

1 Q. Please describe your responsibilities and duties as
2 the Director of Corporate Planning.

3 A. My primary function is to ensure that Gulf's
4 planning process is effective by establishing
5 appropriate policies and procedures which provide
6 consistency and continuity among strategic planning,
7 budgeting, forecasting, and performance measurement.

8 In addition, I coordinate the overall planning
9 effort, and I am responsible for the production of
10 the Company's financial forecast.

11

12 Q. What is the purpose of your testimony?

13 A. My purpose is to provide an overview of the planning
14 process which results in the production of Gulf's
15 financial forecast. The financial forecast is the
16 basis for Gulf's projected data for 1990 used in
17 this rate case. Specifically, I will present an
18 overview of Gulf's planning and budgeting process;
19 outline the assumptions used in developing Gulf's
20 financial forecast; describe the Capital Additions
21 Budget process, the Operation and Maintenance Budget
22 process, and Gulf's Responsibility Reporting System.

23

24 Q. Have you prepared an exhibit that contains information
25 to which you will refer in your testimony?

1 A. Yes.

2 Counsel: We ask that Mr. Gilbert's Exhibit,
3 comprised of 7 Schedules, be marked
4 for identification as Exhibit __
5 (DPG-1).
6

7 Q. Were all of the schedules in this exhibit prepared
8 under your supervision?

9 A. Yes. Each schedule of this exhibit was prepared
10 under my supervision and direction.
11

12 Q. Are you the sponsor of certain Minimum Filing
13 Requirements (MFRs)?

14 A. Yes. These are listed on Schedule 7 at the end of
15 my exhibit. To the best of my knowledge, the
16 information in all of the listed MFRs is true and
17 correct.
18

19 Q. Please describe Schedule 1 of your exhibit.

20 A. Schedule 1 is a flow chart of Gulf's annual planning
21 and budgeting process. This is an ongoing process
22 intended to develop a financial forecast for use by
23 management as a tool in making decisions affecting
24 the future direction of the Company. The chart
25 shows the eight component budgets that are

1 incorporated into Gulf's financial forecast, the
2 relationship among the budgets, and their relation-
3 ship to the financial model. In addition to the
4 activities identified on Schedule 1, there are
5 numerous reviews and approvals by Gulf's Budget
6 Committee and the Chief Executive Officer as well as
7 the review and approval of the Capital Additions
8 Budget by our Board of Directors. These reviews and
9 approvals are an integral part of our budgeting
10 process. Schedule 1 indicates the individuals
11 responsible for discussing in this proceeding each
12 component budget, providing the assumptions
13 incorporated in each budget, and developing the
14 financial forecast.

15
16 Q. Please identify the eight component budgets which
17 are incorporated into Gulf's financial forecast.

18 A. The eight component budgets which comprise Gulf's
19 financial forecast are the:

- 20 - Customer Budget
- 21 - Energy Budget
- 22 - Peak Demand Budget
- 23 - Revenue Budget
- 24 - Fuel Budget
- 25 - Interchange Budget

- 1 - Capital Additions Budget
- 2 - Operation & Maintenance (O & M) Budget
- 3

4 Q. Who will testify on the preparation of the eight
5 component budgets in Gulf's financial forecast?

6 A. As indicated on the flow chart of Schedule 1, the
7 Customer, Energy, Peak Demand, and Revenue Budgets
8 are the responsibility of Mr. Kilgore; the Fuel
9 Budget is the responsibility of Mr. Parsons; the
10 Interchange Budget is the responsibility of
11 Mr. Howell, and the Capital Additions Budget is the
12 responsibility of Mr. Conner, Mr. Howell, Mr. Jordan,
13 Mr. Lee and Mr. Scarbrough. The Operation and
14 Maintenance Budget will be discussed by Mr. Lee,
15 Mr. Howell, Mr. Jordan, Mr. Bowers, and
16 Mr. Scarbrough. Mr. McMillan will address the
17 interface of the component budgets with the
18 financial model in his testimony.

19

20 Q. Has Gulf Power filed a listing of the assumptions
21 used in developing Gulf's financial forecast?

22 A. Yes. MFR F-17 lists the assumptions used in
23 developing Gulf's financial forecast and the
24 supporting basis for each assumption. Additionally,
25 this MFR indicates the witness responsible for a

1 specific assumption. Gulf's management believes the
2 assumptions used in Gulf's financial forecast, as
3 outlined on MFR F-17, to be reasonable in light of
4 our experiences and the circumstances known to us at
5 the time the assumptions were developed.

6

7 Q. Who administers the budgeting process?

8 A. The Budget Committee administers the budgeting
9 process and approves all component budgets.
10 Mr. Scarbrough serves as the Budget Committee
11 Chairman.

12

13 Q. Schedule 1 shows Corporate Planning's involvement in
14 producing Gulf's financial forecast. Would you
15 describe your department's role?

16 A. Primarily, the department is responsible for
17 coordinating the Capital Additions and O & M Budget
18 processes. The department is also responsible for
19 preparing for use in the Financial Model the
20 information which is produced in the approved
21 Revenue, Fuel, Interchange, Capital Additions, and
22 O & M Budgets. Corporate Planning is involved in
23 analyzing and updating the financial model logic to
24 ensure accurate forecasts of the Company's financial
25 results.

1 Q. Please describe Gulf's Capital Additions Budget?

2 A. The Capital Additions Budget consists of Plant
3 Expenditure (PE) projects for additional property
4 covering a period of six years. The PE's are
5 categorized by Major Generation, Production, New
6 Business, Transmission, Distribution, Joint Sub &
7 Line, General Plant, and Miscellaneous Items. The
8 PE's are identified as Specific PE's, Accumulation
9 PE's, and Blanket PE's. Specific PE's are projects
10 costing \$50,000 or more that are individual in
11 nature and may require expenditures in one or more
12 years. Accumulation PE's include individual
13 projects that generally cost less than \$50,000, with
14 each individual project listed as a line item in the
15 PE. Blanket PE's include repetitive type plant
16 additions which are not easily defined or
17 distinguished as individual or separate projects at
18 the time the budget is prepared.

19

20 Q. When is the Capital Additions Budget prepared?

21 A. There are two revisions to the Capital Additions
22 Budget each year occurring in February and October.
23 The February revision includes unforeseen new or
24 revised projects for the budget year, adjustments
25 for necessary projects being carried over from the

1 previous year to the budget year (Unintentional
2 Carryovers), or projects accelerated from a forecast
3 year to the budget year. The February revision
4 includes one budget year and five forecast years of
5 information. The October revision includes the
6 final budget estimate of the current year, and the
7 initial budget for the coming year, including new
8 and revised projects. The October revision includes
9 two budget years (the current year budget and the
10 conversion of the first forecast year to a budget
11 year) and four forecast years.

12

13 Q. Who is responsible for developing the Plant
14 Expenditure (PE) projects and preparing the
15 necessary documentation?

16 A. The personnel responsible for the appropriate
17 functional operating areas are responsible for the
18 Plant Expenditures. The major portion of the
19 Capital Additions Budget is prepared under the
20 direction of Mr. Lee, Mr. Jordan, and Mr. Howell.

21

22 Q. Who is responsible for reviewing the Plant
23 Expenditure projects and the overall Capital
24 Additions Budget?

25 A. The Director or Manager responsible for each plant

- 1 category of a PE is required to sign the PE to
2 signify his review and approval of the proposed
3 project. The Capital Budget Review Committee is
4 responsible for reviewing all PE's and submitting
5 the recommended Capital Additions Budget to the
6 Budget Committee for final approval. After review
7 and approval by the Budget Committee and the
8 President, the budget is submitted to Gulf's Board
9 of Directors for final approval.
10
- 11 Q. What is the Corporate Planning Department's role in
12 the Capital Additions Budget process?
- 13 A. Corporate Planning performs mainly an administrative
14 role in coordinating the preparation of the Capital
15 Additions Budget. Corporate Planning is responsible
16 for developing the Capital Additions Budget
17 schedule, assuring the PE's are prepared in
18 accordance with Company's procedures, compiling the
19 PE's for the review and approval process, and
20 preparing the approved Capital Additions Budget for
21 interface with the Financial Model.
22
- 23 Q. Does Gulf monitor the actual construction
24 expenditures against its approved budget?
- 25 A. Yes. On a monthly basis my Department furnishes a

1 copy of the Comparison of Plant Expenditures to the
2 Budget Committee members and Directors and Managers
3 responsible for the Capital Additions Budget. This
4 comparison indicates the deviation from budget by
5 amount and percent for each PE, each plant category,
6 and total Budget for the current month and
7 year-to-date. Whenever a PE has a year-to-date
8 budget variance of either 10 percent or \$250,000,
9 whichever is less (less than \$10,000 need not be
10 reported), a summarized report is be prepared by the
11 responsible Director and sent to the appropriate
12 Vice President. A copy of this report signed by the
13 responsible Vice President is sent to the Manager of
14 Financial Planning. The report explains by project
15 the reasons for the deviation, the action
16 contemplated to bring the project on schedule, and
17 an estimate of the budget status at year-end or
18 completion of the project. It is the responsibility
19 of my Department to ensure this control is used.

20
21 Q. What is the amount of Gulf's 1990 Capital Additions
22 Budget?

23 A. Gulf's total 1990 Capital Additions budget is
24 \$62.2 million. Schedule 2 of my exhibit shows Gulf's
25 1990 Capital Additions Budget by category. In

1 addition, it shows the witness responsible for the
2 PE's included in each category. Those witnesses are
3 prepared to discuss the appropriate portion of the
4 Capital Additions Budget.

5
6 Q. Would you please state the purpose of your testimony
7 as it relates to the O & M Budget?

8 A. I will describe the preparation process and provide
9 an overview of the assumptions used to prepare the
10 1990 O & M Budget. The following individuals are
11 responsible for and are prepared to address the
12 specific assumptions, details, and explanations
13 related to the 1990 O & M Budget for the indicated
14 functions.

15	<u>Witness</u>	<u>Function</u>
16	C. R. Lee	- Production
17	M. W. Howell	- Transmission
18	C. E. Jordan	- Distribution; Transportation
19	W. P. Bowers	- Customer Service &
20		Information; Sales
21	A. E. Scarbrough	- Customer Accounting;
22		Administrative &
23		General

24 The assumptions and their supporting bases for the
25 1990 O & M Budgets are outlined in MFR F-17.

1 Q. What is the amount of Gulf's 1990 O & M Budget?

2 A. The 1990 O & M Budget, exclusive of direct fuel and
3 purchased power, is \$129.7 million. Schedule 3 of
4 my exhibit summarizes the 1990 O & M Budget by major
5 functional categories.

6

7 Q. Please describe the Corporate Planning Department's
8 role in preparing Gulf's O & M Budget.

9 A. Corporate Planning is responsible for maintaining a
10 logical process for the preparation of the budget,
11 for administering the process under the direction of
12 the Budget Committee, and for providing the Budget
13 Committee with the information they need to make
14 budgetary decisions. Schedule 4 of my exhibit is a
15 flow chart outlining the O & M Budget process. In
16 addition to the Company-wide budget coordination
17 responsibility, I am responsible for preparing
18 Corporate Planning's departmental budget.

19

20 Q. Would you describe the process of preparing Gulf's
21 O & M Budget, exclusive of fuel and purchased power?

22 A. Referring to my Schedule 4, the first step in Gulf's
23 O & M Budget process is the issuance of the Corporate
24 Business Plan. Each department, as a planning unit,
25 then prepares objectives and goals which address its

1 direction and major emphasis for the coming year.
2 The planning unit goals and objectives support
3 specific goals included in the Corporate Business
4 Plan. Once developed, the department's goals and
5 objectives are reviewed and approved by Gulf's
6 management. After the individual departments' goals
7 and objectives are approved, a Budget Message is
8 issued by the Budget Committee Chairman. The Budget
9 Message outlines the various budget guidelines and
10 parameter assumptions and provides the Reference
11 Level for each department for use in preparing the
12 O & M Budget. The Reference Level is defined and
13 established each year by the Budget Committee. The
14 planning units are required to justify increases or
15 decreases in expenses from the Reference Level. The
16 Reference Level determines the amount of
17 documentation required to be submitted to the Budget
18 Committee for review in the budget approval process.

19
20 Q. How did the Budget Committee define the Reference
21 Level for the 1990 O & M Budget?

22 A. The 1990 Reference Level is calculated to be the
23 1989 Budget less 1) 1989 Corporate Controlled
24 expenses, 2) 1989 nonrecurring items, and 3) salaries
25 for positions which were budgeted in 1989 but had

1 not been added to the complement or which were
2 budgeted in 1989 but had not been approved for
3 filling for 12 months.

4
5 Q. Please describe what is meant by Corporate
6 Controlled items?

7 A. Items included in Gulf's budget as Corporate
8 Controlled represent large dollar expenditures which
9 require the action of either an individual other
10 than the person responsible for monitoring the item,
11 a group of individuals, or the input of other
12 companies to control the expenditure. Examples of
13 Corporate Controlled expenses include the expenses
14 of Plant Daniel, Plant Scherer, Pension and Benefit
15 costs, Southern Company Services billings, Turbine
16 and Boiler Inspections, and Transmission Line
17 Rentals. Gulf removes the Corporate Controlled
18 expenses when calculating the Reference Levels of
19 specific planning units to properly reflect in the
20 Reference Level only those expenditures over which
21 the department head has direct control.

22
23 Q. What is meant by nonrecurring items as used in
24 Gulf's budget process?

25 A. Nonrecurring items are defined as those items which

1 do not recur for the planning unit in the budget
2 year but may recur in future years or be incurred by
3 other planning units. Major periodic and cyclical
4 activities are included as nonrecurring items.

5
6 Q. What was the purpose of the salary adjustment made
7 in calculating the 1990 Reference Level?

8 A. As indicated previously, we made an adjustment in
9 calculating the 1990 Reference Level which removed
10 the 1989 budgeted salaries for those vacant
11 positions which had not been added to the personnel
12 complement and those vacant positions which had not
13 been approved for filling for 12 months. This
14 adjustment was made so that all planning units
15 affected would be required to rejustify those
16 positions on Activity Analysis (B-4) forms. The
17 adjustment did not indicate that the positions were
18 not approved, only that if the planning unit
19 budgeted that position, it would be necessary to
20 provide current justification for the position.

21
22 Q. Have any other salary related adjustments been made
23 in the 1990 O & M budget?

24 A. Yes. In addition to the salary adjustment discussed
25 above, Gulf made an adjustment to eliminate the

1 salaries associated with vacancies caused by normal
2 personnel turnover.

3

4 Q. How was this adjustment calculated?

5 A. Gulf analyzed its vacancies for the twelve month
6 period ending August 1989 and determined that, on
7 average, 42 vacancies existed which were in the
8 process of being filled. Included in the average of
9 42 vacancies were 4 positions which were eliminated
10 in the 1990 budget resulting in 38 vacancies in
11 process of being filled. We then determined the
12 average salary of the new employees hired by Gulf
13 during the same period and applied this average
14 salary to the 38 vacancies. After adjusting this
15 calculation to reflect the use of unbudgeted
16 temporary employees to fill these vacancies, the
17 resulting amount was \$442,000. Approximately,
18 \$378,000 relates to O & M expense. Therefore, the
19 1990 O & M Budget has been reduced by \$378,000 to
20 reflect this hiring lag.

21

22 Q. Please describe the O & M Budget process after the
23 issuance of the Budget Message.

24 A. Upon receipt of the Budget Message each department
25 prepares the detailed budget which supports its

1 approved goals and objectives for the budget year.
2 The budget represents the funds the department
3 management determines are required to accomplish its
4 goals and objectives. The detailed budget is
5 reviewed and approved by the responsible Vice
6 President. After the department's budget has been
7 reviewed and approved by the Vice President, it is
8 submitted to Corporate Planning. Corporate Planning
9 reviews the documentation for compliance with the
10 Company guidelines and compiles the data for review
11 by the O & M Review Committee.

12 The O & M Review Committee is established by the
13 Budget Committee and is charged with review of all
14 the Resources Requests submitted. Upon completion
15 of the review the Committee makes a recommendation
16 to the Budget Committee regarding the appropriate
17 level of O & M expenses to approve. The Budget
18 Committee reviews and approves the resource requests
19 after considering the O & M Review Committee
20 recommendation. After the initial approval of
21 resources by the Budget Committee, each department
22 provides the FERC account distributions for its
23 approved resources. At this time, each department
24 also forecasts O & M expenses for the next four
25 years. An explanation is provided for any account

1 which changed during the projected period by an
2 amount which was different from the projected rate
3 of inflation. Once the account number assignments
4 and projections are developed and approved by
5 departmental management, the budget amounts and
6 forecasts are reviewed and approved by the Budget
7 Committee and by the President.

8
9 Q. How does Gulf's budget process incorporate the
10 budget variances from the prior year into the budget
11 estimate for the upcoming budget year?

12 A. During July and August of each year as the planning
13 units develop their O & M budgets, the budget
14 variance reports for the current and previous years
15 are utilized. These, along with the knowledge,
16 experience, and professional judgement of the
17 management of each planning unit, determine the
18 affect the variances might or might not have on the
19 budget year.

20 During the review process performed by the O & M
21 Review Committee, the budget and actual
22 expenditures, by FERC Account, for each planning
23 unit for the years 1987 - 1989 (6 months ended June
24 1989) were reviewed. The department heads were
25 questioned as to the effect certain significant

1 variances had on individual planning unit budgets
2 and, if appropriate, the budgets were adjusted.

3 The Budget Committee was also provided budget
4 and actual amounts by planning unit for use in their
5 review prior to approving the 1990 O & M Budget.
6

7 Q. Mr. Gilbert, has the Company included in its budgeted
8 Operations and Maintenance (O & M) expenses any
9 nonrecurring expenses which should be disallowed?

10 A. No. Gulf's nonrecurring expenses as I have defined
11 on page 14, consist of \$7,158,205. Turbine and
12 Boiler expenses and Vehicle Rebuilds which recur
13 from year to year on different units account for
14 \$5,340,000 and \$116,500 respectively, of the
15 \$7,158,205. The remaining \$1,701,705 is not an
16 excessive amount of periodic or cyclical expense for
17 a representative test year. Although those specific
18 activities will not recur next year, similar
19 activities will occur. This is a conservative
20 estimate of cyclical activities for which Gulf will
21 have to budget beyond 1990.
22

23 Q. How are the costs associated with the recent Federal
24 investigations of Gulf Power handled in this case?

25 A. Gulf has identified \$615,000 associated with the

1 Federal investigation in its 1990 O & M Budget and
2 has made a Net Operating Income (NOI) adjustment to
3 remove these budgeted expenditures from consideration
4 in this case. These costs will be borne by Gulf's
5 stockholders. These adjustments are identified in
6 Mr. McMillan's testimony.
7

8 Q. In Gulf's plea agreement with the United States
9 Government, several specific instances were cited of
10 payments to various political, civic, and other
11 organizations made by vendors and then billed to
12 Gulf as some other expenses. Are any of these
13 expenditures included in Gulf's 1990 O & M budget?

14 A. It is my opinion that these questionable payments
15 are not included in Gulf's 1990 O & M budget for the
16 following reasons: (1) The expenditures identified
17 in the later years of the plea agreement (1988 &
18 1989) related almost exclusively to payments made
19 through advertising agencies. In 1989 Gulf is
20 ceasing to do business with the agencies mentioned
21 in the plea agreement and their contracts are not
22 being renewed in the future. It should be noted
23 that Gulf could be required to make payments to
24 these agencies in the future through the cooperative
25 advertising program with various builders. Under

1 this program a builder could select one of these
2 agencies and Gulf would be required to pay a portion
3 of the builder's advertising costs directly to these
4 agencies. This in no way detracts from the fact
5 that the questionable payments are not included in
6 Gulf's 1990 O & M Budget. In 1990 advertising
7 initiated by Gulf will be handled by a new agency
8 which was chosen through a thorough selection
9 process. This new agency is not associated with any
10 questionable dealings mentioned in the plea
11 agreement. (2) The plea agreement mentioned that
12 retainer fees were used to reimburse vendors for
13 several questionable payments. There is no retainer
14 fee for the new advertising agency budgeted in 1990.
15 (3) The Company's business dealings with Ray Howell
16 ceased in late 1988. The graphic artist layout
17 activities performed by Mr. Howell have been
18 performed in 1989 in house or by other vendors. The
19 1990 budget is based upon the costs incurred in 1989
20 for those graphic services not on 1988's cost.
21 (4) There were no questionable items noted in 1989
22 by the plea agreement.

23
24 Q. What rate of inflation is used by Gulf in the
25 preparation of its Operation & Maintenance (O & M)

1 **Budget?**

2 A. The Budget Message issued by the Budget Committee
3 includes the inflation rate to be used by the
4 planning units in preparing the O & M budget. The
5 rate included in the Budget Message is the latest
6 available estimate of the Consumer Price Index -
7 Urban for the budget and forecast years at the time
8 the Budget Message is issued. The rate of inflation
9 for 1990 used in preparing the O & M budget is 4.4%.

10

11 Q. How is this inflation rate used by the planning
12 units?

13 A. This inflation factor is used by the planning units
14 to escalate the nonlabor expenses, either budget or
15 actual, when such escalation is the most appropriate
16 method of budgeting the expense.

17

18 Q. How is the O & M Budgeting process used by Gulf
19 Power Company?

20 A. Gulf uses the budgeting process as a comprehensive
21 management tool both to plan and to control the
22 Company's operations. Through the budgeting
23 process, we establish goals, objectives, and
24 priorities, attempt to anticipate events, and
25 establish the appropriate level of expenses. The

1 process permits us to address and approve the
2 specific dollar impact of selected operating
3 alternatives. Additionally, the O & M Budget
4 approved by the Budget Committee is a direct input
5 into our Responsibility Reporting System which
6 produces monthly Budget Comparison Reports. These
7 reports compare actual amounts to budgeted amounts
8 and provide dollar and percent variances by account
9 number and by responsibility location.

10
11 Q. Do intermediate and lower level managers receive
12 Budget Comparison reports?

13 A. Yes, they do. It is Gulf's philosophy that the
14 individual preparing a budget is also the individual
15 responsible for controlling that budget. Managers
16 down through the supervisory level receive the
17 Budget Comparison reports.

18
19 Q. Does Gulf's upper management monitor the Company's
20 actual performance as compared to the budget?

21 A. Yes. Schedule 5 is an example of a Budget Variance
22 report. Each quarter the departments are required
23 to submit Budget Variance reports which include
24 explanations for significant variances from budget
25 and projections of the year-end variances by FERC

1 account. Those reports are submitted to the
2 appropriate Vice President for approval.
3 Significant projected year-end variances are
4 presented to the Budget Committee for review and
5 approval.

6

7 Q. Does Gulf have a method to review possible
8 exceptions to the approved O & M Budget?

9 A. Any activity requiring funding of more than \$25,000
10 during the budget year, not provided for in the
11 budget, must be presented to the Budget Committee
12 for approval or disapproval.

13

14 Q. Have the financial model results and the various
15 component budgets been reviewed by an outside party?

16 A. Yes. Mr. Mark R. Bell, an expert witness, of Arthur
17 Andersen & Company has provided testimony in this
18 case relating to his review of the accuracy with
19 which the Company's budgeting process forecasts the
20 test period financial results, the overall
21 reasonableness of the assumptions made by the
22 Company to develop those results, and the
23 consistency of the data used in applying those
24 assumptions throughout the forecast. Mr. Bell
25 evaluated the financial forecast against the AICPA's

1 "Guidelines for Prospective Financial Statements."

2 His testimony states that he found:

3 ...the system used by the Company conforms
4 with relevant professional standards, is
5 adequate for its purpose, is complete and
6 logically founded, and can be relied upon to
7 produce consistent, reliable results.

6

7 Q. How is the financial model utilized in preparing
8 Gulf's financial forecast?

9 A. The outputs from Gulf's budgeting process comprising
10 the eight component budgets, other income and balance
11 sheet accounts, and the financial assumptions are
12 input into the financial model, which in turn
13 generates the financial and accounting statements
14 that comprise Gulf's financial forecast as shown on
15 my Schedule 6. Mr. McMillan is prepared to discuss
16 the financial model in detail.

17

18 Q. Mr. Gilbert, would you please summarize your
19 testimony?

20 A. Gulf utilizes a very straightforward, logical, and
21 comprehensive process in developing the eight
22 component budgets that are incorporated into our
23 financial forecast. This budgeting process is
24 performed annually and results in a forecast that
25 management uses as a tool in planning and decision

1 making. We believe the assumptions contained in each
2 budget are reasonable in light of our experiences and
3 perceptions of the future and that they have been
4 obtained from the best sources available at the time
5 the budgets were developed. Gulf inputs the
6 information contained in the eight component budgets,
7 other income and balance sheet accounts, and the
8 financial assumptions into a detailed computer-based
9 financial model that generates the accounting
10 statements that comprise our financial forecast.

11

12 Q. Does this conclude your testimony?

13 A. Yes, it does.

14

15

16

17

18

19

20

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24

25

AFFIDAVIT

STATE OF FLORIDA)
COUNTY OF ESCAMBIA)

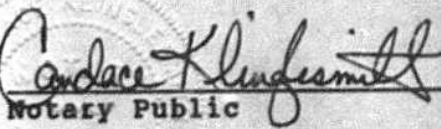
Before me the undersigned authority personally appeared D. P. Gilbert, who first being duly sworn, says that he is the witness named in the testimony to which the Affidavit is attached; that he prepared said testimony and any exhibits included therein on behalf of Gulf Power Company in support of its petition for an increase in rates and charges in Florida Public Service Commission Docket No. 891345-EI; and that the matters and things set forth herein are true to the best of his knowledge and belief.

Dated at Pensacola, Florida this 7th of December, 1989.



D. P. Gilbert

Sworn to and subscribed before me
this 7th day of December, 1989.



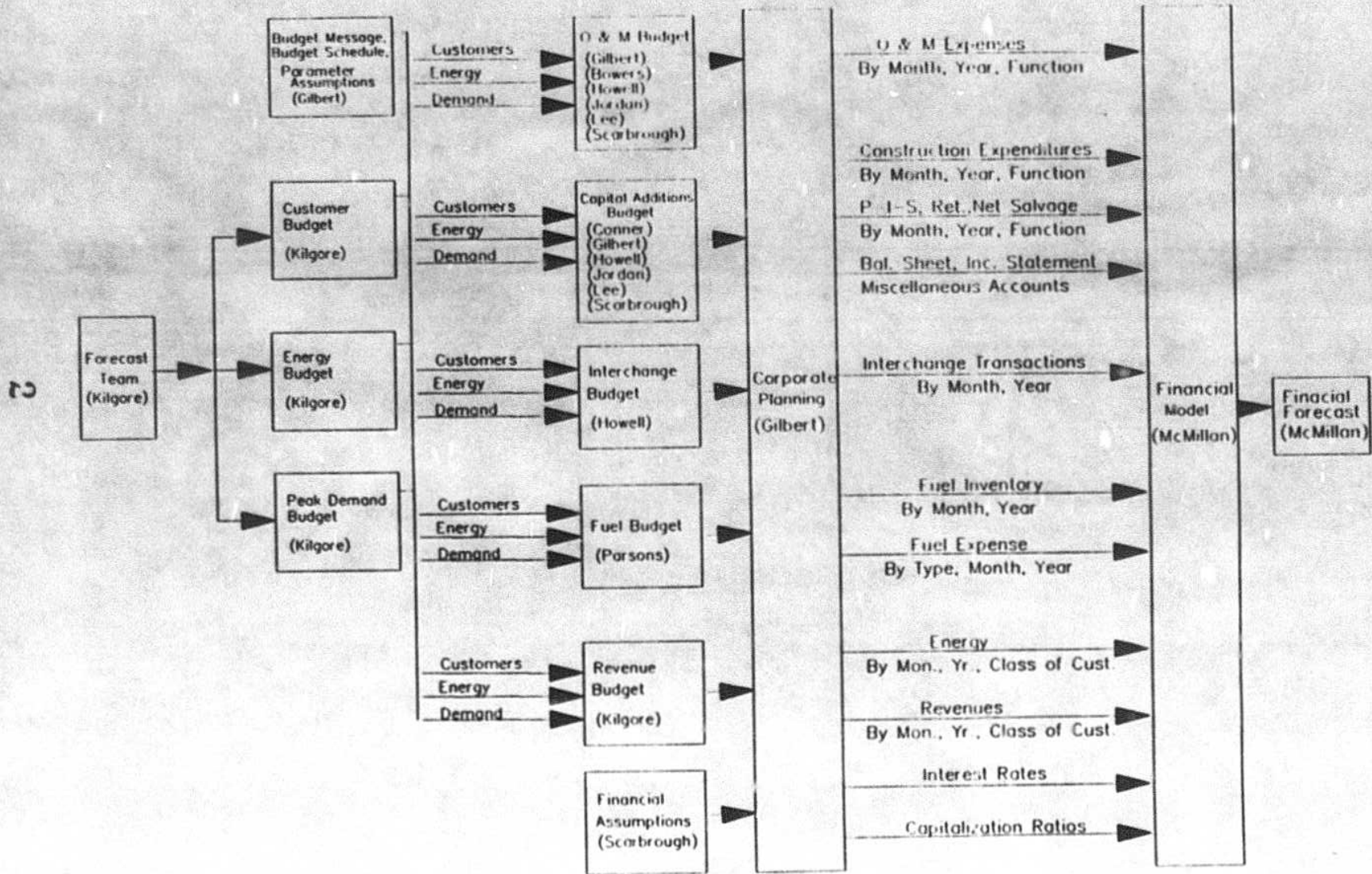
Notary Public

MY COMMISSION EXPIRES MAY 18, 1991

Florida Public Service Commission
Docket No. 891345-EI
GULF POWER COMPANY
Witness: D. P. Gilbert
Exhibit No. ____ (DPG-1)

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Gulf Power Planning / Budgeting Flow Chart



GULF POWER COMPANY
 1990 Capital Additions Budget
 (000's)

FUNCTION	AMOUNT	WITNESS
MAJOR GENERATION	\$378	LEE
OTHER PRODUCTION	22,791	LEE
NEW BUSINESS	16,255	HOWELL JORDAN
TRANSMISSION	2,392	HOWELL
DISTRIBUTION	9,237	HOWELL JORDAN
JOINT SUBSTATION & DISTRIBUTION LINE	3,550	HOWELL JORDAN
GENERAL	7,540	CONNER JORDAN SCARBROUGH
CARRYOVERS	0	
NON-UTILITY PLANT	50	SCARBROUGH
TOTAL	<u>\$62,193</u>	

GULF POWER COMPANY
1990 Operation and Maintenance Expense
Excluding Direct Fuel, Purchased Power and Over/Under Recovery of Fuel
By Function
(000'S)

<u>FUNCTION</u>	<u>AMOUNT</u>	<u>WITNESS</u>
POWER PRODUCTION	\$52,737	LEE
TRANSMISSION	7,297	HOWELL
DISTRIBUTION	14,530	JORDAN
CUSTOMER ACCOUNTS	7,780	SCARBROUGH
CUSTOMER SERVICE AND INFORMATION	7,066	BOWERS
SALES	835	BOWERS
ADMINISTRATION AND GENERAL	39,467	SCARBROUGH
TOTAL OPERATION AND MAINTENANCE	<u>\$129,712</u>	

TTD BUDGET DEVIATION REPORT

CORPORATE PLANNING

3RD QUARTER ENDING SEPTEMBER 30, 1989

TYPE OF ACCOUNT	
X C&M	ECCE
APPL S&S	PLANT S&S
CLEARING	426
SOD FARM	VIS. DES.

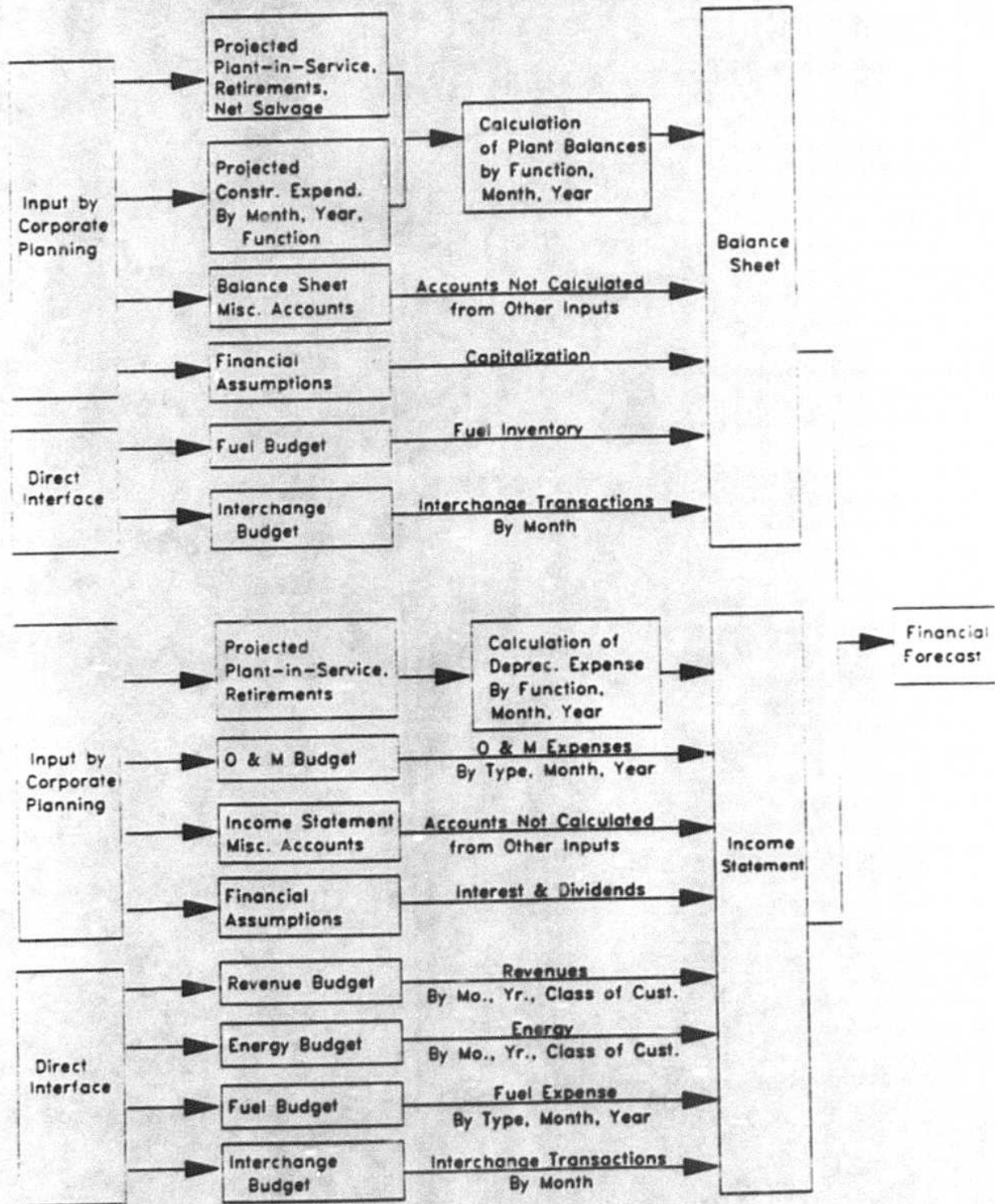
PREPARED BY: *R. W. [Signature]*

APPROVED BY: *D. P. Gilbert* DATE *Oct 25, 1989* V.P. APPROVAL *[Signature]*

DATE *10/30/89*

PRIMARY FERC ACCOUNT	ACTUAL	BUDGET	VARIANCE	%
920 - Adm. & General Salaries	416,684	423,902	(7,218)	-1.7%
Justification not Required				
Year-end: \$10,585 & (1.9%) Under budget due to new employees being paid at a lower rate than budgeted and actual salary increases being less than budgeted.				
921 - Office Supplies & Travel Exp.	16,612	27,621	(11,009)	-39.5%
Under budget due to amount of time devoted to Retail Rate Case, participation in scheduled training seminars has not been accomplished.				
Year-end: (\$14,000) & (38.5%) Under budget since training scheduled will not be completed.				
928 - Other O & S Services	959	0	959	100.0%
Justification not Required				
Year-end: \$859 & 100%				
Total Operation & Maintenance Expenses	434,156	451,523	(17,367)	-3.8%

Gulf Power Financial Model Flowchart



Florida Public Service Commission
Docket No. 891345-EI
GULF POWER COMPANY
Witness: D. P. Gilbert
Exhibit No. _____
Schedule 7

MINIMUM FILING REQUIREMENTS

<u>Schedule</u>	<u>Title</u>
F-11	Forecasting Models - Historical Data
F-15	Forecasting Models - Consistency of Data
F-17	Assumptions