allocated all of the appropriate captial investment and expenses to its appliance division?

STAFF: No position at this time.

9. ISSUE: Should Gulf's investment in the Tallahassee office be included in rate base?

STAFF: No position at this time.

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

STAFF: No position at this time.

11. ISSUE: Gulf Power has proposed $454,964,000 ($466,642,000 System) as the proper level of accumulated depreciation to be used in this case. Is this appropriate?

STAFF: No position at this time.

12. ISSUE: Should the plant investment made by Gulf to serve the Leisure Lakes subdivision be included in rate base?

STAFF: No position at this time.

13. ISSUE: The company has included $14,949,000 ($15,308,000 System) of construction work in progress in rate base. Is this appropriate?

STAFF: No position at this time.

14. ISSUE: Is the company's method of handling non-interest bearing CWIP consistent with the prescribed system of accounting?

STAFF: No position at this time.

15. ISSUE: Gulf has included in its jurisdictional rate base $3,925,000 ($4,025,000 System) of plant held for future use. Is this appropriate?

STAFF: No position at this time.

16. ISSUE: Has Gulf allocated the appropriate amount of working capital to Unit Power Sales (UPS)?

STAFF: No position at this time.

17. ISSUE: The company has included $81,711,0000 ($84,174,000 System) of working capital in rate base. What is the appropriate level of working capital?

STAFF: No position at this time.

18. ISSUE: Gulf has included $__________ ($1,485,221 System) prepaid pension expense in its calculation of working capital. Is this appropriate?

STAFF: No position at this time.

19. ISSUE: Should unamortized rate case expense be included in working capital?

STAFF: No position at this time.

20. ISSUE: Should the net overrecoveries of fuel and conservation expenses be included in the calculation of working capital?

STAFF: No position at this time.

21. ISSUE: Gulf has included $__________ of temporary cash investments in working capital. Is this appropriate?

STAFF: No position at this time.

22. ISSUE: Gulf has included $ __________ for heavy oil inventory. Is this appropriate?

STAFF: The value of all heavy oil at the Crist Plant should be removed from working capital. Working capital should be reduced by $1,042,000 system ($925,613 jurisdictional).

23. ISSUE: Gulf has included $______________ of light oil inventory. Is this appropriate?

STAFF: If Plant Scherer remains in rate base, the total value of #2 lighter oil and combustion turbine oil should be reduced by $243,943 system ($216,696 jurisdictional). If Plant Scherer is removed from rate base, the total value of #2 lighter oil and combustion turbine oil should be reduced by $224,047 system ($199,022 jurisdictional).

24. ISSUE: Gulf has included $______________ of coal inventory. Is this appropriate?

STAFF: No position at this time.

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

STAFF: Yes. Plant Daniel is required to maintain adequate reserves on Gulf's system.

26. ISSUE: Should 63 MW of Plant Scherer 3 be included in Gulf Power's rate base?

STAFF: No. None of Plant Scherer 3 should be allowed in Gulf's rate base since Gulf plans to sell all of this plant as a unit power sale in 1995.

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

STAFF: No position at this time.

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

STAFF: No adjustment is needed since the dollars associated with the cancelled building have already been removed by Gulf and are not included in Gulf's MFRs.

29. ISSUE: What adjustment to rate base is necessary to reflect the proper treatment for rebuilds and renovations which were expensed by the Company?

    STAFF: No position at this time.

30. ISSUE: What adjustment to rate base is necessary to remove the network protectors from expense to rate base?

    STAFF: No position at this time.

31. ISSUE: Should the remaining balance in Other Investment be included in working captial?

    STAFF: No position at this time.

32. ISSUE: Should the working capital item titled "other accounts receivable" be removed?

    STAFF: No position at this time.

33. ISSUE: Has the company overstated the materials & supply level?

    STAFF: No position at this time.

34. ISSUE: Should the amounts shown as "other current assets" and "other miscellaneous" deferred debits be removed from working capital?

    STAFF: No position at this time.

35. ISSUE: Should the Caryville Subsurface Study be removed from rate base?

    STAFF: No position at this time.

36. ISSUE: What additional working adjustments are needed to reflect OPC's expense exclusions?

STAFF: No position at this time.

Cost of Capital Issues

37. ISSUE: What is the appropriate cost of common equity capital for Gulf Power?

STAFF: The appropriate cost of common equity capital for Gulf Power is 12.1%.

38. ISSUE: Should the newly authorized return on common equity be reduced if it is determined that Gulf has been mismanaged?

STAFF: Yes.

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

STAFF: Yes. The preferred stock balance should be net of discounts, premiums, and issuance expenses.

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

STAFF: Yes. Gulf Power's non-utility investment should be removed directly from equity.

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

STAFF: Yes, to the extent that temporary cash investments are not necessary for the provision of utility service, Gulf Power's temporary cash investments should be removed directly from equity.

42. ISSUE: What is the appropriate balance of accumulated deferred investment tax credits?

STAFF: No position at this time.

43. ISSUE: What is the appropriate balance of accumulated deferred income taxes?

STAFF: No position at this time.

44. ISSUE: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the projected test year ending December 31, 1990?

STAFF: No position at this time.

45. ISSUE: Should an adjustment be made to negate the affect of the Company's corporate goal to increase its equity ratio?

STAFF: No position at this time.

Net Operating Income

46. ISSUE: The company has proposed a net operating income of $60,910,000 ($62,802,000 System) for 1990. What is the appropriate net operating income for 1990?

STAFF: No position at this time.

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

STAFF: No position at this time.

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

STAFF: Yes. The customer experienced a forced outage of his generator and took standby service for back-up power of 7959 KW. Revenues should be imputed for 1990 on the basis of the customer having a standby service capacity of 7959.

49. ISSUE: The company has projected total operating revenues for 1990 of $255,580,000 ($262,013,000 System). Is this appropriate?

STAFF: No position at this time.

50. ISSUE: Has Gulf budgeted a reasonable level for salaries and employee benefits?

STAFF: No position at this time.

51. ISSUE: Is Gulf Power's projected $510,524 ($510,852 System) bad debt expense for 1990 appropriate?

STAFF: No position at this time.

52. ISSUE: Should fuel revenues and related expenses, recoverable through the fuel adjustment clause, be removed from NOI and if so, what amount?

STAFF: No position at this time.

53. ISSUE: Should conservation revenues and related expenses, recoverable through the conservation cost recovery clause, be removed from NOI and is so, what amount?

STAFF: No position at this time.

54. ISSUE: Should the 1990 projected test year be adjusted for any out-of-period non-recurring, non-utility items or errors found in 1989?

STAFF: No position at this time.

55. ISSUE: Are Gulf's budgeted industry association dues in the amount of $199,343 during 1990 reasonable and prudent?

STAFF: In addition to the $32,150 of industry association dues removed by the company (MFR Schedule C-3) at least $20,021 should be disallowed as follows:
One-third of EEI administrative dues (Commission Order 13537, Docket No. 850465-EI, FPL Rate Case) $19,378

Industry association dues that are included in NOI and listed as "Organizations to be joined in 1990" but not identified by the company $ 643

TOTAL $20,021

56. ISSUE: What is the appropriate amount of rate case expense to be allowed in operating expenses?

STAFF: No position at this time.

57. ISSUE: Should Gulf be allowed to recover any costs associated with Docket No. 881167-EI, the withdrawn rate case?

STAFF: No position at this time.

58. ISSUE: Should Bank Fees and Line of Credit charges be included in operating expenses?

STAFF: No position at this time.

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

STAFF: No position at this time.

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

STAFF: No position at this time.

61. ISSUE: Should the expenses related to the Industrial Customer Activities and Cogeneration Program be allowed in base rates?

STAFF: No position at this time.

62. ISSUE: Gulf has budgeted $85,800 for the Good Cents Incentive program. Is this expense appropriate?

STAFF: No. This program provides benefits only to the participating contractors and should not be allowed in base rates.

63. ISSUE: Gulf has budgeted $457,390 for the Good Cents Improved and $1,023,995 for the Good Cents New Home programs. Are these expenses appropriate??

STAFF: No position at this time. Awaiting further discovery.

64. ISSUE: Gulf has budgeted $145,652 for the Essential Customer Service Program. Is this expense appropriate?

STAFF: No position at this time. Awaiting further discovery.

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

STAFF: No position at this time. Awaiting further discovery.

66. ISSUE: Gulf has budgeted $55,429 for its Presentation/Seminars Program. Is this expense appropriate?

STAFF: No. This program is only a promotion for local contractors and should not be included in base rates.

67. ISSUE: Gulf has budgeted $767,609 for its Shine Against Crime Program. Is this expense appropriate?

STAFF: No. This program promotes the use of electricity and increases Kwh consumption which is contrary to the provisions of the Florida Energy Efficiency and Conservation Act (FEECA).

68. ISSUE: Gulf has projected $687,000 ($687,000 System) for economic development expense in the sales function for 1990. Is this amount reasonable?

STAFF: No position at this time.

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

STAFF: No position at this time.

70. ISSUE: Gulf has projected $31,070,801 ($32,792,000 System) in Other A&G expenses for 1990. Is this amount reasonable?

STAFF: No position at this time.

71. ISSUE: Has Gulf included any lobbying and other related expenses in the 1990 test year which should be removed from operating expenses?

STAFF: No position at this time.

72. ISSUE: What is the appropriate C.P.I. factor to use in determining test year expenses?

STAFF: No position at this time.

73. ISSUE: For each functional category of expenses, what is the appropriate level of expenses for services provided by the Southern Company?

STAFF: No position at this time.

74. ISSUE: Has the company properly removed from 1990 expenses all costs related to I.R.S., grand jury and other similar investigations?

STAFF: No position at this time.

75. ISSUE: What is the appropriate amount of Pension expense for 1990?

STAFF: No position at this time.

76. ISSUE: Are the projected O&M expenses for R&D projects reasonable?

STAFF: No position at this time.

77. ISSUE: Gulf has budgeted $210,000 in O&M expenses for research and developmental projects. Are these expenses reasonable?

STAFF: No position at this time. Awaiting further discovery.

78. ISSUE: Has there been any "double counting" of expenses for services rendered by Southern Company Services or EPRI?

    STAFF: No position at this time. Awaiting further discovery.

79. ISSUE: Gulf has budgeted $332,000 for ash hauling at Plant Daniel. Is this expense reasonable?

    STAFF: Yes.

80. ISSUE: Gulf has budgeted $3,017,000 for Transmission Rents for Plants Daniel and Scherer. Are these expenses appropriate?

    STAFF: Yes as long as Plant Scherer is allowed in rate base. If Plant Scherer is not allowed, this expense category should be reduced by $1,822.000.

81. ISSUE: Gulf has budgeted $1,047,000 for its Public Safety Inspection and Maintenance program. Is this expense reasonable?

    STAFF: No position at this time. Awaiting further discovery.

82. ISSUE: Gulf has budgeted $47,701,000 ($48,844,000 System) for Depreciation and Amortization expense. Is this amount appropriate?

    STAFF: No position at this time.

83. ISSUE: Gulf has budgeted $13,185,000 ($13,549,000 System) for Taxes Other. Is this amount appropriate?

    STAFF: No position at this time.

84. ISSUE: What is the appropriate amount of income tax expense for the test year?

STAFF: No position at this time.

85. ISSUE: What is the proper interest synchronization adjustment in this case?

STAFF: No position at this time.

86. ISSUE: What adjustment should be made to the test year reference level for the Employee Relations Planning Unit?

STAFF: No position at this time.

87. ISSUE: Has the Company made the proper adjustment to remove the labor complement?

STAFF: No position at this time.

88. ISSUE: The Company has included $5,340,000 in Turbine and Boiler inspections, is further adjustment necessary?

STAFF: No position at this time.

89. ISSUE: What adjustments should be made to the level of expenses for Plant Daniel?

STAFF: No position at this time.

90. ISSUE: Would it be proper to amortize the 1989 credit to uncollectibles, which arose due to an accounting change, above the line?

STAFF: No position at this time.

91. ISSUE: Should an adjustment be made to remove part or all of the costs associated with the employee savings plan?

    STAFF: No position at this time.

92. ISSUE: Should the Commission remove all or part of the costs of the Productivity Improvement Plan (PIP)?

    STAFF: No position at this time.

93. ISSUE: What amount of the Performance Pay Plan should be approved for retail recovery?

    STAFF: No position at this time.

94. ISSUE: What amount of the $326,808 for EPRI nuclear research should be included for setting retail rates?

    STAFF: No position at this time.

95. ISSUE: Should an adjustment be made to the Plant Smith ash hauling expenses?

    STAFF: No position at this time.

96. ISSUE: What adjustment should be made to the Company's Employee Relations budget associated with the relocation and development programs?

    STAFF: No position at this time.

97. ISSUE: Should an adjustment be made to reduce the level of obsolete material to be written off in the test year?

    STAFF: No position at this time.

98. ISSUE: How much of the officer and management "perks" for tax services and fitness programs should be borne by the ratepayers?

STAFF: No position at this time.

99. ISSUE: The Company has projected $1,109,000 for duct and fan repairs for the test year. Should an adjustment be made to this level?

STAFF: No position at this time.

100. ISSUE: Should an adjustment be made to the Customer Services and Information benchmark?

STAFF: No position at this time.

101. ISSUE: The Company has included expenses for marketing in the test year. Should an adjustment be made to remove this cost?

STAFF: No position at this time.

102. ISSUE: What adjustments are necessary to reflect a proper benchmark test of expense levels?

STAFF: No position at this time.

103. ISSUE: Gulf has budgeted $______________ for O&M expenses. Is this amount appropriate?

STAFF: No position at this time.

Miscellaneous

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

STAFF: No position at this time.

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

STAFF: No position at this time.

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

STAFF: No position at this time.

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

STAFF: No position at this time.

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

STAFF: No position at this time.

Revenue Expansion Factor

109. ISSUE: What is the appropriate revenue expansion factor for 1990?

STAFF: No position at this time.

Revenue Requirements

110. ISSUE: Gulf has requested an annual operating revenue increase of $26,295,000. Is this appropriate?

STAFF: No position at this time.

111. ISSUE: Should any portion of the $5,751,000 interim increase granted by Order No. 22681 issued on 3-13-90 be refunded?

STAFF: No position at this time.

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

STAFF: No position at this time.

Cost of Service & Rate Design

113. ISSUE: Are the company's estimated revenues for sales of electricity based upon reasonable estimates of customers, KW anu KWH billing determinants by rate class?

STAFF: Yes, with the exception that the utility should have included billing determinants for the PXT customer who used 7959 KW of standby power in 1989.

114. ISSUE: The present and proposed revenues for 1989 are calculated using a correction factor. Is this appropriate?

STAFF: Yes. While staff believes proper estimating procedure would eliminate the need for correction factors, the method used by Gulf requires that the revenue forecast done by revenue class in aggregate be reconciled with the forecast developed by the rate section.

115. ISSUE: What is the appropriate cost of service methodology to be used in designing the rates of Gulf Power Company?

STAFF: No position at this time. Awaiting further discovery.

116. ISSUE: Are Gulf's separation of amounts for wholesale and retail jurisdictions appropriate?

STAFF: No position at this time. Awaiting a deposition exhibit.

117. ISSUE: Is the method employed by the company to develop its estimates by class of the 12 monthly coincident peaks hour demands and the class non coincident peak hours demand appropriate?

STAFF: No. The 12 CP and class (NCP) demands have been underestimated for LP/LPT and PX/PXT customers taking service on the Supplemental Energy Rider because all KWH forecast to be used during Supplemental Energy Periods have been excluded in the development of the demands. The assumptions for recreational lighting customers have underestimated at least their estimated class (NCP) demand.

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

STAFF: The increase should be spread among the rate classes in a manner that moves class rate of return indices closer to parity. To the extent possible increases should be limited to 1.5 times the retail system percentage increase in total revenues. It may be appropriate to lower a class' rates.

119. ISSUE: If an increase in revenues is approved, unbilled revenue will increase. Is the method used by the utility for calculating the increase in unbilled revenues by rate class appropriate?

STAFF: Yes. The assumption that unbilled revenues will bear the same relationship to the increase as to current revenues is a reasonable basis for assigning unbilled revenues.

120. ISSUE: Should the increase in unbilled revenues be subtracted from the increase in revenue from sales of electricity used to calculate rates by class?

STAFF: Yes. If not, the increase in rates will be overstated.

121. ISSUE: What are the appropriate customer charges?

STAFF: No position at this time, pending further discovery.

122. ISSUE: What are the appropriate demand charges?

STAFF: The concept of lower demand charges for GSD/GSDT than for LP/LPT and PX/PXT proposed by the company is appropriate. The GSD/GSDT class has more diversity and thus imposes less cost per billing demand on the system peak than higher load factor classes.

123. ISSUE: The company presently has seasonal rates for the RS and GS rate classes. Should seasonal rates be retained for RS and GS? If so, should they be required for GSD/GSDT, LP/LPT and PX/PXT?

STAFF: No position at this time, pending further discovery.

124. ISSUE: If seasonal rates are continued, how should they be designed?

STAFF: No position at this time, pending further discovery.

125. ISSUE: How should time-of-use rates be designed?

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

126. ISSUE: Should Gulf's Experimental Rate Schedule RS-VSP (Residential Service - Variable Spot Pricing) base rate charges be raised so that the rate is revenue neutral with the approved standard RS rate? If so, what should the charges be?

STAFF: Yes. All RS-VSP energy charges should be increased by the same amount that the standard RS KWH charge is being increased. The RS-VSP customer should be set at the new RS customer charge.

127. ISSUE: The company currently gives transformer ownership discounts of $.25 per KW for customers taking service at primary voltage and $.70 per KW for customers taking service at transmission levels. Is the current level of discounts appropriate?

STAFF: No position at this time, pending discovery.

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

STAFF: Yes.

129. ISSUE: Should Gulf's proposed revision of the statement of the customer charge on the standby service rate schedules (SS and ISS) be approved?

STAFF: No. Order No. 17159 at 18 requires that, if a company does not have a curtailable rate schedule, it shall utilize the customer charge of the otherwise applicable general service large demand rate schedule plus $25 for the customer charge for standby service. Thus, the LP/LPT customer charge plus $25 should be the customer charge for all standby service customers, except for those taking supplementary service on PX/PXT for whom the charge should be the PX/PXT customer charge plus $25.

130. ISSUE: Should Gulf's proposed change in the definition of the capacity used to determine the applicable local facilities and fuel charges on the standby service rate schedules (SS and ISS) be approved?

STAFF: No. The changes in the definition of the capacity used to determine the local facilities and charges is not in conformance with the terms and conditions prescribed in Order No. 17159 for standby service.

131. ISSUE: Should the proposed paragraph on the monthly charges for supplementary service on the SS and ISS rate schedules be approved?

STAFF: No. To be consistent with the position on the customer charge for standby service, the second sentence should be eliminated or revised to indicate that the customer does not have a second customer charge for supplementary service.

132. ISSUE: Should the Interruptible Standby Service (ISS) Rate Schedule's sections on the Applicability and Determination of Standby Service (KW) Rendered be replaced by the language approved for the firm Standby Service (SS) in Docket No. 801304-EI?

STAFF: Yes. In addition, the generation output used in the formula to calculate the Daily Standby Service KW on both the SS and ISS rate schedules should be changed from "Maximum totalized customer generation output occurring in any interval between the end of the prior outage and the beginning of the current outage" to "amount of load in KW ordinarily supplied by customer's generation."

133. ISSUE: The present standby rates are based on system and class unit costs from Docket No. 840086-EI. Should the standby rate schedules (SS and ISS) charges be adjusted to reflect unit costs from the approved cost of service study (a compliance rerun) in this docket and the 1989 IIC capacity charge rates?

STAFF: Yes.

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

STAFF: No. The Supplemental Energy Rider should have been included as a separate rate class in the cost of service study and should be a separate rate schedule.

135. ISSUE: How should rates for the Supplemental Energy Optional Rider be designed?

STAFF: The Supplemental Energy rate should have a maximum demand charge assessed on maximum measured KW to recover distribution system costs, an on-peak demand charge to recover production and transmission system costs, and customer and energy charges.

136. ISSUE: The applicability clause of the three demand classes (GSD, LP and PX) is stated in terms of the amount of KW demand for which the customer contracts. Is this an appropriate basis for determining applicability?

STAFF: No. In the past, contracts have not been required of all these customers, and Gulf's response to Staff's Interrogatory No. 115 indicates that contract demand often bears little relationship to actual measured demand. The applicability for both demand and the PX/PXT 75% load factor should be based on actual measured demand.

137. ISSUE: The current GSD/GSDT and GSLD/GSLDT rate schedules have minimum charges equal to the customer charge plus the demand charge for the minimum KW to take service on the rate schedule for customer opting for the rate schedule. Is this minimum charge provision appropriate?

STAFF: No. It unduly penalizes customers who opt for the higher rate class because they pay for the minimum KW, even if their usage falls below it, while customers who are on the rate because their actual usage equaled or exceeded the minimum are billed on actual usage even if their actual usage falls below the minimum.

138. ISSUE: What is the appropriate method for calculating the minimum bill demand charge for the PX rate class?

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

139. ISSUE: What is the appropriate method for calculating the minimum bill demand charge for the PXT rate class?

STAFF: The minimum bill demand charge should be calculated by the methodology outlined in the company's response to Interrogatory No. 124 of Staff's Eighth Set. The PXT demand charge revenue would be divided by the total maximum KW and added to the PXT energy charge revenue after it has been divided by the total KWH and adjusted for a 75% load factor.

140. ISSUE: The proposed change in the application of the minimum bill provision allows a customer who has less than a 75 percent load factor in a given month to not be billed pursuant to the minimum bill provision as long his annual load factor for the current and most recent 11 months is at least 75 percent. Is this appropriate?

STAFF: Yes. The applicability of the tariff is based on an annual load factor. It is appropriate to assess minimum billing based on an annual load factor as well, even if the monthly load factor temporarily falls below 75 percent.

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

STAFF: No. It is inappropriate to apply the charge to the contract capacity because the contract demand often bears little relationship to measured demand. If implemented, the local facilities charge should be assessed on a customer's maximum measured demand.

142. ISSUE: The company's proposed street and outdoor lighting rates are shown on the revised MFR Schedule E-16d submitted as item No. 147 of Staff's Eighth Set of Interrogatories. Should these proposed rates be approved?

STAFF: No position at this time, pending further discovery.

143. ISSUE: The company proposes to eliminate the general provisions pertaining to replacement of lighting systems on the Outdoor Service Rate Schedule (OS). Is this appropriate?

STAFF: Yes. The present language in the general provisions should be eliminated and replaced by a new provision. The new provision should require all customers who request, before failure of the fixture, replacement of their mercury vapor fixtures with high pressure sodium fixtures to pay to the company an amount equal to the undepreciated portion of the original cost of the removed fixture, plus cost of removal, less any salvage value of the removed fixture.

144. ISSUE: Should the language on OS-III be clarified so that only customers with fixed voltage loads operating continuously throughout the billing period (such as traffic signals, cable TV amplifiers and gas transmission substations) would be allowed to take service on OS-III?

STAFF: Yes. The cost responsibility for this class was developed in the company's cost of service study on the basis that OS-III customers' load was constant, i.e., customer usage was at the same level for all 8760 hours. Therefore, the tariff should clearly state that only customer with constant usage are to be served under this schedule.

145. ISSUE: Since the company's last rate case sports fields taking service on rate schedules GS and GSD were allowed to transfer to the OS-III rate schedule. The company has now proposed an OS-IV rate for sports fields. Is this appropriate, and, if so, how should the rate be designed?

STAFF: No position at this time. Awaiting further discovery.

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

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

Are these charges appropriate?

STAFF POSITION: Staff proposes the following service charges based on the unit costs provided by the company.

	Unit Cost	Staff Recommended
Initial Service	$19.79	$19.75
Reconnect a Subsequent Subscriber	14.52	14.50
Reconnect of Existing Customer after Dis-Connection for Cause	17.62	17.60
Collection Fee	5.26	5.25
Installing & Removing Temporary Service	58.67	58.75
Minimum Investigative Fee	55.02	55.00

147. ISSUE: Should LP customers who have demands in excess of 7500 KW but annual load factor of less than 75 percent be allowed to opt for the PXT rate?

STAFF: No. In general, lower load factor customers have higher costs to serve than customers meeting the 75 percent load factor criterion. The PXT rate as designed would underrecover the total cost of service if lower load factor customers were allowed to opt up, simply to reduce an individual customer's bill. If such an option were approved, the costs associated with the lower load factor customers should be included in determining PXT rates.

148. ISSUE: Is Gulf Power's proposed change to the PX minimum monthly bill reasonable, appropriate, and consistent with the other provisions of the rate?

STAFF: No position at this time.

149. ISSUE: Should Gulf's proposal to decrease the PXT on-peak energy charge and increase the off-peak energy charge be approved?

STAFF: No position at this time.

150. ISSUE: Should scheduled maintenance outages of a self-generating customer that are fully cooordinated in advance with Gulf Power be subject to the ratchet provision of the SS rate?

STAFF: No position at this time.

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

STAFF: No position at this time.

152. ISSUE: How should the reservation and nonfuel energy charges of the SS rate be set?

STAFF: No position at this time.

e. PENDING MOTIONS

Staff has no outstanding motions.

f. REQUIREMENTS

All applicable procedural orders and rules have been complied with.

RESPECTFULLY submitted this 14 day of May, 1990.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf Power Company) for an increase in its rates and) charges.)	DOCKET NO. 891345-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that Staff's Prehearing Statement, has been served by First Class U. S. Mail, postage prepaid, on Edison Holland, Jr., Esquire (Gulf Power Company), Beggs and Lane, Post Office Box 12950, Pensacola, Florida 32576, with copies to the following parties of record, this 14 day of May, 1990:

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