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January 17, 1991

FEDERAL EXPRESS

Mr. Steve C. Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32301

Re: ~~Docket No. 891345-EI~~

Dear Mr. Tribble:

Pursuant to my recent discussion with Kay Flynn in your office, enclosed please find for filing in the official record of the above docket the transcripts of the Agenda Conferences held August 9 - 14, 1990, and December 4, 1990, together with the original and 15 copies of Gulf Power Company's Notice of Filing with respect to same. Please acknowledge receipt by stamping the duplicate of this letter which has been enclosed.

Thank you for your assistance in this matter. Please do not hesitate to contact me if you should have any questions.

Very truly yours,

Teresa E. Liles

Teresa E. Liles
For the Firm

cc: All parties of record

enclosures

~~This letter for placement~~
~~in record~~

notice
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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
TALLAHASSEE, FLORIDA

IN RE:

Request by GULF POWER COMPANY for a rate increase.

DOCKET NO. 891345-EI

BEFORE:

Chairman Michael Wilson
Commissioner Gerald L. Gunter
Commissioner Thomas M. Beard
Commissioner Betty Easley

PROCEEDINGS:

Special Agenda Conference

DATE:

Friday, August 10, 1990

PLACE:

106 Fletcher Building
Tallahassee, Florida

REPORTED BY:

PATRICIA L. GOMIA
Notary Public in and for the
State of Florida at Large

VOLUME III

PAGES 224 TO 386

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THIS IS A COMPUTER PRODUCED TRANSCRIPT

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 FRANK TROMBINO, FPSC Electric and Gas Division
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* * *

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P R O C E E D I N G S

1
2 MR. PALECKI: Commissioners, we have come up with
3 an alternative revision on Issue 5, which has been
4 voted on already, but technical staff has recognized a
5 defect in the initial vote because of failure to
6 subtract the cost of furnishings regarding the third
7 floor of the corporate headquarters.

8 COMMISSIONER EASLEY: Mr. Chairman, in order to
9 get us in the right posture, I move to reconsider the
10 vote on Issue 5.

11 MR. PALECKI: Thank you.

12 COMMISSIONER GUNTER: I'd second that.

13 CHAIRMAN WILSON: All right. We are back on Issue
14 5.

15 MR. SLEMKEWICZ: And the revised calculation,
16 which is reflected on the back of that schedule that
17 you have, is the same that you voted for except that it
18 takes the furnishings out of the calculation before you
19 disallow square footage. And it's from my
20 understanding there aren't any furnishings on the third
21 floor, so that might overly penalize them to include
22 the furnishings in that calculation.

23 COMMISSIONER EASLEY: I would move the revision on
24 Issue 5.

25 COMMISSIONER GUNTER: That's appropriate.

1 COMMISSIONER EASLEY: Yeah, I think it makes it a
2 defensible position.

3 CHAIRMAN WILSON: All right. All in favor of the
4 revised number which reflects the elimination of
5 furnishings from the calculation signify by saying aye.

6 MR. SLEMKEWICZ: The next issue is Issue 80, which
7 dealt with the transmission rents, and in staff's --

8 CHAIRMAN WILSON: Are we going to -- where are we
9 at the point that we can see an entire spreadsheet on
10 this?

11 MR. SLEMKEWICZ: Well, I need to have these three
12 issues resolved before I can do a final run to come up
13 with some revenue requirements.

14 COMMISSIONER BEARD: How long will that take?

15 MR. SLEMKEWICZ: I should be able to have it by
16 lunch time or before lunch time.

17 CHAIRMAN WILSON: All right, go ahead.

18 MR. SLEMKEWICZ: On Issue 80 was the transmission
19 rents, and in the staff's original recommendation, it's
20 was zero because we were leaving Scherer in. When
21 Scherer was taken out, based on staff's recommendation
22 at the agenda, it was to reduce rents by 1,763,000.
23 However, staff has gone back and reviewed the MFRs and
24 some interrogatories, and has determined that there was
25 some double counting in that number. Instead of

1 1,763,000 the reduction should only be 423,000.

2 COMMISSIONER EASLEY: Have we voted on Issue 80?

3 COMMISSIONER BEARD: Where is that figure in the
4 spreadsheets?

5 MR. SLEMKEWICZ: That would be in O&M for Issue
6 80.

7 COMMISSIONER GUNTER: Well, I go to Issue 80 on
8 the staff recommendation, I don't even find the
9 transmission rents figure that you have under the per
10 vote.

11 MR. SLEMKEWICZ: That is correct, because again in
12 the staff's recommendation we said include Scherer, so
13 there wouldn't be any adjustment for transmission
14 rents.

15 COMMISSIONER GUNTER: Read the recommendation on
16 Page 145, staff's recommendation. It said, yes, if
17 Plant Scherer is included in the Company's rate base,
18 if plant Scherer is not allowed these expense
19 categories would be reduced by a million 822.

20 MR. SLEMKEWICZ: Right, that was a system number.

21 COMMISSIONER GUNTER: Hold on just a minute. Then
22 I looked for a vote that you reduce a million 763, is
23 that a difference between non-jurisdictional and
24 jurisdictional?

25 MR. SLEMKEWICZ: That is correct.

1 COMMISSIONER GUNTER: All right. And somebody has
2 got to do a better job of explaining double counting
3 than an alternative revision. I don't understand that.

4 MR. ROMIG: Okay. The 1,825,000 system number or
5 the 1,763,000 jurisdictional relates to 212 megawatts.
6 Included in the Company's adjustments to O&M expenses,
7 they in fact pulled out 1,384,000 related to the
8 transmission rents. And the schedule that we were
9 looking at we couldn't really tie it in to the C
10 Schedule. But after reviewing the C Schedules last
11 night and some more detail information on these
12 allocations --

13 COMMISSIONER GUNTER: All right. Let me ask you a
14 question. What was, what had Gulf budgeted for
15 transmission rents?

16 MR. BALLINGER: It would be 3,017,000.

17 COMMISSIONER EASLEY: That was for both plants.

18 MR. BALLINGER: That was for both plants.

19 COMMISSIONER GUNTER: That was the budget for both
20 plants.

21 MR. BALLINGER: Right.

22 COMMISSIONER GUNTER: All right. What is the
23 budget for Mississippi? There are two elements. One
24 of them a Georgia element and one of them a Mississippi
25 element.

1 MR. BALLINGER: Right.

2 COMMISSIONER GUNTER: One from Daniel is --

3 MR. BALLINGER: Those are for both, 3 million.

4 COMMISSIONER GUNTER: I want to know what the
5 budget was for, say you've got the MFRs, I want to know
6 that there is a split, the sum of the parts has to
7 equal the whole.

8 MR. BALLINGER: Right. A million 822 was for
9 Scherer, and the balance would be for Daniel.

10 COMMISSIONER BEARD: Why would we call it double
11 counting if they in fact budgeted for the purposes of
12 this case that amount?

13 MR. BALLINGER: It's double counting in that the
14 expenses shown on the MFRs were, already had some
15 credits from UPS in there for transmission. So in
16 other words expenses were already reduced by an amount.

17 COMMISSIONER GUNTER: Well, help me just for a
18 second now. I need to follow this through here on a
19 step-by-step basis because you all haven't given us
20 anything. There is no analysis. No nothing. There is
21 a figure. So just be patient with me a little bit.

22 If you took the 3 million 017 that was budgeted
23 for transmission line rents, what adjustment do you
24 make to the 3 million 017 for where the credits come
25 from, the credits come from Daniel, credits come from

1 Scherer, where do they come from? Did they adjust that
2 figure, or is that a residual figure after adjustments?
3 The 3 million 017.

4 MR. BALLINGER: Let's see.

5 MR. ROMIG: The 3 million 17 would have been
6 included in the system O&M expenses, and as you go over
7 to the jurisdictional amount, after all of the
8 adjustments made by Gulf or UPS on their NOI schedules
9 --

10 COMMISSIONER GUNTER: All right, that is the
11 residual number.

12 MR. ROMIG: Included in the adjustment for UPS
13 were adjustments or dollars associated with
14 transmission rents for charges for Plant Scherer.

15 COMMISSIONER GUNTER: Okay.

16 MR. ROMIG: That is the million 384 that we were
17 talking about, which left the balance of 438,000.

18 COMMISSIONER GUNTER: So really what you are
19 saying is in the budgeted figure there is something in
20 excess of \$2-1/2 million budget rental for Daniel, is
21 that correct?

22 MR. BALLINGER: Yes, sir.

23 COMMISSIONER GUNTER: Well, Mr. Chairman, I
24 apologize, I have to see something more than this.
25 I've got to see an analysis of what the original budget

1 was and what happened. I've got to see some sort of
2 spreadsheet explanation of what, how we went from
3 there to there. I thought I understood where we were,
4 and I don't understand what is taking place.

5 CHAIRMAN WILSON: I tend to agree with you. I
6 think we understood what we did, but I don't understand
7 this piece now.

8 COMMISSIONER GUNTER: You know, in a logical
9 presentation, if it exists in the record, if it exists
10 in the record, a logical explanation would be, a
11 logical presentation would be what is the total that
12 you have for each one of them, and you run down two
13 columns, what is the total that you started with, what
14 adjustments were made to each one in order to get down
15 to there.

16 You know, one of the things that we do, we go back
17 and look at previous ones, and you look at the
18 comparison of what the rents were for Plant Daniel, you
19 know, and then you've sort of got a traceable kind of
20 situation, and you've got one for Scherer. In the
21 previous case we didn't have this confusion because we
22 just had the line rentals which we evaluated at some
23 length on coming from Daniel. This time putting them
24 both together for me to understand, I don't.

25 COMMISSIONER EASLEY: Mr. Chairman, how long would

1 it take to get some kind of little side by side?

2 CHAIRMAN WILSON: Well, until somebody is in a
3 position to understand this and move to reconsider, we
4 don't do anything. I mean has anyone moved to
5 reconsider that issue at this point?

6 COMMISSIONER EASLEY: Well, I was going to do that
7 when I found out how long it was going to take to get
8 it.

9 CHAIRMAN WILSON: I don't think it's appropriate
10 to move to reconsider it until we see something that
11 needs to be reconsidered, and I haven't seen anything
12 that needs to be reconsidered yet.

13 COMMISSIONER EASLEY: Well, I'm going to try it.
14 I'll move to reconsider Issue 80 in order to get the
15 information.

16 CHAIRMAN WILSON: I think you can get the
17 information whether you move to reconsider it or not.

18 COMMISSIONER EASLEY: That's what I was doing,
19 sorry. I thought you wanted a motion.

20 COMMISSIONER GUNTER: I would encourage staff. I
21 don't want to do anything wrong. I would encourage
22 staff to go put that together in such a fashion that
23 we can understand it, to, not saying the analysis are
24 wrong. But I'm not going to vote on something I don't
25 understand. I understood staff's recommendation as it

1 stands. I can certainly understand we don't want to
2 take a piece of the furnishings out that are not there,
3 and I wouldn't want staff to do it and tell, folks in
4 the Company I don't want to catch you up in in those
5 offices.

6 COMMISSIONER EASLEY: Well, Mr. Chairman, I am
7 trying to get us to a point where we can do something
8 one way or the other. Could we ask for --

9 CHAIRMAN WILSON: What we've got to do is be
10 convinced that we need to reconsider. And I think
11 we don't have enough in front of us to be convinced
12 that we need to reconsider it.

13 COMMISSIONER EASLEY: That's why I was asking,
14 could we find out how long it would take to get the
15 little side by side whether or not we need to skip this
16 and come back or, I mean they can't bring you a bottom
17 line until we make a decision one way or the other on
18 this.

19 CHAIRMAN WILSON: I think we are going to have to
20 skip it, because I don't think a motion for
21 reconsideration would pass at this point.

22 COMMISSIONER EASLEY: How long will it take to get
23 a side by side, staff, a little run-down of both
24 Scherer and Daniel?

25 MR. BALLINGER: From what I understand, Daniel is

1 not a question, the credits we are talking about are
2 only with Scherer.

3 COMMISSIONER GUNTER: No, one of the things that
4 you need to do is you need to look at all of it.

5 COMMISSIONER BEARD: The total.

6 COMMISSIONER GUNTER: You need to start with the
7 total. You have to start with the total, what makes up
8 the parts.

9 MR. BALLINGER: Yeah.

10 COMMISSIONER GUNTER: You are dealing with the
11 budget that was presented as evidence in the case. And
12 staying within the evidence of the case, I need to know
13 what happened. That is a dramatic change. I need to
14 understand what that change is.

15 MR. BALLINGER: We can definitely have something
16 by lunch I think, if not sooner. If we get it sooner
17 we will come on down.

18 COMMISSIONER GUNTER: Fine.

19 COMMISSIONER EASLEY: Then, Mr. Chairman, why
20 don't we just hold on this until they can get back.

21 MR. SLEMKEWICZ: The next issue is Issue 73, which
22 was the level of SCS expense, Southern Company Service
23 expenses, and that was temporarily passed on because
24 there was some thought that maybe some disallowance of
25 Scherer might affect these numbers, but in reviewing

1 that there is no effect on the, those numbers.

2 COMMISSIONER BEARD: Well, there is an effect.
3 The customer accounts went up durn near double.

4 COMMISSIONER GUNTER: I don't understand how
5 inventory --

6 MR. SLEMKEWICZ: It was a, there were some typos
7 in the --

8 MR. ROMIG: The Company filed an errata sheet
9 after the recommendation had been, the total amount of
10 expenses for Southern Company Services would have
11 remained the same.

12 COMMISSIONER BEARD: There is no, no change
13 whatsoever in production costs paid to SCS because
14 Scherer is removed?

15 MR. ROMIG: The production-related costs for
16 Scherer was paid to Georgia Power Corp. and not to
17 Southern Company Services.

18 COMMISSIONER BEARD: Where is that figure for
19 reduction reflected in here?

20 MR. SLEMKEWICZ: That is on Issue 27.

21 MR. ROMIG: Issue 27.

22 COMMISSIONER BEARD: All production costs are tied
23 in to that figure?

24 MR. ROMIG: Right.

25 COMMISSIONER BEARD: Nothing paid to Southern

1 Company Services at all with respect to Scherer?

2 MR. ROMIG: Right.

3 COMMISSIONER GUNTER: Let me ask you a question,
4 Issue 73 on Page 137 of staff's recommendation, are
5 those figures correct?

6 MR. SLEMKEWICZ: No, they are not.

7 COMMISSIONER EASLEY: The bottom line is the same.
8 You had a typographical error in customer accounts, is
9 that what I hear, and had there not been the
10 typographical error customer accounts would have read
11 2 million 173?

12 MR. ROMIG: Right. These figures were taken from
13 the Company's brief that they had filed. Subsequent to
14 the preparation of the recommendations the Company
15 filed their errata sheet to their brief.

16 COMMISSIONER GUNTER: Are these figures, are these
17 figures coming from briefs which are really not a piece
18 of the record, or are they coming out of the record of
19 this proceeding?

20 MR. ROMIG: They would be coming out of the
21 record. There were some mistakes made.

22 CHAIRMAN WILSON: Let me ask this question. In
23 the spreadsheet that is at the end of the staff's
24 recommendation, there is no adjustment for Southern
25 Company Services expenses, right?

1 MR. SLEMKEWICZ: That is correct. The adjustments

2 --

3 CHAIRMAN WILSON: Let me finish asking my
4 question. There is no adjustment in the staff
5 recommendation to the Southern Company amount. What
6 was included in the Company figure that wasn't
7 adjusted? Was it the 14809 or was it the total of the
8 numbers --

9 MR. ROMIG: 14809 was the total.

10 CHAIRMAN WILSON: 14809 was what?

11 MR. ROMIG: That is the grand total. We had
12 adjustments to Southern Company Services in the A&G
13 function, which is properly reflected in the \$8,246,000
14 figure as shown on Issue 73. There were no adjustments
15 to SCS charges in the other functions which were
16 affected by the corrections reflected in the Company's
17 errata sheet.

18 CHAIRMAN WILSON: I don't understand what you
19 said.

20 COMMISSIONER BEARD: Let me ask a question.

21 CHAIRMAN WILSON: What was the number that was
22 included, the total number that was included in the
23 case filed by the Company. Was it 14809 or whatever it
24 was, or was it --

25 MR. ROMIG: Somewhat higher than that because we

1 made adjustments to the administrative and general --

2 CHAIRMAN WILSON: All right, customer accounts,
3 what number was included in the Company's filing?

4 MR. ROMIG: It would have been the 199774.

5 COMMISSIONER BEARD: No, go one line up, customer
6 accounts.

7 CHAIRMAN WILSON: I'm sorry. Customer accounts.

8 MR. ROMIG: Oh, customer, I'm sorry. 2,173,025.

9 CHAIRMAN WILSON: So the number that appears in
10 the staff's recommendation is simply a typographical
11 error?

12 MR. ROMIG: Right.

13 CHAIRMAN WILSON: It doesn't really change any of
14 the numbers in the case?

15 MR. ROMIG: That is correct.

16 COMMISSIONER GUNTER: These come out of the briefs
17 or come out of the filing? Come out of the record?

18 MR. ROMIG: I believe what happened in preparing
19 the recommendation we were using the Company's briefs
20 to have these figures in, which then we picked them up
21 after the errata sheet was filed by the Company. The
22 Company filed an errata sheet for a number of errors
23 that they had made in their brief.

24 COMMISSIONER GUNTER: Well, now, my question is
25 though, using the briefs, did we go back and check the

1 briefs with the errata sheet or whatever, did you go
2 back and check those with the filings? If the answer
3 is no, that's fine.

4 MR. ROMIG: I don't believe I have checked, gone
5 back and checked that.

6 CHAIRMAN WILSON: What number was included in the
7 spreadsheets by which you calculated a revenue
8 requirement? What number for Southern Company Services
9 expenses was included?

10 MR. ROMIG: It would have been the 14809.

11 CHAIRMAN WILSON: Okay.

12 COMMISSIONER EASLEY: I would move 73 of the
13 staff recommendation.

14 CHAIRMAN WILSON: Well, 73 doesn't require -- did
15 we TP that? That's right, we TP'd that.

16 COMMISSIONER GUNTER: Yes.

17 CHAIRMAN WILSON: All right. So this -- all
18 right, Commissioner Easley has moved Issue 73. It
19 doesn't really change Issue 73 in substance.

20 MR. SLEMKEWICZ: That is correct.

21 MR. ROMIG: That is correct.

22 CHAIRMAN WILSON: All right. Without objection.
23 You're on.

24 MS. KUMMER: Commissioners, I would just like to
25 start out by saying that the cost of service and rate

1 design numbers are unfortunately more illustrative than
2 accurate because the revenue increase will change and
3 the rates, the revenue increase that these rates are
4 based on is somewhat different than what staff
5 eventually recommended, which changed anyway, but this
6 will show you the basic relationships and illustrates
7 the points we are trying to make in the recommendation.

8 The only other thing that I would like to ask is
9 that we temporarily skip over Issue 115. 115 is the
10 overall cost of service issue, and we feel that Issues
11 116 through 120 are parts of the cost of service study
12 and it would be easier perhaps or more logical to take
13 116 through 120 and then consider the overall cost of
14 service issue in 115.

15 CHAIRMAN WILSON: All right.

16 MS. KUMMER: Would you like us to go through issue
17 by issue?

18 CHAIRMAN WILSON: What is 115?

19 MS. KUMMER: It's the overall cost of service,
20 which is the appropriate cost of service methodology.

21 COMMISSIONER BEARD: I don't have it.

22 COMMISSIONER EASLEY: I don't even have that.

23 CHAIRMAN WILSON: Where is it? Is it out of
24 order?

25 MS. MEETER: Its listed after 120.

1 COMMISSIONER EASLEY: Why didn't I know that?

2 COMMISSIONER GUNTER: It's a simple numbering
3 system somehow --

4 MS. KUMMER: It's on Page 214 of the
5 recommendation.

6 MS. MEETER: We put the issues in the book and
7 listed them in the table of contents in the order in
8 which we thought they should be voted on because --

9 MS. KUMMER: Unfortunately your vote sheet didn't
10 come out that way, and I apologize for that.

11 CHAIRMAN WILSON: I think it's unreasonable for
12 you to expect us to look at the table of contents.

13 MS. MEETER: 116 through 120 are subsets of 115,
14 so you really do need --

15 CHAIRMAN WILSON: It makes much more logical
16 sense to do it in that order.

17 COMMISSIONER EASLEY: Where do you want us to
18 start?

19 MS. KUMMER: 113 is the first issue. 113 and 114
20 were stipulated, if you accept those stipulations.

21 COMMISSIONER GUNTER: I would move Issue 113, that
22 is billing determinants or the genesis for
23 determination.

24 COMMISSIONER EASLEY: Second.

25 CHAIRMAN WILSON: Hang on just a second. Let me

1 look at something.

2 Does this issue, how does this tie back to Issue
3 No. 49, which has to do with the Company's projected
4 total operating revenues for 1990? Is that, that is
5 before a rate change, is that right? -- never mind I
6 see.

7 MS. MEETER: This issue was the foundation for the
8 sales, the revenue from sales of electricity.

9 MS. KUMMER: This makes a policy decision that
10 this should have been standby, and 49 is a revenue
11 fallout issue. This is the basis that says yes it
12 should have been standby.

13 CHAIRMAN WILSON: This only goes to one customer?

14 MS. KUMMER: Right, this is the one, the migration
15 and the no migration problem.

16 CHAIRMAN WILSON: The issue is a little broadly
17 stated for --

18 MS. MEETER: This is all the billing determinants.
19 This is the basis for the revenues from the sales of
20 electricity.

21 COMMISSIONER GUNTER: That's exactly right.

22 MS. KUMMER: And the adjustment we made was
23 because of the customer and the migration to migration.

24 CHAIRMAN WILSON: Okay, I want to make sure this -
25 - I had some questions yesterday that I really failed

1 to go into, and I may want to revisit those in Issue
2 49, which has to do with the Company's projected
3 operating revenues for 1990. I want to know whether
4 this -- does this have sales projections in it, this
5 issue here, 113?

6 MS. KUMMER: 113 is the billing determinant
7 projections essentially that drive the revenue
8 projections.

9 CHAIRMAN WILSON: All right.

10 MS. KUMMER: It's the customer's kilowatt hours,
11 kilowatt projections that drive the revenue.

12 COMMISSIONER GUNTER: This is just an energy to
13 establish this, this is one of the, one of the items
14 that you plug into a formula of how much they are going
15 to sell.

16 MS. KUMMER: It's the basic forecast of usage.

17 COMMISSIONER GUNTER: Not the dollars, the energy.

18 CHAIRMAN WILSON: The dollars would be driven by
19 these numbers?

20 MS. KUMMER: Yes.

21 CHAIRMAN WILSON: If you wouldn't mind temporarily
22 passing this, I've got a couple of things that I may
23 want to ask about this as we go on.

24 COMMISSIONER GUNTER: We can do that, but this is
25 -- I don't know how you can go forward without

1 establishing billing determinants.

2 CHAIRMAN WILSON: Well, their calculations can't
3 go forward until we establish the billing determinants,
4 but the agenda conference can go forward without
5 establishing the billing determinants.

6 MS. KUMMER: Mr. Chairman, perhaps if your problem
7 is with the items on Issue 49, we could help you with
8 those.

9 CHAIRMAN WILSON: All right.

10 MS. KUMMER: I am back on Page 101. The Item 3
11 under Issue 49 is the additional standby revenues due
12 to the 79-59 KW which was not billed as standby and
13 should have been billed as standby, which you approved
14 in Issue 48. Okay.

15 Issue 4, or Item 4 under that, under Issue 49, the
16 Company simply picked up the wrong number off their
17 schedules, and that correction is due to that.

18 CHAIRMAN WILSON: All right. Well, I tell you
19 what I was looking at is, as I was looking at going
20 through this recommendation last night, I went back to
21 Issue 49, and I was looking at quite frankly Public
22 Counsel's brief, which discussed the fact that the
23 Company has consistently underestimated retail sales
24 from --

25 MS. KUMMER: That was their, the position in their

1 brief, but they did stipulate to 113. They were party
2 to the stipulation.

3 CHAIRMAN WILSON: They stipulated to 113.

4 COMMISSIONER BEARD: That is not Issue 49.

5 MS. KUMMER: That is correct.

6 CHAIRMAN WILSON: Is Issue 49 a fallout of 113?

7 MS. KUMMER: Yes. Issue 113 is the billing
8 determinants, and then the revenues fall out of the
9 billing determinants.

10 MS. MEETER: Issue 49 covers all revenues. The
11 billing determinants drive these sales of electricity
12 portion of the operating revenues.

13 CHAIRMAN WILSON: Am I being dense or is -- how
14 can you on the one hand question the retail sales
15 forecast, and on the other hand stipulate to the
16 billing determinants and the sales numbers that drive
17 the sales forecasts?

18 MS. KUMMER: Mr. Chairman, we had the same
19 question, and they stipulated to it, and we assumed
20 they knew what they were doing.

21 CHAIRMAN WILSON: I mean this, my reading of that
22 issue raised some real serious questions in my mind
23 about whether we shouldn't be looking at what those
24 sales forecasts were.

25 COMMISSIONER EASLEY: Maybe they changed their

1 mind.

2 COMMISSIONER BEARD: Well, regardless whether
3 something was a stipulation brought to us for approval
4 or not, the question is had they been consistently
5 underestimating their revenue projections? That is
6 the real question.

7 CHAIRMAN WILSON: The reason I want to sort of
8 pass this is this refers to an exhibit number that I
9 don't have.

10 MS. KUMMER: One of our system planning people did
11 look at their forecasts. We are going to get him right
12 now.

13 CHAIRMAN WILSON: Hold on a second. Go ahead.

14 MS. KUMMER: One of our system planning folks did
15 look at their forecasts and they're I guess on the way
16 to get him right now. He'll be able to address it. He
17 did prepare --

18 CHAIRMAN WILSON: Well, the reason I wanted to
19 pass this for a minute is this refers to Exhibit 337,
20 which I do not have at hand and would like to get
21 before we discuss it, which is why I suggested we sort
22 of skip over this, and I'll get it at the break.

23 MS. KUMMER: Okay.

24 CHAIRMAN WILSON: We can go ahead with the other
25 issues and come back to this without seriously

1 disrupting the logical order of this.

2 MS. MEETER: The only problem is if you decide to
3 change this, there is going to be, John Slemkewicz'
4 numbers are going to change, too.

5 COMMISSIONER BEARD: That's fine.

6 CHAIRMAN WILSON: That's what we are here for.

7 MS. MEETER: And so it will be later, you know,
8 and will show down the process.

9 MS. KUMMER: So you're right, the rest of the
10 issues are essentially policy type issues that are not
11 dependent upon Issue 113.

12 CHAIRMAN WILSON: Let's go on to Issue 114.

13 COMMISSIONER GUNTER: I move 114.

14 CHAIRMAN WILSON: That is stipulated. We can
15 accept that. Without objection.

16 Issue 116. I need to ask one question. On the,
17 at the beginning of staff analysis it says Commission
18 policy since the early '80s has been, and it goes on to
19 describe what that is, and then the last paragraph it
20 says, "The staff therefore agrees with Citizens that to
21 the extent practicable distribution facilities that
22 function as service drops or dedicated tap lines should
23 be directly assigned to classes whose members
24 facilities serve --"

25 Is that consistent with the policy that we have

1 been following, or is that a change?

2 MS. MEETER: That is what you did in TECO in
3 Docket 850050.

4 CHAIRMAN WILSON: All right. But that is not
5 consistent with what you described in the first
6 paragraph in the record.

7 MS. MEETER: Yes and no. Service drops in the
8 FERC accounts are only secondary drops. So if you are
9 a primary or higher voltage customer, there is no
10 service drop that is booked as a service drop.

11 CHAIRMAN WILSON: Right.

12 MS. MEETER: So this would recognize that. It
13 would conceivably recognize a little more. But this
14 has not been done in the cost of service study. The
15 cost of service study reflects what you have done in
16 all of those other cases with the exception of TECO.
17 It's got just the service drop. The secondary service
18 drop and the meter classified as customer related and
19 included in the customer unit cost.

20 CHAIRMAN WILSON: So in terms of what we do here
21 today in the cost of the service studies that we are
22 looking at this issue doesn't, this would be for the
23 future?

24 MS. MEETER: It would be for the future. Now, in
25 my issue, in Issue 115, there was a small portion of

1 account 364, which is lines, the Company did take all
2 secondary lines, not just service drops, but all
3 secondary lines and included them, classified them as
4 customer related and allocated them on customers,
5 secondary customers.

6 So there is that little piece. And in the staff
7 revised cost of service study, that piece was again
8 classified as demand related to be consistent with
9 Commission policy.

10 COMMISSIONER BEARD: If you are going to put
11 secondary distribution in specific customer classes,
12 then you darn sure would have to put primary drops --
13 by customer class, and you have got to do them
14 together.

15 MS. MEETER: It would seem to be logical. I don't
16 know why the FERC account got set up the way it did to
17 just include secondary drops, but right now in all the
18 cost of service studies we have, there are only service
19 drops that are allocated to secondary customers, and
20 the primary and higher voltage customers are not
21 specifically allocated that cost. Everybody at that
22 voltage level and lower shares in the cost of drops for
23 primary level customers.

24 But they are talking about something else here.
25 What this issue is, they would like to classify a much

1 larger proportion of the distribution system. In other
2 words they would like to take poles and primary lines
3 and secondary lines and classify that as customer
4 related. It's called a minimum distribution system
5 concept.

6 But again, I would agree with you there is an
7 inconsistency here because only primary customers who
8 are served off of common lines and secondary customers
9 would get that cost. Anybody who is served directly
10 off a substation won't have any cost classified as
11 customer related.

12 COMMISSIONER BEARD: Well, perhaps we can direct
13 a sign. Direct allocation right off the substation to
14 the customer, the individual customer. Why not like
15 that? But that is is the consistent way to do it.

16 CHAIRMAN WILSON: Joe, you look like you need to
17 say something.

18 MR. JENKINS: This is an issue we've had with all
19 companies over the years. The game being played here
20 is increase the customer charge. When you increase the
21 customer charge, you make those amount of revenues less
22 susceptible to price elasticity, you know, customer
23 changes and usage. And also it somewhat has anti-gas
24 overtones.

25 I'm not saying the Company is deliberately doing

1 that, but all gas customers must also take electric
2 service. So when you have a high customer charge, the
3 gas customers, the dual fuel customer pays that high
4 charge. He can't avoid it by using gas. So there is
5 strong policy overtones here in this customer charge.

6 MS. MEETER: And it also pushes more cost on to
7 smaller customers versus large customers.

8 CHAIRMAN WILSON: So what is the result of staff
9 recommendation?

10 MS. MEETER: Well, what the industrial intervenors
11 ask is that you vote on this issue and consider doing
12 it next time. And my position has been that we should
13 just continue the present policy.

14 CHAIRMAN WILSON: So staff recommendation is to
15 continue the present policy.

16 MS. MEETER: Right.

17 CHAIRMAN WILSON: All right.

18 COMMISSIONER BEARD: Which, to get square, the
19 present policy that was developed in TECO?

20 CHAIRMAN WILSON: No. When I said no, is that
21 correct? I want to hear you say no, Marge.

22 MS. MEETER: What we are saying here is that no
23 distribution system costs other than service drops and
24 meters should be classified as customer related. Now,
25 I don't think it would be inconsistent to identify

1 service drops for higher voltage customers and do, make
2 that, spread that cost to those customers on a customer
3 basis; that would not be inconsistent with this
4 recommendation like Commissioner Beard thought we
5 should do.

6 But what we are saying here is nothing other than
7 a meter and a service drop would be classified as
8 customer related and allocated on average number of
9 customers and included in the customer unit cost.

10 COMMISSIONER BEARD: From a consistency
11 standpoint, if I understand that correctly, if you had
12 a primary service drop, you would allocate that and any
13 PTs and CTs would be allocated directly to that
14 customer, if they aren't already, I would assume they
15 would be.

16 MS. MEETER: PTs and, PTs, it's my understanding
17 that that is part of the meter account and so those
18 would be allocated or assigned to customers. The
19 Company did an analysis of meter costs. They looked at
20 the type of meters, and you know made assignments on
21 average number of customers who had that type of meter.
22 So yes, that right now is in the, it's classified as
23 customer related and is in the customer unit cost.

24 COMMISSIONER GUNTER: And goes to each customer
25 class, and goes to each customer class.

1 CHAIRMAN WILSON: So what you are recommending
2 here is consistent with what we did prior to TECO, or
3 what we did in TECO or consistent with both?

4 MS. MEETER: It's not consistent with what you did
5 in TECO in that much larger proportions of the system,
6 like they have a portion of their service territory
7 that is just phosphates, and there were some direct,
8 long direct taps that were assigned to the phosphate
9 customers.

10 COMMISSIONER GUNTER: Move staff.

11 CHAIRMAN WILSON: All right. Without objection
12 then, staff recommendation.

13 MS. KUMMER: Mr. Chairman, Roland Floyd is here to
14 address the billing determinant issue, if you would
15 like to go back.

16 CHAIRMAN WILSON: Well, I want to wait a few
17 minutes to do that, because I've got an exhibit that I
18 need to get a hold of in order to discuss it.

19 COMMISSIONER EASLEY: I'll move staff on 117.

20 COMMISSIONER GUNTER: I agree.

21 CHAIRMAN WILSON: Any questions on this? All
22 right. Without objection, staff recommendation is
23 approved on Issue 117.

24 118.

25 COMMISSIONER EASLEY: I move the primary

1 recommendation.

2 CHAIRMAN WILSON: Any discussion? Is there a
3 second to that?

4 COMMISSIONER GUNTER: No, I was waiting to see if
5 you get a second.

6 CHAIRMAN WILSON: Is there a second to that?

7 COMMISSIONER GUNTER: No, I was going to move the
8 alternative recommendation.

9 CHAIRMAN WILSON: If you will take the gavel, I'll
10 second the primary recommendation.

11 COMMISSIONER GUNTER: Fine.

12 CHAIRMAN WILSON: I second Commissioner Easley's
13 motion.

14 COMMISSIONER GUNTER: Any questions?

15 CHAIRMAN WILSON: Is there discussion?

16 COMMISSIONER BEARD: Just looking at how this lays
17 down, it appears that the alternative recommendation to
18 some degree at least, well, no, the Company is saying
19 demand and energy not solely energy.

20 CHAIRMAN WILSON: How did we do this in TECO?

21 MS. MEETER: On energy.

22 CHAIRMAN WILSON: How have we historically done
23 it?

24 MS. MEETER: On energy.

25 CHAIRMAN WILSON: On energy?

1 MS. MEETER: When I have been reviewing it, that
2 is the way I have done it. Now, there were a few cases
3 when other staff members did it, and I can't vouch for
4 what was done in those cases.

5 CHAIRMAN WILSON: What effect does this have, Joe?

6 MR. JENKINS: It's not a large effect in my
7 opinion.

8 Marge, what is the effect of going -- we discussed
9 it.

10 MS. MEETER: The level of fuel stock was 52
11 million and I think maybe, did you all adjust that a
12 little bit yesterday?

13 MR. JENKINS: Yes.

14 CHAIRMAN WILSON: Yes.

15 MS. MEETER: So we are talking about that much
16 money going in to rate base, and the percentages are a
17 little bit different. It does make a difference, but
18 not a real significant one. If you want me to, I can --
19 -- wait, I know where I can --

20 CHAIRMAN WILSON: Joe, talk a little bit about the
21 theory here, why you would do what are suggesting.

22 MR. JENKINS: Well, all of these years I have been
23 rambling along that this --

24 CHAIRMAN WILSON: Wait a minute. Is this one of
25 your rambling issues?

1 MR. JENKINS: No.

2 CHAIRMAN WILSON: I withdraw my second. I'm
3 sorry.

4 MR. JENKINS: I have been thinking that fuel
5 stocks should be energy because, you know, they provide
6 BTUs and kilowatt hours, and it wasn't until Gulf Power
7 recommended a split that it occurred to me that there
8 should be any controversy whatsoever. And then I asked
9 myself the question, well, why do we have fuel stocks.
10 Well, the first blush answer is to provide BTUs, but
11 that's really not the right answer. The real right
12 answer is we have fuel stocks to make the generating
13 units reliable.

14 And as soon as you put the word "reliability" on
15 it, it automatically means demand to me. I think all
16 of these years I have been misled by how we calculate
17 fuel stocks, and I have substituted that calculation or
18 equated it to an energy classification as opposed to
19 demand.

20 COMMISSIONER GUNTER: But it was, it goes back and
21 has a genesis of whether you wanted to try and let
22 people understand, you know, there was a time when we
23 had part of the fuel price in base rates, and you had
24 part of it on fuel adjustment. And the decision was
25 made that fuel was fuel, and it's a separation so that

1 the customer understands and can be clearly identified
2 by this Commission as to what the price of fuel really
3 is on communicating with the customer, as well as
4 establishing a pretty clear demarcation in a changing
5 fuel time as to what really is base rates and what is
6 the fuel utilized.

7 And that is sort of philosophical of where you are
8 coming from. This is a market change. And the primary
9 recommendation is a change at least from 10 or 11 years
10 of presentation of where part of the price of fuel used
11 to be hid in base rates.

12 MR. JENKINS: It's all still going to be in base
13 rates. No change there.

14 COMMISSIONER GUNTER: Well, in the bottom line
15 bill was an energy component or demand component.

16 CHAIRMAN WILSON: Well, the fuel stock is in base
17 rates.

18 MR. JENKINS: Yes. This has nothing to do with
19 the fuel clause.

20 CHAIRMAN WILSON: Now, I think I understand your
21 point, Joe, that if it were just, if fuel were all just
22 energy and there were no reliability component to it,
23 what you would do is just schedule enough trains to
24 come in every day to bring enough coal to burn for that
25 day to provide the energy that was needed and that's

1 it.

2 MR. JENKINS: Right.

3 CHAIRMAN WILSON: But in fact what you do is you
4 provide enough coal or whatever fuel there is there in
5 order to be sure that that unit is reliable over a
6 period of time because the vagaries of the fuel market
7 and the transportation market and --

8 MR. JENKINS: That is my reasoning.

9 CHAIRMAN WILSON: So that piece is a little bit
10 separately from just the energy piece of it. But I
11 guess I need some help in making the leap from that
12 analysis, which I think I understand, to saying that
13 then it's classified as demand; that it necessarily
14 implies that that is demand.

15 MR. JENKINS: I guess the leap from reliability
16 to demand is the same leap we have always done in
17 classifying power plants to a large extent as demand
18 related.

19 CHAIRMAN WILSON: And once you put it in that
20 category, it follows.

21 MR. JENKINS: Once you put it in that category it
22 follows. I guess there is another policy in here that
23 I would like to migrate to is the conservation aspects.
24 I know you all have not voted on the conservation
25 programs, you know, the new round coming out. But if

1 our primary purpose, as was before, to put more
2 emphasis on saving, avoiding power plants, then when
3 there is a choice, not arbitrarily but when there is an
4 arguable choice between energy and demand, I would have
5 a policy for consistency. I would have a policy of
6 allocating costs to demand if our policy is primarily
7 to avoid the construction of new power plants.

8 Nov, it was not quite that in the '80s. It was
9 close, but it was not quite that.

10 MS. MEETER: I would point out that we certainly
11 don't want to classify more cost as demand related than
12 the avoided cost of building the plant. I think you
13 have to be careful about that.

14 COMMISSIONER GUNTER: I agree with you.

15 MS. MEETER: Commissioners, if you want --

16 CHAIRMAN WILSON: Does that mean, does that mean
17 that when you look at the avoided cost of the plant
18 that you ought to consider --

19 COMMISSIONER GUNTER: Fuel stocks.

20 CHAIRMAN WILSON: The 90-day burn, fuel stocks
21 sufficient for 90 days.

22 MR. JENKINS: Yes.

23 CHAIRMAN WILSON: Have we done that?

24 MR. JENKINS: To my knowledge we have. The only
25 thing we've lost out on is since we don't have site-

1 specific plans but statewide plans, we missed out on a
2 natural gas pipeline when we got in to a site-specific
3 certification.

4 CHAIRMAN WILSON: I interrupted you. I'm sorry.

5 MS. MEETER: You asked me a question on what is
6 the impact. If you look on the last, let's see, third
7 from the last page of Exhibit 501, or if you go to the
8 MFRs, Schedule 1, there is a table of line allocators
9 and percentages. And if you will look at Line 1, which
10 is energy, that will tell you what proportions each
11 class would get based on energy. And if you look down
12 on Line 6, that will tell you what proportion the class
13 would get if you classified it as all demand related,
14 if you are interested in that analysis.

15 COMMISSIONER GUNTER: I don't have those.

16 CHAIRMAN WILSON: I don't have it either, but I
17 would like to see that. We can just pass that down.

18 COMMISSIONER EASLEY: Joe, tell me then why Gulf's
19 recommendation or request that the allocation be on
20 both demand and energy doesn't work based on the
21 arguments that I have just heard between the two of you
22 disagreeing.

23 MR. JENKINS: Whether it's to go to demand or to
24 energy, to assign it to one of those two, is arguable.
25 There's really a rationale for going either way. And

1 apparently what Gulf did is they just split the
2 difference.

3 COMMISSIONER EASLEY: They are saying if you can
4 make an argument to go either way, you ought to be able
5 to make an argument to go both?

6 MR. JENKINS: Right.

7 COMMISSIONER EASLEY: I like that kind of logic.

8 CHAIRMAN WILSON: And what did you do, Joe? You
9 said --

10 MR. JENKINS: I said when there is an arguable
11 choice go to demand. When there is no arguable choice,
12 you know, keep it where it's supposed to be.

13 COMMISSIONER EASLEY: I'll tell you the truth when
14 I read this thing demand looked so logical to me that I
15 didn't really go too much further.

16 MS. MEETER: They have done 12/13ths on demand and
17 1/13th on energy.

18 COMMISSIONER EASLEY: There's a motion sitting out
19 there, Mr. Chairman.

20 COMMISSIONER GUNTER: We've got the motion to the
21 primary recommendation. All of those in favor say aye.

22 All opposed.

23 COMMISSIONER BEARD: No.

24 COMMISSIONER GUNTER: No.

25 CHAIRMAN WILSON: I knew that was going to happen

1 at some point in this area. I just didn't think it
2 would be this issue.

3 COMMISSIONER EASLEY: Well, Mr. Chairman, we can't
4 let a tie, do you want to try a different motion? We
5 need to break the tie.

6 CHAIRMAN WILSON: We need to talk this through a
7 little bit here and see where we can --

8 COMMISSIONER EASLEY: Of course, what happens is
9 my motion fails on a tie vote, unless we find a
10 solution.

11 CHAIRMAN WILSON: Joe, what your recommendation is
12 is not what the Company proposed, right?

13 MR. JENKINS: That is correct.

14 CHAIRMAN WILSON: And, Marge, what you recommended
15 is what? Joe is on one end, and you are on the other
16 end and the Company is right in the middle?

17 MS. MEETER: The Company is not in the middle.

18 CHAIRMAN WILSON: Where is the Company? They are
19 sort of in the middle or what?

20 MS. MEETER: The Company is like 92.3 percent
21 demand and 7.69 percent energy. So they are --

22 CHAIRMAN WILSON: Joe, would be a hundred percent
23 one way and you would be a hundred percent the other
24 way.

25 MS. MEETER: Right.

1 COMMISSIONER GUNTER: And the Public Counsel is
2 a hundred percent over there with Marge.

3 CHAIRMAN WILSON: And the industrial intervenors
4 are where, in the middle?

5 MS. MEETER: Well, they just say it should be
6 classified to demand or energy based on its use in the
7 system.

8 COMMISSIONER EASLEY: Great. That's a big help.

9 CHAIRMAN WILSON: Does that mean that you take the
10 fuel stocks and say 75 percent of the fuel stock is
11 there for demand and reliability purposes, and the
12 balance of it is there for energy, is that what you are
13 saying? I mean is that what the industrial
14 intervenors, is that the theory behind what they are --

15 MS. MEETER: They are not, they are not saying how
16 much should be --

17 CHAIRMAN WILSON: No, but they are saying that is
18 the logic.

19 MS. MEETER: Presumably.

20 CHAIRMAN WILSON: And the Company's logic is it's
21 90 -- did you say 97 or 93?

22 MS. MEETER: 92.31 percent.

23 CHAIRMAN WILSON: 92 percent demand related.

24 MS. MEETER: They just applied the 12 CP and
25 1/13th.

1 COMMISSIONER EASLEY: Let me, let me ask you a
2 bottom-line question. What are we, are we talking
3 about maybe an eighth of a cent per customer? What are
4 we talking about here depending upon what we do? Is it
5 a big change, a little change, the customer will never
6 know the difference?

7 MR. JENKINS: Little change, Marge, check me.

8 COMMISSIONER EASLEY: What happens -- and if the
9 customer doesn't know much difference, what happens to
10 the Company? Do they realize much difference?

11 MS. MEETER: The Company gets it regardless -- or
12 let me say their revenue requirement has already been
13 set to get the level that Mr. Shea recommended that you
14 voted on.

15 COMMISSIONER EASLEY: All right. The bottom line
16 is the same to the Company. Is the bottom line the
17 same to the customer?

18 MR. JENKINS: No. I guess under my
19 recommendations the, the customers who have low load
20 factor, lower load factor, would get more on a per unit
21 basis. So I guess --

22 COMMISSIONER EASLEY: Give me an example.

23 MR. JENKINS: The residential would get more under
24 my basis, under my --

25 COMMISSIONER EASLEY: Get more what? A higher

1 bill?

2 MR. JENKINS: A slightly higher bill.

3 COMMISSIONER GUNTER: A higher bill.

4 COMMISSIONER EASLEY: How much higher?

5 MS. MEETER: Not much. I would say the companies
6 where this really has an impact is where you have
7 interruptible customers. And interruptible customers
8 are not allocated any demand-related cost. So if this
9 were the TECO case then the interruptible customers
10 wouldn't be paying any of the -- they would be paying
11 --

12 COMMISSIONER GUNTER: Virtually none.

13 MS. MEETER: Virtually none of the fuel stock and
14 the fuel stock, the level of the fuel stock is based on
15 90-days burn, and their kilowatt hours are in that
16 burn. Are they not responsible for any of it?

17 COMMISSIONER EASLEY: What happens under the
18 Company's proposal of splitting, let's say we took a
19 different figure, what happens under the theory that
20 you come somewhere between the two of you?

21 MS. MEETER: Well, let's say if you split it
22 50/50, then if we were talking about TECO, then the
23 interruptibles would have their proportionate share of
24 50 percent.

25 COMMISSIONER EASLEY: Let's talk about Gulf.

1 MS. MEETER: Well, this is really, it's a policy
2 issue, and I know right now we are talking about Gulf.
3 But I'm saying where this really has the biggest impact
4 is on a utility with interruptible customers.

5 I don't think it's very big. Let's see. It's a
6 difference --

7 COMMISSIONER BEARD: For the lack of being
8 gainfully employed, let me move alternative staff and
9 see what happens.

10 COMMISSIONER GUNTER: I'll second it.

11 COMMISSIONER EASLEY: What did you do?

12 COMMISSIONER BEARD: I moved the alternative.

13 CHAIRMAN WILSON: He moved the alternative
14 recommendation. And Commissioner Gunter has seconded.
15 All in favor.

16 COMMISSIONER BEARD: Aye.

17 COMMISSIONER GUNTER: Aye

18 CHAIRMAN WILSON: Aye.

19 COMMISSIONER EASLEY: No.

20 CHAIRMAN WILSON: I find that there is a lot of
21 logical appeal in, in something other than a hundred
22 percent.

23 COMMISSIONER EASLEY: Either way.

24 CHAIRMAN WILSON: One way or the other. There is
25 a lot of appeal to exactly what the Company proposed,

1 although I don't know that the logic that got them
2 there is really reflective of the reality of
3 application of this theory because they got there by
4 simply applying the 12 CP and 1/13th.

5 I think the next time we see one of these we ought
6 to address this squarely and there ought to be some
7 analysis. And if in fact, your argument is appealing,
8 Joe, that if part of this is related to reliability and
9 demand then it ought to be classified that way, but not
10 all of it. I don't think all of it --

11 MR. JENKINS: Yeah, it really, the argument is,
12 again it's arguable which way you go. There are
13 rationale both pro and con and for splitting it down
14 the middle. My overall purpose is conservation, and
15 this is just a tiny piece of that overall purpose.

16 COMMISSIONER GUNTER: And it would be to the
17 calculation of cost effectiveness. Am I hearing you
18 correctly?

19 MR. JENKINS: Yes, yes. The more I can get, the
20 more cost that I can allocate in to the peak period or
21 in to demand, the more cost effective that I can make
22 conservation calculations.

23 CHAIRMAN WILSON: Would that also tend to support
24 peak and off.

25 MR. JENKINS: Yes.

1 CHAIRMAN WILSON: On-peak, off-peak prices with a
2 greater, much greater differential?

3 MR. JENKINS: It's a tiny step in that direction,
4 even though we are dealing right now with non-time-of-
5 day rates.

6 COMMISSIONER EASLEY: We done broke the tie.
7 Let's move on.

8 CHAIRMAN WILSON: Okay. All right, alternative
9 staff recommendation is approved with a caveat.

10 COMMISSIONER BEARD: Let me say, since I haven't
11 said much about it, when I get the right analysis and
12 get the detailed analysis and have spent the time on
13 it, then I would be willing to discuss it. But at this
14 stage just the presentation with the numbers thrown out
15 leaves me cold.

16 MR. JENKINS: Okay.

17 COMMISSIONER BEARD: There is ample opportunity
18 for us to discuss this.

19 CHAIRMAN WILSON: In this case where the
20 consequences in terms of revenue really aren't very
21 much. Then the consequences of the decision --

22 MR. JENKINS: Right.

23 CHAIRMAN WILSON: -- isn't terribly significant,
24 but we'll probably see a case one of these days where
25 it matters.

1 MS. MEETER: Commissioners, would you like -- oh,
2 you want to look at that exhibit, I'm sorry.

3 CHAIRMAN WILSON: Yeah, we'll get back to it when
4 we get that other information.

5 Issue 119.

6 COMMISSIONER EASLEY: Move staff.

7 CHAIRMAN WILSON: Staff recommendation without
8 objection.

9 Issue 120.

10 MS. MEETER: Commissioners, there are two typos in
11 the recommendation as it appears, and it should be
12 underestimated and under-allocated on Lines 3 and 4.
13 It's correct on your vote sheet, but not in your
14 recommendation volume.

15 COMMISSIONER GUNTER: Underestimated and
16 under-allocated on Line 3 and 4.

17 MS. MEETER: Yes, sir.

18 COMMISSIONER GUNTER: Of the recommendation.

19 COMMISSIONER EASLEY: As opposed to unestimated.

20 MS. MEETER: Yes.

21 COMMISSIONER GUNTER: I would move staff.

22 COMMISSIONER EASLEY: Second.

23 CHAIRMAN WILSON: What exactly does this mean?

24 MS. MEETER: Well, they have varied from the way
25 these demands have been developed in the past and they

1 are just, they are judgmentally saying I don't think
2 these customers are going to place as much demand
3 during the 12 CP hours as their relation, as they have
4 exhibited in the past.

5 CHAIRMAN WILSON: And they do that by not --

6 MS. MEETER: And they have done it by excluding
7 some kilowatt hours in this, in applying ratios.

8 CHAIRMAN WILSON: And they were in fact there in
9 the past, and they are saying they are not going to be
10 there in the future.

11 MS. MEETER: Right, but the problem in '89 their
12 12 CP load factor dropped way down instead of going up.
13 And if people were going to respond to this SE rider
14 such as, so they use less kilowatt hours in these peak
15 hours, you would have expected to have seen that. You
16 wouldn't have expected an increase. Actually the
17 Company, those customers used a 119,000; that was their
18 average 12 CP in '89. They are using 104 for '90.

19 What it does is it means that these classes, it's
20 primarily the PXT. Their rates will be lower than they
21 would otherwise have been if they hadn't done this. It
22 means we are back in the area of determining demands
23 judgmentally, whereas we passed the load research rule
24 and required the utilities to collect all of this data,
25 we are no longer going to be using that as the basis

1 for developing the demands.

2 CHAIRMAN WILSON: All right. You moved the staff
3 recommendation.

4 COMMISSIONER GUNTER: I moved.

5 CHAIRMAN WILSON: Second. Any objection?
6 Staff recommendation.

7 Issue 115.

8 COMMISSIONER GUNTER: This is where you made your
9 adjustments to the methodology that was filed, right?

10 MS. MEETER: Yes, we made the adjustment for two
11 things.

12 COMMISSIONER GUNTER: Right.

13 MS. MEETER: We made it for that, and we made it
14 for the mismatch between the costs and the revenues for
15 OS-1 and 2. We did not reflect any of the others. We
16 didn't reflect fuel stock. Those were the big ones.

17 COMMISSIONER GUNTER: I got you. I move the
18 primary recommendation.

19 COMMISSIONER EASLEY: Second.

20 COMMISSIONER BEARD: Let me just comment --

21 CHAIRMAN WILSON: Let me pass the gavel. I'm
22 going to make a substitute motion. I'm going to move
23 the alternative recommendation -- I'm sorry. Never
24 mind.

25 You moved the primary?

1 COMMISSIONER GUNTER: Yeah.

2 CHAIRMAN WILSON: I'm sorry.

3 COMMISSIONER BEARD: Let me just make --

4 COMMISSIONER GUNTER: I was beginning, I was
5 fixing to fall over backwards.

6 CHAIRMAN WILSON: Well, you would have been
7 justified in pushing me over backwards.

8 COMMISSIONER BEARD: The industrial intervenors,
9 the staff analysis on the II position I think is good.
10 I think it holds some merit when done with some of the
11 analysis that is there, some expansion and change in
12 what is considered in the peak hours. For future
13 reference that would be interesting for me to look at.
14 But I would tend to agree, it's a fairly narrow, I mean
15 I support the recommendation, but I'm saying for future
16 use it has some interest to me.

17 CHAIRMAN WILSON: All right. The primary
18 recommendation has been moved and seconded. Any
19 objection to that?

20 CHAIRMAN WILSON: All right. Without objection,
21 the primary recommendation.

22 Issue 115A.

23 COMMISSIONER BEARD: I don't have it.

24 CHAIRMAN WILSON: Where does that --

25 COMMISSIONER GUNTER: That is out of order.

1 CHAIRMAN WILSON: I remember reading it, but I
2 don't remember where I saw it.

3 COMMISSIONER EASLEY: It's out of order.

4 COMMISSIONER GUNTER: 121 and then 115A.

5 MS. MEETER: You really need to look at those, 121
6 and 115A together.

7 CHAIRMAN WILSON: All right.

8 COMMISSIONER EASLEY: As I understand staff
9 recommendation on 121 -- are we dealing with 121 now?

10 COMMISSIONER GUNTER: Yeah, I guess.

11 COMMISSIONER EASLEY: Is that essentially you have
12 got the same relative position between the customer
13 classes as you have now under staff recommendation, is
14 that correct? Or is it only to GSD LP LPT PX PXT, et
15 cetera, that the relative position remains the same?

16 MR. TROMBINO: I believe that the relative
17 positions for the PXT class and GSD class improve, LP
18 being the only one that doesn't improve from the
19 present.

20 COMMISSIONER EASLEY: Doesn't change?

21 MR. TROMBINO: Doesn't change.

22 COMMISSIONER EASLEY: Okay. So that statement,
23 the last sentence in the recommendation, the first
24 paragraph, only refers to those classes?

25 MS. KUMMER: Commissioner, what this refers to and

1 the way that we go about allocating revenue is to bring
2 the classes closer to parity.

3 COMMISSIONER EASLEY: Right.

4 MS. KUMMER: And that's what that refers to is to
5 bring them closer to parity.

6 COMMISSIONER EASLEY: All right. I got lost in
7 that paragraph.

8 MS. KUMMER: It's not relative one to another, but
9 all of them to parity.

10 COMMISSIONER EASLEY: I've got you.

11 COMMISSIONER GUNTER: Marge, you've got to help
12 me. On staff's analysis I'm under the impression that
13 the position, the policy of the Commission has been
14 that no individual class got, in this stage, got over
15 one and a half times the average increase. And I got
16 an impression that, from reading, that that was one and
17 a half times, which included fuel adjustment ECR, ECCR
18 and what have you. And I was under the impression we
19 didn't do that because there is no way at this time to
20 be able to even tell what an adjustment would be on
21 conservation or fuel adjustment or what have you.

22 I'm trying to understand. To me that reflected,
23 as I recall, a policy change.

24 MS. MEETER: No. We have done it, recently we
25 have been pretty consistent. I have gone back to some

1 of the earlier recommendations that wasn't clear.

2 COMMISSIONER GUNTER: Recently? When is the last
3 time we did a rate increase?

4 MS. MEETER: Well, I would say in the last seven
5 years. It's been -- I would have to go back and check
6 each recommendation and see what it said. We have used
7 the one and a half time with adjustments, and of
8 course, they have filed those projected adjustments for
9 the test year. We used that because that is what the
10 customer sees. We wanted, we felt that this was for
11 continuity of rates. So we were looking at the total
12 bill.

13 COMMISSIONER GUNTER: I just didn't recall that.
14 Because in a time period when you had very, you know,
15 tremendously escalating prices of fuel, that could have
16 really created a situation where there would be
17 miniscule increases available to maintain that policy
18 of one and a half times.

19 MS. MEETER: No, see fuel would be constant. In
20 other words they have filed the fuel for the test year.
21 So when we say one and a half times, we are looking at
22 what the bill is before the increase in base rates, and
23 what --

24 COMMISSIONER GUNTER: Taking a snapshot in time.

25 MS. MEETER: Right, so it doesn't reflect any

1 change in fuel over time. It just reflects based on
2 the fuel at the time of the test year.

3 COMMISSIONER GUNTER: Well, isn't it -- you've got
4 to help me a little bit of why the recommendation is to
5 exceed that one and a half times. I read the words,
6 but I'm not sure I understand.

7 MR. TROMBINO: Commissioner Gunter, the main
8 reasoning behind that was because of the substantial
9 decrease to the GS class. In order to set GS rates
10 equal to residential --

11 COMMISSIONER GUNTER: Previously we had not
12 decreased rates. It's been Commission policy, we
13 didn't decrease rates, we just held them where they
14 were. You let everybody else grow to it trying to move
15 people to parity.

16 I can recall a number of cases where, you know, I
17 can recall Power Corp. that was so far out, and it took
18 us two or three times to get closer to parity, and the
19 process that we used was not a reduction in rates. We
20 only worked with the escalation and held people where
21 they were, and it moved them closer to parity over a
22 period of time.

23 I'm against the process, Mr. Chairman, of lowering
24 rates for a class of customers and increasing above one
25 and a half times moving forward.

1 MR. TROMBINO: I believe before that, when that
2 stipulation was made, we weren't aware of how the
3 relative positions would be affected and --

4 COMMISSIONER GUNTER: It wasn't, that was a
5 policy. That wasn't a stipulation. That was a policy
6 established by the Commission a long time ago in order
7 to move people closer to parity, and without having
8 that shift.

9 MS. MEETER: In looking at this I think --

10 CHAIRMAN WILSON: Have you got this, have you got
11 this chart that is on Page 226 on the computer? I mean
12 is this --

13 MS. MEETER: Yes.

14 MR. TROMBINO: Yes.

15 CHAIRMAN WILSON: So you can run some iterations
16 of this fairly quickly.

17 MS. MEETER: Yes. I think the problem is not just
18 the lowering the GS rate. The problem is that the RS
19 Class is large, and you are going to move some of the
20 other classes further away from parity if you don't
21 give a larger increase to RS. Maybe Mr. Trombino can
22 comment on that, because GS is a small class. It
23 doesn't --

24 COMMISSIONER GUNTER: Really it's a policy. It
25 doesn't matter about how big the thing is when you have

1 a policy and it's the right policy.

2 MS. MEETER: Okay, we have, we have not gone with
3 that policy every time. I remember in, I believe it
4 was the '81 or the '82 Gulf case we gave the entire
5 increase to RS and to the lighting classes because the
6 amount of revenue was so small, and they were so far
7 away from parity. In the --

8 COMMISSIONER GUNTER: But you didn't go through
9 and you didn't decrease peoples' rates.

10 MS. MEETER: Well, in FPUC we lowered the GS rate
11 to equal the RS rate because it was so high. Now, I
12 think we have felt that this rate is confiscatory, it
13 is so high. The problem has been in the early years we
14 didn't, we weren't comfortable with the load research.
15 Because the first few times they did it, they did it on
16 what was a residual method. They estimated everybody
17 else, and GS is what was left over.

18 So now we've got enough load research, and it's
19 been consistent enough over the years that we feel it's
20 appropriate that there be an adjustment in the level of
21 their revenue requirement. Now, whether it's all the
22 way down to the RS rate that is one question. But I
23 think it's clear that it does need a decrease.

24 COMMISSIONER GUNTER: Well, one of the things, one
25 of the things, Mr. Chairman, I would, I would like to

1 see a calculation of no increase above one and a half
2 times, and see what the results of that is because you,
3 not only do you have a decrease in the GS, if I'm
4 reading it correctly, your OS-3 you are recommending a
5 decrease in that classification also.

6 CHAIRMAN WILSON: And I think that is because, if
7 I'm reading this correctly, that if you look at the
8 rate of return index they are 3.31 times.

9 COMMISSIONER GUNTER: Oh, I understand.

10 CHAIRMAN WILSON: And that is substantially out of
11 line.

12 COMMISSIONER GUNTER: I understand.

13 COMMISSIONER BEARD: Let me ask you a question.
14 If you increased the RS two times system average, would
15 they still be below parity?

16 MS. MEETER: Yeah.

17 COMMISSIONER BEARD: Then why would you move GS
18 down to below parity?

19 MS. KUMMER: That is where we get tied into 115A,
20 which is the stipulation on equalizing RS and GS rates.

21 MS. MEETER: I think in retrospect maybe --

22 COMMISSIONER BEARD: The stipulation doesn't
23 bother me.

24 CHAIRMAN WILSON: I have never known one to stand
25 in your way.

1 MS. KUMMER: That's why the last paragraph on 115A
2 is when we ran the numbers and realized what the
3 numbers did because of the peculiarities in Gulf. We
4 had second thoughts about it as well.

5 COMMISSIONER BEARD: I have concerns about two
6 times. I have less concern about that than I do moving
7 a class below parity which I didn't get to move back up
8 in the future. That's just, you know, let's build us a
9 roller coaster and ride that little devil.

10 MS. MEETER: Nobody, nobody would run the numbers
11 when the stipulation came up at the prehearing
12 conference, and based on our knowledge of the other
13 utilities the cost to serve GS had been shown to be
14 lower than RS, and we were surprised when we ran it.

15 CHAIRMAN WILSON: Do you have any other runs of
16 this? I mean have you played with this at all?

17 MS. KUMMER: We have run several scenarios. I'm
18 not sure at this point exactly what is there, but we
19 can certainly run the one and a half increase, and just
20 take --

21 COMMISSIONER GUNTER: Why don't you run the one
22 that just follows Commission policy, and let's see
23 where we are, and see where we work between the two.

24 MS. KUMMER: The one, the no greater than one and
25 a half increase to any class with no decrease?

1 COMMISSIONER BEARD: I tell you what I would like
2 to see. I would like to see, aside from that run, I
3 would like to see one at one and a half, and then move
4 GS to parity.

5 MS. MEETER: What about OS-3?

6 CHAIRMAN WILSON: I would leave OS-3 the way it
7 is.

8 COMMISSIONER BEARD: Leave it alone.

9 CHAIRMAN WILSON: I mean I would leave it the way
10 you have done it here.

11 COMMISSIONER BEARD: Which is?

12 COMMISSIONER GUNTER: That would be on that second
13 row.

14 CHAIRMAN WILSON: Well, you move it from 3.31 on
15 that ROR index down to 2.33. It's still way the hell
16 out of line but --

17 COMMISSIONER BEARD: Okay.

18 MS. KUMMER: Okay, we need two runs, one showing
19 no decrease to any class and a maximum one and a half
20 increase --

21 COMMISSIONER GUNTER: Yeah, just see what it looks
22 like.

23 MS. KUMMER: Okay. And the second one is one and
24 a half, no more than one and a half and moving GS to
25 parity.

1 COMMISSIONER GUNTER: Yeah.

2 MS. KUMMER: Okay.

3 CHAIRMAN WILSON: Let's take a five-minute break.
4 Actually let's take a ten-minute break. That's a real
5 ten minutes.

6 CHAIRMAN WILSON: All right.

7 MS. KUMMER: For the sake of straightening things
8 out, are we going to temporarily pass 121 and one 115A,
9 or do you simply want to deny the stipulation on 115A
10 outright? 115A is the equalization of RS and GS. 121
11 is the spread.

12 COMMISSIONER GUNTER: I think we've got to see the
13 figures.

14 MS. KUMMER: All right.

15 CHAIRMAN WILSON: I think we will pass both of
16 those.

17 MS. KUMMER: Okay. Are you ready to discuss the
18 projections at this point?

19 CHAIRMAN WILSON: Yes.

20 COMMISSIONER GUNTER: The what now?

21 CHAIRMAN WILSON: The projections, that exhibit.

22 MS. KUMMER: Going back to 113.

23 CHAIRMAN WILSON: As I said I was a little, I
24 enjoyed a certain amount of consternation when I saw
25 that there was a stipulation about this piece, yet

1 there was an issue in Issue 40 -- was it 43?

2 COMMISSIONER GUNTER: 49.

3 CHAIRMAN WILSON: 49. About the projections, and
4 we've all got copies. What is that Exhibit No. 233?
5 337, and looking at that I'm not sure that there is any
6 basis for concluding, that there is any reason to do
7 anything different on the projections.

8 MR. FLOYD: Well, the only thing that I can tell
9 you is is what I did, if you want to hear it. I did a
10 thorough analysis of Gulf's load forecast. I can tell
11 you what I did. I even wrote a report on it, and have
12 all the regression analyses and graphs attached to it.
13 I could give it to you, or go through the analysis.

14 COMMISSIONER EASLEY: Mr. Chairman, if your
15 concern has been satisfied, I'll move staff on 113.

16 COMMISSIONER GUNTER: Second.

17 CHAIRMAN WILSON: Well, what raised my concern was
18 the discussion in Public Counsel's brief on the issue,
19 and I have looked at the Company's as well, and then I
20 looked at the exhibit that apparently formed the basis
21 for the adjustment that was proposed, and apparently
22 the stipulation of the numbers in Issue 113 reflects
23 that view of the projections.

24 I don't know if you all in looking at those
25 numbers have any questions.

1 COMMISSIONER GUNTER: Huh-uh.

2 CHAIRMAN WILSON: Any questions?

3 COMMISSIONER BEARD: Let me ask you a question.
4 Base rate revenues, percent deviation, that negative
5 figure when it exists is where they under-projected the
6 base rate revenues, right?

7 MR. FLOYD: I don't have a copy of what you are
8 looking at, and I have never read anything -- is this
9 what Public Counsel did? I have never even studied
10 anything that they have done.

11 COMMISSIONER BEARD: I just want to understand the
12 theory of what I'm looking at. A positive figure
13 represents an over-projection of base rate revenues,
14 and a negative figure projects --

15 MR. FLOYD: I don't know, because I don't have a
16 copy of that.

17 MS. KUMMER: This is Exhibit 233?

18 CHAIRMAN WILSON: 337.

19 COMMISSIONER BEARD: 337.

20 CHAIRMAN WILSON: Here, why don't somebody get a
21 copy of it. I think that bottom deviation percentage
22 is simply a deviation from the forecast and does not
23 necessarily indicate whether actual is greater than
24 forecast or forecast is greater than actual. Maybe it
25 does.

1 MR. FLOYD: Well, it looks to me, you have the
2 actual. You can see which one is greater. The actual,
3 for example, on the first column, the actual is greater
4 than the forecast. So the positive must mean --

5 CHAIRMAN WILSON: Yeah, you're right it does.

6 COMMISSIONER BEARD: I had it backwards then.

7 CHAIRMAN WILSON: So a negative number means
8 that they have over-forecast. I mean they have
9 forecast higher revenues than they actually received.

10 MR. FLOYD: Right.

11 CHAIRMAN WILSON: Or higher megawatt hour sales.

12 MR. FLOYD: And I should say, I concentrated all
13 of my efforts on what, what would be the forecast for
14 the test year, you know, was that reasonable, and I
15 concluded that it was reasonable. And in fact, if
16 anything, they probably over-forecast at that time, and
17 I had about eight months additional data than what they
18 had when they forecast this. I had data through March
19 of this year, and at that time they were over-
20 forecasting kilowatt hours.

21 COMMISSIONER GUNTER: They are probably about
22 caught up though.

23 MR. FLOYD: They may, with the warm spring and the
24 extra hot summer they may be caught up, but it is
25 supposed to be looked at on a normalized basis. It

1 could be cool next year.

2 COMMISSIONER GUNTER: I understand.

3 CHAIRMAN WILSON: A motion?

4 COMMISSIONER GUNTER: The motion has been moved
5 and seconded.

6 CHAIRMAN WILSON: To accept the stipulation?

7 COMMISSIONER GUNTER: Yeah.

8 CHAIRMAN WILSON: All right, 113 without
9 objection.

10 COMMISSICNER EASLEY: Where are we?

11 CHAIRMAN WILSON: We are on 122.

12 COMMISSIONER GUNTER: 122.

13 COMMISSIONER BEARD: That is stipulated.

14 COMMISSIONER GUNTER: I move staff. Accept the
15 stipulation.

16 CHAIRMAN WILSON: All right. The staff
17 recommendation on Issue 122 is approved. The
18 stipulation is accepted.

19 123.

20 COMMISSIONER GUNTER: I move it.

21 CHAIRMAN WILSON: The stipulation is accepted
22 there.

23 Issue 124.

24 MS. KUMMER: This is where we run in to problems
25 because this was based on the stipulation in 115A, if

1 equalizing RS and GS, so these numbers will all change.

2 CHAIRMAN WILSON: All right, let's TP that one
3 then.

4 125. The same thing? No?

5 MS. KUMMER: 125 is essentially the same thing,
6 although you could make a policy decision on this as to
7 whether or not you want to go with the staff's
8 proposal, which is also reflected in Issue 128 on the
9 design of time of use, which in the case of demand
10 charges puts, sets the maximum demand charge at the
11 distribution unit cost and lets the on peak pick up the
12 balance of it or Gulf's methodology is the load factor
13 methodology which puts some of the production
14 transmission in the maximum charge as well.

15 And you can make a policy decision on that if you
16 like at this point. As Marge pointed out there's a
17 third option, if you want to put -- it's a variation of
18 the time of use. You can put some of the on-peak
19 demand in the on-peak energy and not load it on the
20 demand.

21 MR. JENKINS: Commissioners, on this issue the
22 staff recommendation, I have been told and am in
23 concurrence with, but you need to be aware that we have
24 a problem with low load factor customers, which is
25 going to come up in a later issue that peripherally

1 touches this issue.

2 CHAIRMAN WILSON: How so?

3 MR. JENKINS: When you have fully-allocated end
4 charges with low load factor customers, namely the
5 lighting customers and the churches, and I think,
6 Commissioner Gunter, you may remember that year we were
7 inundated with complaints from churches. If you don't
8 let them migrate among, to different rate classes, you
9 -- they, as soon as they turn on their air conditioner,
10 they incur a high demand, and then they want to -- they
11 have very little energy. So they get socked with that
12 demand charge through energy and their cents per
13 kilowatt hour is quite high.

14 CHAIRMAN WILSON: What issue is that?

15 COMMISSIONER GUNTER: More often than not, if I
16 recall those folks were off peak.

17 MS. MEETER: Actually where you had the problem
18 was in FPC's case, and they had optional demand rates.

19 COMMISSIONER GUNTER: That is correct.

20 MS. MEETER: And you've, no, actually the
21 Commission decided on the recommendation of the rate
22 person that you have mandatory, in other words if your
23 demand is above a certain level you had to be on the
24 demand rate, and some of the customers got 800 percent
25 increases. So that was a different situation.

1 MS. KUMMER: The other issue that Mr. Jenkins is
2 talking about, comes under Issue 148, which is on Page
3 280 of the recommendation where we talk about the OS-4
4 rate, because the sports fields come into this kind of
5 a situation as well. They have a fairly high peak
6 demand which puts them on a GSD rate. They have a
7 relatively low energy or low load factor, so they end
8 up paying more than they would if they were allowed to
9 opt down and take service under the GS rate. It's a
10 load factor problem.

11 You folks recently had a letter from a gentleman
12 in Miami addressing that as well.

13 COMMISSIONER BEARD: You mean we got a letter from
14 Miami that didn't address Caller ID?

15 COMMISSIONER GUNTER: Time of use.

16 MS. KUMMER: The opting down provision was not
17 specifically made an issue in this rate case, but it is
18 a continuing problem that probably needs to be
19 addressed at some point. I'm not sure this is the
20 place for it. But it certainly is a consideration.

21 CHAIRMAN WILSON: Does that mean we ought to
22 decide 148 before we get in to these other two issues
23 or not?

24 MR. JENKINS: I guess I'm differing here. I think
25 we need to decide that issue about opting down, or else

1 we are going to get inundated with letters from
2 churches. And it occurs in this Company, and is it
3 Florida Power, because both of them, the split point
4 between GS and GS demand is 20 kilowatts. Now, it's
5 not so much of an issue with FPL and TECO, because
6 theirs is 50.

7 MS. MEETER: No, actually it's FPC that is 50.
8 FPL is 20.

9 MR. JENKINS: Okay, I've got it backwards.

10 MS. MEETER: And FPC when we had that problem in
11 1980, you came back and addressed it, and you put in a
12 transition rate to basically let them pay the GS rate.
13 I think it's set at 20 percent more than the GS rate so
14 as to ease the transition between rate schedules.

15 MS. KUMMER: The problem we have is there is not a
16 specific issue addressing that in this recommendation.
17 It was not a specific issue in this rate case. So we
18 are trying to address a problem kind of through the
19 back door, if you will, trying to find a place to fit
20 it in. It doesn't really -- the issue and
21 recommendation in 125 and 148 don't really address that
22 specifically. But it is a problem that is inherent in
23 the structure of demand charges and in the special
24 rates.

25 COMMISSIONER GUNTER: That raises an interesting

1 question, though as to what is the appropriateness of
2 that break point as to whether it should be 20 or 50.

3 MS. KUMMER: Right.

4 CHAIRMAN WILSON: The break point with Gulf is 20?

5 MS. MEETER: Yes. But you always have a problem
6 because you are always going to have --

7 COMMISSIONER GUNTER: You've got somebody.

8 MS. MEETER: You've always got somebody near the
9 break point. I think though it may be that it is more
10 of a problem for some smaller customers. But if we let
11 them opt, then we would have -- there would be a break-
12 even point, a load factor break-even point where your
13 lower load factor customers would be on GS, and your
14 higher load factor customers would be on GSD, and that
15 is really what we want, because that is a better
16 indicator of costs, it tracks cost more closely than
17 just saying 20 KW or 50 KW.

18 CHAIRMAN WILSON: Regardless of how the issues are
19 laid out, conceptually what is the first thing we ought
20 to address?

21 COMMISSIONER GUNTER: You want to take 148?

22 CHAIRMAN WILSON: Does it matter?

23 MS. KUMMER: Why don't we go back to 125, and if
24 you would make a policy decision on whether you want to
25 go with the staff time of use essentially or having

1 the maximum demand charge being only distribution and
2 the balance picked up in the on peak.

3 We can do that. 125, just limit that
4 to the standard demand charges and worry about the time
5 of use when we get to the time of use rates.

6 COMMISSIONER GUNTER: Wouldn't that make more
7 sense to do that it way?

8 MS. MEETER: Uh-huh.

9 MS. KUMMER: Because we have essentially endorsed
10 the Company's standard demand rates.

11 CHAIRMAN WILSON: Motion on --

12 MS. KUMMER: It's on the time of use that we
13 differ.

14 CHAIRMAN WILSON: Motion on 125?

15 COMMISSIONER GUNTER: Staff.

16 MS. MEETER: That is just with respect to the
17 standard demand charges, right, the non-time of use?

18 COMMISSIONER GUNTER: That is correct.

19 COMMISSIONER BEARD: Just a minute.

20 CHAIRMAN WILSON: And 128 is the time of use.

21 MS. KUMMER: That is the overall design of time-
22 of-use rates.

23 COMMISSIONER BEARD: I need to ask, we are on 125,
24 right, and the staff recommendation --

25 MS. KUMMER: We are essentially taking the time-

1 of-use demand charges out of 125. We are going to look
2 at those someplace else. All we are voting on are the
3 non-time-of-use demand charges on 125.

4 COMMISSIONER BEARD: Well, let me just read if I
5 can through your recommendation. The staff's
6 recommended demand charges are based on the equivalent
7 peaker cost methodology recommended in Issue 115, which
8 is not what we adopted.

9 MS. KUMMER: That's why you have both of them
10 here. You have 12 CP and equivalent peaker. You have
11 both of them listed here because we didn't know which
12 way you were going to go.

13 CHAIRMAN WILSON: The left-hand column is what we
14 are voting for.

15 MS. KUMMER: Right, the left-hand column, the 12
16 CP and 1/13th is what --

17 COMMISSIONER BEARD: Okay. I thought that was the
18 case. But I got, I was looking at this and it appeared
19 as though you were saying your preference in 115 had
20 been equivalent peaker and I --

21 MS. KUMMER: No, we've developed both because we
22 did have the primary and the alternate recommendation
23 in 115 so we prepared both all the way through. You
24 can ignore anything that says equivalent peaker.

25 COMMISSIONER BEARD: You just gave equivalent

1 peaker the first run this time since it got second run
2 last time?

3 MS. KUMMER: We tried to keep them both so that --
4 to give you the option, whichever way you wanted to go.
5 From here on out you can ignore anything that says
6 equivalent peaker.

7 CHAIRMAN WILSON: Issue 126.

8 COMMISSIONER BEARD: Move staff.

9 COMMISSIONER GUNTER: I would move staff.

10 CHAIRMAN WILSON: All right, without --

11 COMMISSIONER EASLEY: Let me ask, and I've got a
12 big question mark on this one. If I understand the
13 background on this, we don't use seasonal rates
14 anyplace else, is that correct?

15 MR. TROMBINO: That is correct, Commissioner
16 Easley.

17 CHAIRMAN WILSON: We don't have seasons anywhere
18 else.

19 COMMISSIONER EASLEY: Well, that's it. What
20 seasons you do have are different up here than they are
21 for the rest of the state, are they not? If you
22 acknowledge seasons.

23 MR. TROMBINO: I agree with that.

24 COMMISSIONER EASLEY: About the only ones that I
25 can think of that are not affected seasonally would be

1 industrial customers, and the small permanent
2 residential customer, they get affected -- they get
3 affected by the result of the season. But the
4 industrial customers are going to have the same demand
5 problem I would think, ignoring the fact that you need
6 more air conditioning, but they don't shut down because
7 of the seasons like the commercial businesses and the
8 tourist businesses is my line of thinking on this.
9 That's what I meant by the permanent residential.

10 Is that the kind of seasonal consideration that
11 has been given in the past to this?

12 MR. TROMBINO: Well, the way I understand it, that
13 the seasonal rate basically is just applying to the two
14 classes, and they are looking at those two classes, and
15 saying basically that those are peak intensive classes
16 and that they vary by season, vary by Gulf's load by
17 season.

18 COMMISSIONER EASLEY: See, I agree, that if you
19 are going to have seasonal it probably ought to be
20 across the board.

21 MR. TROMBINO: Right, that is our main concern, we
22 think that it should --

23 COMMISSIONER EASLEY: I don't have any problem
24 with that until you get to industrial who may or may
25 not be, and I can still say across the board. I am

1 trying to understand why seasonal was in to begin with.
2 Did it have to do with what I think it has to do with,
3 and that is the fact that they have a summer season
4 compared to a winter season for everybody else?

5 MR. TROMBINO: I think it was introduced when
6 their air conditioning load started increasing in the
7 '50s and '60s, and I believe that is when they started
8 putting a seasonal differential.

9 COMMISSIONER EASLEY: Well, that hasn't changed.
10 It has changed?

11 MS. MEETER: They have responded, and I believe in
12 the -- there was a time period where actually their
13 winter peaks were higher than their summer peaks. But
14 when they became a summer-peaking utility, then they
15 put in seasonal rates that reflected the fact that they
16 were a summer-peaking utility.

17 COMMISSIONER EASLEY: That is back with what, with
18 the advent of air conditioning?

19 MS. MEETER: I have that data in my file, but I --

20 COMMISSIONER EASLEY: See, I remember when the air
21 conditioner didn't exist. That is my biggest problem.
22 I just don't remember when it was.

23 MS. MEETER: It was the late '50s.

24 COMMISSIONER EASLEY: That's about the time the
25 dinosaurs left. I remember that, too. I don't have

1 any heavy-duty feeling on this one, Mr. Chairman, other
2 than I agree with staff, either you have it or you
3 don't have it. But I was trying to understand the
4 rationale for why it was there.

5 CHAIRMAN WILSON: Well, the staff recommendation
6 indicates that the patterns of coincident peak for
7 demand rate classes also exhibit seasonal patterns.

8 COMMISSIONER GUNTER: That is correct.

9 COMMISSIONER EASLEY: That's why I can't agree
10 that if you go seasonal you go seasonal across the
11 board. What I don't have a feel for is whether or not
12 we keep seasonal rates. That's why I was trying to
13 understand why we had them to begin with and don't have
14 them anyplace else.

15 CHAIRMAN WILSON: You have recommended that we not
16 have seasonal rates.

17 MR. TROMBINO: That is correct.

18 CHAIRMAN WILSON: And that is because you don't
19 feel like there is cost justification for it?

20 MR. TROMBINO: Basically two reasons. It's
21 unclear whether there's a cost justification. Part of
22 the evidence that was presented in the case stated that
23 Southern doesn't bill Gulf's on a seasonal basis, for
24 example, their capacity charges, and that was one of
25 the reasons we thought it was unclear that their, that

1 the ultimate customer was receiving the same kind of
2 price signal as Gulf was getting from their buyer or
3 seller.

4 CHAIRMAN WILSON: Is there any demonstrable effect
5 from the existence of the seasonal rates over the
6 years? I mean has it in fact had any deterrent effect
7 on usage during the peak season?

8 MR. TROMBINO: From the data that we were able to
9 get in the hearing, the last seven years showed that
10 the winter peak to the summer peak was about 85 to 95
11 percent, and there were two years where it actually
12 exceeded that, where last winter, which we had a very
13 cold and we had that, that big spike peak.

14 CHAIRMAN WILSON: We remember.

15 MR. TROMBINO: And there was another year I
16 believe that also exceeded that. From that information
17 it's not clear.

18 CHAIRMAN WILSON: Do you recall whether the
19 information that was provided by the industrial
20 intervenors on their near peak analysis showed that
21 kind of a seasonal --

22 MR. TROMBINO: I don't, I don't know.

23 CHAIRMAN WILSON: There's a certain amount of
24 logic to this.

25 MR. JENKINS: Commissioner Wilson, the logic is if

1 you are going to have it, it ought to be all one way or
2 the other because it's a system consideration.

3 CHAIRMAN WILSON: Sure.

4 COMMISSIONER EASLEY: I don't have any problem.

5 CHAIRMAN WILSON: I don't have any problem with
6 that at all. The question is whether you actually have
7 seasonal rates or not.

8 MR. JENKINS: Right.

9 CHAIRMAN WILSON: There is a certain amount of
10 logic to having them.

11 MR. JENKINS: Yes, there is.

12 CHAIRMAN WILSON: Unless I am just misapprehending
13 the issue.

14 COMMISSIONER GUNTER: Well, my position, Mr.
15 Chairman, is that Commissioner Beard and I both moved
16 it. And so I will just second his, but if that had
17 failed I was going to say as an alternative we put it
18 over all classes because it's a demonstrable change
19 when you start reviewing by rate class. There is a
20 change that tracks the summer peaks for those classes.

21 CHAIRMAN WILSON: I guess what raises the question
22 here is that you indicated that Southern Company
23 doesn't charge any differently based on seasons. So
24 what we are talking here is strictly an incentive or
25 disincentive for use of electricity during periods of

1 time of the year. And my question is, is it working?
2 Is it in fact accomplishing that? If there are
3 reflected costs, if Southern Company were selling,
4 doing the same thing to Gulf that Gulf is doing to the
5 customers, that makes a lot more sense. If they are
6 not, then it doesn't make a lot of sense.

7 MR. JENKINS: It's very bothersome, and it sort of
8 raises in your mind every time you see a thing like
9 this, if the seasonal, if the seasonal rates really
10 don't have their roots in the old days of the anti-gas;
11 that is lower the electric rates in the winter to keep
12 that gas heat out. That may be the original reason,
13 clothed, if you will, in the system load factor and
14 load balancing.

15 COMMISSIONER GUNTER: Well, there is another
16 reason, too, is that with the tourist industry along
17 the Gulf Coast is an opportunity to get more of your
18 revenue from folks who didn't vote. I understand that.

19 MS. MEETER: The problem is the tourists would pay
20 it through, indirectly through GSD, and I mean the
21 hotels are on the rate that doesn't have a seasonal
22 differentiation.

23 COMMISSIONER GUNTER: There's a lot --

24 COMMISSIONER EASLEY: I have to tell you that
25 that is like the corporate income tax argument, they

1 don't care.

2 CHAIRMAN WILSON: What are condos on?

3 COMMISSIONER GUNTER: There's a hell of a lot of
4 condos, and a hell of a lot of houses down that beach.

5 CHAIRMAN WILSON: The condos are going to be on a
6 residential rate, aren't they? Aren't those going to
7 be on residential rates?

8 MS. MEETER: Condos would be on residential.

9 CHAIRMAN WILSON: There are a lot more condos than
10 there are hotels out there.

11 COMMISSIONER EASLEY: Well, not all condos.

12 COMMISSIONER GUNTER: Private houses.

13 COMMISSIONER EASLEY: Are they? Just because they
14 are a condo doesn't put them on a residential rate if
15 they are commercial. Renting a condo, I trust.

16 CHAIRMAN WILSON: Well, I don't know that that is
17 true either. If you are an individual customer and
18 have service at your condominium unit, then you are
19 renting it through some agency.

20 COMMISSIONER EASLEY: You may be right. I'm back
21 on the tax --

22 CHAIRMAN WILSON: You are probably going to be on
23 a residential rate.

24 COMMISSIONER EASLEY: I'm back on the tax end of
25 things again, excuse me.

1 MS. MEETER: I think what happens on some of
2 those, I know somebody who has a time-share there and
3 the bills on the time-share go to the management, but I
4 believe there is a meter on each unit, and if that is
5 true I believe it would be a residential.

6 COMMISSIONER EASLEY: I've got taxes in there. Go
7 ahead.

8 COMMISSIONER GUNTER: Let's move it up and down.

9 CHAIRMAN WILSON: We can move it up and down. I'm
10 just trying to explore the logic of it whether it makes
11 any sense to keep it or not, and I want enough
12 information to make the right decision here.

13 COMMISSIONER BEARD: Let me suggest this, if the
14 seasonal rate works, you have a reduction in
15 consumption. If it doesn't, then you have a, for lack
16 of a better term, I don't mean to be prejudicial, you
17 have somewhat of a minor windfall in revenues.

18 Now, what I read in the staff analysis is there
19 was not sufficient data presented in this case to show
20 that seasonal rates in fact did or do what they purport
21 to do, and in the absence of that, I see no point in
22 continuing something we have no real idea.

23 CHAIRMAN WILSON: Theoretically then, if we remove
24 the seasonal rate adjustment, we'll see that, we'll see
25 a change if in fact there was any deterrent effect, or

1 if it actually affected use?

2 MS. KUMMER: Yes, you would think so, that if you
3 flatten out the rate, then if the summer deterrent, if
4 there is a deterrent there, is gone then presumably
5 their demand would go up in the summer.

6 CHAIRMAN WILSON: There seems to be two reasons
7 here, one that there may be some deterrent over usage,
8 and it keeps the peak or the usage during that period
9 of time from being higher than it might otherwise have
10 been, and the other would be the standard policy that
11 Florida has of nailing the tourists, which I have no
12 objection to personally. I think it's a good idea.

13 COMMISSIONER EASLEY: Mr. Chairman, that's a
14 tribute to the Florida economy.

15 CHAIRMAN WILSON: I'm sorry, it's attributed to
16 the transitory contribution to the Florida economy.

17 COMMISSIONER EASLEY: Right.

18 CHAIRMAN WILSON: Okay.

19 MR. JENKINS: I think the compelling, driving
20 thing for eliminating it is that the Company doesn't
21 think as much of them themselves that they don't have
22 them in the interchange contract. That is what would
23 drive me.

24 CHAIRMAN WILSON: Well, that would be a cost basis
25 for it.

1 MR. JENKINS: Yes.

2 CHAIRMAN WILSON: And the two reasons we have
3 talked about have absolutely nothing to do with policy.

4 MR. JENKINS: I understand.

5 CHAIRMAN WILSON: They have to do with consumer
6 behavior. You want to reduce load during that period
7 of time or you want to enhance the transitory
8 population's contribution to the Florida economy,
9 neither of which have anything to do with cost. That
10 is pure policy.

11 MS. MEETER: Of course, it would seem to me that
12 if Southern has a seasonal problem that they would want
13 to send a message to its operating companies that they
14 are a summer-peak utility, and to encourage the
15 operating companies to reduce their demands in the
16 summer. It's the same principle.

17 COMMISSIONER EASLEY: Mr. Chairman, I'm ready to
18 vote.

19 CHAIRMAN WILSON: All right. The motion has been
20 moved and seconded. All in favor of staff
21 recommendation signify by saying aye.

22 Opposed.

23 MS. KUMMER: The recommendation was to remove the
24 seasonal?

25 CHAIRMAN WILSON: Yes.

1 COMMISSIONER GUNTER: Staff recommendation

2 CHAIRMAN WILSON: Opposed. I'm going to vote
3 against that.

4 COMMISSIONER GUNTER: 127 is moot. 128.

5 CHAIRMAN WILSON: 128.

6 COMMISSIONER GUNTER: Are the figures on 240, on
7 Page 240, are they correct?

8 MS. KUMMER: Those again, Commissioner, are going
9 to change depending on what the revenue requirements
10 are.

11 COMMISSIONER GUNTER: Are they correct though?
12 For instance, I look at the GSDT, are the on-peak and
13 off-peak figures the same?

14 MS. KUMMER: Yes, that is staff's position.

15 COMMISSIONER GUNTER: Okay. So there would be no,
16 there really is no incentive for them to get on there,
17 is that right?

18 MS. KUMMER: The demand charge.

19 COMMISSIONER GUNTER: Well, the demand charge
20 would be the only difference, is that right?

21 MS. KUMMER: Right.

22 CHAIRMAN WILSON: Does your proposal include a
23 ratchet or not?

24 MR. TROMBINO: No, it does not.

25 CHAIRMAN WILSON: It does not include a ratchet.

1 COMMISSIONER EASLEY: I'll move staff to get
2 something out.

3 COMMISSIONER BEARD: Second.

4 CHAIRMAN WILSON: Joe. Do you, knowing your
5 predilections, I look at the on-peak off-peak rates for
6 the LPT and the PXT classes, and under the Company's
7 recommendation there is a substantial difference
8 between on peak and off peak. And under staff's it's
9 level.

10 MR. JENKINS: Yeah, I would favor a much higher
11 ratio between on peak and off peak, but what is
12 deceiving here is these numbers are without fuel
13 because we don't deal with fuel in a rate case. So the
14 actual ratios are going to be much smaller because we
15 spread fuel through all kilowatt hours around the
16 clock. Some variation of fuel, but not much.

17 COMMISSIONER GUNTER: But fuel is on a kilowatt-
18 hour basis, isn't that correct?

19 MR. JENKINS: That is correct.

20 COMMISSIONER GUNTER: The fuel component.

21 MR. JENKINS: The fuel component.

22 COMMISSIONER GUNTER: So there is no differential
23 is the point that the Chairman makes between on peak
24 and off peak, and there is a substantial difference
25 with the Company on on peak and off peak, and there is

1 no differential with staff's recommendation. The only
2 difference has to do with the demand charge.

3 CHAIRMAN WILSON: Well, there's a difference in
4 residential and PXT.

5 COMMISSIONER GUNTER: That's right, but in the
6 higher utilization there isn't any differential in
7 GSD, LP, PX. That is the piece I didn't understand.

8 MS. KUMMER: There will be an on and off-peak
9 fuel differential. That won't change. That would be
10 handled in the fuel docket the way they currently have
11 an on and off peak in fuel.

12 COMMISSIONER GUNTER: In a coal burning utility,
13 help me a little bit. A coal burning utility, which
14 this is, what is the difference between on-peak and
15 off-peak fuel?

16 MS. KUMMER: I can't answer that, sir, I'm not at
17 all familiar with how they calculate the fuel.

18 MR. JENKINS: It's very similar, like two cents,
19 and 2.2 cents on --

20 COMMISSIONER GUNTER: The differential is so, is
21 absolute, could be absolutely so small.

22 MS. KUMMER: I suspect that's -- logically that is
23 correct.

24 COMMISSIONER GUNTER: And if you had a utility
25 with a diversified mix I could understand that a little

1 better. We are talking about the application of this
2 proceeding.

3 MS. MEETER: You know, there is another variation
4 that isn't on here, and that would be take the numbers
5 in the second column and decrease the on-peak KW charge
6 and increase the on-peak kilowatt-hour charge some.
7 It's really more appropriate to keep that cost in the
8 on-peak period because that is cost that has been
9 considered to have occurred or the cost has been driven
10 by 12 CP, therefore, you really want to recover it in
11 the on-peak period.

12 COMMISSIONER GUNTER: I understand. But help me
13 just for a second. What is the normal, and I recognize
14 there will be changes, but what is rate for GSD non-
15 time-of-day in your recommendation? It's another
16 issue. You don't need to look at this one. I'm just
17 saying what is the rate that would be recommended, had
18 we followed staff's recommendation, what was the
19 kilowatt-hour rate for --

20 MS. KUMMER: For energy or demand?

21 COMMISSIONER GUNTER: Demand.

22 MS. KUMMER: 4.52, I believe, \$4 and 51 or 52
23 cents.

24 MS. MEETER: 52.

25 MS. KUMMER: Over on Issue 125.

1 COMMISSIONER GUNTER: What was the energy
2 component? What I want to do is just make a comparison
3 between the two.

4 MR. JENKINS: You want to see if the standard rate
5 is hopefully in between off peak and on peak.

6 COMMISSIONER GUNTER: Yeah.

7 MR. JENKINS: It better be or else we did
8 something mighty wrong.

9 MS. KUMMER: If you look back on Page 304 of the
10 recommendation, we've got those chart full of numbers
11 that do essentially I think what you are asking. It's
12 got the firm and the time-of-use rates by class and you
13 would need to be looking at the center column, 12 CP
14 cost of service. Staff TOU would be the --

15 COMMISSIONER GUNTER: See, I'm getting away from,
16 as a comparison basis, sort of a sanity test. One of
17 the things you do is you need to find out what the non-
18 time-of-day rate would be and compare it with the time-
19 of-day rates that you have proposed on your rate
20 design.

21 MS. MEETER: I believe it's the third column. It
22 says TOU, but it's not. Is that correct?

23 MS. KUMMER: The time-of-use rates are designed on
24 the time-of-use staff methodology. But the non-time-
25 of-use rates are just non-time-of-use rates. The time-

1 of-use methodology doesn't change that.

2 COMMISSIONER BEARD: Explain to me how you get the
3 extreme that you have on and off peak for residential.

4 MR. JENKINS: It's without fuel.

5 COMMISSIONER BEARD: Huh?

6 MR. JENKINS: It's without fuel. You put an equal
7 amount of fuel on both of those and it --

8 MS. KUMMER: The problem with residential is
9 residential and GS have no demand charge, so all of
10 your on-peak demand charge go into you on-peak energy
11 charge.

12 COMMISSIONER GUNTER: I understand they have no
13 demand charge. Okay. But you've got a 10, you've got
14 a 20 to one ratio on and off peak.

15 MS. KUMMER: That, we set the off peak at the
16 energy unit cost, which meant because there is no
17 demand charge the on-peak energy charge had to pick up
18 everything else, all the demand, all the transmission,
19 all the distribution, all of that had to go in the on-
20 peak energy because there is nothing else for it. No
21 place else for it to go.

22 COMMISSIONER BEARD: Well, I still have a problem
23 with this utility and the fact that it's a coal-based
24 utility, and you don't have the diversification of fuel
25 that we talked about earlier.

1 MS. KUMMER: This doesn't really have anything to
2 do with fuel. This has to do with production capacity
3 and transmission line --

4 COMMISSIONER BEARD: It has to do with demand.

5 MS. KUMMER: Right.

6 COMMISSIONER BEARD: And the fuel that is used to
7 meet that demand is your peak increases, and the fuel
8 doesn't change. The heat factors will change
9 obviously.

10 MS. KUMMER: These numbers don't include fuel.

11 COMMISSIONER BEARD: I understand that. You are
12 telling me as we add units the heat factors and the
13 components related to that unit are so much greater
14 that you drive a 20 to one ratio on to off peak?

15 I understand how you did it. Don't get me wrong.
16 I understand how you arrived at the off-peak number and
17 then you took everything else and loaded it in to on
18 peak.

19 MS. KUMMER: That is just the way they have
20 allocated their cost.

21 COMMISSIONER BEARD: Well, I'm questioning that.

22 MS. KUMMER: That was in our cost methodology.

23 CHAIRMAN WILSON: They substantially allocated all
24 of their cost to the peak period for residential?

25 MS. KUMMER: Right.

1 MR. JENKINS: Which is correct.

2 MS. KUMMER: Essentially all of the peak costs,
3 which include all the production and all the
4 transmission and all of the distribution have gone in
5 to the on-peak energy charge.

6 CHAIRMAN WILSON: Okay.

7 MS. KUMMER: A variation of that would be to put
8 the distribution in the off peak, and that would reduce
9 that differential.

10 MS. MEETER: Because that would be comparable to
11 what had been done in the demand rates where the
12 distribution cost is being recovered.

13 MS. KUMMER: In the maximum charge.

14 MS. MEETER: Well, in the maximum -- the off peak
15 -- well, the maximum demand charge.

16 COMMISSIONER BEARD: What would that do to that
17 ratio?

18 MS. KUMMER: We can run it and tell you. I can't
19 do it off the top of my head. It is -- we've got a
20 spreadsheet that I can go back to the cost.

21 CHAIRMAN WILSON: What is the purpose behind
22 having the on-peak and off-peak rate?

23 MS. MEETER: Actually the larger you get that
24 differential the more cost effective it becomes for a
25 person to be on time-of-use if their usage is more off

1 peak than the class average. But you can, you know,
2 some people will say it's a deterrent, but if you don't
3 have a large enough differential then people will say
4 --

5 CHAIRMAN WILSON: Well, I've had this conversation
6 with Joe on a number of occasions, so I understand that
7 you can affect the behavior of customers if you make
8 that differential large enough and they can in fact
9 move their usage from peak to off peak, and there are
10 customers who can do that.

11 MR. JENKINS: The technology is definitely there
12 in the GSLD Class, and if you leave this, you leave
13 rates for a long enough period with high differentials,
14 on-peak off-peak differentials, my guess is that within
15 five, eight or ten years you will find that technology
16 in the RS and GS Classes as well.

17 CHAIRMAN WILSON: Which would allow them to move
18 to --

19 MR. JENKINS: Which would allow them to move, and
20 I am thinking more of the storage programs.

21 COMMISSIONER BEARD: Storage programs at the
22 residential level?

23 MR. JENKINS: In the large use level, I think you
24 would probably get there in five, eight or ten years.
25 It's being talked about by the utilities.

1 CHAIRMAN WILSON: The motivation for the time-of-
2 use rates as we are looking at them here and as staff
3 has proposed them is what? Is it to reflect costs that
4 exist peak, off peak? Or is it to reflect a desire to
5 move usage from peak to off peak?

6 MR. TROMBINO: I believe it's the way we perceive
7 costs to be driven, and that is the methodology, the
8 way the methodology was set.

9 CHAIRMAN WILSON: That is what drives it.

10 MR. TROMBINO: That is what drives staff's
11 methodology.

12 CHAIRMAN WILSON: Whereas you have an added
13 element to your concern.

14 MR. JENKINS: Yes.

15 CHAIRMAN WILSON: Which is that as a matter of
16 policy if we want to levelize load, we want to get
17 people to jump off that peak and on to off peak, you've
18 got to make the differential large enough that it
19 motivates them to get on one and stay the hell away
20 from the other.

21 MR. JENKINS: Right.

22 CHAIRMAN WILSON: And that will likewise drive
23 systems which will allow that to be done.

24 MR. JENKINS: That is correct.

25 COMMISSIONER BEARD: Well, I don't have a problem

1 with that up to a point, and if I understood what you
2 all said, for example, there is no distribution
3 allocated to off peak?

4 MS. KUMMER: Off peak energy, yes. And for the
5 residential classes, true, that's true.

6 CHAIRMAN WILSON: That's not true for the other
7 classes though.

8 MS. KUMMER: Right.

9 COMMISSIONER BEARD: I struggle with that
10 conceptually why that would be. I mean if you want to
11 follow this logically what we will do is we'll give it
12 away off peak. Okay. I mean you can carry it to an
13 extreme. And my question is where does it become
14 extreme?

15 MR. JENKINS: Well, I think it becomes extreme
16 when you start making non-definitive cost allocations,
17 and by that I mean if there is arguable choice, just
18 like we had in that fuel inventory issue a couple of
19 times back, if there is arguable choice, I would
20 allocate it to peak and then to peak period, when there
21 is arguable choice. If something is clearly off peak I
22 would allocate it off peak. But I find very few things
23 are clearly, I mean without any controversy at all, off
24 peak.

25 MS. MEETER: I can argue that a transformer cost

1 should be recovered on the customers maximum demand,
2 but you've got to have that transformer there
3 regardless, right? If he uses all off peak, you've
4 still got to have that transformer sitting there.

5 COMMISSIONER GUNTER: That's right.

6 CHAIRMAN WILSON: The same thing with distribution
7 system.

8 COMMISSIONER GUNTER: That's right.

9 COMMISSIONER BEARD: And that's where I, in the
10 residential class --

11 MS. MEETER: And those costs in the demand rates
12 have been put into the maximum demand charge so that
13 everybody pays for costs.

14 COMMISSIONER BEARD: -- and you can say what you
15 want about storage, but penetration of the residential
16 market in the next five years we will just bet on it
17 now. Entry in to the market, sure, but the average
18 customer.

19 MR. JENKINS: Oh, you mean the percent market, it
20 will take awhile.

21 COMMISSIONER BEARD: Sure.

22 MR. JENKINS: And you have got to have some rate
23 stability which we have not had.

24 CHAIRMAN WILSON: These are not mandatory.

25 MR. JENKINS: These are not mandatory.

1 CHAIRMAN WILSON: These are voluntary.

2 MR. JENKINS: That is the next issue.

3 MS. MEETER: Let's face it, if everybody shifted
4 off peak that cost would still be there for those
5 residential customers.

6 COMMISSIONER BEARD: You've got it, and a 20
7 to one ratio is pretty dad-gum extreme.

8 MR. JENKINS: This ratio I think is much less,
9 it's probably about four or five to one when you add
10 fuel. For example, take, add 2.0 to the top number on
11 RS and maybe 2.2 to the top number or to the on-peak
12 number. And you will find the ratio is a lot less.

13 MS. MEETER: But I think, you've made a point,
14 Commissioner Beard, there is some cost there that has
15 to be there regardless of whether the customer uses
16 on peak or off peak.

17 COMMISSIONER BEARD: 2.0 is on or off peak?

18 MR. JENKINS: Off peak.

19 COMMISSIONER BEARD: You've got .205 versus 3.06?

20 MR. JENKINS: Yes. That is about six or seven to
21 one.

22 COMMISSIONER BEARD: Well, you distribute your
23 costs based on your assumptions, and your assumptions
24 are as good as you say they are.

25 MR. JENKINS: Cost is as costs are defined.

1 COMMISSIONER BEARD: And my point is that you
2 can't deliver the energy off peak without some of those
3 costs that have been distributed on peak. I don't know
4 what the ratio is, but I know it ain't zero.

5 MR. JENKINS: That is a great argument, but if
6 that argument carries with it the need to build more
7 power plants, then I would retreat from the argument.
8 It depends on what you want to do.

9 MS. KUMMER: To be consistent with what we have
10 done in the other rates seeing as RS and GS don't have
11 a demand charge to put max, the distribution in max, it
12 would be reasonable to put the distribution in the off
13 peak. I think that's the reason --

14 COMMISSIONER BEARD: I'm not saying how much you
15 put in there. But zero is just, you know, it's wrong.

16 MS. KUMMER: Using the distribution costs would be
17 roughly comparable to what you do in the demand
18 charges. It's just that RS and GS have no demand
19 charge.

20 COMMISSIONER BEARD: I would like to see what the
21 figures are with distribution in.

22 MS. KUMMER: Okay.

23 CHAIRMAN WILSON: Where are we?

24 COMMISSIONER EASLEY: I don't know.

25 MS. KUMMER: Then we will defer this one pending

1 the recalculation.

2 CHAIRMAN WILSON: Are you ready to vote? Do you
3 want to wait and see that before you --

4 COMMISSIONER BEARD: If you've three votes, get it
5 on the table and get it gone. Okay. But if you don't
6 have three votes then I want to look at the residential
7 time of use with distribution in. I mean I'm not going
8 to waste a lot of time. I've tilt enough windmills in
9 this case already.

10 CHAIRMAN WILSON: These are optional, right?

11 MS. KUMMER: Yes, time of use are all optional.

12 CHAIRMAN WILSON: And there is nothing in this
13 case that is going to change that, is there?

14 MS. KUMMER: No, we have not proposed making
15 anything mandatory. It will not take a great deal of
16 work to run the numbers.

17 CHAIRMAN WILSON: Well, whatever. What is your
18 pleasure?

19 COMMISSIONER EASLEY: I'll move staff, and then if
20 after a look at the numbers we need to reconsider it,
21 we can reconsider it.

22 COMMISSIONER GUNTER: That would be fine.

23 CHAIRMAN WILSON: Second?

24 COMMISSIONER GUNTER: Yeah.

25 CHAIRMAN WILSON: All right. All in favor say

1 aye.

2 Opposed.

3 COMMISSIONER BEARD: No.

4 CHAIRMAN WILSON: All right. So we can --

5 COMMISSIONER GUNTER: We will have an opportunity
6 to see those figures though.

7 COMMISSIONER EASLEY: And if we need to reconsider
8 it --

9 CHAIRMAN WILSON: I'll move to do that.

10 COMMISSIONER EASLEY: I'll make the motion to
11 reconsider it.

12 MS. KUMMER: Again depending on what time we get
13 done today, we may be able to bring it back down today.

14 CHAIRMAN WILSON: I can tell you right now what
15 time we are going to get done today. There is no
16 problem.

17 All right, Issue 130.

18 COMMISSIONER GUNTER: Five minutes to 12.

19 COMMISSIONER EASLEY: I assume on Issue 130 the
20 answer to the question is no, am I correct?

21 MR. TROMBINO: That is correct.

22 COMMISSIONER EASLEY: Okay. I just wanted to be
23 sure I was reading it properly. I would move staff. I
24 move staff on 130.

25 COMMISSIONER GUNTER: I'll second it.

1 CHAIRMAN WILSON: All right, without objection.
2 131.

3 COMMISSIONER EASLEY: Mr. Chairman, I kind of like
4 the position that says yes and no. I would move staff.

5 COMMISSIONER GUNTER: I don't have any problem.

6 CHAIRMAN WILSON: Is staff's, is staff's position
7 in this -- what is Order 17159?

8 MR. TROMBINO: That is the standby order.

9 CHAIRMAN WILSON: Is staff's position here
10 consistent with the standby order.

11 MR. TROMBINO: Yes, it is.

12 CHAIRMAN WILSON: Is Gulf's position consistent
13 with the standby order?

14 MR. TROMBINO: A piece of it is. A piece on the
15 way they calculate energy charges.

16 COMMISSIONER BEARD: Staff's and Gulf's positions
17 are not identical so one of them can't be consistent or
18 neither of them can be consistent. That's a
19 possibility.

20 MR. TROMBINO: Using a different part of the
21 order.

22 COMMISSIONER EASLEY: That's why I like the yes
23 and no. It depends on how you read it.

24 COMMISSIONER BEARD: Well, what I understand it to
25 say is staff and Gulf both agree on the metering

1 voltage discounts. The question is transformer
2 ownership, is that correct?

3 MR. TROMBINO: Yes and no.

4 CHAIRMAN WILSON: I believe you're right. I am
5 with you.

6 COMMISSIONER BEARD: It's much easier.

7 COMMISSIONER EASLEY: I told you guys, yes and no.

8 COMMISSIONER BEARD: I do not read in Gulf's
9 position support for transformer ownership.

10 MR. TROMBINO: That is correct, Commissioner
11 Beard.

12 COMMISSIONER BEARD: I do read support for
13 metering voltage discounts.

14 MR. TROMBINO: They propose to discount only the
15 KWH charge, and we believe it should be both KW and KWH
16 for the metering discounts.

17 COMMISSIONER BEARD: And the standby order says,
18 drum roll, what does it say?

19 MR. TROMBINO: As far as trans --

20 CHAIRMAN WILSON: Yes and no.

21 MR. TROMBINO: The transformer costs, I believe we
22 use the otherwise applicable rate schedule in designing
23 the distribution unit, the local facilities charge in
24 that order, and that since transformation costs are
25 distribution and the charge would be developed in the

1 same manner as they are for standby.

2 CHAIRMAN WILSON: Where are we?

3 COMMISSIONER EASLEY: We have a motion.

4 COMMISSIONER GUNTER: It's been moved.

5 CHAIRMAN WILSON: There's a motion?

6 COMMISSIONER GUNTER: Oh, yes.

7 CHAIRMAN WILSON: Without objection, staff
8 recommendation.

9 132.

10 COMMISSIONER GUNTER: A stipulation. I'll move
11 staff.

12 COMMISSIONER GUNTER: 132 is stipulated.

13 CHAIRMAN WILSON: It's stipulated. Let's see.

14 MS. MEETER: There's a question on 133. You
15 probably --

16 CHAIRMAN WILSON: Hold on, we are still on 132.
17 There is a question about that.

18 MS. MEETER: Sorry.

19 COMMISSIONER GUNTER: Move acceptance.

20 CHAIRMAN WILSON: All right, without objection.

21 133.

22 MS. MEETER: You should delete my last paragraph
23 on that. And I think it's unclear what the, at this
24 point then what the stipulation is saying because I did
25 not have the rebuttal testimony before the prehearing

1 conference, and I was saying no, the language as
2 proposed by Gulf is inappropriate, and that's what I
3 thought we were stipulating to.

4 COMMISSIONER GUNTER: And are you saying you are
5 backing out on the stipulation?

6 MS. MEETER: I'm not backing out on it, but I
7 think Gulf would like to use their language they put in
8 the rebuttal. As far as I was concerned, the
9 stipulation addressed what they had put in their
10 original proposal.

11 CHAIRMAN WILSON: What is your opinion about the
12 language --

13 MS. MEETER: So the current tariff would stand as
14 is.

15 CHAIRMAN WILSON: What is your opinion about the
16 language that is in the rebuttal testimony?

17 MS. MEETER: The difference between what is in the
18 rebuttal and what is in the current tariff is it would
19 allow customers who take supplementary service on PXT
20 to get the PXT unit cost. Now, my opinion is that that
21 is not in conformance as much with the order. The
22 order says it will be the local facilities of the
23 otherwise applicable rate schedule. We have
24 interpreted that to mean that your standby stands
25 alone, therefore, based on your standby load you use

1 that.

2 COMMISSIONER BEARD: Move staff.

3 MS. MEETER: But they would say if you take
4 supplemental on PXT then you should, this should
5 apply to, the PXT local facilities charge should apply
6 to you.

7 CHAIRMAN WILSON: Commissioner Beard has moved
8 staff recommendation.

9 COMMISSIONER EASLEY: Second.

10 COMMISSIONER GUNTER: I'd second.

11 CHAIRMAN WILSON: Second. Without objection then.
12 134.

13 COMMISSIONER EASLEY: Move it.

14 COMMISSIONER GUNTER: Move it.

15 CHAIRMAN WILSON: 135.

16 COMMISSIONER EASLEY: I would move staff. I was
17 having trouble figuring out where the disagreement was
18 in this one. I don't --

19 COMMISSIONER BEARD: Move staff, or second.

20 COMMISSIONER GUNTER: Yeah.

21 CHAIRMAN WILSON: All right, without objection,
22 staff recommendation is approved on Issue 135.

23 135A.

24 COMMISSIONER GUNTER: As I understand it, I have
25 no problem with staff's recommendation.

1 COMMISSIONER EASLEY: Second.

2 COMMISSIONER BEARD: I think you hit the clue, as
3 I understand it.

4 CHAIRMAN WILSON: Is there a difference between
5 your position and the --

6 MS. MEETER: Yes. I would say there is really
7 three basic positions here. One is what I have
8 recommended, which would make this comparable to the
9 language on Power Corp's. If you look down in the
10 staff analysis --

11 COMMISSIONER GUNTER: Yeah.

12 MS. MEETER: It says daily standby service KW
13 equals. Now, what I would do is I would replace what
14 Gulf has on that first, in that first segment. I would
15 replace that with the language that is in the
16 recommendation, which is it's the amount of load
17 ordinarily supplied by the customers generation.

18 Presently Gulf's tariff says it's the maximum load
19 any time between the last time and this time. I know
20 it will be a little harder to do this, but it will
21 represent more accurately I believe the standby the
22 customer is taking.

23 Now, the industrial intervenors want to simply do
24 the calculation based on the difference between the
25 maximum demand occurring in the on-peak hours during

1 an outage and the corresponding maximum demand during a
2 non-outage period.

3 It is my belief and I believe Mr. Wright agreed or
4 actually Mr. Haskins said it, that would result in
5 power that is really standby power being billed, being
6 considered as part of the supplemental load.

7 So if you do what I have proposed then you would
8 make it comparable to the way FPC's tariff is set up.

9 CHAIRMAN WILSON: Is there a motion or was there a
10 motion already?

11 COMMISSIONER GUNTER: There was a motion.

12 COMMISSIONER BEARD: Let me, the industrial
13 intervenor uses the maximum on-peak load during the
14 outage against the maximum on-peak load during the
15 non-outage.

16 MS. MEETER: Right.

17 COMMISSIONER BEARD: That would be a pretty sweet
18 deal.

19 MS. MEETER: Excuse me?

20 COMMISSIONER BEARD: That would be a pretty sweet
21 deal.

22 MS. MEETER: Yeah.

23 COMMISSIONER BEARD: Move staff.

24 CHAIRMAN WILSON: Without objection, staff
25 recommendation on Issue 135A.

1 Issue 136.

2 MS. MEETER: Here we really have a logistics
3 problem. Staff --

4 CHAIRMAN WILSON: Is that in addition to all the
5 other kind of problems we have or is this --

6 MS. MEETER: Yes. See, we have to set the revenue
7 requirement for this class now unless everybody is
8 willing to let it change a few weeks hence, and I am
9 not sure that everybody would want to do that. But
10 both the Company and staff feels the ideal thing would
11 be to follow what we did before according to Order
12 17159 and set the rates at the system unit costs.

13 We don't have the compliance study with those
14 system unit costs. We won't have it for several weeks.
15 So if we want to set the revenue requirement now, then
16 we'll have to adjust the rates up and down depending on
17 how the unit costs turn out. And we can't really do
18 that until we have the compliance cost of service
19 study.

20 So I have put language in there about how we could
21 do that, that we would basically follow 17159, but the
22 overall revenue requirement would be set now just like
23 with any other class, looking at their relationship to
24 parity.

25 COMMISSIONER GUNTER: I don't have a problem with

1 it. I move it.

2 MS. MEETER: And of course, there is in this a
3 question of what the forced outage rate is used, and
4 the order says 10 percent. There is an issue, I
5 believe it's Issue 153, in which the industrial
6 intervenors are advocating the use of a lower number.

7 CHAIRMAN WILSON: Staff recommendation?

8 COMMISSIONER GUNTER: Yeah.

9 CHAIRMAN WILSON: Staff recommendation on 136.
10 137.

11 MR. PALECKI: Commissioners, for the record there
12 is a typographical error on Gulf's position in 137. It
13 should say "Gulf has now complied" rather than "Gulf
14 has not complied."

15 MS. MEETER: And there is a second typographical
16 --

17 CHAIRMAN WILSON: It only changes the sense of the
18 sentence slightly.

19 MS. MEETER: The last word of the recommendation
20 should say "case" instead of "class."

21 COMMISSIONER BEARD: Is that typographical terror?

22 COMMISSIONER GUNTER: Move it.

23 COMMISSIONER EASLEY: Second.

24 CHAIRMAN WILSON: All right. This is the --

25 COMMISSIONER GUNTER: This is the SE rider.

1 CHAIRMAN WILSON: -- whether it should be a
2 separate rate class?

3 MS. MEETER: Uh-huh.

4 COMMISSIONER GUNTER: Yeah.

5 MS. MEETER: Based on the data we have and on the
6 results of the cost of service study, I think making
7 it a separate class with LPT and PXT together will not
8 solve the problem we've got, and I think we will just
9 have to wait until the next case to resolve.

10 CHAIRMAN WILSON: This recommendation is that they
11 not be separate.

12 MS. MEETER: That's right.

13 CHAIRMAN WILSON: All right. Without objection,
14 staff recommendation.

15 138.

16 COMMISSIONER EASLEY: Is 138 moot?

17 COMMISSIONER GUNTER: Is 138 moot?

18 MS. MEETER: Yeah, I think it's really moot
19 because I'm basically saying --

20 COMMISSIONER GUNTER: That's if you had the SE
21 rider what you would do.

22 MS. MEETER: Right.

23 CHAIRMAN WILSON: All right.

24 COMMISSIONER GUNTER: Since we don't have that.

25 CHAIRMAN WILSON: 138 is moot.

1 139.

2 MS. MEETER: I think maybe there is one piece here
3 that we do need to vote on.

4 COMMISSIONER GUNTER: What is that?

5 MS. MEETER: And that is that second sentence, if
6 the approved time-of-use rate design recovers only
7 distribution system cost in the maximum demand charge
8 the SE customers should be billed on their maximum
9 demand whenever it occurs. Otherwise they aren't going
10 to pay for that.

11 MS. KUMMER: I think for that point, Commissioner
12 Beard, they would not be paying distribution.

13 MS. MEETER: Yes, and if you've got all of the 12
14 CP related cost in the on-peak charge, that is the cost
15 they are avoiding by having these flexible time-of-use
16 periods, but you really do need to have them paying for
17 that distribution cost, five out of the six have
18 dedicated substations.

19 COMMISSIONER GUNTER: I'd move it.

20 CHAIRMAN WILSON: All right. Without objection
21 then.

22 139.

23 COMMISSIONER BEARD: Whoa. Time out. If you've
24 got a dedicated substation, dedicated facilities to
25 their use?

1 MS. MEETER: Uh-huh.

2 COMMISSIONER BEARD: You have dedicated
3 transmission facilities as well.

4 MS. MEETER: Well, that's a good question.

5 COMMISSIONER BEARD: That isn't a question. That
6 is a fact. You've got to get from the transmission
7 substation to a distribution substation some way. And
8 if that substation belongs solely to them, the
9 facilities to get the power there belong to them.

10 MS. MEETER: I think that is true in most cases.
11 The Company might argue with you on that.

12 COMMISSIONER BEARD: Then it's not a dedicated
13 substation.

14 MS. MEETER: It is a dedicated substation, but I
15 think that --

16 COMMISSIONER BEARD: They don't microwave
17 electricity.

18 COMMISSIONER GUNTER: Not yet.

19 MS. MEETER: Anyway there is a problem clearly, at
20 least with respect to the substation, that if you don't
21 bill on the maximum demand, they are just, they are not
22 paying their proper share of that cost.

23 We can address your other concern in the next
24 case, that is actually the position that Public Counsel
25 took. And I --

1 COMMISSIONER BEARD: That is physical reality,
2 okay. That ain't hard to figure. Unless they are
3 taking it at primary -- well, it's still a dedicated
4 substation.

5 MS. MEETER: They are taking it at primary. But
6 it's that the substation is --

7 COMMISSIONER BEARD: I understand. But I was
8 speaking about a, I call it a primary transmission
9 substation. In other words high voltage transmission
10 substation versus a distribution substation, just takes
11 the transmission voltage to the distribution voltage.

12 MS. MEETER: I think in most cases these are just
13 -- they are distribution substations.

14 COMMISSIONER BEARD: Okay. But the lines required
15 for the power there --

16 MS. MEETER: I understand; I understand. Yes.
17 And it's something that we should clearly address in
18 the next case.

19 COMMISSIONER GUNTER: All right. We are on Issue
20 139. Questions, Commissioners?

21 COMMISSIONER EASLEY: Move staff.

22 COMMISSIONER BEARD: Let it ride.

23 COMMISSIONER GUNTER: All right. Staff
24 recommendation on 139 is approved.

25 140. Any objections to staff? Commissioner?

1 141.

2 MS. KUMMER: There is a minor typographical error
3 in the recommendation on 141. The last line which says
4 546.5, that should be 547.5. The discussion is
5 correct.

6 COMMISSIONER EASLEY: Move staff.

7 COMMISSIONER GUNTER: Any objection to staff
8 recommendation? All right.

9 142.

10 MS. KUMMER: It's essentially the same thing as
11 141. It's just the PXT class.

12 COMMISSIONER GUNTER: All right. Objection?

13 143.

14 COMMISSIONER EASLEY: Stipulated item. I'd move
15 it.

16 COMMISSIONER GUNTER: Stipulated. Accept the
17 stipulation.

18 144. How about helping me with this one just a
19 tad?

20 MS. MEETER: Okay.

21 COMMISSIONER GUNTER: Here they are talking about
22 the differential between the contract and the actual
23 demand, is that --

24 MS. MEETER: Well, there are two problems here,
25 I believe, Commissioner Gunter, one is they want to use

1 the contract demand, and there's a great variability
2 between the relationship between the contract demand
3 and the actual demand of the customer. So my feeling
4 is that whenever you put a rate that is based on that,
5 there is a lot of potential for manipulation. If you
6 were going to do this, you clearly should have a close
7 relationship between the demand, the actual demand they
8 put on the system and the contract demand.

9 MS. KUMMER: Issue 139 addresses the difference
10 between the contract and the actual.

11 COMMISSIONER GUNTER: Yes.

12 MS. MEETER: As I say, I believe that that demand
13 varies from zero percent to 300 percent. Furthermore,
14 they only have contracts with 57 percent of the
15 customers.

16 The second part of it is that this charge is not
17 projected to generate any revenue in the test year.
18 And as far as I am concerned that doesn't make much
19 sense.

20 COMMISSIONER GUNTER: All right. Any objection?

21 COMMISSIONER EASLEY: No.

22 COMMISSIONER GUNTER: Staff recommendation on
23 Issue 144.

24 Issue 145.

25 MS. KUMMER: Now that we have gotten in into this,

1 I would like to introduce a new staff member. This is
2 David Wheeler and he'll be handling the lighting
3 issues.

4 COMMISSIONER GUNTER: Nice to see you.

5 MR. JENKINS: Before you go too far, I've got to
6 make you aware on this lighting issue a very small nit
7 exists. It's very small. I don't even know it's a
8 problem. But if you charge a customer to take out
9 their mercury vapor lighting, they are liable to -- I'm
10 sorry I'm on 146.

11 COMMISSIONER GUNTER: I move 145, Mr. Chairman.

12 COMMISSIONER EASLEY: Second.

13 MR. JENKINS: Go ahead.

14 MS. KUMMER: Again, Commissioners, these numbers
15 may change slightly depending on what the final --

16 COMMISSIONER EASLEY: What is all of this about
17 the mercury vapor lights, Joe, on 146?

18 MR. JENKINS: What it is, if you have a charge
19 for the eliminating the mercury vapor light, customers,
20 and I don't know what to do about it, customers would
21 say, "Okay, don't remove my light, I'll just cancel my
22 lighting subscription, I just don't want a light. It's
23 your light come get it, take it away." You don't
24 charge them for that. Then they say, then next week
25 they call up and say, "Okay, now give me a high

1 pressure sodium vapor light," to get the lower cents
2 per kilowatt-hour rate.

3 It's just a nit that is going to occur, and I
4 don't know quite what to do about it.

5 Do you want do take from it there, Dave, or --

6 MR. WHEELER: Well, I think, I think what he is
7 addressing is the fact that in our recommendation we
8 are saying that if the customer requests that they
9 should come and change out from mercury vapor to high
10 pressure sodium, the way the tariff reads now,
11 essentially the customers can do that at no charge to
12 themselves.

13 And the recommendation, in our recommendation we
14 are saying that since there is an undepreciated amount
15 in that mercury vapor fixture, if it's asked to be
16 changed out before it's failure that they be required
17 to pay the cost of removal and the undepreciated value
18 of the fixture less any salvage value.

19 Now, what he is saying is that in order to get
20 around that customers may say, well, I'll just cancel
21 my light, and then say, hey, I want a high pressure
22 sodium a few days later or whatever.

23 That is the problem that he is pointing out.

24 COMMISSIONER GUNTER: Well, there is another piece
25 to this, is back in our earlier conservation days there

1 were big, big programs, street lighting, all the
2 parking lot lighting and what have you, there was
3 actual cost recovery that was allowed programs for
4 change out of mercury vapor to the high pressure sodium
5 lights, and it was recovered at no cost to, as I
6 recall.

7 MS. MEETER: This is true of all the utilities but
8 Gulf. Gulf could not show that it was cost effective.
9 They came in with a cost effectiveness.

10 COMMISSIONER GUNTER: Because of the number of
11 lights or their rates?

12 MR. JENKINS: Low marginal fuel costs.

13 MS. MEETER: I'm not sure whether that was it.
14 The staff member who worked on that, I think that he
15 took a very, very careful look at it, and it really
16 just flat out wasn't cost effective to the general body
17 of ratepayers.

18 COMMISSIONER GUNTER: Because from a conservation
19 standpoint that makes a whole lot of sense in the
20 reduction of kilowatt hours, and anything that would
21 prohibit people from making that change, you know,
22 intuitively you said that is something that you want
23 everybody to do anyway, and how do you get them to do
24 that other than Joe's where they cancel and re-up?

25 COMMISSIONER BEARD: Mr. Chairman, I would move to

1 deny that part of staff that would have that charge. I
2 understand that technically that is probably correct,
3 but when you have conservation issues associated with
4 that, and the gainsmanship that can occur, and I think
5 we are bumping our heads to do that in this instance,
6 and especially with the mercury vapor.

7 COMMISSIONER GUNTER: I would second that.

8 COMMISSIONER BEARD: I fully understand the logic
9 of the reality.

10 COMMISSIONER GUNTER: I do, too. I accept the
11 logic.

12 COMMISSIONER BEARD: Yeah. Just putting it on the
13 ground it's a different animal.

14 MS. KUMMER: So you are in essence endorsing the
15 Company's position, which is simply to remove the
16 current language and not replace it with anything.

17 COMMISSIONER BEARD: Yeah.

18 CHAIRMAN WILSON: Any objection to that?

19 COMMISSIONER EASLEY: No.

20 CHAIRMAN WILSON: Without objection then, as
21 amended.

22 COMMISSIONER EASLEY: 147 is stipulated. I would
23 move it.

24 COMMISSIONER GUNTER: I would move it. I would
25 second it.

1 CHAIRMAN WILSON: All right. Without objection.

2 COMMISSIONER GUNTER: I would move 148, Mr.

3 Chairman.

4 CHAIRMAN WILSON: 148 is --

5 COMMISSIONER GUNTER: This has to do with the
6 subject that Joe spoke of previously of the high demand
7 and relatively low --

8 MS. KUMMER: This is one of the places that type
9 of thing fits in in the opt down.

10 MS. MEETER: In the next rate case we'll address
11 the opting down; we'll make it an issue.

12 COMMISSIONER GUNTER: A specific issue.

13 MS. MEETER: Right.

14 COMMISSIONER EASLEY: Second.

15 CHAIRMAN WILSON: All right. Without objection
16 then, staff recommendation is approved on Item No. 148.
17 149.

18 MS. KUMMER: Commissioners, again there's a
19 typographical error. I do apologize. In the
20 recommendation it should say service charges proposed.

21 COMMISSIONER EASLEY: I would move staff.

22 COMMISSIONER GUNTER: Yeah.

23 MS. MEETER: That one was written on Monday
24 morning, and we realized --

25 COMMISSIONER EASLEY: This has been a whole week

1 of Mondays. I don't want to hear about it.

2 COMMISSIONER GUNTER: The fifth Monday this week.

3 CHAIRMAN WILSON: Issue 150.

4 COMMISSIONER EASLEY: Stipulated. I would move
5 it.

6 CHAIRMAN WILSON: Without objection.

7 151.

8 MS. KUMMER: 151 actually ties back in to 128 and
9 time-of-use rates. We are simply saying they should
10 follow whatever time-of-use design we use for everybody
11 else.

12 COMMISSIONER EASLEY: Move it.

13 COMMISSIONER GUNTER: Yeah.

14 CHAIRMAN WILSON: Without objection, subject to
15 revisit it.

16 MS. KUMMER: Whatever you decide on 128.

17 CHAIRMAN WILSON: 152.

18 COMMISSIONER GUNTER: I would move staff.

19 COMMISSIONER EASLEY: Yeah, second.

20 CHAIRMAN WILSON: Okay. So this allows the self-
21 generating customer to coordinate their outage and if
22 their outage and the consequent increase demand occurs
23 off peak --

24 MS. MEETER: Or just not in the peak hour that
25 determines, that is the system.

1 CHAIRMAN WILSON: Not in the peak hour that
2 determines.

3 MS. MEETER The IIC payments, then they would
4 not, they would not pay.

5 CHAIRMAN WILSON: They could be forgiven that.

6 MS. MEETER: Right. But the local facilities
7 charge would still apply.

8 CHAIRMAN WILSON: All right. Without objection
9 then, staff recommendation on 152.

10 153.

11 COMMISSIONER BEARD: Let me ask you a question.
12 Why would you incur a local facilities charge?

13 MS. MEETER: Well, because it's what you were
14 arguing before, and I agreed with you, those facilities
15 are sitting out there, just because they don't use it
16 in the system peak hour they've still got to have that
17 dedicated substation sitting there.

18 COMMISSIONER BEARD: I'm not quibbling with --
19 I'm trying to understand the ratchet.

20 MS. MEETER: You mean on the other piece, excusing
21 them from --

22 COMMISSIONER BEARD: Wait a minute, maybe I'm
23 misreading. Local facilities charge.

24 MS. MEETER: Would still be subject to the ratchet
25 provision which means they would still be paying for

1 that local facilities.

2 COMMISSIONER BEARD: And I'm not quibbling about
3 paying for the local facility, but paying with a
4 ratchet attached to it. I am trying to think through
5 this.

6 MS. MEETER: This is not the issue here. Well,
7 the issue here is whether they can get forgiveness of
8 this ratchet if they coordinate for maintenance for
9 both the reservation charge and for local facilities.
10 And we are saying, yes, if it's fully coordinated and
11 it doesn't get, if they aren't on in that hour, then
12 it's appropriate.

13 COMMISSIONER BEARD: What is the length of time
14 for a ratchet charge on a local facility? Excuse me,
15 go ahead.

16 MS. MEETER: 24 months. See the thing is they
17 have got to have those facilities sitting out there to
18 serve the customer. Now, with respect to production
19 plant, if they aren't on in the critical hours, then --

20 COMMISSIONER BEARD: I understand that, and I
21 think we are talking by each other. Okay. There
22 should be a local facilities charge. I am not
23 quibbling on that. I am trying to understand applying
24 a 24-month ratchet to the local facilities charge
25 associated with that outage.

1 MS. MEETER: Well, the language in the order said
2 they thought that was appropriate to assure that the
3 customers set a reasonable standby demand. In other
4 words the level of demand that he expected to have
5 served. And of course, the level that he expected to
6 have served will have an impact on how large those
7 facilities have to be.

8 COMMISSIONER BEARD: Why 24 months?

9 MS. MEETER: Because we felt that was a reasonable
10 length of time; that that should reflect reasonably
11 what he is going to use over time.

12 MR. JENKINS: Commissioner Beard, what has
13 happened here is we have eliminated ratchets in all
14 other classes, and it's proven to have just a minimal
15 rate impact effect. The problem here is for the self-
16 generating customers is that they are very sporadic.
17 We don't really have good data. So the purpose of the
18 ratchet is to ensure that the local facilities are
19 collected.

20 MS. MEETER: Yes, that is correct. If you didn't
21 have it, then in those months in which they didn't use
22 any power you wouldn't be recovering the cost of that
23 dedicated substation.

24 MR. JENKINS: And this is the issue that FERC I
25 think is contesting this with, because we have them for

1 these customers and not for regular rate classes.

2 MS. MEETER: Well, the whole rate structure is
3 different than for our regular rate classes.

4 COMMISSIONER BEARD: I'm not going to get hung up
5 on it. 24 months seems like a long time. I know when
6 they had wholesale ratchets they were 13 months, and
7 you were talking big time then.

8 MS. MEETER: But we are talking about a very
9 different type of load here. We are talking about a
10 very sporadic type of load here. What the customer
11 could do is set it for zero. In fact one customer did,
12 and then he goes along with zero until he needs it, and
13 then he starts paying for his local facilities.

14 COMMISSIONER BEARD: Move it.

15 MR. JENKINS: We are charging him for being too
16 reliable.

17 COMMISSIONER BEARD: Brilliant idea.

18 CHAIRMAN WILSON: All right. 153.

19 COMMISSIONER GUNTER: I would move it.

20 COMMISSIONER EASLEY: Second.

21 CHAIRMAN WILSON: Without objection.

22 154.

23 COMMISSIONER GUNTER: I would move that.

24 CHAIRMAN WILSON: Yeah.

25 COMMISSIONER GUNTER: We established rates and we

1 give them an opportunity, and then we do it again.

2 CHAIRMAN WILSON: 155.

3 COMMISSIONER GUNTER: Move staff.

4 CHAIRMAN WILSON: Without objection.

5 156.

6 COMMISSIONER EASLEY: Move staff.

7 CHAIRMAN WILSON: Without objection.

8 158.

9 COMMISSIONER EASLEY: I would move staff.

10 CHAIRMAN WILSON: Any questions on this?

11 COMMISSIONER GUNTER: No.

12 CHAIRMAN WILSON: Staff recommendation without
13 objection.

14 MR. JENKINS: We have the people, the accounting
15 people here on the issue relating to Plant Scherer and
16 the transformer or transmission rentals. We need that
17 before we can come up with a revenue number.

18 CHAIRMAN WILSON: All right. We are about five
19 minutes away from breaking for lunch so you may want to
20 hand that out so we can look at it over lunch and then
21 we'll take it up first thing after lunch.

22 MR. JENKINS: There is the handouter.

23 CHAIRMAN WILSON: We are going to adjourn and come
24 back at 1:45.

25 (Noon Recess)

AFTERNOON SESSION

CHAIRMAN WILSON: Here we are again.

MR. ROMIG: With regard to Issue 80, prior to the lunch break we provided you all with a schedule of Plant Daniel and Plant Scherer transmission expenses, and the O&M adjustments that were made by the Company to remove O&M expenses and transmission expenses in their NOI schedule, which reflects the \$424,000 adjustment that should be made to Plant Scherer transmission.

We are back to Exhibit 112 which shows the breakdown between Plant Daniel and Plant Scherer transmission rental, and the breakdown in expenses was verified by amounts contained in the Audit Data Request No. 33 in the staff audit report, staff audit workpapers.

COMMISSIONER BEARD: Were there other -- excuse me, go ahead.

COMMISSIONER GUNTER: Let me just ask this question. In the, on Exhibit 112, Page 1, that was the total Scherer transmission cost, is that correct? Those transmission costs of Plant Scherer for the entire 25 percent of it, is that right?

MR. BALLINGER: That is transmission rents, yes.

COMMISSIONER GUNTER: Transmission rental, excuse

1 me. All right. The adjustments that were made to
2 remove that portion that was still under UPS was, that
3 portion that moved out to support that 149 megawatts
4 was the \$1384, is that right?

5 MR. ROMIG: That is correct.

6 COMMISSIONER GUNTER: All right. So there's where
7 we got left with the 424?

8 MR. ROMIG: Yes, sir.

9 COMMISSIONER GUNTER: All right. And a difference
10 between the 1384 and the 1390 -- 1339 is that
11 jurisdictional portion, is that right?

12 MR. ROMIG: That is correct.

13 COMMISSIONER GUNTER: All right.

14 COMMISSIONER EASLEY: I move to reconsider.

15 COMMISSIONER BEARD: When that adjustment, what
16 adjustments have been made? I get antsy when we get
17 close to the end and I start seeing adjustments sitting
18 by themselves, okay. And perhaps you all have the
19 whole thing, the components that make up the gross
20 figure, O&M, that I don't have, so I see the total
21 numbers. All I get in the spreadsheet is one number.
22 Okay. The Company number and then we adjust backwards
23 out of that, okay. I don't get to see it all or I
24 don't have it here right today to see what other
25 adjustments are made.

1 I get a little nervous in isolation and I may be
2 just totally off base, but I just have a concern.
3 These numbers right here, I understand exactly what you
4 are saying and I don't have any problem with what I see
5 here, okay. But I just question where does this
6 adjustment, where does it go? It goes back into system
7 and out of jurisdictional?

8 MR. ROMIG: What they have is the total O&M
9 expenses, total system dollars related to the entire
10 pot. The Company comes over to the unit power sales
11 column, that is where they adjust it out.
12 Depreciation, production O&M, A&G, transmission, the
13 whole gamut, if you will, of expenses that are
14 associated with the UPS contract.

15 The balance left over after that is then further
16 jurisdictionalized between retail jurisdiction, this
17 Commission's, and the wholesale portion, which is under
18 the FERC jurisdiction. I don't know if that is --

19 CHAIRMAN WILSON: All right, the motion, what is
20 that, a motion to reconsider?

21 COMMISSIONER EASLEY: A motion to reconsider.

22 CHAIRMAN WILSON: There's been a motion to
23 reconsider, and it's been seconded. All in favor of
24 reconsideration signify by saying aye.

25 Opposed.

1 COMMISSIONER EASLEY: I move staff alternative,
2 revision recommendation.

3 COMMISSIONER GUNTER: To eliminate the double
4 counting.

5 COMMISSIONER EASLEY: Yes. The new numbers.

6 COMMISSIONER GUNTER: Of, on that transmission
7 line rental which would now be 400 -- which is right?

8 CHAIRMAN WILSON: Is it the 424 is the correct
9 number or what?

10 MR. ROMIG: That is correct.

11 COMMISSIONER GUNTER: 424, and not 423.

12 MR. SLEMKEWICZ: We use the 423 which was the
13 original recommendation.

14 MR. ROMIG: The difference is due to some
15 rounding.

16 COMMISSIONER GUNTER: \$423,000.

17 CHAIRMAN WILSON: The 423 was in the original
18 recommendation where?

19 COMMISSIONER EASLEY: No, he meant on this, the
20 original revision.

21 CHAIRMAN WILSON: You mean on this?

22 COMMISSIONER BEARD: I still -- I'm not going to
23 quit until I am sure of this thing. You've got O&M, on
24 the sheet of paper you handed me, you've got O&M
25 adjustments, major move 149 megawatts of UPS. Now,

1 under there you have three categories, O&M other, 2344.
2 That was adjusted out of O&M, is that correct?

3 MR. ROMIG: That is correct. The Company made a
4 total adjustment of \$5,823,000 on their NOI schedules
5 as contained in on MFR C Schedules, on MFR C-2, Page 3.
6 In addition it's the variable O&M.

7 COMMISSIONER BEARD: And the only one you all went
8 back in and picked up was transmission?

9 MR. ROMIG: We went back to find out what the
10 components of the 5 million 823 were. And basically to
11 verify and assure everybody that --

12 COMMISSIONER BEARD: Before you went back in,
13 before you went back in you had reduced Scherer
14 transmission by 1763 jurisdictional, that is the only
15 one that you picked up as an issue, transmission rents?

16 MR. ROMIG: That was an amount that was in Issue
17 80.

18 MR. BALLINGER: Right, because the original reason
19 Issue 80 was there is because we had, in the Plant
20 Daniel transmission rents there was an amount that was
21 disallowed the last rate case that the Company
22 justified, that is why that issue was put there to
23 begin with, Plant Scherer was really not argued about
24 whether it was needed or not. It was more if the plant
25 was going to be needed. So that amount fell out of

1 what was budgeted for Plant Scherer.

2 COMMISSIONER BEARD: Let me ask you a question on,
3 it's a Scherer acquisition adjustment, and I am trying
4 to understand staff recommendation against the
5 Commission vote. You show, I am on a comparative rate
6 base worksheet, you show an acquisition adjustment
7 reduction of 121,000, okay.

8 MR. SLEMKEWICZ: Right, because that was in plant
9 in service related to the acquisition adjustment.
10 However, since, in Issue 27 we took all of Scherer out
11 of plant in service, that would be a redundant
12 adjustment.

13 COMMISSIONER BEARD: So you got it there instead
14 of here?

15 MR. SLEMKEWICZ: That is correct.

16 COMMISSIONER BEARD: Okay, that is what I wanted
17 to understand. And the same thing with the Scherer tax
18 matter adjustment?

19 MR. SLEMKEWICZ: That is correct. Those
20 adjustments were just if you were going to leave it in
21 we wanted to refine the number. And based on my review
22 of the vote sheet, I believe that the issues listed on
23 the front sheet are the issues that were passed,
24 temporarily passed, because they were fallout issues.

25 COMMISSIONER BEARD: As a footnote for my reading

1 pleasure, the next rate case we do this, don't just
2 narrow down to the issues that we made a change on.
3 Leave them all in so I can see them, because there were
4 some ones that I lost that I would like to see how that
5 impacts.

6 Do you follow what I'm saying?

7 MR. SLEMKEWICZ: On the --

8 COMMISSIONER BEARD: In other words you have
9 narrowed this only down to the issues generally
10 speaking where there were changes?

11 MR. SLEMKEWICZ: Well, that is on -- you mean the
12 front page?

13 COMMISSIONER BEARD: No, no, no, in the
14 worksheets.

15 MR. SLEMKEWICZ: Well, in the worksheets, if you
16 look, there is still the staff recommendation column,
17 and then there is the Commission vote column, and you
18 can see where you did not agree with the staff.

19 COMMISSIONER BEARD: I understand that, but there
20 were issues, for example, that say Public Counsel had a
21 different figure in that would have had an issue, an
22 item remain in this worksheet where I could see it. Am
23 I making sense?

24 I won't waste a lot of time. I can show you
25 afterwards what I'm talking about. It's easier for me

1 to track is all I'm saying. I'll have to go get my
2 worksheets to do it. Actually I think you've got most
3 of them. I just missed one or two. It's my fault.

4 COMMISSIONER EASLEY: Do we need to vote on this?

5 CHAIRMAN WILSON: Let's stand in informal recess
6 for a little while and let us go over this.

7 (Brief recess)

8 CHAIRMAN WILSON: Any questions, Commissioners?

9 COMMISSIONER GUNTER: Mr. Chairman, I have been
10 through, I only had one question that I resolved, that
11 was correctly calculated, and I have been through and
12 it looks as though it's an accurate representation of a
13 vote that we took, and if you want to we can carry the
14 individual items or vote for it in mass, either way you
15 want to, plant in service, if you want to go through
16 those.

17 CHAIRMAN WILSON: What is your pleasure?

18 COMMISSIONER GUNTER: I would move plant in
19 service as shown on Page 1.

20 COMMISSIONER BEARD: I have a question. Again, I
21 don't want to waste a lot of time. I had some votes
22 that reflected some disagreement with certain items in
23 the items listed on the agenda. I'm not sure exactly
24 how to treat that.

25 CHAIRMAN WILSON: Well, those are noted on the

1 vote sheet so that your vote would be with the caveat
2 that you had dissented or voted differently on certain
3 select issues.

4 MR. VANDIVER: And that will be reflected in the
5 order, Commissioner Beard, and the legal staff will
6 come to you and say do you wish to write a dissent on
7 X, Y and Z issues. And if you do, that will be
8 included in the order.

9 COMMISSIONER BEARD: For example, 110 annual
10 operating revenue increase. That is a fallout. It
11 falls out of different positions.

12 MR. VANDIVER: So your disagreement as to the
13 individual things will be reflected, and if you wish to
14 write something you could in the order.

15 COMMISSIONER GUNTER: What is your pleasure, Mr.
16 Chairman? I would move plant in service.

17 CHAIRMAN WILSON: Well, with that understanding
18 about --

19 COMMISSIONER EASLEY: Yeah, I don't have any
20 problem moving the entire item.

21 COMMISSIONER GUNTER: I would move them all.

22 CHAIRMAN WILSON: Look at it in total.

23 COMMISSIONER EASLEY: Second.

24 CHAIRMAN WILSON: I do have just one question. I
25 noticed this in other spreadsheets, and I'm curious as

1 to what it means. There is a line in here, No. 79,
2 that says --

3 COMMISSIONER GUNTER: Where are you at?

4 CHAIRMAN WILSON: I'm on the spreadsheet on Page
5 2, Line No. 79, that says OPC math error. Is that a
6 reconciliation number, is that what that means?

7 MR. SLEMKEWICZ: Right, when they gave me their
8 schedules, it was supposed to represent their brief.
9 It didn't add up. There were math errors in there.

10 CHAIRMAN WILSON: It just represented a difference
11 in the numbers.

12 MR. SLEMKEWICZ: Right, because they told me this
13 was a total and --

14 CHAIRMAN WILSON: Okay. So this was just an
15 amount to make it reconcile.

16 MR. SLEMKEWICZ: Right, to make it reconcile to
17 what they gave me as a bottom-line number.

18 CHAIRMAN WILSON: All right, let's just call that
19 OPC reconciliation.

20 All right, so you have moved the calculation of
21 these numbers?

22 COMMISSIONER GUNTER: Correct.

23 COMMISSIONER EASLEY: Right.

24 CHAIRMAN WILSON: It's been seconded. And with
25 Commissioners Beard's caveat about the individual

1 disagreements on certain issues here. All in favor
2 signify by saying aye.

3 Opposed. All right.

4 MR. SLEMKEWICZ: All that leaves on the revenue
5 requirements side now is Issue 111, which is the
6 interim which we'll be taking up on Tuesday.

7 CHAIRMAN WILSON: All right.

8 MR. VANDIVER: And Commissioners, you may wish to
9 address the mechanics of the bases point reduction.
10 That in other words in two years the revenue
11 requirement would go up.

12 COMMISSIONER GUNTER: That is included in this
13 calculation here in this sheet. The first two years
14 it was 11.8, thereafter it was 14 something.

15 COMMISSIONER EASLEY: Front page of 31.

16 COMMISSIONER GUNTER: Front page.

17 MR. VANDIVER: Right.

18 CHAIRMAN WILSON: There's still a question though
19 as to how the mechanics of that work. The rates go in
20 to effect, just for a rounding effect they go into
21 effect January 1. They are in effect '91 and '92.
22 January 1 of '93 do the rates go up by, what is that,
23 two, three something million dollars automatically, or
24 do we simply change the rate of return on the
25 surveillance reports by which you are calculating

1 earnings?

2 MR. SLEMKEWICZ: I think the rates would
3 automatically go up because the, I believe that is the
4 way the, what the vote reflects is that this is in
5 effect for two years, that absent that they would have
6 been granted the 14 million starting now, and that
7 after the rates have been in effect for two years they
8 would go back or they would increase to what they would
9 have otherwise got.

10 MS. KUMMER: And what we would suggest and we have
11 talked to the Company and they are agreeable to this is
12 simply treat that increase as you would an interim, an
13 across the board percentage increase to all base rates
14 and charges.

15 COMMISSIONER GUNTER: All customers.

16 MS. KUMMER: All customer classes, the same way
17 you do an interim. All base rates and changes.

18 CHAIRMAN WILSON: So you would calculate what,
19 today what that increase would be or you would get a
20 calculation of what the billing units would be at that
21 time that would produce that amount of revenue? How
22 are you going to do that?

23 MS. KUMMER: It will be, okay, Marge suggested
24 that we do calculate the percentage today, what the
25 difference would be based on the numbers we have in

1 front of us.

2 CHAIRMAN WILSON: All right. So the Company
3 would charge whatever rates --

4 MS. KUMMER: You approve on Tuesday.

5 CHAIRMAN WILSON: -- for two years, and at the end
6 of that two-year period they would apply a factor of
7 2.3 or 1.1 or whatever that would be --

8 MS. KUMMER: A percentage.

9 CHAIRMAN WILSON: And they would simply do that
10 and it would be automatic.

11 MS. KUMMER: They would file new tariffs
12 reflecting that.

13 MS. MEETER: Maybe what we could do is calculate
14 that percentage between now and Tuesday and bring it
15 down and get that in the record so everyone knows what
16 it is.

17 COMMISSIONER GUNTER: I think that would be
18 appropriate, because then that relieves two years hence
19 what I would call a fight in the parking lot what that
20 should be. Make that decision now so, and you put that
21 in the order --

22 MS. KUMMER: That is exactly our thought,
23 Commissioner.

24 COMMISSIONER GUNTER: -- how that calculation is
25 to be done very clearly, so you eliminate that

1 subsequent proceeding.

2 MS. KUMMER: Yes, sir.

3 MR. VANDIVER: Yes, sir.

4 COMMISSIONER GUNTER: And that war, and it
5 relieves uncertainty on the part of staff,
6 Commissioners, Company, intervenors and everybody as to
7 what in fact happened, and I think we need to be very
8 clear on that.

9 MS. MEETER: So in other words if it's \$2.4
10 million and right now the present rates yield say \$500
11 million, then you would just calculate what that
12 percentage is and we would put that in the order.

13 COMMISSIONER GUNTER: Yeah.

14 MS. MEETER: And we'll provide that to you.

15 COMMISSIONER EASLEY: Let me ask you about two
16 separate tariffs. Is there any reason to try and go
17 with one tariff that would be different at the end of
18 two years?

19 MS. KUMMER: I think that might be more confusing.

20 COMMISSIONER EASLEY: Okay.

21 MS. KUMMER: You would have two separate rates.

22 COMMISSIONER EASLEY: I just asked. Forget I
23 asked.

24 COMMISSIONER GUNTER: I move we ride.

25 CHAIRMAN WILSON: Do we need to do anything else

1 this afternoon.

2 MS. KUMMER: Yes, sir.

3 CHAIRMAN WILSON: We had what, one or two issues?

4 MS. KUMMER: We've got some little clean-up
5 things.

6 CHAIRMAN WILSON: All right.

7 MS. KUMMER: The biggest issue is on the spread of
8 the increase and we've got spreadsheets showing
9 variation of that.

10 COMMISSIONER GUNTER: I thought we approved that.

11 COMMISSIONER EASLEY: I did, too.

12 (Document distributed to the Commission)

13 COMMISSIONER EASLEY: Is the second one what you
14 all recommended?

15 MS. KUMMER: Commissioner, none of these are what
16 you originally saw. These are the variations that were
17 suggested because of the concern over the large
18 decrease to GS.

19 COMMISSIONER EASLEY: Mr. Chairman, could we take
20 just a minute and tell me again what these three are?

21 CHAIRMAN WILSON: Let's label --

22 MR. TROMBINO: Okay. You will see one sheet there
23 with no increase to GS, no decrease to GS, Column 6.

24 COMMISSIONER GUNTER: Which one is that? Is that
25 the one with the note on the bottom?

1 MR. TROMBINO: No -- yes, on your copy.

2 CHAIRMAN WILSON: It has a note on the bottom, and
3 we will label that No. 1.

4 COMMISSIONER BEARD: And that is current policy.

5 MR. TROMBINO: Yes, that is correct.

6 COMMISSIONER BEARD: -- 1.5 and no reductions.

7 MR. TROMBINO: That is correct.

8 CHAIRMAN WILSON: The one with the July 27th date
9 in the corner we'll label No. 2.

10 COMMISSIONER EASLEY: They all three have a July
11 27th date in the corner. I have No. 2 showing RS -- or
12 GS at 1.45 on the index.

13 MR. TROMBINO: Okay.

14 COMMISSIONER EASLEY: That would be Column 9?

15 COMMISSIONER GUNTER: How about making that No. 2?

16 COMMISSIONER EASLEY: That is No. 2.

17 COMMISSIONER BEARD: And that is -- wait a minute.
18 No. 2 is two times in reduced GS to equal to PS?

19 MR. TROMBINO: No, No. 2 is one and a half times
20 and reduced GS somewhere not quite as far.

21 CHAIRMAN WILSON: That is the sort of in-between
22 one that I asked them to do in addition to the other
23 two.

24 COMMISSIONER BEARD: And then the third one will
25 be the one I asked for, which is 1.5 and reduced to

1 parity on GS.

2 MR. TROMBINO: That is correct.

3 COMMISSIONER EASLEY: All right. Now, explain to
4 me the impact then on the RS GS, and was that one of
5 the objectives?

6 COMMISSIONER GUNTER: RS didn't change on the
7 other two.

8 COMMISSIONER EASLEY: RS GS? The third one,
9 because on No. 3 the third one goes further away.

10 COMMISSIONER GUNTER: Yeah, and No. 2 it goes
11 further away.

12 COMMISSIONER BEARD: Further away from what?

13 CHAIRMAN WILSON: What goes further away?

14 COMMISSIONER GUNTER: Well, one of the things we
15 are looking at, I was trying to look at, I was looking
16 at the parity line, which is on Line 9. I was running
17 down the line. The first one you are still away from
18 parity, but you are moving closer to it. The third one
19 that Commissioner Easley just asked about, you had RS
20 GS on parity on, Sheet 1 was a .98. With the second
21 methodology it went to .96. The third methodology it
22 went to .93. It moves further away from parity on the
23 left side.

24 MS. KUMMER: Commissioners, I'm not sure the RS GS
25 is very meaningful if you are not going to set RS and

1 GS rates equal. That was put in there primarily
2 because of the stipulation to show what happens when
3 you combine them or made -- or set them equal.

4 COMMISSIONER GUNTER: Is that what would happen if
5 you were to combine them?

6 MS. KUMMER: That is the combined effect.

7 COMMISSIONER EASLEY: Oh, okay.

8 MS. MEETER: What you need to look at now is
9 really GS.

10 COMMISSIONER BEARD: That's right.

11 MS. KUMMER: What we have done, if you will look
12 in Column 9 on the index, where it says ROR/Index,
13 those are your parity ratios, and the goal is to get
14 those as close to one as possible for everybody. And
15 if you go in to the next column you will see that the
16 classes, in Column 9 there are a couple of classes that
17 are still below one. You've got OS-2 and RS that are
18 both below one. If you go over one more column you
19 will see that they are getting the max increase, one
20 and a half times the system average increase. So they
21 are maxed out. We can't bring them any closer to
22 parity. Therefore, everybody else picks up the rest of
23 it.

24 It's a very simple mathematical game.

25 COMMISSIONER EASLEY: It is when you understand

1 what it says.

2 MS. KUMMER: Absolutely.

3 COMMISSIONER GUNTER: But even using one and a
4 half times, everybody moves closer to parity. Every,
5 you take Column 4 and Column 9, and I am on Sheet 1.
6 Take Column 1, compare their parity relationships,
7 everybody moves closer to parity.

8 MS. KUMMER: No, LP has problems. LP LPT moves
9 away in all the scenarios.

10 COMMISSIONER GUNTER: Where?

11 MS. KUMMER: LP LPT.

12 COMMISSIONER EASLEY: Three hundredths.

13 MS. KUMMER: They start at parity and move
14 slightly above it. Except for that.

15 COMMISSIONER GUNTER: Okay, that is the only one
16 that moves.

17 COMMISSIONER EASLEY: RS moves.

18 COMMISSIONER GUNTER: The only one that moves not
19 closer to parity.

20 MS. KUMMER: Right, moves away from parity.

21 COMMISSIONER EASLEY: Oh, okay, moves away from
22 parity.

23 COMMISSIONER GUNTER: Moves closer to parity.

24 CHAIRMAN WILSON: None of these touch RS?

25 COMMISSIONER EASLEY: No.

1 COMMISSIONER GUNTER: No, but if you look at Sheet
2 you have the same phenomenon that occurs on Sheet 2
3 with LP LPT.

4 MS. KUMMER: Right, it's true in all three
5 scenarios.

6 COMMISSIONER GUNTER: It moves, in fact it doubles
7 the first scenario, does it not?

8 MS. KUMMER: Well, yes.

9 MS. MEETER: The one thing that I think you need
10 to remember, at least it influences me, is the fact
11 that GS has been really at a confiscatory rate for so
12 long. I mean it's been ever since I have been at this
13 Commission, that I think we really need to think about
14 addressing that problem some.

15 COMMISSIONER BEARD: I'll be honest with you, I
16 can't see reducing anything below parity, okay. And,
17 but with GS I don't have a problem with, I won't say in
18 violation, but as opposed to what has been prior
19 practice, reducing GS to parity, capping the 1.5, for
20 example, on the RS rates, the net effect, and that is
21 Example No. 3, you've still got one hanging out there,
22 the OS-3, that is a ways off. But the rest of them are
23 all within a pretty doggone good range.

24 MS. MEETER: I would point out on OS-3 that, you
25 remember the recommendation on 115, there were some

1 costs that weren't allocated to that class. So I would
2 point out that this rate of return is somewhat
3 overstated. I am not sure by how much. But it is
4 somewhat overstated.

5 COMMISSIONER BEARD: All the rest of them are
6 about within a tenth of a percent around parity, a lot
7 closer than what I think we have ever been in the past,
8 isn't it?

9 MS. MEETER: The last FPC case we left people
10 pretty close to parity. But this is an improvement for
11 Gulf.

12 COMMISSIONER GUNTER: As far as we are looking at
13 this, we should ignore the RS GS column, that shouldn't
14 even be on here, is that right?

15 MS. MEETER: Yes.

16 COMMISSIONER GUNTER: What does that do, is that
17 just an additive of the RS and GS? That is just a
18 confusing factor that is on here.

19 MS. MEETER: Yes, sir. See we had it set up that
20 way because we didn't realize what the end result was
21 going to be. And for the other three utilities when we
22 set the rates equal, then what we did is we targeted
23 the combined rate of return to parity. But in the
24 other utilities the GS rate of return was above parity
25 when you set the rates equal.

1 COMMISSIONER EASLEY: Does it do anything to total
2 return on the bottom?

3 MS. MEETER: No ma'am. The Company gets the
4 money. It's just, and the set rate of return. The
5 question is which classes does it come from.

6 MS. KUMMER: And since we are not setting RS and
7 GS equal, it's essentially a meaningless line.

8 COMMISSIONER EASLEY: I've got it.

9 COMMISSIONER GUNTER: They can just strike that
10 line off.

11 COMMISSIONER EASLEY: I am, even as we speak.

12 MS. KUMMER: Yes, you can just ignore it.

13 COMMISSIONER EASLEY: It doesn't exist. Okay,
14 what is you all's pleasure?

15 COMMISSIONER GUNTER: Why didn't we -- what was
16 the logic and rationale for not moving the OS-1 and 2
17 closer to parity, at least by the same percentage of
18 those that were closer to them? For instance, you take
19 the RS and you went from .87 to .93, and you took that
20 OS-1 and 2, and it went from .91 to .94.

21 COMMISSIONER BEARD: -- I think you've got the 1.5
22 percent.

23 MS. KUMMER: That is exactly right.

24 COMMISSIONER GUNTER: I'm looking at Sheet 3.
25 Sheet 3 was not bound by that.

1 COMMISSIONER BEARD: Yes, it was.

2 MS. KUMMER: Yes, it was, that was part one --

3 COMMISSIONER EASLEY: They all were.

4 COMMISSIONER BEARD: All three of them were.

5 COMMISSIONER GUNTER: Okay. So the only
6 difference there was the proposed reduction in the GS
7 rates?

8 MS. KUMMER: Exactly. The cap on all of these 's
9 one and a half times the system. And the two rates
10 that are below parity both got the max increase.

11 COMMISSIONER GUNTER: The one and a half percent
12 increase, and in that class did we take the one and a
13 half percent in the RS?

14 MS. KUMMER: Yes.

15 COMMISSIONER GUNTER: The math didn't work out
16 then, if the percentage is correct. Take one and a
17 half percent of one and it will raise your parity from
18 .87 to .93, which is --

19 MS. MEETER: The one and a half applies to the
20 increase in their total bill, not to the parity.

21 COMMISSIONER GUNTER: I've got you.

22 MS. KUMMER: It's 3.43. It's one and a half times
23 3.43.

24 COMMISSIONER GUNTER: I've got you.

25 MS. MEETER: The other thing that I would like to

1 point out is that the final vote was to award the
2 utility 11,838,000, and this scenario is based on an
3 increase of 14,475,000, so you are setting principles
4 here.

5 COMMISSIONER EASLEY: Not numbers.

6 MS. MEETER: And we will go back and re-calculate
7 it, like that 5.15 percent will be lower because the
8 increase is lower.

9 COMMISSIONER EASLEY: Because you are talking
10 relationships.

11 MS. MEETER: We are talking about principles over
12 policy, how do we do it.

13 MS. KUMMER: And those classes which are under
14 parity get the max of the one and a half, if necessary.

15 COMMISSIONER BEARD: Did you all have a -- I'll
16 make a -- I'll move No. 3. The reason I'll do that is
17 even at the 1.45 on, let me find out where I am.

18 CHAIRMAN WILSON: No. 2.

19 COMMISSIONER BEARD: GS at 1.8 on No. 1 and 1.45
20 on No. 2 still stands way out compared to the others
21 with the exception of the OS-3, and there is problems
22 there. And if you go ahead and take that exception to
23 GS, use a 1.5 cap on the rest of them, you have done
24 about as good as you can probably do without skating
25 and getting carried away. One and a half times, that

1 is correct.

2 COMMISSIONER GUNTER: Well, my only problem,
3 Commissioner, is I don't mind moving GS part of the
4 way, but to get them in one fell swoop I have some
5 difficulty with that.

6 COMMISSIONER BEARD: Well, you've got part way.
7 It's still 45 percent.

8 COMMISSIONER GUNTER: Not on Sheet 3.

9 COMMISSIONER BEARD: Sheet 3 is reducing parity.

10 COMMISSIONER GUNTER: Sheet 3 goes to reducing
11 them to parity.

12 COMMISSIONER BEARD: That is correct.

13 COMMISSIONER GUNTER: So you are saying Sheet 2 is
14 the one you want to go to?

15 COMMISSIONER BEARD: No, I'm saying Sheet 3.

16 COMMISSIONER GUNTER: You moved Sheet 3. Sheet 2
17 moves them better than half way.

18 COMMISSIONER BEARD: It's still 45 percent over
19 parity, and it's the only one that sticks out like
20 that, excepting the OS-3 where there are some problems,
21 and we are not sure what to do with it.

22 MS. MEETER: I would say the problems are, it's
23 clearly paying well above parity even with the
24 adjustments.

25 COMMISSIONER BEARD: I understand. It's just a

1 matter, it's tough to adjust something when you don't
2 know what you are adjusting against, and I don't know
3 what to do about it. Probably should be something done
4 there, but --

5 COMMISSIONER EASLEY: Well, I'm a little bit
6 uncomfortable taking that big a jump all at one time.

7 COMMISSIONER GUNTER: I would offer a substitute
8 motion. Those adjustments shown on Sheet 2 which
9 brings them almost six tenths of a percent down, 145
10 versus previously 2.04. That is just a substitute
11 motion.

12 COMMISSIONER EASLEY: I'll second it.

13 COMMISSIONER GUNTER: On Sheet 2.

14 COMMISSIONER EASLEY: I'll second it.

15 COMMISSIONER GUNTER: And that is really a move in
16 the right direction.

17 CHAIRMAN WILSON: Well, it's been moved and
18 seconded. All in favor say aye.

19 All opposed. No.

20 I was going to vote for your motion.

21 MS. KUMMER: We've got a couple of more things.

22 COMMISSIONER EASLEY: You don't have this one yet.

23 COMMISSIONER GUNTER: Yeah, he does.

24 MS. KUMMER: I'm sorry.

25 COMMISSIONER GUNTER: He had three.

1 CHAIRMAN WILSON: Commissioner Beard didn't even
2 support his own motion.

3 COMMISSIONER EASLEY: Oh, I missed that. Could we
4 do it again, I want to hear.

5 COMMISSIONER BEARD: I didn't get a second on the
6 motion. If I'm going to tilt the windmill, I want it
7 to be a big one I can see. Not a little one I can't
8 even find.

9 COMMISSIONER EASLEY: I don't want you to think
10 this tilting windmills has been hard on me, but I'm
11 really only 22 years old.

12 COMMISSIONER GUNTER: Mr. Chairman, may I offer a
13 suggestion? Is that we have the means --

14 CHAIRMAN WILSON: Yes. What would that be,
15 Commissioner?

16 COMMISSIONER GUNTER: Could I follow your sage
17 advice and say that when we, at the end of two years
18 you can fix it through that rate structure on GS at the
19 end of the, at the beginning of the third year?

20 MS. KUMMER: And not give them any increase when
21 the increase goes in?

22 COMMISSIONER GUNTER: You could have an offset and
23 do that the beginning of the third year and they would
24 be at parity. It's not difficult to do.

25 COMMISSIONER EASLEY: Wait, let me ask a question.

1 Do I understand that when the penalty goes away the
2 effect is that GS customers are lined up paying the
3 difference?

4 COMMISSIONER GUNTER: No, they wouldn't pay any of
5 it. They would have a further reduction at that time
6 because you've got a complete re-filing.

7 COMMISSIONER EASLEY: Oh, I have it backwards.

8 COMMISSIONER GUNTER: They would have a reduction
9 at that time, which would carry them down to parity.

10 MS. KUMMER: Are you actually talking about
11 reducing their rates in two years or just not giving
12 them any of the increase?

13 COMMISSIONER GUNTER: They just wouldn't have any
14 increase, which would move them closer to parity with
15 all classes of customers except them getting an
16 increase.

17 COMMISSIONER EASLEY: I'll let you guys be the one
18 to go explain that one.

19 MS. MEETER: And extend that to OS-3, too?

20 COMMISSIONER GUNTER: I think it's not
21 inappropriate for us to consider that at this time
22 because it is moving, and that is a regulatory policy
23 that this Commission has had for a long time to have
24 each class of customers be at parity.

25 MS. KUMMER: Since GS is not the only one above

1 parity --

2 COMMISSIONER GUNTER: Well, I would move them
3 both. I would say that they both do not get an
4 increase at that time, and the remaining would be
5 spread over the other class of customers.

6 COMMISSIONER BEARD: Let me suggest from a
7 practical standpoint when you take the difference
8 between what the rates are as of this, two years from
9 now when you freeze GS and you freeze OS-3 and you
10 apply the rest, if you move five one hundredths of a
11 percent or five percent closer to parity with those
12 actual dollars applied, I believe I would be shocked.

13 COMMISSIONER GUNTER: Still it's a movement.

14 COMMISSIONER EASLEY: I've got to tell you I think
15 it sounds like a good idea. I think it's one that the
16 customers themselves are flat not going to understand,
17 and --

18 COMMISSIONER GUNTER: What are they going to --
19 they going to understand reductions for some classes
20 and increases for other ones.

21 COMMISSIONER EASLEY: No. I don't think they will
22 understand any of it.

23 COMMISSIONER GUNTER: I'm going to move --

24 CHAIRMAN WILSON: I have changed my mind. I don't
25 think it's --

1 COMMISSIONER GUNTER: I have already moved --

2 CHAIRMAN WILSON: We've already done 2.

3 COMMISSIONER GUNTER: Two.

4 CHAIRMAN WILSON: All right. What else?

5 MS. KUMMER: Okay, what did you all decide on
6 Commissioner Gunter's --

7 COMMISSIONER GUNTER: No, I could see very quickly
8 I wasn't going to get a second. So you don't even make
9 a motion.

10 MS. KUMMER: Okay. All right, your decision on
11 121 makes the decision on 115A, which requires you to
12 reject the stipulation on setting RS and GS equal.

13 COMMISSIONER GUNTER: Right.

14 MS. KUMMER: Issue 124 on the customer charges,
15 given your decision on 121 we would recommend that you
16 go with Gulf's proposed charges for RS and GS, which
17 was the only place we differed in the original
18 recommendation. We had set them equal. If you are
19 not going to set the rate classes equal we would go
20 with what they had proposed. That is on Page 231 of
21 the recommendation.

22 CHAIRMAN WILSON: What issue is this?

23 MS. KUMMER: Issue 124.

24 COMMISSIONER EASLEY: Is that to denial staff
25 then?

1 MS. KUMMER: Yes, it denies staff and it accepts
2 Gulf's position. We were in agreement on everything
3 except RS and GS, and that is simply because they had
4 not set them equal and we did.

5 COMMISSIONER EASLEY: I'll move it.

6 CHAIRMAN WILSON: All right.

7 COMMISSIONER BEARD: Won't you calculate those
8 based on what we just voted?

9 MS. KUMMER: Customer charges are generally based
10 on unit costs. They are not based so much on total
11 revenue. So they wouldn't change unless you re-ran the
12 cost study some other way.

13 COMMISSIONER BEARD: True, you're right.

14 COMMISSIONER GUNTER: Second.

15 CHAIRMAN WILSON: That is --

16 MS. KUMMER: I don't want to rush you.

17 COMMISSIONER EASLEY: Yes, you do.

18 CHAIRMAN WILSON: I think I understand. Without
19 objection then.

20 COMMISSIONER EASLEY: What else?

21 MS. KUMMER: That leaves us with Issue 128, which
22 is the time-of-use rate design. I re-ran the RS rate
23 with Commissioner Beard's suggestion. You come up with
24 approximately a six to one ratio on peak to off peak
25 if you put distribution and spread it over all the

1 kilowatt hours as well as energy and then just collect
2 the demand and transmission on peak. It comes out to
3 about six to one. It's .08705 to .1433. That would be
4 for RS and GS that you would have that kind of ratio.

5 COMMISSIONER BEARD: What was the issue. Give me
6 that number again?

7 MS. KUMMER: 126. It was in time-of-use rate
8 design.

9 COMMISSIONER EASLEY: Page 239.

10 COMMISSIONER BEARD: I think what you just quoted
11 me was what Gulf Power's position was, wasn't it?
12 Read those figures again.

13 MS. KUMMER: Again rough calculations based on the
14 14 red, is .08705 and .1433.

15 COMMISSIONER BEARD: You are a spit away from what
16 the Company proposed.

17 MS. KUMMER: Again that is not on the same revenue
18 requirement.

19 COMMISSIONER BEARD: I understand.

20 MS. KUMMER: Right, so that will change. That is
21 basically a ratio.

22 COMMISSIONER BEARD: I understand.

23 MS. KUMMER: Which I think might be more
24 acceptable than the earlier 10.005.

25 MR. JENKINS: That is without fuel?

1 MS. KUMMER: Yes, that is without fuel. That is
2 base rates only.

3 COMMISSIONER BEARD: Sure.

4 MS. KUMMER: Sorry, I don't deal with fuel, so I
5 don't think about it.

6 MR. JENKINS: Remember when you put fuel in there,
7 you are going to come up with a lot lower ratio. You
8 are going to be telling people that to take, to consume
9 during the peak periods is almost the same cost as
10 consuming during the off peak.

11 MS. KUMMER: It will dilute it somewhat. You've
12 still got a six to one ratio in your base rates.

13 COMMISSIONER BEARD: You have about 2.873 against
14 about 2.35 -- excuse me. You've got .0873 on peak.

15 MS. MEETER: Plus 2.2.

16 COMMISSIONER BEARD: Excuse me, I was off a digit.
17 I've got you.

18 MS. KUMMER: You have ten cents versus three cents
19 roughly, a little over four.

20 COMMISSIONER BEARD: Huh-uh.

21 MR. JENKINS: That is not going to get any
22 conservation.

23 COMMISSIONER BEARD: Ten cents versus three cents?

24 MR. JENKINS: For on peak off peak, that's like a
25 three and a half to one ratio. You will be building

1 power plants.

2 COMMISSIONER GUNTER: Well, that is a conclusion
3 that you are reaching when this is a voluntary on peak
4 off peak anyway.

5 MR. JENKINS: I've got ten years of experience
6 that indicates that.

7 COMMISSIONER GUNTER: Well, Joe, I give you credit
8 for your ten years, but how much on peak off peak do we
9 have on a voluntary basis, have we ever had, and we
10 have experimented with that.

11 MS. KUMMER: We have a very, very small -- we've
12 got 204 billing units on the residential time-of-use
13 rates. It's just miniscule usage as it is.

14 COMMISSIONER GUNTER: Unless you were giving it
15 away on off peak thus far, our penetration --

16 MS. KUMMER: Residential customers tends not to
17 shift their habits no matter. I mean you are going to
18 cook dinner when you get home from work. You are not
19 going to cook dinner at midnight.

20 COMMISSIONER BEARD: That's why I struggle with
21 the concept of storage on a residential basis, not that
22 you won't have whatever degree of market penetration,
23 but significant market penetration, no.

24 COMMISSIONER GUNTER: Unless you are giving it
25 away off peak.

1 CHAIRMAN WILSON: Is that because there is not a
2 sufficient differential between on peak and off peak?

3 MR. JENKINS: That is correct.

4 CHAIRMAN WILSON: So you will never know it unless
5 you actually do it.

6 COMMISSIONER BEARD: Well, I'll tell you what, I'm
7 going to move staff, and we'll have plenty of time to
8 find out, if we can get anything more than the 200 and
9 some odd residential units you've got now.

10 COMMISSIONER GUNTER: Anybody want to bet?

11 COMMISSIONER BEARD: Come on. You are saying we
12 don't have enough. You've got 20 to one out here, and
13 you are saying that will do the job.

14 CHAIRMAN WILSON: You are saying it will come
15 closer to doing the job.

16 MR. JENKINS: It will come closer to doing the
17 job.

18 COMMISSIONER GUNTER: Oh, we had 201 customers.

19 MR. JENKINS: The next step is you've got to make
20 it mandatory for large customers.

21 COMMISSIONER BEARD: What is a large customer?

22 MR. JENKINS: I would say above 2,000 kilowatt
23 hours a month.

24 COMMISSIONER BEARD: About how much?

25 MR. JENKINS: 2,000.

1 COMMISSIONER BEARD: 2,000?

2 MS. KUMMER: KW.

3 COMMISSIONER BEARD: KWH.

4 MS. KUMMER: KW.

5 MR. JENKINS: KW.

6 COMMISSIONER BEARD: I'm talking residential
7 customers now.

8 MR. JENKINS: That's what I'm talking about.

9 COMMISSIONER BEARD: Are we talking KW or KWH?

10 MR. JENKINS: KWH.

11 COMMISSIONER BEARD: 2,000. That takes me in to
12 effect. Okay. And you are telling me I can get my
13 three kids, and my wife and me to shift our habits and
14 buy those storage devices that are real cheap?

15 MR. JENKINS: If you had about a seven or eight,
16 ten to one ratio, yes. But we would have to work on
17 you for eight or nine years though.

18 COMMISSIONER BEARD: Well, I have also got to save
19 up the money to buy that storage device up front.

20 CHAIRMAN WILSON: The Company is going to loan you
21 an interest-free loan to install those devices so that
22 you can do that.

23 MS. MEETER: To raise your energy charge.

24 COMMISSIONER BEARD: Just do it.

25 COMMISSIONER EASLEY: Do something.

1 COMMISSIONER BEARD: You pay \$3.50 to get somebody
2 to put load control devices on their equipment, and you
3 can't keep them on.

4 MR. JENKINS: That is only for needle peak.

5 COMMISSIONER BEARD: It's the behavior of the
6 customers is what I'm talking about though. You know,
7 companies are paying \$3.50 a month just for you to let
8 them put a device on that in theory you should never
9 even know that was there if it operates properly, and
10 you can't get them to take that, right?

11 CHAIRMAN WILSON: No, no, that is not true.

12 COMMISSIONER BEARD: You better look at the
13 percentages in these companies that have been in
14 business for five or ten years.

15 CHAIRMAN WILSON: I have. Florida Power Corp. has
16 in excess of 30 percent penetration, and they can't
17 install them them, they can't install them any faster
18 now and they can't even get the equipment. So that's

19 --

20 COMMISSIONER GUNTER: We have a motion to move
21 staff.

22 COMMISSIONER EASLEY: Was that a serious motion?

23 COMMISSIONER BEARD: Yes.

24 COMMISSIONER EASLEY: Okay.

25 MS. KUMMER: Do you want the modification that we

1 presented on Commissioner Beard's suggestion or do you
2 want to the original staff?

3 COMMISSIONER BEARD: Move staff.

4 COMMISSIONER GUNTER: Staff recommendation.
5 Original staff.

6 MS. KUMMER: Okay, and we'll be back Tuesday
7 morning I believe with the final rates.

8 CHAIRMAN WILSON: Yes, we are scheduled for 9:30,
9 right?.

10 MR. VANDIVER: We'll fix the interim at that time.

11 (Whereupon, the proceedings recessed until Tuesday at
12 9:30 a.m.)
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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
TALLAHASSEE, FLORIDA

IN RE:

Request by GULF POWER COMPANY for a rate increase.

DOCKET NO. 891345-EI

BEFORE:

Chairman Michael Wilson
Commissioner Gerald L. Gunter
Commissioner Thomas M. Beard
Commissioner Betty Easley

PROCEEDINGS:

Special Agenda Conference

DATE:

Thursday, August 9, 1990

PLACE:

106 Fletcher Building
Tallahassee, Florida

REPORTED BY:

PATRICIA L. GOMIA
Notary Public in and for the
State of Florida at Large

VOLUME 11

PAGES 108 TO 223

* * *

THIS IS A COMPUTER PRODUCED TRANSCRIPT

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* * *

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P R O C E E D I N G S

AFTERNOON SESSION

1
2
3 MS. HARVEY: May I make one comment.

4 CHAIRMAN WILSON: Well, I don't know. What is it?

5 MS. HARVEY: I'm not sure what you want to do with
6 this. But I just want to make the comment that if you
7 like the concept of phase out but don't like the way we
8 have done it, there are alternatives such as ordering
9 them to file limited information say at the end of 1991
10 so that we could do a phase out. That is just if the
11 way we phased it out bothers you.

12 (Off the record)

13 CHAIRMAN WILSON: Back on the record.

14 I tell you what bothers me about the phase in is
15 this idea of having a rate base sort of fluctuate up
16 and down is a little bit disturbing to me. If the
17 Company, I mean to me the ideal situation would be if
18 the Company needs the power for Plant Scherer or needs
19 that capacity that they be in a position to, when they
20 need it, purchase that capacity or power out of Scherer
21 and then we'll recover it through purchased cost
22 recovery or fuel adjustment or whatever, because that
23 mechanism is designed for fluctuations in power needs
24 and costs that are in and out and can be recovered on
25 that basis. This is a, it may be, it verges on being

1 unworkable. I won't flat say it's unworkable, but it
2 just looks so complicated that I don't see how it can
3 work. And if Gulf Power Company needs that capacity
4 that's associated with Scherer, and I don't know what
5 kind of arrangement it would take for them to be in a
6 position to do that, but they then purchase it from
7 themselves or whatever, and that those costs, if they
8 in fact have needed that power --

9 MS. HARVEY: So rather than recovering it --

10 CHAIRMAN WILSON: Would be reflected in that
11 fashion and not have the rate base fluctuating up and
12 down with all the attendant confusion associated with
13 that.

14 COMMISSIONER GUNTER: That makes a lot of sense to
15 me.

16 MS. HARVEY: So you are proposing that rather than
17 recovering it through base rates that they in essence
18 make a unit power sale and purchase it from themselves
19 and recover it through fuel adjustment.

20 CHAIRMAN WILSON: To me it makes a lot more sense
21 because you get two things going on there, one is
22 that they will buy it when they need it, which is a
23 concern I hear expressed by several Commissioners here,
24 and the other is you've got a mechanism that in fact
25 does fluctuate every six months where you true up and

1 project and recover on a current basis, that kind of
2 mechanism would best reflect and accommodate the
3 concerns that we have here.

4 On the one hand you have got a plant that I'm not
5 sure whether anybody disagrees that it was prudently
6 purchased when they bought it.

7 I think the understanding as folks knew about that
8 was that you sort of had the arrangement that was a
9 part and parcel of that purchase and the decision to
10 purchase, and the prudence of it was that off-system
11 sales because then it wouldn't come to Gulf Power's
12 ratepayers until it was in fact needed, and that way
13 everything would converge at that point so that at the
14 time that Gulf Power's ratepayers needed that power it
15 would be there and available and it would have been
16 purchased at a reasonable cost.

17 And this business with Gulf States sort of threw
18 things out of whack. So now you have convergence at
19 the wrong time. And in order to accommodate that we
20 see efforts just to sort of toss it in the rate base
21 for a while and then it comes back out.

22 And there's something about that that bothers me a
23 little bit or it bothers me a lot. So it seems to me
24 approaching it as if it were a unit power sale to
25 itself, and it would be passed through and they would

1 purchase it when they needed it, we would see it and
2 review it in fuel cost recovery or purchased power.
3 Calculations would be much more appropriate.

4 I don't know whether that works or not.

5 COMMISSIONER BEARD: I can tell you why I have a
6 problem. Gulf Power like the rest of Florida is
7 growing and adding consumers every year, is that not
8 correct?

9 MS. HARVEY: Yeah, they're growing.

10 COMMISSIONER BEARD: And generally speaking
11 demand, total demand is increasing every year.

12 MS. HARVEY: That's right.

13 COMMISSIONER BEARD: Okay. And they are saying to
14 me through the sales that they have done with Scherer 3
15 that in 1995 to 2010 they don't need it, or they
16 wouldn't have sold it during those time periods.

17 MS. HARVEY: Well, they have said that they do
18 need capacity but that looking at it at this point that
19 it is more cost effective to their customers to sell
20 Scherer 3 and construct combustion turbines.

21 COMMISSIONER BEARD: Which translates that they
22 don't need for their ratepayers Scherer 3.

23 COMMISSIONER EASLEY: Yeah, but what I hear the
24 Chairman suggesting would seem to me --

25 COMMISSIONER BEARD: Well, I didn't get to finish

1 my point.

2 COMMISSIONER EASLEY: I'm sorry, I thought you
3 were through.

4 COMMISSIONER BEARD: My point is that why would I
5 send a signal to the Company to bring this in here in
6 fuel adjustment or wherever as a unit power sale, okay,
7 that I look at, when in fact certainly in '95 to 2010
8 we would not see in it that form because it isn't there
9 to do. It's sold, and if you've got growth, why would
10 I expect to see it before then?

11 COMMISSIONER EASLEY: Now?

12 CHAIRMAN WILSON: Yes, Commissioner.

13 COMMISSIONER BEARD: Sorry, I'm done.

14 COMMISSIONER EASLEY: Well, the other side of that
15 is maybe you don't say specifically unit power sales to
16 yourself, maybe they would wind up doing to others what
17 was done to them, that is they default on the unit
18 power sales contract due to their own need. I don't
19 know, but it would seem to me --

20 CHAIRMAN WILSON: We definitely don't want to send
21 that signal out.

22 COMMISSIONER EASLEY: Well, I'm just, there are
23 ways to, I understood that there were ways to break the
24 contract that were not strictly economic. I may
25 misunderstand that, but anyway, it would seem to me

1 that if they had to buy unit power sales to satisfy
2 their own need, they have demonstrated the need, and
3 what I'm hearing everybody saying and what I see in
4 this is that the need has not been demonstrated.

5 MS. HARVEY: I think that if we did it that way,
6 left it out of rate base and had them purchase from
7 themselves --

8 CHAIRMAN WILSON: I'm not saying we are approving
9 anything like that at this point.

10 MS. HARVEY: That's right.

11 CHAIRMAN WILSON: I'm just saying, if they needed
12 that power then the appropriate mechanism for it to be
13 reflected anywhere, I would assume they wouldn't buy
14 it if they didn't need it.

15 MS. HARVEY: Well, I think that it's --

16 CHAIRMAN WILSON: Where we would see it would be
17 in that recovery clause.

18 MS. HARVEY: I think that if Scherer 3 was not
19 permitted into rate base and they were to purchase
20 63 megawatts from Duke Power, or whoever, that the
21 Commission would say you've got a 20 percent reserve
22 margin, why do you need 25.

23 CHAIRMAN WILSON: Exactly.

24 MS. HARVEY: And so in looking at, if they
25 purchase from themselves, I don't know if other things

1 would be entered in to the equation, but I think that
2 it is important to look at the decision-making process
3 that they used when they acquired Scherer, and I think
4 that, and this is my opinion, but I think that if they
5 made prudent decisions all along the way, and something
6 crazy happened to load, you know Pensacola blew up or
7 something and they lost load, and all of a sudden
8 they've got a 40 percent reserve margin which really
9 looks imprudent, but how did Gulf Power know that that
10 would happen.

11 I would recommend approval of the plant because
12 Gulf Power acted prudently every step of the way and
13 that's something that you look at when you're looking
14 at putting a plant into rate base. But when you're
15 looking at unit power sales, you look at right now do
16 they need it. And the answer would be no. And the
17 question of were they prudent in all of their actions,
18 and the answer would be yes. So that's the problem I
19 have.

20 CHAIRMAN WILSON: I appreciate that, but I don't
21 see, I don't see anything materially different between
22 what I just sort of suggested and what you are looking
23 at with a phase out of Plant Scherer.

24 MS. HARVEY: That's right.

25 CHAIRMAN WILSON: If I adopt your comment that you

1 just made, what we would do is put a 100 percent of
2 Gulf Power's portion of Scherer into the rate base, and
3 UPS sales be damned, because the decision to make that
4 was prudent, it goes into rate base period. And you
5 wouldn't have any of this phasing in and phasing out
6 based on UPS sales. What seems to be driving the rate
7 base treatment, and I guess the prudence is the offset
8 of UPS sales, where the UPS sales offset it, then you
9 put what is left in the rate base, and where they don't
10 you put more in the rate base. And as UPS fluctuates
11 rate base fluctuates.

12 COMMISSIONER GUNTER: See that is part of my
13 concern, Mr. Chairman, if I may. You know, we, the
14 Commission had a hand in pushing Gulf, maybe a fist,
15 pushing Gulf to follow through with the purchase of
16 Scherer 3, originally is was Scherer 3 and 4, to offset
17 the construction of facilities at Caryville. If it had
18 not been for the unit power sales, and that's one of
19 those what-if things, the action of the Commission
20 probably would have been when it was completed and it
21 came on line it would come in to rate base.

22 MS. HARVEY: And they would have been asking for
23 212 instead of 63 megawatts.

24 COMMISSIONER GUNTER: And would have just come in
25 to rate base even though it would have put you in an

1 over-capacity situation. But what compounded it and
2 what created, how we got to where we are regardless of
3 what created it, was the unit power piece.

4 And there is where I would have a different
5 situation, I would have a different thought process if
6 we said all right we lost that piece of the contract,
7 we're going to have this percentage forevermore, this
8 63 megawatts because it would make sense then to say
9 all right, now, that is there for the benefit of the
10 customers prospectively forevermore.

11 But then we say, oh, no, huh-uh, we ain't going to
12 do that. We are just going to keep it for a little
13 while and our reserve margins are sufficient that we
14 really don't need it. But we are only going to let the
15 ratepayers pay for it for a little while and then it's
16 going back UPS, so we'll just sell that off going down
17 the road, but in the meantime while we can't sell it,
18 the ratepayers should do that.

19 I have a different -- there are two different
20 scenarios, and that is sort of like, you know, you want
21 the big icing on the cake. If that 63 megawatts is
22 going to be here from now on I would have an entirely
23 different problem than I do --

24 COMMISSIONER EASLEY: Demonstrated need.

25 COMMISSIONER GUNTER: Well, if the 63 megawatts,

1 if they had lost it and the 63 megawatts was there.
2 they had it, we didn't find at the time period we were
3 party towards pushing them in to make that purchase,
4 and we did, it would make a whole lot more sense for
5 that to come in the rate base, and I could swallow that
6 a little better with kind of a true up on the
7 settlement that they got with them, and then you just
8 go forward. You march. You've got that much capacity
9 and you go on forward.

10 But the hooker really comes, and I really don't
11 know how to address it, the hooker really comes to say
12 we'll put it in there and let the ratepayers support it
13 for 21 months, but then, oh, by the way we have
14 contracted it away. And during that 21 months, see
15 there is two different scenarios, and during that 21
16 months there is nothing to demonstrate that it's needed
17 for the benefit of the customers. Their own testimony
18 was that reserve margins without that are approximately
19 20 percent.

20 There's a school of thought, you know, somewhere
21 between 15 and 25 is acceptable. I have seen companies
22 that 15 percent was acceptable and we had a finding one
23 time that somewhere around 20 to 25 percent was
24 acceptable. So I separate the two.

25 I'm trying to explain my dilemma in trying to

1 think through it to try and be fair to everybody, but
2 if we were going to keep it from now on, that it
3 belonged to Gulf Power period, in the jurisdictional
4 rate base, I would have an entirely different problem
5 than I do with that in and out, in and out, and request
6 recovery from the ratepayers when they were unable to
7 sell it. That doesn't even seem fair and doesn't make
8 sense. And I don't know how to get around that.

9 MS. HARVEY: My comment first is it's not going
10 to benefit their customers until the Year 2010. That's
11 when it all comes back in.

12 COMMISSIONER GUNTER: Pardon.

13 MS. HARVEY: It's not going to benefit their
14 customers until the Year 2010, that is when it all
15 comes back in.

16 COMMISSIONER GUNTER: Yeah.

17 MS. HARVEY: And clearly their load, we expect it
18 to grow and they will need it at that point.

19 COMMISSIONER EASLEY: Just a weird thought. Can
20 it be structured in such a way that if you left it in
21 and they sold UPS, that the ratepayers would benefit
22 from the UPS contract?

23 COMMISSIONER GUNTER: When we get the total
24 revenue.

25 MR. JENKINS: I would think that can be done.

1 COMMISSIONER EASLEY: On the theory that if they
2 are going to support the megawatts that they would
3 then, any UPS sales -- that's an opposite from a phase
4 in, or a phase out.

5 CHAIRMAN WILSON: Are you talking about the 63 or
6 are you talking about all of it?

7 COMMISSIONER EASLEY: I don't know. I'll deal
8 with how much of it I'm talking about when I find out
9 whether I can talk about it.

10 CHAIRMAN WILSON: Well, I don't know whether you
11 ought to be talking about the 63 that you can't sell or
12 you ought to be talking about all of it, some of which
13 you can sell and in fact have sold.

14 COMMISSIONER EASLEY: That's an interesting
15 thought, too.

16 CHAIRMAN WILSON: It's not going to do you any
17 good to bring 63 megawatts in and say you get all the
18 money from them.

19 COMMISSIONER EASLEY: Benefits, if there aren't
20 any.

21 CHAIRMAN WILSON: If you can't sell it.

22 MS. RULE: I believe then you would be talking
23 about going back through fuel.

24 COMMISSIONER EASLEY: I beg your pardon.

25 MS. RULE: You would flow it back through fuel?

1 COMMISSIONER EASLEY: I don't know. I am asking
2 a what-if, wild, weird thought from somebody.

3 CHAIRMAN WILSON: I think all of us are trying to
4 draw some logic out of this situation because it --

5 COMMISSIONER EASLEY: If you could make the rate
6 base fluctuate in order to phase it out --

7 CHAIRMAN WILSON: It doesn't exactly make sense,
8 any of it.

9 COMMISSIONER GUNTER: Well, let me --

10 CHAIRMAN WILSON: From one standpoint, you've got
11 an investment, and you have got a plant out here, that
12 sucker is either in the rate base or it isn't, and the
13 idea that it can kind of truck along out of the rate
14 base, and then sort of when you need to it drops in the
15 rate base and then all of a sudden it's back out of the
16 rate base and goes on and on, and it doesn't have
17 anything to do with need of customers and this, that
18 and the other.

19 It's conceptually a little difficult to deal with,
20 to rationalize over the whole period of time, and I
21 think all of the suggestions that have been made here
22 are trying to draw some logical construct here that
23 makes the whole thing make sense.

24 COMMISSIONER GUNTER: Well, there's an interesting
25 thing, and the testimony by the gentleman from Southern

1 Company whose has gone on to bigger and better things
2 but was there during the time period this was sold, I
3 would have one comment and then a concern. The comment
4 that was really stressed on is that it did require
5 approval of the operating company, and the operating
6 company was signed to the contract. If in fact we
7 had within the record, if we had the data to include
8 the whole Gulf portion, I don't believe that that is in
9 there. That would be a concern, the whole portion, but
10 we do have that in for the 63 megawatts. Mechanically
11 I think a review of the -- do we have the UPS contract
12 in the record?

13 COMMISSIONER EASLEY: I thought so.

14 MS. HARVEY: I don't think we have the actual
15 contract.

16 COMMISSIONER GUNTER: Do we have a copy of the
17 contract?

18 MS. HARVEY: We probably have copies, but I don't
19 think in the record.

20 COMMISSIONER GUNTER: Okay. But if you had had
21 the copy in the record, a copy of the contract in the
22 record you could have imputed the revenue, you could
23 have imputed the total amount, whatever amount of the
24 plant, whether it was the whole 25 percent or the 63
25 megawatts, and then had an imputation of the revenue

1 stream, the total revenue stream, and calculated your
2 revenue requirements with that piece in it, and then
3 impute the revenue on the revenue stream according to
4 the contract.

5 Hell, that wouldn't, I could do that. That's an
6 interesting thought, one I had never thought of.
7 That's a fascinating thought, because you've got it
8 all. The revenue stream that you receive from Southern
9 Company, I don't know how that money flows, but if you
10 received it from Southern Company would you just impute
11 it as if the Company got that revenue, that would be a
12 make-whole and satisfy everybody going down the road.
13 The Company would probably figure the devil out of that
14 one.

15 MR. JENKINS: That is similar to what we did in
16 '85 for TECO Big Bend.

17 COMMISSIONER GUNTER: TECO, with that ramp down on
18 the -- that's exactly what I was thinking about. We
19 gave them the opportunity to continue those sales to
20 Power and Light. Where did it go, 75 down to 25 and
21 finally zero, originally.

22 MR. JENKINS: There we imputed I believe at the
23 GSD or GSLD rate, demand charge.

24 COMMISSIONER GUNTER: This one would be easier to
25 do, Joe, in that you would have actually the figures in

1 the contract. If you had the figures in the contract,
2 that imputation of that revenue would not be too
3 difficult at all to do, if that was in the record for
4 us to make the imputation on.

5 CHAIRMAN WILSON: Do you want to temporarily pass
6 that one?

7 COMMISSIONER GUNTER: Mr. Chairman, why don't we
8 TP this for a short while and see if we do have, do a
9 quick look, have somebody do a quick look and see if
10 that contract is in. Commissioner Easley came up with
11 a gem of an idea and see if there was any reference
12 made to the entire 25 percent of the Scherer capacity.
13 Will you get somebody to do that?

14 COMMISSIONER EASLEY: Do we need to take a break
15 so somebody can do that?

16 COMMISSIONER BEARD: No, we need to keep moving.

17 COMMISSIONER GUNTER: Is there anybody that can
18 do that? You've got all the lawyers up here that are
19 working in there.

20 MR. VANDIVER: We'll have some folks look through
21 the record, Commissioner Gunter.

22 COMMISSIONER GUNTER: Pardon?

23 MR. VANDIVER: We'll have some folks look through
24 the record and we'll get back with you all on this
25 issue.

1 CHAIRMAN WILSON: We won't be doing Issue 27 then
2 either, will we? That does the dollars. Let me ask a
3 real quick question here. I'm looking at Public
4 Counsel's position, they don't have, I don't see the I
5 IIC offset there.

6 MR. ROMIG: That is correct.

7 CHAIRMAN WILSON: And there is a revenue side to
8 this.

9 MR. ROMIG: That's right.

10 CHAIRMAN WILSON: If the adjustments were
11 appropriately calculated, it would include that item.

12 MR. ROMIG: It would include the item.

13 CHAIRMAN WILSON: We'll pass Items 26 and 27.

14 MR. ROMIG: That's consistent with the treatment
15 we accorded Scherer in the interim.

16 CHAIRMAN WILSON: Right.

17 COMMISSIONER GUNTER: Move 28.

18 CHAIRMAN WILSON: 28?

19 MS HARVEY: Should we come back with it? When
20 should we come back with it? Whenever we're ready with
21 it?

22 CHAIRMAN WILSON: Yes.

23 28. Staff position without objection.

24 29.

25 COMMISSIONER GUNTER: Move it.

1 CHAIRMAN WILSON: Staff without objection.

2 30.

3 COMMISSIONER EASLEY: Staff

4 COMMISSIONER GUNTER: Yeah.

5 CHAIRMAN WILSON: Staff without objection.

6 31.

7 COMMISSIONER GUNTER: Move it.

8 CHAIRMAN WILSON: All right. Staff without
9 objection.

10 CHAIRMAN WILSON: 32

11 COMMISSIONER EASLEY: Staff

12 COMMISSIONER GUNTER: Move it.

13 CHAIRMAN WILSON: Staff position without
14 objection.

15 Item 33.

16 COMMISSIONER GUNTER: I would move staff's
17 recommendation on Item 33, Mr. Chairman. I went back
18 and reviewed this, and I couldn't find any, any
19 justification for an adjustment. I read some opinion
20 but I couldn't see anything other than that.

21 CHAIRMAN WILSON: Well, as I understand the
22 analysis of the M&S account, it shows a growth from
23 year to year.

24 MR. ROMIG: What it is on the M&S, I took the
25 amount included in working capital, which is

1 32,403,000. I backed out the OPC's adjustment of
2 2,307,000, which gave me an adjusted balance of
3 30,096,000. I then compared that to 1989 actual which
4 was 31,000,000. So I said, wait a minute. They didn't
5 allow for any growth whatsoever for 1990, if you made
6 the adjustment as proposed by Office of Public Counsel.

7 CHAIRMAN WILSON: And the reason that you would
8 expect growth is what?

9 MR. ROMIG: Well, normal increase, you've got the
10 customers, you've got the increase in the plant, just
11 the normal operating expenses of the Company.

12 CHAIRMAN WILSON: Is that the kind of progression
13 that you would expect to see? I mean I know this isn't
14 part of the record or anything, but, you know, I read
15 magazines and watch the news, and I see large companies
16 using computer controlled inventory methods which in
17 fact reduce the amount of materials and supplies they
18 need to have on hand at any given time because they can
19 cut down on the amount of lead time they need to get
20 supplies in so they can in fact operate on a tighter
21 materials inventory than they had previously which
22 would be a factor I think that would mitigate against a
23 constant increase every year.

24 MR. ROMIG: Well, I went back and looked at the,
25 like '84 through '90, and in each one of those years

1 there's a constant increase.

2 CHAIRMAN WILSON: I'm not saying there wasn't a
3 constant increase. What I'm asking you is should there
4 be a constant increase when you have the ability to do
5 better inventory control with computer models and with
6 computer connections with your suppliers so they can be
7 aware on a timely basis of what kind of materials and
8 supplies you need so that you don't need to stock six
9 months worth of an item if you can order it from
10 somebody and get it in there in three days. There is
11 no reason to have three months of it sitting there.

12 COMMISSIONER BEARD: You have a test year. If
13 you are going to build a growth in a test year for
14 materials and supplies, you need to build growth in the
15 revenue because those additional customers pay money.
16 It bothers me a little bit to begin projecting for the
17 future years growth.

18 MR. ROMIG: What we are doing here for 1990 is
19 looking at 1990 as a year just like in all their other
20 working capital requirements, their plant, their
21 revenues, their O&M expenses and so forth as opposed to
22 singling out --

23 COMMISSIONER GUNTER: Mr. Chairman, if I may, one
24 of the reasons that I moved to, and this was again
25 going back, it's always easier to try these cases when

1 they are over than they are when they are going
2 forwards. But in the peculiar nature of utilities,
3 probably more electric utilities than other ones that
4 we have, maybe we have the same classification in the
5 case, and I tried to think back about this, because I
6 was a little concerned about escalation in the growth
7 of materials and supplies, one of the things that we
8 have to do, we have to find out what the nature of
9 those materials and supplies are.

10 I can go back to think about a case where the
11 decay heat pump on a nuclear plant that we fined a
12 company because they didn't have a decay heat pump
13 there. We dinged them what? About a half a million
14 dollars.

15 CHAIRMAN WILSON: And that is because once you
16 order a new replacement for a decay heat pump it takes
17 you about, I don't remember what it was.

18 COMMISSIONER GUNTER: A good long while.

19 CHAIRMAN WILSON: At least a year or a year and a
20 half to build the damned thing, so you're foolish to
21 operate a plant without having that kind of a
22 replacement part.

23 COMMISSIONER GUNTER: And see that's kind of where
24 I come from is in the testimony in the record, we
25 didn't have that kind of an evaluation in where the

1 replacement was. We didn't do that kind of analysis.
2 I don't disagree with you philosophically that that is
3 a place to really squinch up and tighten money.

4 I recall one time I had a job of saying we've got
5 to cut expenses. And I walked around, and it sounds
6 like a nit, but every secretary had a big old double
7 cabinet full of office supplies, and we did away with
8 that and we gave them what they needed right there
9 during that time period and we saved literally
10 thousands of dollars, or we turned it back into the
11 government and they gave us credit for it.

12 But we didn't go through an analysis in the
13 proceeding, and I didn't see any evidence in the
14 proceeding of what kinds of inventory, what is there,
15 where is it placed in order to meet the demands of
16 rapid response to outages and those kinds of things.
17 There is where I was troubled about trying to wrinkle
18 with it too much, because I didn't know what I was
19 wrinkling with.

20 I'm just being honest with you. Hell, like I say,
21 it's easier to think about questions you should have
22 asked at the time.

23 COMMISSIONER BEARD: Move staff.

24 COMMISSIONER GUNTER: Than where you were
25 previously.

1 MR. ROMIG: I stand to be corrected on this, but I
2 think when management studies goes out and does their
3 management audits that this is one of the areas that
4 they do in fact get into, like you were referring to
5 about the computerized ordering and so forth.

6 COMMISSIONER GUNTER: I would still move staff.

7 COMMISSIONER EASLEY: Second.

8 COMMISSIONER GUNTER: I don't have any reason
9 otherwise, except intuition.

10 CHAIRMAN WILSON: Well, I think that I would vote
11 to leave it level where it was.

12 Anyway, Item 34.

13 COMMISSIONER GUNTER: I don't see any reason --

14 COMMISSIONER EASLEY: Move staff.

15 CHAIRMAN WILSON: All right. Staff recommendation
16 on Item 34 without objection.

17 Item 35.

18 COMMISSIONER GUNTER: Mr. Chairman, here is one I
19 do have a problem with. We discussed Caryville
20 previously, was that if you go back and think about the
21 history of Caryville, they were at the point of
22 building a power plant, and at that time, you know,
23 materials were being delivered and contracts were being
24 entered into and certainly there has been a geological
25 study of the ability of the place at that time to

1 support a power plant, and somebody was crazy for
2 starting construction of one if they didn't have that.

3 We come along ten years later and we do another
4 one, and there is not any evidence that there is going
5 to be a geological, you know, when we are going to do
6 it and would another study be required down the road.
7 Unless folks know something, and could come demonstrate
8 that in fact there was a need even in an intermediate
9 time period to have this to build a power plant, with
10 the history that this place has got, I can't support
11 the expenditure. I don't think the geology of it
12 changed since the last time it was done in preparation
13 for building the previous facility.

14 COMMISSIONER EASLEY: Could staff comment on this?
15 Is this something that was required?

16 MR. REVELL: This is the original. This is not a
17 new study. This is the original study.

18 COMMISSIONER GUNTER: This is the original study
19 that was done when?

20 MR. REVELL: Several years ago, I don't know.
21 I'll have to look that up.

22 COMMISSIONER GUNTER: Prior to the construction,
23 prior to beginning construction.

24 MR. REVELL: Prior to the original beginning of
25 construction.

1 COMMISSIONER EASLEY: Subsequent to the last rate
2 case, is that the problem?

3 MR. REVELL: Yes, it was before then I think.

4 CHAIRMAN WILSON: Wait a minute. It was before
5 the last rate case?

6 MR. ROMIG: It was in the last rate case.

7 MR. REVELL: All this was included in the last
8 rate case.

9 COMMISSIONER EASLEY: This was what in the last
10 rate case?

11 MR. REVELL: This was included and allowed in the
12 last rate case. The construction --

13 COMMISSIONER EASLEY: Wait a minute. How many
14 times do we pay for this?

15 MR. REVELL: Well, this is a --

16 CHAIRMAN WILSON: Is this a depreciated number?

17 COMMISSIONER EASLEY: A pro-rated number.

18 MR. REVELL: No, I don't think so, I think that is
19 the original price.

20 CHAIRMAN WILSON: You mean \$692,000 worth of a
21 study which had been capitalized has been sitting there
22 this time and has not been depreciated or amortized or
23 anything?

24 COMMISSIONER EASLEY: Is this the remaining
25 balance?

1 CHAIRMAN WILSON: That's what I'm asking for.

2 MR. REVELL: I think this is the amount that is
3 included with the land and the land is not depreciable.

4 CHAIRMAN WILSON: Yeah, but a subsurface study in
5 land --

6 COMMISSIONER GUNTER: If you've got a piece of
7 land, if you've got a piece of real property out there
8 and you build something on it, everything necessary to
9 build it, the labor and all of the permitting and
10 whatever you have got to do --

11 MR. REVELL: That was the rationale for including
12 this.

13 COMMISSIONER GUNTER: Well, if that's the original
14 study that was done, and that subsurface study would
15 have been done probably in the '70s, there should be
16 some amortization of that capitalized item. That is
17 not land.

18 COMMISSIONER EASLEY: I hope it's not land.

19 MR. REVELL: We're checking into it.

20 COMMISSIONER EASLEY: Could we come back to that?

21 MR. SLEMKEWICZ: I think what may have happened
22 with this, if memory serves me correctly, is that it
23 was put into a deferred account pending them going
24 forward with Caryville at some future time, and that at
25 that point in time that cost would be amortized once a

1 unit is completed at Caryville.

2 COMMISSIONER EASLEY: So they didn't -- it may
3 have been put in there but they didn't recover on it.

4 CHAIRMAN WILSON: They have been earning a return
5 on it.

6 MR. SLEMKEWICZ: They have been earning a return
7 on it, because it's been in rate base as a deferred,
8 some type of a deferred debit, I believe.

9 COMMISSIONER EASLEY: Is there any way to know how
10 much of it they have earned money on?

11 CHAIRMAN WILSON: All of it.

12 COMMISSIONER EASLEY: All of it. Well, I mean,
13 you know --

14 CHAIRMAN WILSON: That amount has been constant
15 since the moment it went in. Is that right?

16 MR. SLEMKEWICZ: That is correct.

17 COMMISSIONER GUNTER: Well, wouldn't it be
18 appropriate accounting treatment to allow that item to
19 be amortized over some time period?

20 MR. SLEMKEWICZ: Yes, we could do that.

21 COMMISSIONER GUNTER: And then it's, it would be
22 just like if they had built the plant this would have
23 been included in the price of building the plant.

24 MR. SLEMKEWICZ: That is correct.

25 CHAIRMAN WILSON: And it would have been

1 depreciated.

2 COMMISSIONER GUNTER: That would have been
3 depreciated.

4 CHAIRMAN WILSON: I mean this is not the kind of
5 thing that ought to be treated like land where it's
6 never depreciated.

7 MR. SLEMKEWICZ: Right, at some future --

8 CHAIRMAN WILSON: It's just been deferred to the
9 point that you begin depreciating it.

10 MR. SLEMKEWICZ: Right.

11 CHAIRMAN WILSON: But we've had how many years of
12 that?

13 MR. SLEMKEWICZ: That's six years.

14 CHAIRMAN WILSON: Okay, a few, yeah, too many.

15 COMMISSIONER GUNTER: It should have been -- Mr.
16 Chairman, I move staff's recommendation with the
17 modification that we --

18 CHAIRMAN WILSON: Well, we remove it from rate
19 base.

20 MR. SLEMKEWICZ: Well, you would still leave the
21 --

22 CHAIRMAN WILSON: And we would decide how to treat
23 it, which would be to amortize it over the next 10
24 years.

25 MR. SLEMKEWICZ: You would still leave it in rate

1 base however; but the amount would change if we put one
2 year's worth of amortization in the test year expenses,
3 and then we would adjust the 692,000, or if, again on
4 average, if you picked a ten-year period to amortize it
5 we could say on average we'll just leave half of it in
6 rate base or, I mean there's a lot of different
7 scenarios that you could work under.

8 COMMISSIONER EASLEY: I don't even know how to ask
9 it.

10 CHAIRMAN WILSON: Should we consider the fact that
11 this has earned a return for the last six years?

12 COMMISSIONER EASLEY: Thank you. Yeah, and how do
13 we do that?

14 CHAIRMAN WILSON: As some sort of offset or
15 something.

16 COMMISSIONER EASLEY: I think that is what I was
17 trying to get to, it seems like an --

18 CHAIRMAN WILSON: It seems to me like an item like
19 this, if the reason that it was put in the way it was,
20 was in contemplation that within a relatively short
21 period of time you would have a plant constructed there
22 and then this would go into capital accounts that would
23 be depreciated that it would not sit here like this for
24 six or eight years, and as it's been, as it was
25 supposed to be treated for another 10 years to be

1 unamortized.

2 MR. SLEMKEWICZ: Of course, I think the rationale
3 was that because it was work done on the land and it's
4 that subsurface study that it was more directly tied to
5 whatever happened to the land and that until some units
6 were constructed there that it was going to be treated
7 as though it were a piece of land, as a cost of the
8 land, because it was to evaluate the suitability of
9 that land.

10 COMMISSIONER EASLEY: They are saying the value of
11 an ongoing result of a study attaches to the land, the
12 value does.

13 MR. SLEMKEWICZ: Right.

14 COMMISSIONER EASLEY: Yeah. Okay, that is the
15 first time that's made any -- I'm not sure I buy it,
16 but --

17 CHAIRMAN WILSON: That doesn't persuade me.

18 COMMISSIONER EASLEY: At least I understand it.

19 MR. SLEMKEWICZ: I believe that is the rationale
20 that was used to defer this in the first place.

21 COMMISSIONER GUNTER: Mr. Chairman, so that we can
22 move on, I just move that we modify staff's
23 recommendation that the cost would remain in the rate
24 base and be amortized over a 10-year period.

25 CHAIRMAN WILSON: All right. Now, what would be

1 the unamortized balance that would go in at this
2 point? What --

3 MR. SLEMKEWICZ: If we are going to amortize it
4 over 10 years, it's basically \$69,000 a year, and the
5 effect on the rate base would be to reduce that 692,000
6 by about \$35,000, because it would only be like one
7 half of the yearly amortization. A 13-month average of
8 a 12-month number is one half of that number.

9 CHAIRMAN WILSON: Yeah.

10 COMMISSIONER BEARD: I need you to balance my
11 check book.

12 CHAIRMAN WILSON: I understand.

13 MR. SLEMKEWICZ: That is the way that the math
14 works on that.

15 COMMISSIONER BEARD: Well, that doesn't work for
16 me, okay. Now, you have got to figure this in the rate
17 base, the total cost of the study.

18 MR. SLEMKEWICZ: That is correct.

19 COMMISSIONER BEARD: You are going to amortize
20 that over 10 years.

21 MR. SLEMKEWICZ: That is correct.

22 COMMISSIONER BEARD: The net effect for the period
23 should be approximately one tenth of that amount for an
24 expense in each of those 10 years.

25 MR. SLEMKEWICZ: Except on the rate base side you

1 are talking about the 13-month average.

2 COMMISSIONER BEARD: So I take that --

3 MR. SLEMKEWICZ: So you are amortizing it on a
4 monthly basis over the year, so therefore the 13-month
5 average effect is essentially one half of the \$69,000;
6 that is the rate base effect.

7 COMMISSIONER BEARD: I've got you. I
8 misunderstood what you said earlier.

9 MR. SLEMKEWICZ: The expense effect is 69,000.

10 COMMISSIONER BEARD: Okay, you scared me for a
11 minute there.

12 CHAIRMAN WILSON: All right. Whatever.

13 COMMISSIONER BEARD: I need to only do one thing.
14 I generally, given that carry Caryville is staying in,
15 I think that is an acceptable option, but that doesn't
16 change my option from the earlier one.

17 CHAIRMAN WILSON: Sure.

18 COMMISSIONER GUNTER: I understand.

19 COMMISSIONER EASLEY: I'll second the motion.

20 CHAIRMAN WILSON: All right, with that
21 modification then.

22 MR. VANDIVER: 36 we wait on.

23 CHAIRMAN WILSON: All right, 37.

24 MR. PALECKI: Just some clarification on Issue 35.
25 The amortization, is that from the date the study was

1 completed?

2 COMMISSIONER GUNTER: No, the study was completed
3 way back when. This is retroactive ratemaking.
4 Everything we do is prospective.

5 MR. PALECKI: So we are amortizing it from today.

6 COMMISSIONER GUNTER: Yeah, you can't go back and
7 retroactively do that.

8 MR. PALECKI: From the date of the order.

9 MR. SLEMKEWICZ: A full year's worth of
10 amortization will be reflected in the 1990 test period.

11 COMMISSIONER GUNTER: That is correct.

12 MR. SLEMKEWICZ: The actual booking will be
13 different, but for test period purposes, that's the
14 way it works.

15 COMMISSIONER GUNTER: Issue 37.

16 CHAIRMAN WILSON: Issue 37.

17 COMMISSIONER GUNTER: I want to tell you what,
18 you can read cost of capital analysis testimony, and
19 that testimony is something like a Plastic Man Comic
20 Book for those of you that are old enough to remember
21 that. And this is almost, you could pick anything
22 between 11 and 15.6 I think, in reading everybody's
23 end-up positions and assumptions and what have you that
24 went in to it. That is the amazing part of saying that
25 it's, I wouldn't say it's invalid, but it's just,

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1 whatever assumption you pick, you plug those assumption
2 numbers into a model and get, there's your results.

3 Mr. Chairman, in light of where we have been on
4 previous cases, on companies of comparable risk bond
5 ratings and what have you, I'm not uncomfortable with
6 the recommendation that Mr. Seery put forth, was
7 rounded up in the recommendation on Issue 37.

8 COMMISSIONER EASLEY: That is a move for staff?

9 COMMISSIONER GUNTER: Uh-huh.

10 COMMISSIONER EASLEY: Second.

11 CHAIRMAN WILSON: Commissioner, any comment?

12 COMMISSIONER GUNTER: Anybody want some
13 alternative?

14 CHAIRMAN WILSON: My opinion is the cost of
15 capital is probably closer to 12.8 than it is to 12.3,
16 but I have been on the losing end of that vote a number
17 of times.

18 COMMISSIONER GUNTER: Well, it's kind of a
19 judgmental thing.

20 CHAIRMAN WILSON: Sure.

21 COMMISSIONER GUNTER: I'll listen to argument.
22 I'll be honest with you. I came, this is the piece,
23 that Mr. Stiles came in the office this morning and I
24 came in at 7:15 and was sitting in there and I wanted
25 to see if I could glean any more, and trying to take

1 something based on the record of how to get there from
2 here.

3 COMMISSIONER BEARD: I'm a little uncomfortable
4 at that figure to be honest with you. We have done
5 12.8 on some companies that would in my opinion be more
6 risky than this Company, but that's a pretty good jump
7 to 12.25 for me.

8 COMMISSIONER GUNTER: Cut the difference?

9 COMMISSIONER BEARD: The difference would be?

10 COMMISSIONER GUNTER: 12.55

11 CHAIRMAN WILSON: 12.5, 12.55.

12 COMMISSIONER GUNTER: Yeah.

13 COMMISSIONER BEARD: That would be more livable.

14 COMMISSIONER GUNTER: I would except that.

15 COMMISSIONER BEARD: Would that make you happier?

16 COMMISSIONER GUNTER: I'll withdraw my --

17 CHAIRMAN WILSON: It may be more, but I'm still
18 of the opinion that the cost of capital is about 12.8
19 percent.

20 COMMISSIONER BEARD: I guess to me 12.55 would be
21 relatively consistent with 12.8 for a telephone
22 company, and I understand that you probably think they
23 may need to be a little higher than that but that is
24 the way we came out. I would have difficulty --

25 CHAIRMAN WILSON: Many telephone companies are

1 around 13 actually.

2 COMMISSIONER BEARD: I know. Your option is that
3 there's particularly two votes for 12.25.

4 CHAIRMAN WILSON: Yes. Is that a substitute
5 motion that you've made for 12.55?

6 COMMISSIONER BEARD: Yes.

7 COMMISSIONER GUNTER: You want to pass the gavel
8 and make a motion?

9 CHAIRMAN WILSON: I don't think it would get
10 anywhere based on the discussion I've been hearing.

11 Is there a disagreement for 12.55?

12 COMMISSIONER GUNTER: I'll second that 12.55.

13 CHAIRMAN WILSON: All right. 12.55 has been
14 moved and seconded. All in favor say aye.

15 Opposed.

16 COMMISSIONER EASLEY: Is that 5 or 55?

17 CHAIRMAN WILSON: 55.

18 MR. VANDIVER: Commissioners, Item No. 38 is
19 another one of those judgment calls. The positions of
20 the parties were inadvertently omitted from the staff's
21 discussion, and it's now being handed out to you. The
22 issue here is mismanagement.

23 COMMISSIONER GUNTER: Could we slip on or TP this
24 one and come back after we've had a chance to read it
25 and think about it? We'll have a break time before we

1 get through.

2 CHAIRMAN WILSON: Okay, we'll come back to Issue
3 No. 38.

4 Let's do Issue No. 39.

5 COMMISSIONER BEARD: Stipulated.

6 CHAIRMAN WILSON: Stipulated, that's right.

7 COMMISSIONER GUNTER: Move it.

8 CHAIRMAN WILSON: Issue 40.

9 COMMISSIONER GUNTER: Move it.

10 COMMISSIONER BEARD: Move it.

11 CHAIRMAN WILSON: Now, that is removing --

12 COMMISSIONER GUNTER: The non-utility investments.

13 CHAIRMAN WILSON: What does that include?

14 MS. SALAK: A lot of it has to do with the
15 appliance business, the majority of that.

16 CHAIRMAN WILSON: All right. This is sod farm and
17 appliance sales.

18 MS. SALAK: Uh-huh.

19 CHAIRMAN WILSON: Non-utility business.

20 MS. SALAK: Sod farm, right.

21 CHAIRMAN WILSON: All right. Staff recommendation
22 on Issue 40.

23 Issue 41. Commissioners, I'm going to have to
24 disagree with what staff has recommended here. It's my
25 opinion that temporary cash investments probably ought

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1 to be removed pro rata from the capital --

2 COMMISSIONER GUNTER: Pro rata across all sources
3 of capital.

4 CHAIRMAN WILSON: I don't see any reason for
5 taking it out of equity.

6 COMMISSIONER BEARD: Once you've got that money
7 in, I don't think you can trace it. I'll move it.

8 CHAIRMAN WILSON: You move that. Any objection to
9 that?

10 COMMISSIONER GUNTER: I think staff wanted to
11 comment on it. Did you want to comment on that?

12 MS. SALAK: I was just going to say this is the
13 flipside of issue 21. What is troublesome to staff or
14 at least what is troublesome to me is how much burden
15 of proof there should be. Do you like the concept or
16 do you agree with the concept that if a utility can
17 prove that temporary cash investments are required for
18 utility service that it should be included in rate base
19 with temporary cash investments being offset?

20 CHAIRMAN WILSON: Well, if it's not utility
21 service, what is it? I mean I can see where a sod farm
22 is not utility-related service, and I can see where
23 appliance sales is not utility related or orange groves
24 or whatever, but, unless they are a bank, I'm not sure
25 how you get there with temporary cash investments.

1 MS. SALAK: I guess my question is more the
2 flipside, if they can show that a cash balance is
3 prudent, that it should be included, do you believe
4 -- it's more of a policy where we should go forward.
5 Should we pursue, if they can show that cash is
6 necessary for the provision of service, and a certain
7 cash balance should be there, that we should be
8 including it?

9 CHAIRMAN WILSON: Uh-huh.

10 MS. SALAK: So I guess on Issue 21 basically we
11 are saying, well, \$6 million may be a reasonable
12 amount, however, they did not prove their burden of
13 proof that it should be included in rate base.

14 And this is the flipside of that. Well, if they
15 didn't prove their burden of proof, that they should be
16 included in rate base, and was necessary for the
17 provision of utility service, then maybe it should be
18 coming out of equity, either because it's not prudent
19 cash management or because those temporary cash
20 investments could have been used to draw down their
21 equity or whatever. It's just the flipside and it's
22 more of where we should be going from a policy
23 standpoint.

24 CHAIRMAN WILSON: Well, I don't think that that
25 necessarily follows. I can see where a company makes a

1 risky investment or an investment that is totally non-
2 utility related, like a sod farm, and I think the risk
3 of that ought to be borne by the stockholders of the
4 company. They can take a hundred percent out of
5 equity. But I don't, I am not making that logical jump
6 of temporary cash investment.

7 COMMISSIONER GUNTER: See, one of the things, your
8 recommendation, only a piece of your recommendation is
9 not being adopted. And I go to 21, and maybe you say
10 it's a complete flipside, but there's a decision as to
11 where it would be removed from. Not that it would not
12 be, it's not just straight from equity. Yes, you
13 should, it should come from all sources, and I am
14 having trouble seeing where 21 is the flipside of 41.

15 MS. SALAK: It only is in the sense of burden of
16 proof. That is the only flipside of it that I was
17 trying to get at.

18 COMMISSIONER GUNTER: Okay.

19 CHAIRMAN WILSON: All right. The recommendation
20 is that it be removed pro rata.

21 CHAIRMAN WILSON: Issue 42.

22 MS. BRAND: Commissioners, Issues 42 and 43 may be
23 affected by your decision on whether to leave Plant
24 Scherer in rate base or to remove it.

25 CHAIRMAN WILSON: All right. Then let's --

1 COMMISSIONER EASLEY: Well, are they true fallout
2 positions, true fallout numbers?

3 MS. BRAND: As the recommendation is, it is going
4 along with the staff's recommendation of removing the -
5 - excuse me, of leaving Plant Scherer in rate base.

6 COMMISSIONER EASLEY: So there's just and impact.
7 It's not a true fallout number as such.

8 MS. BRAND: That is correct.

9 COMMISSIONER EASLEY: Okay.

10 COMMISSIONER GUNTER: Issue 44 is a fallout item.

11 CHAIRMAN WILSON: Related to 38.

12 45.

13 COMMISSIONER EASLEY: I move staff.

14 CHAIRMAN WILSON: Staff without objection.

15 All right NOI. 46 is a fallout.

16 COMMISSIONER GUNTER: 47.

17 CHAIRMAN WILSON: 47.

18 CHAIRMAN WILSON: Do you want to take a few
19 minutes and read that material?

20 COMMISSIONER GUNTER: I would sure like to, Mr.
21 Chairman.

22 CHAIRMAN WILSON: Let's take five minutes and do
23 that.

24 (Recess)

25 CHAIRMAN WILSON: Let's go back to issue 38.

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1 MR. VANDIVER: Commissioners, this is the
2 mismanagement issue. I think it needs to be split into
3 several parts. First, you need to determine whether or
4 not mismanagement existed. Staff has said yes, it did
5 based on two independent grounds, Mr. Horton's
6 activities and the failure of upper management to take
7 action relative to Mr. Horton.

8 If you answer no to that question the rest of the
9 recommendation is moot.

10 CHAIRMAN WILSON: Would the actions relating to
11 the video tape known as Top Gun, the T-Shirts with the
12 Ghost Busters, the Good Cents incentive that was not
13 awarded to the Good Cents Incentive Program, the
14 commercial building that didn't receive an award that
15 got awards from the USDOE and the Governor's Energy
16 Office, and would those things also relate to
17 management?

18 MR. VANDIVER: You could argue that, yes, sir.

19 COMMISSIONER BEARD: Well, having just looked at,
20 I guess it's the first page of Gulf's brief and summary
21 position, there's a sentence that just leaps off the
22 page, "The uncontradicted evidence in the record is
23 that management acted promptly and decisively to
24 uncover and eliminate the wrongdoing." I must have
25 been in a different hearing.

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1 MR. VANDIVER: I don't agree with that statement.

2 COMMISSIONER BEARD: I mean whether you believe
3 the contradiction, there was significant contradiction
4 to that. I must have been at some other hearing when
5 that was going on, and I, I'll make it simple. I don't
6 know how you cannot call it mismanagement. There were
7 activities taking place in that Company when the prior
8 president was there, who is now president of Southern
9 Company, and I don't, I can't believe that management
10 didn't have some inkling an idea of what was going on,
11 that this just went on without anybody's even blessing
12 to the extent that you looked the other way.

13 I don't accept it. I mean you can focus right now
14 if you want to to try to blame it on one person who is
15 not here to defend themselves or not but that was top
16 management, and it's just a zero question in my mind.

17 CHAIRMAN WILSON: Commissioners.

18 COMMISSIONER EASLEY: Mr. Chairman, I would move
19 staff.

20 MR. VANDIVER: Now, would that be relative to the
21 entire recommendation or just to the mismanagement
22 issue, because I do need the --

23 CHAIRMAN WILSON: Give me the parts of the
24 recommendation. The first part is --

25 MR. VANDIVER: The first part is, did

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1 mismanagement exist, and I said "yes, on two
2 independent grounds."

3 CHAIRMAN WILSON: All right, the second part.

4 MR. VANDIVER: And the second ground is if you
5 find mismanagement existed what action should you take
6 in light of that? Staff has recommended a 50-basis
7 point reduction in the return on equity for a two-year
8 period.

9 COMMISSIONER GUNTER: And you moveed staff on both
10 sides?

11 COMMISSIONER EASLEY: I was moving staff on both
12 recommendations.

13 MR. VANDIVER: Thank you.

14 CHAIRMAN WILSON: All right, it's been moved. Is
15 there a second?

16 COMMISSIONER GUNTER: Yeah.

17 CHAIRMAN WILSON: It's been moved and seconded.
18 Do you have a substitute motion?

19 COMMISSIONER BEARD: I just don't think that is
20 near adequate for what I think has gone on. I think
21 200-basis points, Public Counsel's position, is
22 obviously extreme, but I don't find a thing wrong with
23 a hundred basis points to send a signal to some people,
24 not just at Gulf Power, but at the parent as well.

25 COMMISSIONER EASLEY: I think, Mr. Chairman, there

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1 are signals that have been sent in other issues as
2 well. I think further that as I understand what has
3 preceded all of this in other cases that there's plenty
4 of precedent for the 50 basis points. I would be
5 uncomfortable going beyond precedent.

6 CHAIRMAN WILSON: All right. It's been moved and
7 seconded. All those in favor, signify by saying aye.

8 Opposed.

9 COMMISSIONER BEARD: Aye.

10 CHAIRMAN WILSON: All right.

11 Issue 48.

12 COMMISSIONER GUNTER: No, 47.

13 CHAIRMAN WILSON: Excuse me, 47.

14 MR. VANDIVER: I believe you are to 47.

15 COMMISSIONER GUNTER: Mr. Chairman, this is
16 another item that I've got some nervous nellies about.
17 The Commission has a number of cases, the biggest one
18 that I can think about is United Telephone, has sort of
19 been working towards a policy if you want to get in the
20 affiliated business and you want to use the, to use the
21 name of the parent as a marketing device, there should
22 be some benefit to the parent, and that benefit to the
23 parent should flow to the benefit of the parents'
24 customers.

25 We have wrestled with this in a number of

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1 proceedings and I find it difficult to accept staff's
2 recommendation that there should not be some
3 imputation, because the advertisements that I have seen
4 have been Gulf Power. The admission on the part, on
5 the stand of the witnesses that know, there is no
6 differentiation between vehicles. People can't tell
7 the difference. That it's Gulf Power that is in
8 business. And it is a, it is my understanding, and I
9 can be corrected, I want to be corrected if I'm wrong,
10 but you pay for the appliances on Gulf Power's bill,
11 the power bills, so the billing that takes place.

12 There is certainly a benefit to that appliance
13 sales by its affiliation, and its affiliation should
14 flow through that name recognition, marketing
15 capability, the billing capability, the rest of those.

16 That enters into my picture about separate subs
17 that I would like to address here, but I can't because
18 it's not on the record. Those benefits would disappear
19 and for those benefits there should be some revenue.
20 And my only question, Mr. Chairman, is, I apologize,
21 but I just don't know how much that should be.

22 CHAIRMAN WILSON: Well, I don't either, and that
23 is something that I struggled with here. And I know we
24 are going to deal with this in another case, but part
25 of what bothers me here is, if the Company were in the

1 appliance business and using the Gulf logo, and using
2 the trucks, and allocating the name and allowing it to
3 be financed and billed through Gulf Power's bills, and
4 what they were doing is selling absolutely the highest
5 efficiency class that you could get and nobody else
6 anywhere in that market was selling those, or they were
7 allowing people to extend payments out ten years and
8 charging them a carrying charge of two percent or
9 something like that, something that had some wider and
10 more significant purpose than just selling appliances,
11 so people would use electricity.

12 I think I have a problem with that piece of it,
13 but if it were accomplishing a goal that really had
14 some relation to conservation or extremely high
15 efficiency appliances, if it had something like that,
16 it would make a little difference to me here. But they
17 are selling appliances in a market that you have got
18 everybody in the world selling appliances as well.

19 But I don't know how you put a -- there is a
20 value to that, I mean we heard testimony before that,
21 that we've heard testimony that the Gulf Power name
22 probably didn't really add a lot of credibility to this
23 operation, and that the appliance company in fact
24 wanted to change its name.

25 On the other hand we've also heard what a great

1 thing Good Cents is and that people are paying lots of
2 money to be able to use the Good Cents logo and the
3 things that it stands for. So there is some value in
4 the name. It just depends on how you calculate it.

5 I tend to think if somebody came into this market
6 and decided that they wanted to sell appliances and
7 asked Gulf Power, can we sell them under the Gulf Power
8 name, that Gulf Power would not say sure, go ahead.
9 They would say, yeah, but we want two percent of gross
10 sales, or we want \$50,000 or we want something.

11 COMMISSIONER BEARD: Well, you certainly in this
12 case better deal with gross sales, because if you go
13 back to the figures you would have to impute a negative
14 number based on the profit.

15 COMMISSIONER GUNTER: Well, we've had
16 circumstances where we have for royalty payments, which
17 is really what we are talking about here, a percentage
18 of gross sales, and that appears to be, you know, they
19 get very profitable, that is just more money and you
20 don't work it on a P&L basis. You work it on a gross
21 sales basis. The last time I checked the, between, for
22 instance, handling a Master Card, folks pay a premium,
23 or not a premium, but paid a price of somewhere between
24 two and five eand a half percent. And the bottom end
25 of this one, I'll throw it out, revenues should be one

1 and a half percent of gross sales.

2 COMMISSIONER BEARD: Second.

3 COMMISSIONER GUNTER: Let me ask Mr. Vandiver, is
4 anything in the record?

5 MR. VANDIVER: That's what I was just asking
6 staff. I don't --

7 COMMISSIONER EASLEY: What's the answer?

8 COMMISSIONER GUNTER: The question --

9 CHAIRMAN WILSON: I can tell you, there's nothing
10 in the record about a percentage.

11 COMMISSIONER GUNTER: There is nothing there about
12 percentages or amount. The question has been
13 discussed.

14 MR. VANDIVER: The concept was discussed.

15 MS. MERTA: I don't believe the concept was
16 discussed as far as how we would calculate or --

17 COMMISSIONER GUNTER: I realize there was nothing
18 there on the figures, and it was just a, but when you
19 discussed the concept and the policy overall, absent a
20 figure, are you precluded from establishing a figure
21 on policy?

22 What do you think about that, Mr. Pruitt? The
23 reason I asked you, is that I made the motion.

24 MR. PRUITT: Let me have the question again, if
25 you would. I was busy getting this out.

1 COMMISSIONER GUNTER: Mr. Pruitt, what -- in the
2 proceeding there was discussion on policy and was there
3 any value to being able to use the company logo and the
4 company name in the sale of non-utility, I mean in the
5 conduct of non-utility business.

6 MR. PRUITT: I recall that.

7 COMMISSIONER GUNTER: All right. Now, there has
8 been no amount proposed, and there was no amount
9 discussed as to what that value would be or
10 methodology, how, where would we stand if we said, for
11 instance, one and a half percent of gross sales is what
12 it's worth to the customers?

13 MR. PRUITT: You would not have any competent
14 substantial evidence in the record to support it.

15 COMMISSIONER GUNTER: Okay, all right. So let's
16 say the only thing that we could say would be, yes, it
17 has value, but we can't impute it. So it's a
18 meaningless issue, is that right? It has no value.

19 MR. VANDIVER: That is not to say you couldn't
20 address it again in another docket.

21 CHAIRMAN WILSON: Just out of curiosity what kind
22 of testimony would we have heard if we had heard
23 testimony on this issue? I mean are we going to get
24 people getting up and saying, well, I think it's
25 worth about \$5,000.

1 MR. VANDIVER: However, we have no
2 do so. We willing pursue it somewhere else or
3 something to that effect.

4 COMMISSIONER EASLEY: Or this doesn't preclude us
5 from doing it in another instance.

6 COMMISSIONER GUNTER: That makes me happier.

7 MR. VANDIVER: Sure.

8 COMMISSIONER BEARD: That's all that.

9 COMMISSIONER EASLEY: Are you seconding it?

10 COMMISSIONER GUNTER: Yeah.

11 CHAIRMAN WILSON: Are you seconding that motion?

12 COMMISSIONER GUNTER: Yes.

13 CHAIRMAN WILSON: All right. Without objection
14 then, the motion, the recommendation is amended.

15 Issue 48. Any questions about --

16 COMMISSIONER GUNTER: No, I'd move staff's
17 recommendation.

18 CHAIRMAN WILSON: No objections to staff's
19 recommendation on Issue 48.

20 Issue 49.

21 COMMISSIONER EASLEY: Isn't this a fallout? Does
22 this change?

23 COMMISSIONER GUNTER: Well, we need to go back to
24 address that issue about, out of Item 29 or whatever on
25 Scherer.

1 MR. VANDIVER: However, we have no record basis to
2 do so. We willing pursue it somewhere else or
3 something to that effect.

4 COMMISSIONER EASLEY: Or this doesn't preclude us
5 from doing it in another instance.

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7 MR. VANDIVER: Sure.

8 COMMISSIONER BEARD: That's all that.

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22 this change?

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24 address that issue about, out of Item 29 or whatever on
25 Scherer.

1 MR. PALECKI: Commissioners, well looked through
2 the record very thoroughly and we had 3 or 4 different
3 staff members looking through the record. The contract
4 for unit power sales is not part of the record. There
5 is know no contract in the record or in any of the
6 interrogatories.

7 COMMISSIONER EASLEY: It says I can't do what I
8 wanted to do.

9 MR. PALECKI: We can't base, if we have no record
10 basis. We could require some sort of tariff or
11 something to be filed by --

12 CHAIRMAN WILSON: Are we going back to that issue
13 now to deal with it, then?

14 COMMISSIONER GUNTER: We almost have to.

15 CHAIRMAN WILSON: Let's do. What number was that.

16 COMMISSIONER EASLEY: 29.

17 MS. HARVEY: 27.

18 COMMISSIONER EASLEY: 27.

19 COMMISSIONER EASLEY: No, 26.

20 MS. HARVEY: 26.

21 CHAIRMAN WILSON: So there is in the record, nor
22 in the interrogatories, there is the unit power sales
23 contracts are not part of this record, or available to
24 us.

25 MR. PALECKI: That is correct.

1 COMMISSIONER GUNTER: So that if we were to choose
2 to say fine you could put the 63 megawatts in, but all
3 revenues that were received as a result of that, 100
4 percent of the revenues would flow to the regulated
5 utility, to Gulf Power, we would be precluded from
6 making a determination of the amount of those revenues
7 based on this record, is that right?

8 MR. PALECKI: I don't think it could be calculated
9 from what we have in the record as of this moment.
10 Correct?

11 COMMISSIONER GUNTER: Would we be -- would it be
12 legally permissible for staff to gain that calculation
13 as we've talked about the subject, the subject matter
14 was discussed that a witness talking about it, or what
15 have you, the only thing that would not be there, would
16 be the amount of the revenue. Would it be permissible
17 to have that calculated for purposes of making a
18 overall revenue figure?

19 MR. PALECKI: I think it would probably require
20 some data that is not in the record. I think a
21 preferable idea and I am not sure if this is workable,
22 would be to order that Gulf or that the unit power
23 sales figures to go the Company without actually coming
24 up with a figure. We would have to depend upon Gulf
25 Power to, with a future filing to provide the actual --

1 COMMISSIONER GUNTER: Let me ask you this.

2 MR. PALECKI: The actual --

3 COMMISSIONER GUNTER: Trying to work through this
4 and I'm trying to solve and find out if we have -- or
5 how many scenarios we have open to us. If we were to
6 take the 63 megawatts, assume that the revenues that
7 were received would be at least at a, you know we have
8 a lot of rate schedules, and pick a rate schedule and
9 calculate the revenue of that 63 megawatts had been
10 received on that rate schedule and impute that as
11 revenue that would come from that, would that be
12 permissible?

13 MR. PALECKI: I'm not sure it would be. I think
14 if Gulf came back and demonstrated that their actual
15 revenues were much lesser than were calculated, I think
16 there would be a perhaps an unlawful taking that would
17 -- I have a difficulty, I have no difficulty with the
18 Commission ordering that the revenues received go back
19 to Gulf, but I don't know if on this record that amount
20 can be computed.

21 COMMISSIONER EASLEY: Wasn't there a series of
22 questions, I don't know of whom.

23 MR. PALECKI: There were numerous questions.

24 COMMISSIONER EASLEY: It had to be Scarbrough, but
25 wasn't there actually a mention of the lost revenue

1 under the abrogated contract.

2 MR. PALECKI: Yes.

3 COMMISSIONER EASLEY: Does that not --

4 CHAIRMAN WILSON: Are you suggesting that we use
5 the revenues that would have otherwise been received
6 from Gulf States.

7 COMMISSIONER EASLEY: I don't know, but if
8 that's -- No, not use that as a revenue figure, but
9 could up you not compute, I don't know, I am trying.

10 MR. PALECKI: No, I'm not sure, it was my
11 impression that what the Commission wanted to do is
12 since the 63 megawatts would be in Scherer for the next
13 five years, would be in rate base, that a portion of
14 the revenues that were received in unit power sales in
15 the future until the year 2010, or whatever the end of
16 the contractual period was, would a portion of that
17 revenue would go back to the ratepayers.

18 COMMISSIONER EASLEY: What I'm remembering is the
19 wrong number to do it. What I'm remembering is the
20 wrong number to do what I wanted to do.

21 COMMISSIONER BEARD: Well, Commissioners I --

22 MR. PALECKI: I don't know if that number, the
23 amount of revenue can be computed. It's not in the
24 record. The amount of revenue from unit power sales
25 cannot be computed.

1 COMMISSIONER EASLEY: My computer just kicked in
2 and it's the wrong number. I can't use it for what I
3 wanted to use is for.

4 MS: HARVEY: The other thing is if you like the
5 concept and we don't have the numbers here, you could
6 vote for the concept and order the utilities to file
7 appropriate data in a different docket.

8 COMMISSIONER BEARD: We are making extremely
9 complex or attempting to make extremely complex
10 something that for my limited prospective should be
11 very simple and I would make a motion to get something
12 on the floor that we accept alternative to, that means
13 it's out of rate base. That means that Gulf Power gets
14 to keep all the money that they get from that
15 settlement, that means that they get to keep all the
16 money from the unit power sales that they make from now
17 into 2010. Which is what they have scheduled all to
18 themselves.

19 CHAIRMAN WILSON: Including the settlement.

20 COMMISSIONER BEARD: Including the settlement.
21 I don't want a penny of the settlement.

22 COMMISSIONER EASLEY: Mr. Chairman, respectfully,
23 could I ask -- I hate to do this, could I ask that we
24 just wait for a minute again. I asked for late-filed
25 exhibit 588. It's titled Unit Power Sales of Power In

1 Rate Base. Could we wait and see what is on that?

2 COMMISSIONER BEARD: I don't think that will
3 change my motion.

4 COMMISSIONER GUNTER: You all got that.

5 COMMISSIONER EASLEY: I don't know whether it will
6 or not. I would just like to --

7 COMMISSIONER EASLEY: 588

8 COMMISSIONER EASLEY: It wasn't there. Anybody
9 know whether we received late-file 588.

10 MS. RULE: Yes.

11 COMMISSIONER EASLEY: We did?

12 MR. PALECKI: Here it is.

13 COMMISSIONER GUNTER: How about sharing it with
14 us?

15 MR. PALECKI: The, we would have to have a little
16 more time to review this, but it's a hypothetical, it's
17 not actually -- actual figures. It's basically how
18 rate base or how unit power sales affects retail
19 customers and it's a hypothetical example. It's not an
20 actual --

21 COMMISSIONER EASLEY: Okay, I remember now and
22 that doesn't do it either.

23 MR. PALECKI: The last couple of pages does have
24 some figures, but we would have to review these. I
25 don't really think they are actual figures. I think

1 they are part of the hypothetical.

2 CHAIRMAN WILSON: All right. We have a motion.

3 COMMISSIONER EASLEY: Mr. Chairman, I apologize.

4 CHAIRMAN WILSON: That's all right. We have a
5 motion by Commissioner Beard, which is alternative to
6 and includes the suggestion by Commissioner Gunter that
7 any settlement with Gulf States utilities would be, the
8 company gets, I mean the Scherer is left out, anything
9 associated with it, costs or benefits would ride with
10 those taking the risk, which would be the stockholders
11 of Gulf Power Company. Is there a second to that
12 motion?

13 COMMISSIONER GUNTER: I'll second it, to get it on
14 the floor for discussion.

15 CHAIRMAN WILSON: All right. It's been moved and
16 seconded. Is there discussion?

17 COMMISSIONER GUNTER: The only troubling part of
18 that thus far, I don't know anybody I've asked, I don't
19 know anybody that has read the suit, I don't know
20 anybody that is -- of course the settlement is not
21 before us.

22 There is another alternative which I'll just
23 mention, is that while, and while this case, while this
24 case was going on and the records were being developed,
25 the only thing about any settlement that was ever

1 referenced was that there was a suit, there was no
2 reference about the settlement notwithstanding what we
3 learned later, which we can't use in making this
4 decision. But there have been a number of
5 opportunities that the Commission has availed itself
6 of, that one kept the Company harmless during that time
7 period that you gathered the information so that you
8 could make an evaluation of the impact, and we did that
9 in the Martin Dam enhancement and we did that in the
10 Turkey Point steam generator repairs and we did it on a
11 vote earlier today on a floor in a building is that the
12 thing does open itself for us. We could take those and
13 lay them over off to the side, allow them to earn like
14 an AFUDC, until we had enough information before us in
15 a subsequent proceeding or a special proceeding in
16 order for us to not make an error because it's with us
17 not reading the terms of the settlement we don't know
18 what the time periods are. We don't know how much the
19 allocation is, and we are --

20 I'm talking now kind of on our record that we have
21 of this agenda conference, we just don't know and we
22 did those two in the Florida Power and Light instance
23 because it was under litigation, one with the
24 constructor of the dam, and the other one the
25 constructor of those facilities at Turkey Point on the

1 steam generators and because that litigation was
2 ongoing. That is a way that you can minimize any
3 potential harm to anybody and not make a decision until
4 you got all the facts before you. That is another
5 alternative that is open to us.

6 COMMISSIONER BEARD: I guess the rationale behind
7 this is to date that 62 megawatts has not been in the
8 rate base.

9 COMMISSIONER GUNTER: That is correct.

10 COMMISSIONER BEARD: And the revenues that had
11 been flowing associated with that had not been going to
12 the ratepayers.

13 COMMISSIONER GUNTER: That's correct. But
14 Commissioner, my concern about that is, is that I don't
15 know the suit was couched or how the settlement was
16 couched, but it could be for actual damages that had
17 occurred in the past and it could be for prospective
18 application of losses in the future. I don't know. I
19 haven't seen it. And I don't know anybody on our staff
20 that has read it.

21 MR. JENKINS: I have been told about it.

22 COMMISSIONER GUNTER: Well, being told about it.
23 I have been told about a lot of things. You ever play
24 poker with somebody and they get ready to make that
25 final bet and they say I've got you beat, and you don't

1 know whether they have or not.

2 MR. JENKINS: Well, let me tell you what little I
3 have been told about it.

4 COMMISSIONER GUNTER: Okay.

5 MR. JENKINS: This deal is a --

6 COMMISSIONER GUNTER: By somebody that would know?

7 MR. JENKINS: Pardon?

8 COMMISSIONER GUNTER: Have you been told by
9 somebody that would know?

10 MR. JENKINS: By someone from Gulf Power. And
11 their understanding of it is, and I think it is yet be
12 approved, by FERC and various regulatory agencies is
13 that Southern would get amounts from Gulf States for
14 the next ten years, if and only if Gulf States and
15 Tech. or whatever they changed their name to if their
16 net income is greater than, I think, \$50,000,000. In
17 years that it isn't they would get nothing. Then if
18 there is an original amount after ten years or maybe
19 even longer, then Southern might own a peaking unit
20 somewhere in Texas. Now, I don't know if you want to
21 keep this AFUDC thing climbing for that length of time.

22 COMMISSIONER GUNTER: I'm not saying keep that, it
23 may be that you have a Special Agenda to consider that
24 at some point down in the future, once you have seen
25 what the settlement is.

1 MR. JENKINS: Assuming the settlement that I am
2 suggesting to you is roughly correct, you wouldn't know
3 what monies they would get back until in you know
4 whether InTech made more than \$50,000,000 on out
5 through the year 2000 or so. And then you have got to
6 think about what the value of that peaking unit is that
7 they may get in the year 2000, or some year beyond
8 that. That is my understanding of the settlement.

9 MR. PALECKI: There is yet another option
10 available to the Commission and that is one of the
11 criticisms of the phasing out of Scherer is that it's
12 so darn complicated and you have to keep changing the
13 rates every year. A solution to that problem is, if
14 you look on Page 52 of the record, you will see there
15 is a schedule of capacity available to retail customers
16 and you see that the number of megawatts that has not
17 been sold in UPS varies from year to year. If you take
18 those actual amounts and you take the amount of time
19 and figure out the average number of megawatts that is
20 available over that period, you come up with a figure
21 of 40.3 megawatts, and it would be possible to phase
22 out Scherer over that approximate period with a --

23 CHAIRMAN WILSON: Wait a minute will.

24 MR. PALECKI: Averaged figure.

25 CHAIRMAN WILSON: Are you looking at those numbers

1 across the top of the page? The number of the column
2 one through six.

3 MR. PALECKI: No, there's a column that says time
4 and another column that says capacity.

5 COMMISSIONER EASLEY: Page 52.

6 CHAIRMAN WILSON: I'm sorry. Page 52.

7 MR. PALECKI: If you average out the number of
8 megawatts that is available over the time period you
9 come out with a figure of 40.3 megawatts average at
10 least that's what my calculation resulted in, and it
11 would be possible to phase out Scherer with a uniform
12 rate throughout that period.

13 CHAIRMAN WILSON: What are the numbers that go
14 across the top of the page on Page 55?

15 COMMISSIONER EASLEY: That is rate base impact of
16 phase out on 52 isn't it? I assume.

17 MS. HARVEY: These are the numbers that come out
18 of rate base. We start off with 63 megawatts in rate
19 base in year one, and 30 megawatts, this schedule shows
20 what happens when 30 megawatts is removed in year two,
21 and an additional 8 megawatts is removed in year three.

22 CHAIRMAN WILSON: And then you add back two more
23 megawatts in year four.

24 MS. HARVEY: Because it fluctuates, yes.

25 CHAIRMAN WILSON: And then back down 27.

1 MS. HARVEY: Yes.

2 CHAIRMAN WILSON: Do those numbers relate to the
3 ones on Page 52?

4 MS. HARVEY: They do, but they are not, because
5 we have used a weighted average for the year 1992,
6 1993, you would have to do the same weighted average,
7 but --

8 MR. PALECKI: I believe that the figures on Page
9 52 are the actual figures. Parsons' exhibit.

10 MR. PALECKI: In the averaging that I did, you can
11 see that the first figure of 63 megawatts is actually
12 from January 1990. I did my calculations from June
13 1990 to May 1992, which makes that a full two-year
14 period.

15 COMMISSIONER EASLEY: See what bothers me Mr.
16 Chairman, about doing it this way, and one of the
17 reasons that I was trying to find this other way of
18 doing it is that the data on Page 52 is labeled
19 capacity available to retail customers and if you
20 average it out you are still talking about capacity
21 available. You are not talking about necessarily
22 capacity needed.

23 And I keep coming back to that just because it's
24 available doesn't necessarily mean it's needed, and I
25 don't question the prudence and all the rest of that I

1 am still having everything trouble getting over that
2 particular hurdle. I didn't have any trouble doing it
3 the other way, and saying okay, if you're going to sell
4 it UPS and it can all go back to the ratepayers, that's
5 great, fine, you know, with me.

6 I am having a little bit of trouble making the
7 leap from it's available, to it is definitely needed,
8 and especially when I look at the actual figures
9 fluctuating the way they do coming all the way down to
10 11 and going all the way back up to 35 before you zero
11 it out.

12 CHAIRMAN WILSON: Well, Commissioner, that is sort
13 of the basis of what may be a totally impractical
14 suggestion that I made earlier, is that the way to
15 treat this is if in fact Gulf makes purchases or uses
16 power out of these units for the benefit of it's retail
17 ratepayers, that it ought to be treated as a purchase
18 of power, that included both capacity and energy, then
19 that would be treated as any other purchase would be
20 through fuel as 6 months adjustment clause.

21 COMMISSIONER EASLEY: And that then has the
22 potential of demonstrating a need, albeit a future
23 date, that could then be responded to.

24 CHAIRMAN WILSON: Uh-huh. I don't see the motion
25 that has been made as precluding that.

1 MR. PALECKI: I think there is ample evidence in
2 the record to justify a finding that the 63 megawatts
3 is not needed. As a matter of fact, I believe, the
4 testimony was that it was used, but there was, I think
5 ample evidence to the effect that it was not actually
6 needed by the retail customers.

7 COMMISSIONER GUNTER: Yeah, the only. My only
8 concern, and I'm going to say it for the third time is
9 a regulatory promise, and that is where you have got,
10 we are hung on the horns of dilemma. If it had been
11 the whole thing, if we hadn't started this UPS game it
12 would have all been in the rate base. I think, that is
13 an appropriate intellectually honest approach that we
14 could have taken and now here we are. I, honest to God
15 don't know how to handle this with this jerking back
16 and forth. I just flat don't know how to handle it.
17 That is the reason I seconded the motion. Because I
18 don't know how else to get out of this thicket.

19 ?MR. PALECKI: I am kind of in the position that
20 you are Commissioner Gunter. I not sure what the way
21 out of it is either.

22 COMMISSIONER GUNTER: Because, God knows, I don't
23 want to send a signal to nobody in the damned world, to
24 folks in this room or signals to folks outside of this
25 room, that once we make a commitment, if it's prudently

1 done, it comes in the rate base.

2 That's the reason I look at these in two different
3 scenarios. If the plant had been finished and they
4 come here and said we finished this plant like you told
5 us to do and it's going in the rate base, fine. I
6 would have voted for it in a heartbeat.

7 We have got this one where in 1984, no, it's all
8 going UPS sales. You had a problem not to the
9 ratepayers of this utility, not to their, it shouldn't
10 be to their detriment, a problem, a contractual problem
11 that existed between the utility and somebody else.
12 And then to move it in, and if it were just coming in
13 and going to be flat, say fine, that 63 megawatts,
14 that's what we have got from now on.

15 Again I wouldn't have had a problem. But I do
16 have a problem with saying, well we just want you to
17 cover in it this time period until we can sell it
18 again. I have a problem.

19 CHAIRMAN WILSON: And I share your concern,
20 because I have seen the absolute disasters that have
21 occurred in other parts of the country where you have
22 Commissions that do these post construction prudence
23 reviews where they disallow substantial parts of plants
24 not because it was imprudently constructed or it's
25 unreasonable in amount or anything like that it's just

1 because they decide they didn't want to let it in the
2 rate base and I don't want this Commission to be in the
3 position of doing that sort of thing.

4 COMMISSIONER EASLEY: Well, Mr. Chairman.

5 CHAIRMAN WILSON: But this business with the UPS
6 piece of it is extremely disturbing to me that you can
7 truck along with it out of rate base and all of a
8 sudden it drops in an all of a sudden it comes out.
9 And a little bit comes back in, and the rest of it
10 comes out, and goes on along to the year 2000. 2000
11 thousand what?

12 MS. HARVEY: 10.

13 CHAIRMAN WILSON: 2010, and then we see it back
14 again. The reality of that, I'm having trouble laying
15 down with what I consider to be what good regulatory
16 policy would be and would have been, and I am really
17 having a lot of trouble reconciling those two things
18 and, I don't know what the answer in dealing with that
19 is and the only suggestion I had is the one where we
20 treat it as a, where it's sold back to Gulf and Gulf
21 buys it, and they get that power back and it's needed
22 for the customers and the fuel adjustment. If they
23 don't then they can't demonstrate that, then it
24 doesn't.

25 COMMISSIONER BEARD: Before you say that, I want

1 to be real careful any message that is sent along those
2 lines, because simply turn around and sign a contract
3 with themselves and purchase 63 megawatts for the next
4 two years and five months. Or from January of '90 to
5 '92?

6 COMMISSIONER GUNTER: They'd have to be needed.

7 CHAIRMAN WILSON: It would still have to be
8 needed. I mean, you can't get beyond that. You can't
9 get past that.

10 COMMISSIONER GUNTER: If they're buying it and
11 shutting theirs down they have got a heap of problems,
12 they'll come back here.

13 COMMISSIONER EASLEY: Mr. Chairman, I get the
14 feeling that we all tend to agree on the nature of the
15 motion. I don't think the motion precludes what you
16 were talking about. That is if they need additional
17 power. They can buy it. Which further demonstrates
18 the future need, which I think all of us are concerned
19 about and therefore, I would call a question on the
20 motion.

21 CHAIRMAN WILSON: All right, sir. The motion has
22 been moved and seconded. All in favor signify by
23 saying aye.

24 Opposed.

25 COMMISSIONER EASLEY: We bypassed two waiting for

1 this one.

2 COMMISSIONER GUNTER: We are back now to 49. Page
3 101.

4 COMMISSIONER EASLEY: Well, we need to do --

5 COMMISSIONER GUNTER: Okay, yeah, you're right.
6 Well, those are calculated figures aren't they?

7 COMMISSIONER EASLEY: Yeah, are the rest of them
8 that we --

9 CHAIRMAN WILSON: 47 needs to be addressed.

10 MR. PALECKI: 27 has not yet been addressed.

11 CHAIRMAN WILSON: 27.

12 COMMISSIONER EASLEY: Is that not a fallout?

13 COMMISSIONER GUNTER: That's a straight fallout
14 item.

15 COMMISSIONER EASLEY: Okay. Have we left anything
16 else that we needed to go to?

17 MS. BRAND: Commissioners.

18 CHAIRMAN WILSON: There are a number of issues
19 that flow from that decision.

20 MR. PALECKI: 3 and 4.

21 COMMISSIONER EASLEY: There are some we can vote
22 on now.

23 MR. PALECKI: 3 and 4 can be voted on now, I
24 believe.

25 COMMISSIONER EASLEY: 3 and 4.

1 CHAIRMAN WILSON: All right.

2 MR. PALECKI: I think they are moot now.

3 CHAIRMAN WILSON: 27.

4 Staff recommendation without objection.

5 COMMISSIONER GUNTER: Yeah.

6 COMMISSIONER EASLEY: Okay, 3 is moot, right?

7 MR. PALECKI: 3 and 4 are moot.

8 I don't believe they have to be to be voted on, now
9 that now that Scherer has been disallowed.

10 COMMISSIONER EASLEY: All right.

11 COMMISSIONER GUNTER: And we can whip on.

12 COMMISSIONER EASLEY: Where are we.

13 COMMISSIONER BEARD: You would have to remove the
14 coal associated with Plant Scherer from that issue.

15 COMMISSIONER GUNTER: Yeah, that is a calculation
16 that the fuel folks would have to do. There is some
17 that are coming on, you have got some line rentals and
18 the rest of those kinds of things, but we'll get to
19 them.

20 MS. BRAND: Commissioners Issues 42 and 43 are
21 also affected by that decision.

22 COMMISSIONER EASLEY: Also what --

23 MS. BRAND: Affected by the decision to disallow
24 Plant Scherer. 42 and 43, these are the deferred
25 investment tax credits and deferred income taxes. The

1 way the that these recommendations were made is to go
2 along with the staff's primary recommendation on Plant
3 Scherer that it be left in rate base, and on that
4 basis, staff recommended that the effects of the two
5 TCs and deferred taxes and the capital structure would
6 be very minimal based on the other rate base
7 adjustments. However, Plant Scherer has a fairly
8 significant impact on the deferred tax.

9 COMMISSIONER GUNTER: You will have to go back and
10 recalculate, if that's what you're telling us.

11 MS. BRAND: And ITCs. We have the amount that
12 would been associated with both deferred taxes and ITCs
13 for those. This would involve identifying specifically
14 the deferred taxes and ITCs associated with the rate
15 base adjustments that were proposed by staff, and there
16 is a late-filed exhibit that gives those amounts. The
17 question, there is a question though, the Commission
18 has handled adjustments two ways in capital structure.
19 It has in some cases be been removed pro rata and in
20 some cases has been done on a specifically identified
21 basis with the deferred taxes and the ITCs.

22 COMMISSIONER GUNTER: Isn't ot more appropriate
23 and isn't it more accountingly sound, more sound
24 accounting if you can identify the asset? Isn't it
25 more appropriate to remove it when that identification

1 is appropriate

2 MS. BRAND: Yes, sir, the deferred taxes and ITCs
3 should track the assets as they are removed. This goes
4 along with the normalization requirements of the
5 internal revenue code. In the last rate case of Gulf
6 Power, in the order from the last rate case there is
7 some discussion about how it was to be handled there,
8 and in that order it states that when the information
9 is available to make specific adjustments they should
10 be made, and if it is not available it should be done
11 pro rata. In this case since the information is
12 available, and it would be a major impact, we would
13 recommend doing a specific adjustment.

14 COMMISSIONER GUNTER: I would move where you can
15 identify the asset, that it's much sounder accounting
16 to tie the assets and the benefits together.

17 MS. BRAND: Yes, sir.

18 MS. SALAK: So basically what Ms. Brand's
19 proposal would do, is we would specifically identify
20 the ITCs and the deferred taxes and the rest of the
21 reconciliation would be over other sources.

22 COMMISSIONER GUNTER: That is correct.

23 COMMISSIONER EASLEY: And we would move staff on
24 42 and 43 as adjusted.

25 COMMISSIONER GUNTER: Yes, aa'am.

1 CHAIRMAN WILSON: Right. 42 and 43.

2 COMMISSIONER GUNTER: As clarified.

3 CHAIRMAN WILSON: As clarified.

4 COMMISSIONER EASLEY: What about 44 and 46?

5 MS. SALAK: Item 44 it's fine.

6 COMMISSIONER EASLEY: Okay. I didn't put down
7 that we had done it.

8 MS. SALAK: I'm sorry, It's a fallout. We would
9 to have specifically identify the ITCs and the deferred
10 taxes.

11 COMMISSIONER EASLEY: I was trying to mark these,
12 which were waiting and which weren't.

13 MS. SALAK: It is a fallout of your other
14 decision, and we'll adjust these.

15 COMMISSIONER EASLEY: 46 is the same thing.

16 MR. SLEMKEWICZ: Yes, 46 is a fallout.

17 CHAIRMAN WILSON: Is 36 likewise? Or have we
18 already done 36?

19 MR. SLEMKEWICZ: 36 is a fallout based on other
20 NOI issues that relate to working capital.

21 COMMISSIONER GUNTER: That is correct.

22 COMMISSIONER EASLEY: So we ought to be to 49,
23 right?

24 MR. SLEMKEWICZ: That's where we need to start is
25 on 49.

1 COMMISSIONER GUNTER: 49 is a calculated item
2 also. Is it not?

3 MR. SLEMKEWICZ: Yes, it is.

4 COMMISSIONER EASLEY: It should be. Internal
5 operating revenue. 50 is --

6 COMMISSIONER GUNTER: Item 50. I move Item 50.

7 COMMISSIONER EASLEY: Second.

8 CHAIRMAN WILSON: Any objection.

9 Without objection to this staff recommendation on
10 Item 50?

11 COMMISSIONER EASLEY: I would move 51.

12 COMMISSIONER GUNTER: 51. Whoa, wait, on Item 50,
13 the last paragraph, I think it's, if it's included in
14 the recommendation that you know sometimes you say,
15 well, you all didn't say anything about it and so we
16 didn't put it in the order. I think the staff's last
17 paragraph that this accruing, this accrual accounting
18 should be use in this area, should be a reference made
19 following staff's recommendation particularly in that
20 last paragraph.

21 MR. VANDIVER: Okay. Move 51.

22 52.

23 CHAIRMAN WILSON: All right. 51. Any questions?
24 51 without objection.

25 CHAIRMAN WILSON: 52.

1 COMMISSIONER GUNTER: Move it.

2 CHAIRMAN WILSON: Without objection.

3 52.

4 Without objection.

5 COMMISSIONER GUNTER: 53.

6 COMMISSIONER EASLEY: Move it.

7 CHAIRMAN WILSON: 53 without objection.

8 54

9 COMMISSIONER GUNTER: I would move 54.

10 CHAIRMAN WILSON: Without objection.

11 MR. VANDIVER: Commissioners Mr. Shea is back and
12 ready to go back to that issue at your pleasure. I just
13 wanted to let you know.

14 COMMISSIONER EASLEY: Which issue?

15 MR. VANDIVER: 24.

16 CHAIRMAN WILSON: Why don't we just go ahead
17 through this and then we'll go back to that.

18 MR. VANDIVER: I just wanted to let you know.

19 CHAIRMAN WILSON: Issue 55.

20 COMMISSIONER GUNTER: I would move that Mr.
21 Chairman, If you went through the analysis those items
22 that came out of the EEI audit they pulled all of those
23 items out that we customarily do not allow anyway.

24 CHAIRMAN WILSON: Without objection.

25 Staff recommendation on Issue 55.

1 Issue 56.

2 COMMISSIONER EASLEY: I would move staff.

3 COMMISSIONER GUNTER: Yeah.

4 COMMISSIONER BEARD: My only concern is the 3
5 years. And I'll be honest, the rationale behind that,
6 granted they could come in sooner. They could come in
7 later, but what I was thinking about was, in essence,
8 the legislative mandated 4 year cycle that exists is
9 probably more appropriate. I don't know. It's a coin
10 toss.

11 COMMISSIONER GUNTER: It doesn't matter.

12 CHAIRMAN WILSON: It's okay with me. Make a
13 motion.

14 COMMISSIONER BEARD: I would will make a motion to
15 make it 4 years instead of 3.

16 CHAIRMAN WILSON: Is there a second to that?

17 COMMISSIONER GUNTER: I've got no problem.

18 CHAIRMAN WILSON: Moved and seconded, 4 years.
19 Without objection.

20 57.

21 COMMISSIONER GUNTER: Move it.

22 CHAIRMAN WILSON: Staff recommendation without
23 objection.

24 58.

25 COMMISSIONER GUNTER: I'll move 58.

1 CHAIRMAN WILSON: Staff recommendation without
2 objection.

3 59.

4 COMMISSIONER GUNTER: Move 59.

5 CHAIRMAN WILSON: Without objection. Staff
6 recommendation.

7 60.

8 COMMISSIONER BASLEY: Move staff.

9 COMMISSIONER GUNTER: Second.

10 CHAIRMAN WILSON: Without objection.

11 61.

12 COMMISSIONER GUNTER: Move it.

13 COMMISSIONER BEARD: Move staff.

14 CHAIRMAN WILSON: Without objection.

15 62.

16 COMMISSIONER GUNTER: Move it.

17 COMMISSIONER BEARD: Move it.

18 CHAIRMAN WILSON: Without objection.

19 63.

20 COMMISSIONER GUNTER: Move it.

21 COMMISSIONER BEARD: I, I've got a problem with
22 it.

23 CHAIRMAN WILSON: Are there some questions on this
24 of staff.

25 COMMISSIONER BEARD: I really don't have any

1 questions, I just don't agree. You know.

2 CHAIRMAN WILSON: Would you like to tell us why.

3 COMMISSIONER EASLEY: Well, if every valuable
4 customer service has to be cost effective we're all in
5 trouble.

6 COMMISSIONER GUNTER: Well, in the thing, Mr.
7 Ballinger, knowing as conservative as he is, my
8 dealings with him, and reading this recommendation, he
9 said that he was sort of ambivalent, also; that it was
10 marginally cost effective.

11 COMMISSIONER BEARD: See, the recommendation
12 statement in and of itself just kind of knocks me over.
13 While these programs, they may only be marginally cost
14 effective they provide a valuable customer service.
15 How do you do that?

16 MR. BALLINGER: Well, that is a distinction
17 between having cost recovery, and expense side in the
18 base rate. Cost recovery is kind of a perk to have.

19 CHAIRMAN WILSON: All customer services are not
20 cost effective, but you have to do them anyway.
21 Customers call up and do an inquiry on their billing,
22 you don't have a specific charge for billing inquiry,
23 but it's a service you've got to offer, so if you look
24 at it all you are going to see is cost and you are not
25 going to see anything else associated with it. So it

1 wouldn't appear to be cost effective.

2 The question is whether these are activities that
3 the Company ought to be engaging in on a regular basis.
4 As I read it your language about being only marginally
5 cost effective related to the fact that we took that
6 out of conservation cost recovery.

7 MR. BALLINGER: That is correct.

8 CHAIRMAN WILSON: And put it here ,so in fact you
9 apply one standard in conservation cost recovery,
10 which is it has to be obviously more cost effective
11 than this one appeared to be, against the standards
12 that you see in the rate case, which is whether its a
13 prudent expense, is it a reasonable amount, and is it
14 something the utility ought to be doing?

15 MR. JENKINS: You basically put a cap on it in a
16 rate case expense.

17 MR. PALECKI: I'm not certain. But I believe
18 there may have been a comment in the order on
19 conservation cost recovery saying that these were not
20 items appropriate for recovery, but that they may have
21 been appropriate as rate base items.

22 COMMISSIONER BEARD: There was a very careful may.
23 The, I don't think that a judgment was made one way or
24 the other.

25 MR. JENKINS: No, and I'm not saying that

1 judgment.

2 COMMISSIONER BEARD: Well, it's marginally cost
3 effective. There have been, I don't know if I want to
4 use the term abuses, but certainly some activities that
5 are at least distantly related to this program by the
6 Company that I don't think are appropriate.

7 MR. BALLINGER: I agree, and for part of those
8 reasons they were removed from cost recovery for a
9 period of time. They also were not allowed in the tax
10 savings, because rationale was the tax savings were
11 just like a cost recovery. So they did go without the
12 money for a couple of years.

13 COMMISSIONER BEARD: Well, I guess my vote would
14 be the could go without it some more.

15 CHAIRMAN WILSON: Is this projected expense for
16 1990, or is this --

17 MR. BALLINGER: Yes. It's their budget amount.

18 COMMISSIONER EASLEY: You have a motion for staff
19 and I'll second it.

20 COMMISSIONER GUNTER: I moved it.

21 COMMISSIONER BEARD: Move staff.

22 CHAIRMAN WILSON: Staff recommendation. All
23 right, all in favor signify by saying aye.

24 Opposed. Aye.

25 COMMISSIONER GUNTER: Move it, 64.

1 COMMISSIONER EASLEY: Second.

2 COMMISSIONER GUNTER: I'll move 65. Excuse me,
3 I'm sorry.

4 CHAIRMAN WILSON: Can I look at the numbers from
5 Issue 63 and 64 together? Are they really for the same
6 things?

7 MR. BALLINGER: No.

8 CHAIRMAN WILSON: No. What is 64?

9 MR. JENKINS: 64 is your support group. It's a
10 load gathering, a data gathering, a metering missing in
11 its use for a variety of both customer service and
12 conservation measures.

13 COMMISSIONER BEARD: You could look at 63 and 65
14 together to some degree.

15 MR. BALLINGER: Yeah, possibly.

16 COMMISSIONER BEARD: You are spending 425,000 to
17 educate people to do the kinds of things in Issue 63
18 that you are going to spend 457,000.

19 MR. BALLINGER: There could be the argument that
20 part of the Good Cents program is education. This one,
21 Issue 65 is more where they actually go out to schools
22 and civic clubs and this kind of things.

23 COMMISSIONER BEARD: To teach people to do the
24 things that you are going to pay to have done in 63.

25 COMMISSIONER GUNTER: Yeah, but in the light of,

1 we started off with the fleas on the camel, in light of
2 what has happened, the conservation needs to have all
3 of the damn push in the world.

4 COMMISSIONER BEARD: It will, Commissioner, as
5 soon as the electric price goes up you will see
6 conservation like in the old days. That's what is
7 going to do it, not Good Cents.

8 COMMISSIONER EASLEY: Well, I tell you what, after
9 what happened down in South Florida with the plea for
10 conservation of that last emergency, and they could
11 measure 250 megawatts in one day, I'm not too sure that
12 maybe somebody isn't responding for a change.

13 COMMISSIONER BEARD: Well, I'm not arguing 65, I
14 agree with those dollars, the way they are spent.
15 Okay.

16 COMMISSIONER GUNTER: Are we still on 64?

17 COMMISSIONER EASLEY: I don't know.

18 CHAIRMAN WILSON: Well, I am glancing back at 63
19 right now. Is 63 the issue where the, I know we have
20 already voted on this but I'm going to ask question on
21 it anyway. Is that the issue where we had the
22 discussion about the fact that nobody enforces the
23 building codes out in the Panhandle.

24 MR. BALLINGER: That was part of the reason this
25 is customer service.

1 CHAIRMAN WILSON: And this is where they in fact,
2 feel they are compelled to do some things because there
3 is no enforcement of the building code.

4 MR. BALLINGER: I don't know if they feel they
5 are compelled, I think they stated as one of the
6 benefits of it that it's helping to enforce the
7 building code.

8 CHAIRMAN WILSON: Do you remember that order that
9 we had that was dated in 1968 on advertising expenses,
10 and if I recall correctly, one of the pieces of that
11 indicated that education programs, and publications
12 that were pre-approved by the Commission would be,
13 would be allowed recovery in rates? Am I
14 miss-remembering?

15 MS. RULE: That came up in the tax savings, in
16 FPL's tax savings.

17 CHAIRMAN WILSON: Do you remember what the order
18 said?

19 MR. BALLINGER: Is that the one that was also
20 reconsidered?

21 CHAIRMAN WILSON: Yes, it was reconsidered. I'm
22 not saying that the order is in effect, and we are
23 using it. But there were some principles enunciated
24 there that were certainly of some interest to me.

25 MS. RULE: I don't remember that right off hand, I

1 can go find it, if you would like.

2 CHAIRMAN WILSON: All right. Item 65.

3 Staff recommendation.

4 COMMISSIONER GUNTER: Move it.

5 CHAIRMAN WILSON: Without objection.

6 MR. BALLINGER: Have you voted on 64? I'm unclear
7 on that.

8 CHAIRMAN WILSON: Yes.

9 COMMISSIONER EASLEY: Move staff on 66.

10 CHAIRMAN WILSON: 66, staff recommendation.

11 COMMISSIONER GUNTER: Yeah.

12 CHAIRMAN WILSON: 67.

13 COMMISSIONER GUNTER: I'll move it reluctantly.

14 MR. BALLINGER: Yeah, this gets to the FEECA
15 argument again, which we had in the tax savings.

16 COMMISSIONER EASLEY: I still have a problem.

17 CHAIRMAN WILSON: I want to make sure in deciding
18 this issue, that we haven't decided what FEECA says.

19 MR. BALLINGER: Well, you know I like this
20 recommendation better, because it's just say's it
21 promotes the use of electricity. It doesn't say it's
22 contrary to FEECA.

23 COMMISSIONER EASLEY: Yeah, it does too.

24 CHAIRMAN WILSON: It does say contrary to FEECA.

25 COMMISSIONER EASLEY: It sure does.

1 MR. BALLINGER: Not in the recommendation part.
2 In the discussion part it does, but in the actual
3 recommendation --

4 CHAIRMAN WILSON: Sometimes the discussion creeps
5 in the order too, you know.

6 MR. BALLINGER: We'll make sure it doesn't.

7 CHAIRMAN WILSON: 68.

8 COMMISSIONER GUNTER: Move it.

9 COMMISSIONER EASLEY: Second.

10 CHAIRMAN WILSON: Staff recommendation.

11 COMMISSIONER EASLEY: Yeah.

12 CHAIRMAN WILSON: 69.

13 COMMISSIONER EASLEY: Move staff.

14 CHAIRMAN WILSON: Staff recommendation.

15 70.

16 COMMISSIONER EASLEY: Does any of this change? I
17 move staff.

18 CHAIRMAN WILSON: Without objection.

19 71.

20 COMMISSIONER GUNTER: Move it.

21 CHAIRMAN WILSON: 72.

22 COMMISSIONER GUNTER: Move it.

23 CHAIRMAN WILSON: Without objection.

24 73.

25 COMMISSIONER GUNTER: Do any of these change?

1 MR. ROMIG: I don't believe so, no, sir. None of
2 them change right now.

3 COMMISSIONER BEARD: In 73?

4 COMMISSIONER GUNTER: Item 73.

5 COMMISSIONER BEARD: Transmission wouldn't change
6 for Scherer?

7 MR. BALLINGER: You may be thinking of
8 transmission runs, which would show up you in Issue 80.

9 COMMISSIONER GUNTER: Production wouldn't change?
10 Just the charges to FCA.

11 MR. ROMIG: You are right, that southern part will
12 change.

13 COMMISSIONER BEARD: There will have to be some
14 changes.

15 CHAIRMAN WILSON: Have you all done any
16 calculation on that.

17 COMMISSIONER BEARD: No, but they will.

18 CHAIRMAN WILSON: Is this one of those items you
19 calculated with Scherer and without? Or have you done
20 them without yet?

21 MR. ROMIG: We have not adjusted this for --

22 CHAIRMAN WILSON: Do you think it will change?

23 MR. ROMIG: It will change based on number --

24 MR. BALLINGER: I think we are talking by each
25 other here. The number I was talking about, was

1 transmission runs. These are Southern Company's
2 services charges, and I believe these were done based
3 on allowing Scherer in, they may change now that
4 Scherer is out, and I don't know that we have them.

5 CHAIRMAN WILSON: Why don't you check on that, and
6 see. Let's just kind of bypass 73 for the moment.

7 COMMISSIONER GUNTER: Yeah.

8 COMMISSIONER GUNTER: Move 74.

9 COMMISSIONER EASLEY: Second.

10 CHAIRMAN WILSON: Staff without objection.
11 75.

12 COMMISSIONER GUNTER: Move it.

13 CHAIRMAN WILSON: Staff.

14 76.

15 COMMISSIONER GUNTER: Move it.

16 CHAIRMAN WILSON: Staff position without
17 objection.

18 77.

19 COMMISSIONER GUNTER: Mr. Chairman, I've got a
20 problem with the recommendation, and some of the
21 analysis, and I don't know if it's the right place, but
22 you see Gulf is budgeting, the question, Gulf is
23 budgeting 210,000 O&Ms per R&D developmental project,
24 are these expenses reasonable. The characterization is
25 that when it's an R&D project, and if I understand

1 staff's recommendation, it should be excluded if it's
2 an ongoing R&D project. Is that right?

3 CHAIRMAN WILSON: Are you talking about the
4 comment about the acid rain monitoring program?

5 COMMISSIONER GUNTER: Yeah. I understood that
6 there was an amount included in the previous rate case
7 related to acid rain monitoring, and this was and
8 incremental amount in addition to that. Is that wrong?

9 MR. BALLINGER: No. In their MFRs, not in their
10 MFRs, well, yeah, in their MFRs, in breaking down O&M
11 functions they were over the R&D research or the R&D
12 function by \$210,000. As part of their justification
13 they listed several programs. All of those were new
14 except for in staff's position, this acid rain
15 monitoring. It was found that there was money budgeted
16 in '84. So there would have been a benchmark amount
17 for the acid rain deposition study. The monitoring was
18 an outgrowth of it. We gave the exact same rationale
19 in the tax savings that this isn't a new program.

20 COMMISSIONER GUNTER: Well, acid deposition study
21 in itself was completed. That was the FCG study. Then
22 the, as a fallout of that there is continuing
23 monitoring, for instance there were three lakes in north
24 Florida that was being done whether there was here or
25 not. There was a forest study. There is a remainder

1 of it that is being done and put together, and I
2 believe that data is being sent to Bechtel, and to E.
3 H. Peckin (Phonetic), is it E. H. Peckin? For
4 inclusion in NAPATH, and that is an ongoing process
5 where some folks, because of the region they were in,
6 some folks expenditures, I just happened to be well
7 involved in, I mean, reasonably well informed about
8 that. Some folks' level of participation increased by
9 the locations in the state that they were in the areas
10 that were picked for further study.

11 MR. BALLINGER: Right.

12 COMMISSIONER GUNTER: Isn't that where we are at
13 here?

14 MR. BALLINGER: Yeah, and I, that's exactly what
15 happened. What bothers me is that Gulf in their
16 justification showed zero amount for this thing when in
17 fact there was money budgeted for this acid rain
18 deposition study, this monitoring is just a
19 continuation of that project if you will. So to me
20 that is not a justification of this variance.

21 COMMISSIONER GUNTER: Well, where else would we
22 allow the monies to do that?

23 COMMISSIONER BEARD: They are already in the base.

24 MR. BALLINGER: Right, to me there should have
25 been money in the base. The variance would have been

1 neither less or there is \$43,000 hidden somewhere else.
2 It was Gulf's choice to put this forward as a
3 justification.

4 COMMISSIONER GUNTER: I don't want to see as a
5 justification that we are disallowing the acid rain.

6 MR. BALLINGER: Oh no, no, no.

7 COMMISSIONER GUNTER: Well, I don't want to see it
8 come out in an order. Because now you are talking
9 about potential expense to customers of 7 to 8 billion
10 dollars and you are going come in and hang that this
11 Commission, that I ever voted to disallow money for
12 that research, no.

13 MR. BALLINGER: We're not, we are not taking --

14 COMMISSIONER GUNTER: Not this year. Not this
15 lifetime.

16 MR. BALLINGER: We are not taking exception with
17 the program, we are taking exception for why they
18 couched it as a justification.

19 COMMISSIONER GUNTER: I am concerned about that
20 anyway.

21 CHAIRMAN WILSON: Do we no what is in the base?

22 MR. BALLINGER: No we do not.

23 COMMISSIONER GUNTER: If you knew what everything
24 was then I guess, would get down to zero base budgeting
25 which is the only way out of this thicket. If you go

1 in and pick something else and stick this in and show
2 that this allowance was for that other item. That is
3 the only way that could be done.

4 MR. BALLINGER: Right.

5 COMMISSIONER GUNTER: I want to tell you, however
6 this thing is voted on, if necessary, I would have to
7 write a dissenting on that because that thing is so
8 pressing on us today, big time billions of dollars.

9 MR. BALLINGER: Believe me, I had trouble with
10 this too, with disallowing it. It goes back to the
11 whole function of the O&M benchmark, and the way it
12 works, and we had this discussion tax savings, that
13 just because they didn't give a justification you throw
14 it out, even though the program itself may be good, we
15 had to bid with the EPRI dues and distribution of tax
16 savings. So I'm sympathetic with you. I'm not saying
17 the program is bad or whatever. I am saying the
18 justification that Gulf provided is not the proper one.

19 COMMISSIONER GUNTER: I would allow it. I would
20 move to deny staff and allow the \$43,000 for the acid
21 rain monitoring program.

22 COMMISSIONER BEARD: Well, Commissioner that to me
23 certainly gives the appearance, or potential of double
24 counting.

25 COMMISSIONER GUNTER: I don't know that it does,

1 Commissioner, and it's one of the reason that I started
2 to challenge staff, but I didn't.

3 CHAIRMAN WILSON: Have we got any documentation
4 where you can look back into these accounts and see
5 what the base -- is there anything in the record that
6 would allow us to sort of resolve this concern at this
7 point, or are we beyond that?

8 MR. BALLINGER: I don't think so.

9 COMMISSIONER BEARD: You would have to go back to
10 '84, what was is allowed in that rate case, and it
11 escalates by the escalation of the benchmark that
12 portion of it does up until now, and then you are on
13 top of that you are going to place this money.

14 MR. BALLINGER: What was troubling is Gulf showed
15 a, for all of the R&D projects is zero in '84 when
16 there was some money in '84 for R&D projects. It may
17 be that some projects substituted out others? But they
18 were showing zero for everything. And granted most of
19 them were new projects, so I could take a zero budget
20 for '84, but this one was not.

21 COMMISSIONER GUNTER: This gets you, as far as I
22 am concerned, you picked the wrong one to save this
23 light expense on.

24 MR. BALLINGER: I didn't like it, believe me.

25 CHAIRMAN WILSON: Well, Commissioner Gunter have

1 you moved to allow that?

2 COMMISSIONER GUNTER: Yeah.

3 CHAIRMAN WILSON: Is there a second to that?
4 Failing a second. Is there another motion?

5 COMMISSIONER BEARD: Move staff.

6 CHAIRMAN WILSON: Staff recommendation on 77.

7 COMMISSIONER EASLEY: Second.

8 COMMISSIONER GUNTER: I would vote no, because of
9 the way the recommendation, the language in the
10 recommendation, and I would hope that staff would be
11 sensitive enough, that when you wrote the order,
12 well, that is the only piece of the order that I want
13 to see.

14 CHAIRMAN WILSON: I think what you want to make
15 clear is that this a burden of proof item and not a
16 disallowance on the substance of the efforts by the
17 Company, because I tend to agree with you, I think the
18 staff agrees with you also, that efforts in the area
19 of acid rain are really critical, and are a necessary
20 effort by the Company, and we don't want it to be read
21 as disapproving that. What this, the concern here is
22 that you are doubling counting something that's already
23 been included and that there was a failure of burden of
24 proof to demonstrate that this was not already
25 considered.

1 COMMISSIONER GUNTER: Right.

2 CHAIRMAN WILSON: Cause, would that be fair?

3 COMMISSIONER GUNTER: My concern is, I would
4 challenge staff to show me where that had been included
5 another place that it was included, and you are going
6 to say you can't do it, so, that is the reason I didn't
7 challenge it.

8 COMMISSIONER EASLEY: I would move staff on 78.

9 COMMISSIONER GUNTER: I would second it.

10 CHAIRMAN WILSON: All right. 78 without
11 objection.

12 COMMISSIONER EASLEY: 79 stipulates.

13 CHAIRMAN WILSON: 79?

14 COMMISSIONER GUNTER: I would move Issue 80 and
15 that is a calculation there where Scherer has been
16 removed and that figure.

17 MR. BALLINGER: There is a typo on there. It
18 should be 1 million 822. I don't know if you have it
19 on your vote sheet, but the amount of transmission runs
20 for Scherer.

21 COMMISSIONER GUNTER: 822. A million and 822.

22 MR. BALLINGER: Right. System 1763 million
23 jurisdictional.

24 COMMISSIONER GUNTER: All right.

25 CHAIRMAN WILSON: 81.

1 COMMISSIONER EASLEY: Move staff.

2 COMMISSIONER GUNTER: Yeah.

3 CHAIRMAN WILSON: Without objection.

4 82.

5 COMMISSIONER GUNTER: Move it.

6 COMMISSIONER BEARD: Does 82 change because of
7 Scherer?

8 MR. SLEMKEWICZ: 82 is a fallout.

9 COMMISSIONER GUNTER: That is a fallout.

10 CHAIRMAN WILSON: So we need to temporarily pass.

11 MR. SLEMKEWICZ: Temporarily pass that.

12 CHAIRMAN WILSON: Temporarily pass 82.

13 COMMISSIONER GUNTER: You would have to do --

14 MR. SLEMKEWICZ: You would have to do the same way
15 with 83.

16 COMMISSIONER GUNTER: 83.

17 CHAIRMAN WILSON: The same with 84.

18 MR. SLEMKEWICZ: The same with 84.

19 COMMISSIONER GUNTER: 85.

20 MR. SLEMKEWICZ: 85.

21 COMMISSIONER GUNTER: Move 86.

22 CHAIRMAN WILSON: Without objection.

23 Issue 87.

24 COMMISSIONER GUNTER: Move it.

25 CHAIRMAN WILSON: Without objection.

1 Issue 88.

2 Are you all about ready for a break?

3 CHAIRMAN WILSON: Let's take a five minute break,
4 and come back to 88.

5 (Recess)

6 CHAIRMAN WILSON: Staff recommendation on 88?

7 COMMISSIONER EASLEY: Second.

8 COMMISSIONER GUNTER: Mr. Chairman, I'll move Item
9 88.

10 CHAIRMAN WILSON: All right. Item 88, staff
11 recommendation without objection.

12 MR. BALLINGER: Commissioners, if I may, we need
13 to -- back on Issue 80 with the transmission runs again
14 on Plant Scherer, there may be, in addition to removing
15 Plant Scherer, there may be some additional credits
16 that have been credited in UPS to reduce revenue
17 requirements, and we want to double check those, and we
18 can bring those back to you with the final numbers on
19 total revenue requirements. We just want to let you
20 know that there is a possibility that some of that
21 offset may be offset.

22 CHAIRMAN WILSON: There is an offset to --

23 MR. BALLINGER: There may be. We want to look
24 through that and track the numbers through.

25 CHAIRMAN WILSON: All right.

1 COMMISSIONER BEARD: Whatever the right number is,
2 it is.

3 COMMISSIONER GUNTER: Move 89.

4 CHAIRMAN WILSON: Issue 89 without objection.

5 COMMISSIONER EASLEY: I would move Issue 90.

6 CHAIRMAN WILSON: 90.

7 CHAIRMAN WILSON: Issue 90 without objection.
8 Issue 91.

9 COMMISSIONER GUNTER: Move it.

10 CHAIRMAN WILSON: Staff recommendation without
11 objection.

12 COMMISSIONER BEARD: Wait a minute. Okay.

13 CHAIRMAN WILSON: Issue 92.

14 COMMISSIONER EASLEY: Move staff.

15 CHAIRMAN WILSON: All right. Staff recommendation
16 without objection.

17 Issue 93.

18 COMMISSIONER EASLEY: Move staff.

19 CHAIRMAN WILSON: Staff recommendation without
20 objection.

21 Issue 94. Commissioner, I'm going to have to
22 disagree with this.

23 MR. BALLINGER: Well, you may not disagree once
24 I tell you what happened.

25 CHAIRMAN WILSON: I'll bet I do.

1 MR. BALLINGER: When this, the way this issue was
2 phrased and the way the MFRs were stated I was under
3 the impression that was an additional expense to EPRI
4 dues. I went through the analysis like that, stating
5 that this was additional.

6 After the tax savings I went back and did a little
7 bit further analysis and found it. And one evening
8 about seven o'clock there was a couple of sentences on
9 cross examination that brought out that this was
10 basically encompassed in EPRI dues. This was an
11 internal allocation, and was called nuclear expenses.
12 For that reason I would have no objection to allowing
13 it, and that would not take exception to EPRI dues.

14 COMMISSIONER GUNTER: I'm going to move staff be
15 denied when you allow those EPRI dues and research be
16 included.

17 CHAIRMAN WILSON: Okay. Without objection.
18 Thanks.

19 COMMISSIONER EASLEY: Why don't we show that as
20 having moved staff alternate recommendation.

21 CHAIRMAN WILSON: All right. Staff alternate
22 recommendation.

23 MR. BALLINGER: Thank you.

24 COMMISSIONER EASLEY: You're welcome.

25 MR. BALLINGER: It keeps my batting average up.

1 CHAIRMAN WILSON: Subject to further
2 recommendation.

3 COMMISSIONER GUNTER: Move 95.

4 CHAIRMAN WILSON: 95.

5 COMMISSIONER EASLEY: Move staff.

6 CHAIRMAN WILSON: Staff without objection.
7 96.

8 COMMISSIONER GUNTER: Move it.

9 CHAIRMAN WILSON: Without objection.
10 97.

11 COMMISSIONER EASLEY: Move staff.

12 CHAIRMAN WILSON: Staff without objection.
13 98.

14 COMMISSIONER EASLEY: Move staff.

15 CHAIRMAN WILSON: Staff without objection.
16 99.

17 COMMISSIONER EASLEY: Staff.

18 CHAIRMAN WILSON: Staff without objection.
19 100.

20 COMMISSIONER EASLEY: That's a -- this is a
21 summary issue. I would move staff.

22 CHAIRMAN WILSON: To the extent I understand, I
23 agree.

24 COMMISSIONER EASLEY: This sums it all up, and
25 anything that hasn't been already gotten can be gotten

1 here but we don't think anything needs to be gotten.

2 MR. BALLINGER: Thank you.

3 COMMISSIONER BEARD: That's easy for you to say.

4 COMMISSIONER EASLEY: I have been reading these a
5 long time I think.

6 CHAIRMAN WILSON: Issue 101.

7 COMMISSIONER GUNTER: Move it.

8 CHAIRMAN WILSON: Issue 102.

9 COMMISSIONER EASLEY: Move staff.

10 CHAIRMAN WILSON: Issue 103.

11 COMMISSIONER GUNTER: Move it.

12 CHAIRMAN WILSON: Without objection.

13 Issue 104.

14 COMMISSIONER GUNTER: Move staff.

15 CHAIRMAN WILSON: Without objection.

16 Issue 105.

17 COMMISSIONER EASLEY: Staff.

18 CHAIRMAN WILSON: Issue 106.

19 COMMISSIONER EASLEY: Staff.

20 CHAIRMAN WILSON: Issue 107.

21 COMMISSIONER EASLEY: Staff.

22 CHAIRMAN WILSON: Without objection, staff
23 recommendation.

24 108.

25 COMMISSIONER EASLEY: Staff.

1 COMMISSIONER BEARD: And I can't get you all to go
2 back on 63?

3 COMMISSIONER EASLEY: What is 63?

4 COMMISSIONER BEARD: That is the Good Cents new
5 and improved program.

6 COMMISSIONER EASLEY: No, it's different.

7 CHAIRMAN WILSON: Does it have advertising in it?

8 COMMISSIONER BEARD: I don't know.

9 CHAIRMAN WILSON: Does Item 63 have advertising in
10 it?

11 MR. BALLINGER: I don't think so. That might have
12 been a different one. And remember these are all
13 historic events.

14 CHAIRMAN WILSON: Sure.

15 MR. BALLINGER: So any of the other issues would
16 be prospective.

17 COMMISSIONER BEARD: I'm talking about the issue
18 that is Good Cents new and improved.

19 MR. BALLINGER: Right.

20 COMMISSIONER BEARD: Is there advertising
21 associated with that? There has to be.

22 MR. BALLINGER: I'm not sure.

23 COMMISSIONER BEARD: Huh?

24 MR. BALLINGER: I'm not sure. I can't recall off
25 the top of my head right now if there is.

1 COMMISSIONER BEARD: Whatever.

2 COMMISSIONER EASLEY: Do you want to check and
3 tell us when you bring the numbers back?

4 MR. BALLINGER: I have been told that we believe
5 there is some because it is the entire functional area.

6 CHAIRMAN WILSON: All right. Staff on 108.

7 COMMISSIONER GUNTER: Move 109.

8 CHAIRMAN WILSON: 109 without objection.

9 COMMISSIONER EASLEY: It's stipulated anyway.

10 CHAIRMAN WILSON: 110, we'll see that later.

11 111.

12 COMMISSIONER GUNTER: That is something that you
13 have to calculate and discuss down the road because you
14 don't know what the overall rate of return will be.

15 CHAIRMAN WILSON: Should we wait on that until,
16 until tomorrow or Monday -- or Tuesday?

17 MR. PALECKI: I think that would be appropriate.
18 We have a big difference in our rate base after the
19 various adjustments have been made by the Commission.
20 So we might have a totally different recommendation.

21 CHAIRMAN WILSON: All right. Temporarily pass
22 that then.

23 COMMISSIONER EASLEY: 112 is stipulated.

24 CHAIRMAN WILSON: 112 is stipulated.

25 COMMISSIONER GUNTER: I would move that we accept

1 it.

2 CHAIRMAN WILSON: Item, I have 113, is that --

3 MR. PALECKI: Commissioners, we can go back and do
4 36 now.

5 CHAIRMAN WILSON: I'm sorry, what item?

6 MR. PALECKI: Item No. 36, additional working
7 capital adjustments. That was an issue dependent upon
8 Issues 50, 92 and 100, which have all been decided.

9 COMMISSIONER GUNTER: Well, that is just a
10 calculation, the results of the decisions on those.
11 That is not something for us to decide until we see
12 those figures, is it?

13 MR. PALECKI: Well, I believe the Commission would
14 still have to vote on the adjustment.

15 COMMISSIONER GUNTER: That's what I'm saying.
16 When you get them all put together wouldn't that be the
17 appropriate time to do it?

18 MR. PALECKI: That would be all right also. I was
19 just pointing out it could be decided right now.

20 COMMISSIONER BEARD: We can vote to approve Item
21 36 with the adjustments associated with 50, 92 and 100?

22 COMMISSIONER GUNTER: That's fine.

23 CHAIRMAN WILSON: And 50 we approved. Did we
24 approve 92? 92 we approved.

25 COMMISSIONER GUNTER: And 100 we approved.

1 CHAIRMAN WILSON: And 100 we approved.

2 COMMISSIONER GUNTER: Now we go back to the fuel
3 issue, which is number what?

4 MR. SHEA: 24.

5 COMMISSIONER GUNTER: 24.

6 COMMISSIONER BEARD: I move my motion.

7 COMMISSIONER EASLEY: Which was what?

8 COMMISSIONER BEARD: My motion was that we would
9 allow a 90-day burn for plants where 90 day was there,
10 and there were two plants, I believe it was Schultz --

11 MR. SHEA: And Smith.

12 COMMISSIONER BEARD: -- had a 57.6-day average
13 inventory, and Smith had a 64.9, and that's what they
14 would allow. In addition you would obviously now take
15 out Plant Scherer Unit 3 because it's not in rate base.

16 CHAIRMAN WILSON: And the, let me see if I
17 understand what the policy is we are sort of operating
18 on here. One is that without adequate justification
19 the most that will be allowed for an individual plant
20 will be a 90-day burn.

21 MR. SHEA: That's what these figures represent,
22 and if they had less --

23 CHAIRMAN WILSON: All right. And if they had
24 less, then one assumes that the reason they have less
25 is because --

1 MR. SHEA: They need less.

2 CHAIRMAN WILSON: -- that is the appropriate
3 amount to have there. All right. In a, I don't want
4 to get -- the reason I'm asking these questions, I
5 don't want to get trapped in to another O&M adjustment
6 kind of thing, benchmark type thing. If a company
7 comes in and demonstrates that the amount of inventory
8 that they have at a plant is appropriate for whatever
9 reasons that are associated with that plant, and it's
10 in excess of the 90-day burn --

11 MR. SHEA: Then we should allow that.

12 CHAIRMAN WILSON: -- we would look at the merits
13 of that and make the decision. If it comes in with one
14 that is less than that, if it comes in with one that is
15 less than 90 days and there is no, there is no
16 justifiable reason for bumping it up to 90 days or any
17 reason for treating it other than exactly what it is,
18 then it will be treated exactly what it is.

19 MR. SHEA: All you are doing is applying a generic
20 policy on a plant-by-plant basis rather than a system
21 basis.

22 CHAIRMAN WILSON: Okay, and the generic policy is
23 whatever it is or 90 days?

24 MR. SHEA: Well, the generic policy would be a
25 maximum of 90 days.

1 CHAIRMAN WILSON: And that policy of a maximum of
2 90 days is applied in the absence of competent
3 substantial evidence that it is in excess of 90 days?

4 MR. SHEA: Yes.

5 CHAIRMAN WILSON: And otherwise it's the lesser.

6 MR. SHEA: It would be, if they came, if they
7 couldn't justify it and they came in with 88 days we
8 would say 88 days is fine because it's less than the 90
9 days.

10 COMMISSIONER GUNTER: And these are annual
11 figures?

12 MR. SHEA: These are the test year annual figures.

13 COMMISSIONER GUNTER: Fine. That is not a
14 snapshot in time. When you've got the annual figures,
15 that should give a pretty good indication of what the
16 requirements are.

17 CHAIRMAN WILSON: You don't ever have, and this is
18 a side issue, you don't really ever have a case where
19 you have a 120 days in one pile and 60 in the other,
20 and they can move coal from one pile to the other. You
21 really don't move coal from one pile to the other.

22 MR. SHEA: You would burn it down.

23 CHAIRMAN WILSON: That's all you do. You really
24 don't, you can't make up on one what --

25 MR. SHEA: It doesn't make sense. You would just

1 stop ordering for the one plant and increase deliveries
2 to the plant that you you wanted to build inventory up
3 on.

4 CHAIRMAN WILSON: Okay. All right. In that case
5 I think this thing makes sense.

6 COMMISSIONER GUNTER: It does to me. You've got a
7 motion.

8 CHAIRMAN WILSON: You moved, and you seconded it.
9 Any objection?

10 COMMISSIONER EASLEY: I'm going to vote no just
11 because I don't understand it. I am having trouble
12 making the transition from the 90 system-wide average
13 to plant by plant. That's all.

14 CHAIRMAN WILSON: All right. On Issue 24 then,
15 Commissioner Beard's motion. And these are the figures
16 on here.

17 MR. SHEA: So that would be without Scherer to
18 make an adjustment of \$6,016,717 on a jurisdictional
19 basis.

20 CHAIRMAN WILSON: All right. Do we need to go
21 back and address anything else at this point?

22 MR. ROMIG: Commissioner --

23 MR. PALECKI: The only thing that the Commission
24 could address I believe is Issue No. 2, although it's
25 kind of a fallout issue. There is an issue that was

1 raised by Public Counsel that the total Company plant
2 is overstated by 11 million or \$11-1/2 million, and --

3 CHAIRMAN WILSON: Where is that issue?

4 MR. PALECKI: That is Issue 2, and although it's a
5 fallout issue, it's not a fallout unless there is a
6 decision made on the Public Counsel's position, either
7 accepting it or rejecting it.

8 MR. ROMIG: Basically what Public Counsel did,
9 they went back and they looked, they picked a point in
10 time with regard to plant in service only without
11 consideration of the other components, i.e.,
12 accumulated depreciation, construction work in
13 progress, or any other items.

14 We requested Late-filed Exhibit 570, which brought
15 all the components, the rate base, plant, accumulated
16 depreciation, property held for future use, the whole
17 nine yards up through May wherein in my opinion they
18 justified any kind of variances they may have had
19 related to refunds received back from Plant Scherer
20 from Georgia. The only adjustments --

21 CHAIRMAN WILSON: That was Late-filed 570?

22 MR. ROMIG: Yes, sir.

23 CHAIRMAN WILSON: Is this just sort of in the
24 nature of a sanity check? Is that what I'm looking at
25 here?

1 MR. ROMIG: That's what I would consider it. I
2 think there is considerable discussion on the record
3 about using the most recent data, also in the use of
4 all the components of plant in service, net plant in
5 service as opposed to one single line item. So for
6 this reason we recommend that no --

7 CHAIRMAN WILSON: Motion on Issue 2?

8 COMMISSIONER GUNTER: Move it.

9 CHAIRMAN WILSON: All right. Staff recommendation
10 on Issue 2.

11 MR. ROMIG: Thank you.

12 COMMISSIONER BEARD: That is with the adjustments.

13 MR. PALECKI: We would just want to clarify that
14 that is not to the figures, but to the recommendation,
15 the figures will change.

16 COMMISSIONER GUNTER: The figures will have to be
17 calculated.

18 CHAIRMAN WILSON: I'm sorry, what was that?

19 COMMISSIONER GUNTER: That was just clarifying.
20 If there is anything else, it's not a fallout to come
21 back to.

22 CHAIRMAN WILSON: Okay. Issue 3 is moot, right?
23 And 4.

24 COMMISSIONER EASLEY: 3 and 4 is moot.

25 MR. VANDIVER: I think Mr. Slemkewicz is probably

1 the only member of staff that has been through this
2 wonderful process before, and I think he has got a
3 suggested way to go for tomorrow, and Tuesday.

4 MR. SLEMKEWICZ: Well, I assume that tomorrow you
5 are going to start on the rate issues, and sometime,
6 hopefully early in the morning, we will have the final
7 revenue numbers for you to vote on so that once you get
8 finished with the rate issues they, the rate section
9 will have the opportunity to do their rate design over
10 the weekend and Monday so that Tuesday they can present
11 the rates to you, the actual rates.

12 CHAIRMAN WILSON: That's the way I understood it.

13 Do we want to start into a little bit of rate
14 design or do it in the morning? Why don't we just
15 knock off for the afternoon and we'll start back on the
16 rate stuff in the morning.

17 Are we scheduled to start at 9:30 or 9:00? 9:30.
18 Has it already been noticed for 9:30? Let's make it
19 nine o'clock in the morning.

20 (Whereupon, the proceedings recessed until 9:00 a.m.
21 Friday Morning.)
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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
TALLAHASSEE, FLORIDA

IN RE:

Application of GULF POWER COMPANY for a rate
increase.

DOCKET NO. 891345-EI

BEFORE:

Chairman Michael Wilson
Commissioner Gerald L. Gunter
Commissioner Thomas M. Beard
Commissioner Betty Easley
Commissioner Frank Messersmith

PROCEEDINGS:

Agenda Conference

ITEM NUMBER:

14

DATE:

Tuesday, December 04, 1990

PLACE:

106 Fletcher Building
Tallahassee, Florida

REPORTED BY:

PATRICIA L. GOMIA
Notary Public in and for the
State of Florida at Large

* * *

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3 ROB VANDIVER, Esquire, FPSC Legal Division

4 JOHN SLEMKEWICZ, FPSC Electric and Gas Division

5 WILLIAM TALBOTT, FPSC Deputy Executive Director

6 * * *

7 ISSUE 1: Recommendation that the Commission grant Gulf
8 Power's motion for reconsideration.9 ISSUE 2: Recommendation that the Commission deny Gulf
10 Power's motion for stay.11 ISSUE 3: Recommendation that the Commission deny the
12 Office of Public Counsel's cross-motion for
13 reconsideration.14 ISSUE 4: Recommendation that the Commission on its own
15 motion modify Order No. 23573 to correct the citation
16 error discussed in staff's memorandum dated November
17 19, 1990.
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P R O C E E D I N G S

MR. VANDIVER: Commissioners --

CHAIRMAN WILSON: Yes.

MR. VANDIVER: -- this is the Gulf Power reconsideration. Gulf Power filed four motions. Those four motions are outlined on the first page of the recommendation.

Public Counsel responded to all of those motions and filed a cross-motion for reconsideration as well. Now, we can go through issue by issue, however, you all wish to proceed.

CHAIRMAN WILSON: I think issue by issue would be probably the most organized way to deal with this which would start us off with the --

MR. VANDIVER: The motion for reconsideration by Gulf Power Company, this relates to the refund of interim rates.

CHAIRMAN WILSON: All right, let me ask you a couple of questions about that. The interim was based on what test period?

MR. SLEMKEWICZ: September 1989.

CHAIRMAN WILSON: 12 months ending September 1989.

MR. SLEMKEWICZ: That is correct.

CHAIRMAN WILSON: All right. The full rate case was based on 1990 projected.

1 MR. SLEMKEWICZ: That is correct.

2 MR. VANDIVER: 12/31 test year, 1990.

3 CHAIRMAN WILSON: The calculation of the refund as
4 it stands now is that we took the midpoint of the
5 authorized rate of return.

6 COMMISSIONER GUNTER: The newly authorized.

7 CHAIRMAN WILSON: The newly authorized rate of
8 return, and simply plugged that in to the figures that
9 were dealt with in the interim using the same data that
10 we based the interim on which was the 12 months ending
11 -- what was it, September '89?

12 MR. SLEMKEWICZ: That is correct.

13 CHAIRMAN WILSON: That was the only thing that was
14 done?

15 MR. SLEMKEWICZ: That is correct.

16 CHAIRMAN WILSON: The law says that the interim
17 would be calculated to either lower or increase the
18 utility's rates during the pendency of the hearing.

19 MR. VANDIVER: That's correct.

20 CHAIRMAN WILSON: To the midpoint of the newly
21 authorized rate of return. That is the standard to
22 review after you go back and look at interim after --

23 MR. VANDIVER: Yes, sir. The question --

24 CHAIRMAN WILSON: And the statute that was changed
25 in 1980 -- I don't remember when it was, but it allowed

1 there to be separate test years for interim and
2 permanent.

3 MR. VANDIVER: I think that was in the 1980
4 legislation, yes, sir. The question becomes, I
5 believe, which base you apply the ROE to, should it be
6 the test year used in the full case or the assets used
7 in the interim, the time that the rates were in effect,
8 or should you go back to the period ending September of
9 1989.

10 CHAIRMAN WILSON: Well, I looked at the discussion
11 that Mr. Talbott had at that agenda conference, and I
12 think the point he made is when your interim, the year
13 that you determine your interim and the year that you
14 determine your permanent do not overlap, then the
15 interim has to stand on its own based on that test year
16 information for the interim. Is that right?

17 And your discussion about this case was that the
18 time during which the interim rates were in effect in
19 fact was encompassed within the test year itself for
20 the permanent rates, therefore, we had the information
21 that we do not ordinarily have, which is data from the
22 data during the interim period.

23 MR. SLEMKEWICZ: Right. On a projected basis
24 however.

25 CHAIRMAN WILSON: On a projected basis. Because

1 the statute actually says to reduce or increase the
2 company's rate of return during the pendency of the
3 case, but we usually don't have that data, and we have
4 always read that to mean a test period that is I guess
5 theoretically representative of the period during the
6 pendency of the rates. So ordinarily we are not even
7 able to make that kind of calculation, is that --

8 That was your point, Mr. Talbott, is that right?

9 MT. TALBOTT: That's correct.

10 CHAIRMAN WILSON: By the same token when the law
11 was changed in 1980 to allow separate test years for
12 interim and permanent, you sort of have your choice
13 about the demonstration of your need. You can, you can
14 take, do a demonstration on a historical period that
15 you need an interim increase, and then you can ask for
16 your permanent on a different test year using a
17 projected period I think is the usual dichotomy, is
18 historical for interim and projected for permanent.

19 MR. SLEMKEWICZ: That is correct, and what led to
20 that was one case where there was a projected test year
21 and they wanted interim and they had to use a projected
22 basis to do that.

23 CHAIRMAN WILSON: Uh-huh.

24 MR. PALECKI: The reason that --

25 CHAIRMAN WILSON: The delightful inconsistency

1 with that was that you would have to show a current
2 deficiency based on projected data, and there's sort
3 of a logical flaw inherent in that.

4 MR. SLEMKEWICZ: That's correct.

5 MR. PALECKI: The reason that staff has
6 recommended reconsideration is one of fairness. In the
7 Southern Bell order, which is attached to the staff's
8 recommendation the Commission has done an extensive
9 analysis of exactly this question that we are
10 discussing. And the Commission there said there are
11 three options available to the Commission, and they go
12 through each of the three options. One of the options
13 is use of the data from the test year used in granting
14 the interim rates, and that is what we have done in
15 this case in our initial recommendation, and it's what
16 the Commission voted on.

17 On reconsideration we have determined that that is
18 really not the most fair or the best way to do it,
19 although it is legally defensible. In this particular
20 case the use of the data from the test year used in the
21 full rate case, which actually overlapped the interim
22 period, is much more fair and equitable, and that's why
23 we have recommended that the motion for reconsideration
24 be granted.

25 And in the Southern Bell order that the Commission

1 has analyzed the use of the three options and their
2 final vote in that case was that they used the data
3 from the test year used in the full rate case. So
4 although these three options are all available, they
5 are all legally defensible, I think clearly the use of
6 the data from the test year used in the full rate case
7 is the most fair and equitable method of calculating
8 whether there should be an interim refund.

9 MR. VANDIVER: In terms of the magnitude of this
10 refund, it's .176 for KWH. So that would be a \$1.76
11 basically for an average residential customer.

12 CHAIRMAN WILSON: For a thousand KWH.

13 MR. VANDIVER: Yes, sir, is the amount you are
14 looking at on a per customer basis.

15 CHAIRMAN WILSON: Questions, Commissioners?

16 COMMISSIONER MESSERSMITH: Mr. Chairman, I just
17 need for the record to note that this is an issue that
18 was voted on prior to my participation.

19 CHAIRMAN WILSON: Right.

20 COMMISSIONER GUNTER: Let me make sure so that
21 there is no misunderstanding on my part, the practical
22 effect could be, one scenario, could be that you would
23 take the equity return which was authorized to the
24 Company in existence, that was in existence at the time
25 the interim rates were granted and use that equity

1 component in calculation of any interim award, final
2 interim award.

3 Or, two scenarios, or you can take the newly found
4 authorized rate of return, which fits paren four of the
5 interim statute, and use that interim, use that newly
6 found authorized rate of return in calculation of the
7 interim that would have been allowed. Those two
8 scenarios, is that sort of bottom line where you are
9 at, because the argument is over the equity return, the
10 equity component that was used in the calculation,
11 isn't that correct?

12 MR. VANDIVER: I think you are required to use, to
13 test the interim award with the newly authorized.

14 COMMISSIONER GUNTER: Well, isn't that the
15 argument though? Isn't that just a bottom-line
16 argument?

17 CHAIRMAN WILSON: I don't think the argument is
18 the difference between which equity rates you use. The
19 argument is which test period data you apply the newly
20 authorized equity period.

21 MR. PALECKI: The question is really which data
22 you are using. The interim test year that was used had
23 a much lower bottom-line return, base -- rate base.

24 COMMISSIONER GUNTER: I understand.

25 MR. PALECKI: And after the rate case was

1 conducted and the hearing was had, we had a much higher
2 rate base.

3 COMMISSIONER GUNTER: I was just trying to cut
4 through to make sure that I understood. So it's not
5 a difference in equity component, it really is a
6 difference in the rate base and its two test periods.

7 MR. PALECKI: That is correct.

8 COMMISSIONER GUNTER: Is whether you used the test
9 period for the interim year or the projected year.

10 MR. PALECKI: Exactly.

11 COMMISSIONER GUNTER: In the calculation of
12 interim rates. That's, because it had to be one or the
13 other.

14 MR. PALECKI: At the time the interim rates are
15 determined all you can use is the interim year. And
16 the argument that Gulf has made is that after the rate
17 case you have a much better picture, and after you have
18 looked at the projected test year you have better data.
19 And that is the same conclusion that the Commission
20 came to in the Southern Bell order. They said the
21 better way to do it is using the data from the test
22 year used in the full rate case.

23 CHAIRMAN WILSON: What is the, what is the
24 principle -- what is the goal that we are trying to
25 achieve here? What does the statute say?

1 MR. PALECKI: The statute says any refund ordered
2 by the Commission shall be calculated to reduce the
3 rate of return during the pendency of the proceeding to
4 the same level within the range of the newly authorized
5 rate of return.

6 COMMISSIONER EASLEY: What are the -- is the main
7 difference between this and the Fernandina case the
8 overlapping of the test year?

9 MR. PALECKI: I didn't get the question.

10 COMMISSIONER EASLEY: The main difference between
11 this one and the Fernandina case, is it the overlapping
12 of the test year?

13 MR. PALECKI: No, it's not the only difference.
14 That is one difference. Well, I would say that, that
15 that is a difference. But in the Fernandina case the
16 question as to which test year should be used to
17 determine interim was never really raised. It was just
18 calculated using the data --

19 COMMISSIONER EASLEY: From the interim.

20 MR. PALECKI: -- from the interim rates. And this
21 question I don't think was ever fully developed.

22 COMMISSIONER GUNTER: And the only piece in the
23 statute that covers the difference in time periods that
24 I have been able to find is in paren one, 366.07(1),
25 and it's just such interim rates may be based on a test

1 period different from the test period used in the
2 request for permanent rate relief. That is the only
3 reference I can see to different time period. So it's
4 before the Commission as to which one to use, isn't
5 that correct?

6 MR. VANDIVER: We believe --

7 COMMISSIONER GUNTER: There's no statutory
8 guidance there.

9 MR. VANDIVER: We believe that all of these
10 options are legally defensible. What we've, and what
11 we've done is we have looked at it and we've said we
12 think this is the best one. But I think it's within
13 your discretion to choose any one of them. Because as
14 you point out, Commissioner Gunter, the statute doesn't
15 provide guidance. We do not have a rule on the
16 subject, and we've got precedent frankly on both sides.

17 COMMISSIONER GUNTER: Now, I can recall that we
18 even used it loosely enough in some previous
19 proceedings that the newly authorized, you know, more
20 than covered the interim so you go on, way back when,
21 and that is just an oversimplification, which I'm
22 guilty of on numerous occasions.

23 MR. PALECKI: Well, although it seems like an
24 oversimplification, that really would be the Option
25 No. 3 that is cited in the Southern Bell order.

1 COMMISSIONER GUNTER: Sure.

2 MR. PALECKI: It accomplishes the same thing.

3 COMMISSIONER GUNTER: It accomplishes exactly the
4 same thing.

5 MR. PALECKI: It's just an easier way of saying
6 it.

7 COMMISSIONER GUNTER: Yeah.

8 MR. PALECKI: And that's what we would ask be done
9 as far as this case is concerned, and that the
10 reconsideration be granted, basically that the newly
11 authorized rate increase would more than cover the
12 interim.

13 COMMISSIONER GUNTER: Which is the one that I
14 would have been so comfortable with over time because
15 nobody got short-sheeted, and we are supposed to, I
16 think, be trying to cut down the middle and see the
17 interest of all the parties are protected.

18 MR. VANDIVER: Right. Our reading of the past
19 Commission orders, Gulf Power cited like five or six
20 cases where you had used this method in the past.
21 There were two cases, recent cases, the Fernandina
22 Beach being the most recent where you used this other
23 method.

24 COMMISSIONER GUNTER: Yeah.

25 COMMISSIONER EASLEY: What is your pleasure?

1 COMMISSIONER BEARD: Mr. Chairman, I'm going to go
2 ahead and move staff on Issue 1. I think it's
3 consistent with where we have been, at least in my
4 recent recollection and where we should be, and it's
5 the fair treatment. And I tend to be consistent in all
6 my votes in this if I can.

7 COMMISSIONER GUNTER: I would second that motion
8 on staff's recommendation on Issue 1.

9 CHAIRMAN WILSON: All right. It's been moved and
10 seconded. All in favor signify by saying aye.

11 Opposed.

12 MR. VANDIVER: Issue 2 is Gulf Power's motion for
13 a stay. As you recall you all reduced the return on
14 equity by 50 bases points. Gulf Power has sought by
15 this motion asking you to stay the effect of that while
16 they appeal this to the Supreme Court, collect the
17 higher rate and make that subject to refund under bond
18 The staff has recommended against the stay.

19 COMMISSIONER GUNTER: Move staff.

20 COMMISSIONER EASLEY: Second.

21 COMMISSIONER BEARD: This isn't a request for
22 reconsideration of that?

23 COMMISSIONER EASLEY: No.

24 MR. VANDIVER: No, they are asking to stay your
25 action while they appeal.

1 CHAIRMAN WILSON: Staff recommendation has been
2 moved and seconded. Any objection?

3 All right, Issue 3.

4 MR. VANDIVER: This is the Public Counsel's motion
5 for, cross-motion for reconsideration. We also
6 recommend that this be denied.

7 COMMISSIONER GUNTER: Move staff.

8 COMMISSIONER BEARD: And I am going to, again that
9 is why I was asking the question earlier, I am going to
10 vote against that because of my earlier position on the
11 penalty.

12 CHAIRMAN WILSON: Let me ask a question. I am
13 trying to understand what the issues are here. And
14 the staff recommendation is that the 50-bases point
15 reduction was intended to be, to extend for a two-year
16 period on a prospective basis as of the date of the
17 institution or effective date of the rates in the case
18 and was to extend two years.

19 MR. VANDIVER: Yes, sir, it's staff's view that
20 the 50-bases point reduction is a temporary measure;
21 that the ROE that you found reasonable on a going-
22 forward basis was 12.55. There is a two-year hiatus
23 where they don't get 12.55, where they are entitled to
24 earn 12.05. But we think that the rate that you should
25 look at is the 12.55 and not the temporary reduction.

1 CHAIRMAN WILSON: And the reduction is a
2 recognition of past management.

3 MR. VANDIVER: Past mismanagement.

4 CHAIRMAN WILSON: Past mismanagement. So it's a
5 prospective penalty for past mismanagement. It is not
6 -- it's not a penalty or reduction relating to current
7 management?

8 MR. PALECKI: That is correct.

9 MR. VANDIVER: That's a difficult question because
10 in your order you found two bases for the
11 mismanagement. One of the basis for mismanagement
12 involves someone still with the company, and the other
13 basis does not. You would say you didn't find any
14 ongoing prospective mismanagement. They were all prior
15 to the hearing. So in that sense it was in the past.

16 CHAIRMAN WILSON: Well, the issue this sort of
17 raised as I was reading through the brief, the point
18 was made that this is so many thousand dollars a day.

19 MR. VANDIVER: 6,000 some odd.

20 CHAIRMAN WILSON: Whatever. And it was almost
21 portrayed as if this was a daily fine that was being
22 meted out on a day-by-day basis over the period of the
23 next two years, and I was trying to -- it just raised
24 the question in my mind as to what exactly, what
25 exactly we have done here. I mean the reason that I

1 asked that question is the penalty, an ongoing penalty
2 for past management acts, or whether it's a current
3 penalty for current management or mismanagement acts.
4 And your answer to me is that it's a penalty for past
5 management acts.

6 MR. VANDIVER: I think all --

7 COMMISSIONER GUNTER: If I can, Mr. Chairman,
8 there has been a flipside of this interestingly enough
9 with this Company. Back about ten years ago this
10 Company received an increase in equity return for past
11 practices through conservation efforts that had taken
12 place. They were far in the lead in this state, and in
13 a rate case they received, and I recall 10 bases
14 points, which was prospective application for past
15 practices because of benefit to the public.

16 MR. VANDIVER: Given the nature of our --

17 COMMISSIONER GUNTER: I am just saying there is --

18 CHAIRMAN WILSON: That's why I'm trying to get a
19 grasp on that. If the Company on the date that they
20 had received that 10-bases point kicker on rate of
21 return had ceased all, all conservation efforts, would
22 they have continued to receive that award in the future
23 for past actions?

24 MR. VANDIVER: They would have because of the
25 nature of this process. You all would most likely not

1 find out about that internal company policy until it
2 was brought to your attention at a future hearing.
3 Okay, now they would have been collecting that all
4 along until such time as you all got the facts, made a
5 decision based on that record evidence, et cetera, et
6 cetera. But it's always a looking-back process, if you
7 will, because you never have contemporaneous knowledge
8 of what is going on today as a general rule in your
9 proceeding. The testimony is prefiled months in
10 advance and they describe various events within a test
11 year, et cetera, et cetera, and it's always backward
12 looking to some extent.

13 CHAIRMAN WILSON: All right, I'm still not certain
14 I know exactly what it means, but is there a motion?

15 COMMISSIONER GUNTER: I move Issue 3 of staff's
16 recommendation.

17 CHAIRMAN WILSON: Staff recommendation on Issue 3
18 without objection.

19 COMMISSIONER GUNTER: And four.

20 CHAIRMAN WILSON: And one no; that is consistent
21 with your prior vote?

22 COMMISSIONER BEARD: Yes.

23 MR. VANDIVER: The last issue is a mistake the
24 staff made in drafting the order. It's a clerical
25 thing. It was my mistake and I apologize.

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1 COMMISSIONER GUNTER: To the whipping post.

2 CHAIRMAN WILSON: All right. Without objection
3 Issue 4 is approved.

4 MR. PALECKI: To just ask for a clarification on
5 Commissioner Beard's dissent on Issue 3, that would be
6 only as to the issue concerning the amount of the
7 penalty, is that correct?

8 COMMISSIONER BEARD: Yeah.

9 MR. PALECKI: Thank you.

10 MR. VANDIVER: Commissioners, Mr. Slenkewicz
11 informs me there is really no reason to keep this
12 docket open. Could we go ahead and close it?

13 CHAIRMAN WILSON: Without objection?

14 COMMISSIONER GUNTER: Yeah.

15 CHAIRMAN WILSON: All right, the docket is closed.
16 (Whereupon, discussion on the above item concluded.)
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CERTIFICATE OF REPORTER

STATE OF FLORIDA)

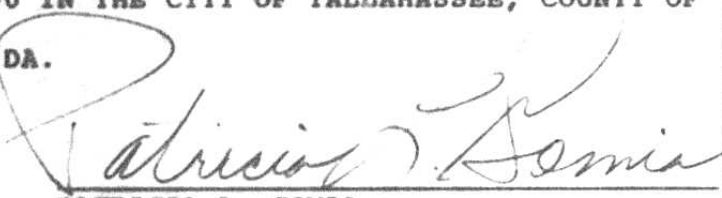
COUNTY OF LEON)

I, PATRICIA L. GOMIA, Registered Professional Reporter, Certified Shorthand Reporter, and Notary Public in and for the State of Florida at Large:

DO HEREBY CERTIFY that the foregoing agenda conference proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter reduced to typewriting under my supervision; and the foregoing pages numbered 1 through 19 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, nor financially interested in the foregoing action.

WITNESS MY HAND AND SEAL this, the 11th day of DECEMBER, A. D., 1990 IN THE CITY OF TALLAHASSEE, COUNTY OF LEON, STATE OF FLORIDA.


PATRICIA L. GOMIA
216 West College Avenue
U.S. Post Office, Room 122
Tallahassee, Florida 32301

My Commission expires: June 17, 1994

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
TALLAHASSEE, FLORIDA

IN RE:

Request by GULF POWER COMPANY for a rate increase.

DOCKET NO. 891345-EI

BEFORE:

Chairman Michael Wilson
Commissioner Gerald L. Gunter
Commissioner Betty Easley

PROCEEDINGS:

Special Agenda Conference

DATE:

Tuesday, August 14, 1990

PLACE:

106 Fletcher Building
Tallahassee, Florida

REPORTED BY:

PATRICIA L. GOMIA
Notary Public in and for the
State of Florida at Large

VOLUME IV

PAGES 387 TO 400

* * *

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JOHN SLEMKEWICZ, FPSC Electric and Gas Division

WILLIAM TALBOTT, FPSC Deputy Executive Director

* * *

I N D E X

ISSUES

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P R O C E E D I N G S

1
2 MR. VANDIVER: Commissioners, I think we are here
3 today to set the rates and to take care of one last
4 issue, the interim issue. We can proceed in any
5 order that you all wish.

6 COMMISSIONER GUNTER: Do the rates first?

7 CHAIRMAN WILSON: Yeah, let's go ahead and do the
8 rates.

9 MS. KUMMER: Commissioners, I distributed
10 yesterday afternoon the final increase spread which is
11 shown on Schedule A, this is developed within the
12 parameters that we discussed on Friday and that you
13 approved on Friday. Schedule B is essentially a
14 fallout. This is what those numbers generate. And
15 Schedule C shows they represent a thousand KWH bill.

16 CHAIRMAN WILSON: To make sure I understand what
17 I'm reading here, before the interim increase the rates
18 for a, thousand KWH on Schedule C would have been
19 \$68.14. After the interim there were \$69.19, and if we
20 approved these, after we approve these rates the going-
21 forward rate for a thousand KWH will be \$67.60.

22 MS. KUMMER: Given these fuel and --

23 CHAIRMAN WILSON: Given those fuel assumptions,
24 right.

25 MS. KUMMER: And the reason that dropped is

1 because of the elimination of the seasonal rate.

2 CHAIRMAN WILSON: I understand. All right. Any
3 questions about --

4 COMMISSIONER GUNTER: No, I'll move staff.

5 CHAIRMAN WILSON: All right. Without objection
6 then, the staff recommendation on the calculation of
7 the rates is approved.

8 MS. MEETER: The last column shows what the rates
9 will become in two years.

10 MS. KUMMER: On Schedule B.

11 MS. MEETER: On Schedule B. And that is based on
12 a .879 percentage increase across the board.

13 MS. KUMMER: .879. And as a housekeeping matter,
14 would you like in this order that the Company will file
15 rates according to this on, I guess August, by August
16 15th, 1992, I guess it would be two years.

17 MS. MEETER: To be effective on.

18 MS. KUMMER: September 15.

19 COMMISSIONER EASLEY: Are you talking about the
20 new tariff.

21 MS. KUMMER: After the management penalty expires,
22 that's what this fourth column is.

23 COMMISSIONER EASLEY: I'm sorry, I thought we had
24 already decided that.

25 COMMISSIONER WILSON: I think we have.

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1 MS. KUMMER: You did decide. Do you want this
2 order to reflect that they will file these rates?

3 COMMISSIONER WILSON: Yes. That was part of the,
4 we don't want the --

5 MS. KUMMER: Just a point of clarification.

6 COMMISSIONER GUNTER: We don't want the fight in
7 the parking lot. We will take care of it in the order.

8 MS. KUMMER: Thank you.

9 COMMISSIONER EASLEY: What have we got left Mr.
10 Chairman?

11 CHAIRMAN WILSON: We have the calculation of the
12 interim.

13 MR. VANDIVER: Commissioners, on 111 we were
14 concerned that perhaps the issue had not been developed
15 fully enough in staff discussion, and we passed out the
16 Southern Bell interim order from 1982 which fully
17 discusses those options for you all. And we will be
18 happy to answer any questions. And I believe
19 previously you have been handed the calculation that is
20 adjusted by the earlier decisions you had made in the
21 full case.

22 COMMISSIONER GUNTER: Well, Mr. Chairman, the
23 Issue 111 poses somewhat of a dilemma in that we have a
24 mismatch in what fits. I think we go back and you look
25 at previous policy prior to the last couple of small

1 cases that we had, previous policy has been that, and I
2 think if my recollection serves me correct, we had an
3 interim year, and a test year was the same, was one and
4 the same. And so we didn't have a mismatch such that
5 you would have, and I'm not incorrect in some of the
6 cases that we had recently, we've had the situation of
7 same test year and the same interim year. I may be
8 incorrect on that. Mr. Slemkewicz could probably help
9 me.

10 MR. SLEMKEWICZ: I believe in the last TECO case
11 they did file a historical test year, and the interim
12 year and the full year I believe were the same test
13 year.

14 COMMISSIONER GUNTER: Right. And we, in the cases
15 previously we had been on a dollar amount, which I was
16 a little concerned about when I read the staff's
17 recommendation. The last sentence was the only
18 development of what the Commission policy had been, was
19 that previously, up until I guess the Fernandina, well,
20 until the Florida Public Utilities case, we worked it
21 on a dollars basis, the dollars in the final award were
22 greater than the dollars on the interim. It just went
23 on, isn't that right?

24 MR. SLEMKEWICZ: In the majority of the cases.
25 Various methodologies have been used over time, but

1 probably predominantly is the dollars.

2 COMMISSIONER GUNTER: Yeah, and in this one, if I
3 can understand staff's rationale, even though we had
4 a historic test year and a projected, based on
5 historical data with the projected test year and the
6 interim not even really based on a full time period,
7 the staff's recommendation is now with the projected
8 test year that we have in this case, because we found a
9 lower return, to apply that lower return on calculation
10 retroactively, is that correct?

11 MR. SLEMKEWICZ: That is correct.

12 COMMISSIONER GUNTER: I guess my problem is, this
13 is the first time it's squarely been presented in that
14 direction, and the statute does allow a different
15 period for interims, and a different period for the
16 test year on the going-forward rates.

17 MR. SLEMKEWICZ: That is correct.

18 COMMISSIONER GUNTER: And so that this is the
19 first time, at least in my recollection, that it has
20 been focused, I guess, to the point of this sort of
21 recommendation. Not saying we didn't vote. Sometimes
22 you vote on things that are not focused, to the point
23 that they highlight them, so you have to really think
24 through them. Either methodology is correct, is it
25 not?

1 Is it legally correct? I guess is the concern I
2 have, is it correct in trying to think through this for
3 us to, to go backwards when you have a different test
4 year?

5 MR. PALECKI: Yes, I believe that under the case
6 law, and also the Southern Bell case, there are three
7 options that are available to the Commission and any of
8 them are legally correct, and the question is which is
9 the appropriate methodology for this particular case.
10 And the case law states that the Commission has wide
11 discretion with regard to interim rates and interim
12 refunds. Specifically, the case of United Telephone
13 versus Mann, talks about the wide discretion available
14 to the Commission in determining the amount of revenues
15 collected during the interim periods. So, the question
16 is what is the appropriate methodology. I think, any
17 of them can be legally justified.

18 COMMISSIONER GUNTER: Mr. Talbott, can you help in
19 this thicket at all and help me, because I'm in a
20 quandary.

21 MR. TALBOTT: Yeah, I apologize for not being as
22 familiar with all the details of this case as I
23 normally would be because I have been on vacation.

24 COMMISSIONER EASLEY: Your timing is impeccable.

25 COMMISSIONER GUNTER: No excuse.

1 MR. TALBOTT: On this particular issue it's more
2 of a generic issue, and I am familiar with generally
3 what I think the options are and what the Commission
4 has done, and I have my own personal, professional
5 opinion as to which option I think is the best fit on
6 this particular case.

7 As Mr. Palecki has already told you, I think the
8 Bell case that he has referred to and handed out is
9 sort of the landmark case of what the options are
10 available to the Commissioners under the interim
11 statute. And in that order that has been handed out,
12 there's three available options, and they are numbered
13 one, two, and three, in that order.

14 The first option is to use the actual data during
15 the period that the interim rates were in effect, and
16 to the best of my knowledge the Commissioners have
17 never used that option for a very practical reason, and
18 that is that the financial data to make that
19 calculation isn't really available, and we are all
20 suffering from data overload on rate cases anyhow. We
21 already calculate the interim and then we have a case
22 in chief and they have a third calculation and it
23 really wouldn't be cost effective. So, the
24 Commissioners have always used one of the other two
25 options.

1 The second option in that Bell case, you used the
2 data from the test year used in the full case. My
3 personal opinion is absent some compelling reason to do
4 otherwise that is the one that I would prefer the
5 Commissioners always use because it's the test year
6 that is used in the full case that gets all the
7 scrutiny, and it's the one with cross examination, and
8 depositions and so forth and so on. You do have to be
9 sure that you checked the revenue requirements that you
10 come up with in that, a full rate case, to be sure
11 there aren't any adjustments that are prospective in
12 nature like an attrition allowance or a depreciation
13 represcription or something like that. But absent any
14 of those types of adjustments, and in the Gulf case I
15 am told there are no adjustments of that nature, then
16 you simply compare the dollars of revenue requirement
17 in the full case with the dollars in the interim, and
18 as long as the ultimate revenue requirements are larger
19 than the interim there wouldn't be any refund.

20 The third option is to use the test period used in
21 the interim, and that is a legally defensible option.
22 It's the one that was recommended in this case, and it
23 is the one that I guess that was used in the last two
24 smaller electric cases.

25 So I think either of the two options are available

1 to you. Neither one of them would be wrong.

2 My professional opinion in this particular case
3 predominantly because the interim rates were collected
4 from March forward in this case, and the test year used
5 in the case was 1990, I think the best fit would be to
6 use the test year used in the full rate case as a proxy
7 for that interim period and if you did that there would
8 be no refund of the interim. But that is my personal,
9 professional opinion and either of the two options
10 would be legally defensible.

11 CHAIRMAN WILSON: As a practical matter in any
12 case then where the company has received make whole
13 relief on interim under the statute during a time of
14 declining capital costs, if the final award is higher,
15 they will receive or there will be no refund of interim
16 even though there are declining capital costs.

17 MR. TALBOTT: As a general proposition that is
18 true.

19 CHAIRMAN WILSON: All right. Under this, under
20 the recommendations in the staff recommendation is, if
21 you have declining capital costs the final award can be
22 higher yet you still may have a refund of interim if
23 the award, if the capital, determination of what the
24 cost of capital is lower in the final award than it
25 was in the interim. Assuming different, well, even if

1 it were the same test period you would end up with the
2 same result.

3 MR. TALBOTT: If the midpoint that you ultimately
4 authorize is lower than the previously authorized floor
5 you are always going to get a refund.

6 CHAIRMAN WILSON: If the dollars are higher in the
7 permanent you will never have a refund.

8 MR. TALBOTT: Assuming there are not a lot of
9 adjustments that are strictly prospective in nature to
10 where you would have to adjust the revenue
11 requirements to get an adjusted figure to compare to
12 the interim. And in this case I don't think there are
13 any. Like in the Bell case that we handed out there
14 was an attrition allowance that was strictly
15 prospective in nature that had to be adjusted out.
16 There was a depreciation represcription that was
17 prospective in nature that had to be adjusted out. It
18 obviously wouldn't be fair to just compare the dollars
19 if part of the revenue requirements being granted are
20 to take care of something that is strictly prospective
21 in nature like a depreciation represcription. You
22 would to have back that out and then compare the
23 adjusted dollars with the interim. But in this case I
24 don't think there are any adjustments that are
25 prospective in nature so you wouldn't make any

1 adjustment, therefore you would simply be comparing the
2 revenue requirements in the case in chief with those
3 granted in the interim. And as long as the revenue
4 requirements in the case in chief were higher there
5 wouldn't be any refund. It's only on if they were
6 lower that there would be a refund.

7 COMMISSIONER EASLEY: Ready for a motion?

8 CHAIRMAN WILSON: Yeah.

9 COMMISSIONER EASLEY: Mr. Chairman, I'll move
10 staff recommendation.

11 CHAIRMAN WILSON: Any objection to that?

12 CHAIRMAN WILSON: All right. Without objection
13 then staff recommendation on interim.

14 I don't see anything else we need to do this
15 morning? All right. Thank you.

16 (Whereupon, discussion on the above proceedings
17 concluded.)
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CERTIFICATE OF REPORTER

STATE OF FLORIDA)

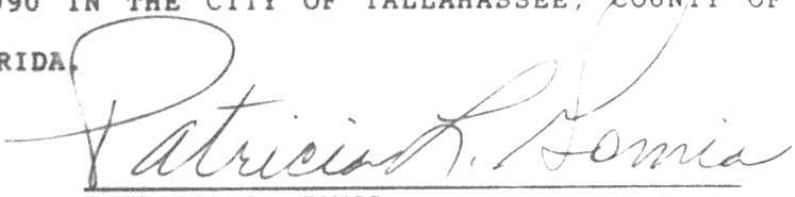
COUNTY OF LEON)

I, PATRICIA L. GOMIA, Registered Professional Reporter, Certified Shorthand Reporter, and Notary Public in and for the State of Florida at Large:

DO HEREBY CERTIFY that the foregoing agenda conference proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter reduced to typewriting under my supervision; and the foregoing pages numbered 1 through 399 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, nor financially interested in the foregoing action.

WITNESS MY HAND AND SEAL this, the 18th day of AUGUST, A. D., 1990 IN THE CITY OF TALLAHASSEE, COUNTY OF LEON, STATE OF FLORIDA.


PATRICIA L. GOMIA
216 West College Avenue
U.S. Post Office, Room 122
Tallahassee, Florida 32301

My Commission expires: June 17, 1994

GOMIA AND ASSOCIATES

2400-M