

Robert C. Livingston
President



August 9, 1996

Mr. Joe Jenkins
Division of Electric & Gas
Florida Public Service Commission
2540 Shumard Oak Drive
Tallahassee, FL 32399

RE: Docket No. 960789-EI Gulf Power Company's Petition for Authority to Implement a Proposed Commercial/Industrial Service Rider (CISR) on a Pilot/Experimental Basis

Dear Mr. Jenkins:

At the conclusion of the discussion on Item 6 at the July 30, 1996 agenda, the Commission concurred with your suggestion to develop a matrix or side by side comparison of various aspects of the CISR implementation plan and related tariff.

We have received your memorandum of August 7, 1996 and the draft matrix depicting various items and the positions of staff and Gulf. We have reviewed the draft and our comments are reflected in a revised version of the matrix identified as attachment "A" to this letter. We have also included as attachment "B," a document summarizing the changes or additions that we have incorporated in the draft matrix. We appreciate the opportunity to provide input on the matrix and we agree that the comments/suggestions of the Commissioners should also be incorporated in the matrix to facilitate the Commissioners review and analysis of the document.

Several Commissioners expressed a desire to proceed quickly in the development of the matrix document so that the item can be put back on the agenda as soon as possible. We would like to work with the staff to meet this objective. We would also

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG 1
- EGG 1
- FIN _____
- OPG _____
- ROH _____
- SEC 1
- WAS _____
- OTH _____

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suggest that we schedule a meeting during the week of August 12-16 to review and discuss the items contained in the various matrix documents. Perhaps such a meeting would be most productive after you receive and incorporate input from all interested parties.

We would also like to confirm our understanding of the remaining procedural steps. Is it currently your intention to submit a recommendation on this subject by August 22, 1996, for the September 3, 1996 agenda? Assuming the Commission approves an implementation plan and/or the key components of a CISR tariff, would the Company then file an implementation plan and tariff conforming to the vote of the Commission that could be approved administratively by the staff?

Please advise if you need further information or have any questions concerning our input to the matrix document.

We will be providing the information that Chairman Clark requested concerning a compilation of what other states in the southeast have done on flexible pricing issues by a separate transmittal early next week.

Sincerely,



RGL/fg

CC: Commissioners
Mr. William Talbott
Dr. Mary Bane
Ms. Vicki Johnson
Ms. Gail Kamaras
Mr. Joseph McGlothlin
Ms. Blanca Bayo

GULF POWER COMPANY
MODIFICATION OF DOCUMENTS SUPPLIED TO GULF BY STAFF - August 9, 1996
DOCKET NO. 960789-EI

Attachment A

LIST OF ITEMS FOR THE COMMISSION TO CONSIDER FOR INCLUSION IN THE GULF CISR TARIFF
August 6, 1996

NOTE: In the next recommendation, staff plans to show Gulf's tariff that was withdrawn at the 7/30 agenda (Gulf) and staff's proposed one-customer experimental tariff (staff at 7/30 agenda) in terms of items from the following list. This will be in addition to other staff proposals and any new proposals from Gulf.

	GULF	GULF REVISED	STAFF 7/30	STAFF REVISED
1. Subscription period - Time frame in which eligible customers can sign up for CSA from effective date of the tariff				
One Year				
Two Years				
Three Years				
Four Years	X			
Longer				
Permanent, no experiment				
Other				
*2. Maximum length of CSA contracts				
Three Years				
Four Years				
Five Years				
Ten Years				
Fifteen Years				
Twenty Years				
No Maximum Contract Term Limit	X		X	
Ceases when retail access allowed				
Ceases on the in-service date of the next currently avoidable generating unit				
3. Maximum megawatts of connected load - CISR will be closed to further subscription by eligible customers when the total capacity of all executed CSAs reaches a certain size (MW)				
50				
100				
150				
200	X			
No size Limitation			X	
4. Total number of customers - the CISR will be closed to further subscription if the company has executed a certain number of contracts.				
One			X	
Up to Eight				
Up to Twelve	X			
No Limitation				

*Modified

	GULF	GULF REVISED	STAFF 7/30	STAFF REVISED	
5. Minimum level of demand (KW) customer must have to be eligible for CISR					
None					
500 KW (0.5MW) of maximum monthly demand for existing customers	X		X		
1000 KW (1 MW) of connected load for new customers	X		X		
6. Prior Commission approval of each negotiated contract					
Yes					
No	X		X		
*7. Availability of CISR tariff					
Existing "at risk" commercial/industrial customer - load retention	X		X		
Existing "at risk" commercial/industrial customer - expansion	X		X		
New "at risk" commercial/industrial customer - load building	X		X		
8. Discounted rates to other competing customers classified to the same SIC Code					
Order Gulf to include in CSA contract that it may be canceled if a customer classified to the same SIC Code complains, and the Commission so determines, that the complaining customer is being unfairly disadvantaged with its competitors					
Yes					
No	X				
Order Gulf to include in CSA contract that the discounted rate may be offered to all customers classified to the same SIC Code, if such a customer complains, and the Commission so determines, that the CSA is causing the complaining customer to be unfairly disadvantaged					
Yes					
No	X				
9. Competition with other electric utilities and natural gas utilities					
Order Gulf to include in CSA contract that it may be canceled if the contract causes, and the Commission so determines, a territorial dispute with another electric utility.					
Yes					
No	X				
Order Gulf to include in CSA contract that it may be canceled if the contract is used to compete with, and the Commission so determines, a natural gas utility (municipal, district, or West Florida Natural Gas Co., the one IOU gas utility in Gulf's service area). Competing with natural gas utilities includes the on-site use of gas and gas-fired cogeneration.					
Yes					
No	X				

*Modified

	GULF	GULF REVISED	STAFF 7/30	STAFF REVISED	
*10. The CSA customer should pay the following customer charge					
Only the otherwise applicable rate customer charge					
Unless specifically noted within the CSA, the otherwise applicable customer charge plus additional \$250 per month	X		X		
Actual incremental costs to negotiate the CSA contract					
Actual incremental costs to administer the CSA contract					
*11. CSA minimum revenues will:					
Be sufficient to pass the Rate Impact Measure (RIM) test	X				
Be sufficient to cover all costs in the price floor and make a positive contribution to fixed costs	X				
In addition to any customer charge following costs will be included in making the determination of minimum revenues:					
Incremental generation capacity costs	X				
Incremental transmission capacity costs	X				
Incremental distribution capacity costs	X				
Incremental administrative & general overhead costs	X				
Average embedded generation capacity costs					
Average embedded transmission capacity costs					
Average embedded distribution related costs					
Average embedded administrative and general costs					
All applicable recovery clauses	X				
*12. Should a determination regarding the allocation of the so-called revenue differential between stockholders and Gulf's non-CISR ratepayers be deferred until Gulf's next rate case and the associated prudence evaluation?					
Yes	X				
No					
*13. Required reports - the Company would be required to file the following documentation with the Commission					
Summary reporting information, with all relevant information available to the FPSC upon request	X				
Sealed package containing all the information Gulf's management relied on when deciding whether to offer a CSA to a customer or not					
All the information Gulf's management remembers relying on when deciding whether to offer a CSA to a customer or not					
Affidavit from customer indicating customer's intention on the day of signing the CSA					
Customer's investment options at the time of the CSA signing					

*Modified

	GULF	GULF REVISED	STAFF 7/30	STAFF REVISED	
14. Timing of Commission contract prudence review					
Immediately after signing of CSA contract			X		
Upon Gulf exceeding ROE ceiling after discounted revenue imputation	X				
In Gulf's next rate case	X				
For all CISR customers signed within:					
One Year					
18 Months					
Two Years					
Three Years					
Four Years					
*15. Items to be included in a prudence review					
Commission determination of whether Gulf's decision that the CSA customer was "at-risk" was prudent					
Yes	X				
No					
Commission determination of whether Gulf's projected incremental costs were reasonable at the time of signing the contract					
Yes	X				
No					
Commission determination of whether Gulf's actual negotiated rate recovered projected incremental costs and all applicable recovery clauses.					
Yes	X				
No					

*Modified

	GULF	GULF REVISED	STAFF 7/30	STAFF REVISED	
*16. In order to designate and preapprove specific contractual provisions which may be used, the fuel cost recovery is discounted to incremental fuel costs of a low fuel cost incremental generating unit on the Southern Company system for five years with the discount decreasing 20% each year until the full rate is applicable (this is similar to Fort Pierce's recently approved Contract Rate Schedule)					
Yes					
No		X			
*17. Buy-through - Gulf shops for power (this is similar to TECO's buy-through provision or Lakeland's recently approved GSI-6 rate), or allows the customer to shop for power, and transmits it to the customer, i.e. retail wheeling. Transmission and distribution costs will be recovered under this proposal.					
Yes					
No		X			
18. Revenues and costs "below-the-line" - Any allocated embedded and any incremental generation, transmission, and distribution costs should be placed "below-the-line", along with any revenue contribution to these costs, after cost recovery items have been recovered.					
Yes					
No		X			

*Modified

ATTACHMENT B

Summary of Changes

1. In Item 2 deleted the 1 and 2 year options and added 15 and 20 year options
2. Added the "at risk" criteria to the Availability of CISR tariff (Item 7).
3. Modified the second choice in Item 10 to reflect Gulf's original Customer Charge definition
4. Expanded and segregated Item 11 to clarify the issues as we understand the issues relating to the price floor and the cost effectiveness evaluation
5. Reworded Item 12 to reflect Gulf's position in original filing with regards to the sharing between stockholders and customers
6. Added a line to Item 13 that reflects Gulf's original filing concerning the information to be made available to the FPSC
7. Eliminated the following from Item 15: Commission determination of whether Gulf's projected incremental costs are correct as occurred when a CSA is evaluated. We suggest elimination of these lines because "correct" is an impossible standard to achieve. "Projected costs are never exactly correct. We have modified other portions of Item 15 to reflect Gulf's position of a reasonable "at risk" determination and to clarify this issue.
8. Modified items 16 and 17. (We propose to eliminate Items 16, 17 and 18 because these items would be more appropriate for the generic docket)