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FILE COPY

Jack L. Haskins  
Manager of Rates and Regulatory Matters  
and Assistant Secretary

the southern electric system

July 11, 1994

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 931044-EI

Enclosed for official filing in Docket No. 931044-EI are an original and fifteen (15) copies of the following:

1. Rebuttal testimony of M. W. Howell
2. Rebuttal testimony of J. I. Thompson

Sincerely,

*Jack L. Haskins*

ACK \_\_\_\_\_  
 AFR lw  
 APP \_\_\_\_\_  
 CAF Enclosures  
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*Thompson*  
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 FPSC-RECORDS/REPORTING

"Our business is customer satisfaction"

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET No. ~~931044 - EI~~

**GULF POWER COMPANY**

REBUTTAL TESTIMONY OF  
JAMES I. THOMPSON

JULY 11, 1994

DOCUMENT NUMBER-DATE

06860 JUL 11 1994

FPSC-RECORDS/REPORTING

1 Gulf Power Company

2 Before the Florida Public Service Commission  
3 Prepared Rebuttal Testimony of  
4 James I. Thompson  
5 Docket No. 931044-EI  
6 July 11, 1994

7 Q. Please state your name, business address and  
8 occupation.

9 A. My name is James I. Thompson and my business address  
10 is 500 Bayfront Parkway, Pensacola, Florida 32501.  
11 I am employed by Gulf Power as a Pricing Specialist.

12  
13 Q. Have you previously testified on direct in this  
14 proceeding?

15 A. Yes.

16  
17 Q. What is the purpose of your rebuttal testimony?

18 A. The purpose of my testimony is to respond to and  
19 rebut portions of the testimony of Mr. William B.  
20 Berg.

21  
22 Q. Is there an overall shortcoming in Mr. Berg's  
23 position?

24 A. Yes. Mr. Berg has not offered a recommended  
25 complete plan for pricing and billing Gulf Power's

1 customers for standby electric service. He simply  
2 states that the present rate, Rate SBS, "should be  
3 denied"; that the Coordinated Maintenance Month  
4 provision in Rate SBS is unnecessary; and that the  
5 Annual Review of the Option A Daily Demand Charge  
6 provision is "problematic." What is not clear from  
7 Mr. Berg's testimony is just what his plan for  
8 pricing standby electric for those customers now  
9 served under Rate Schedule SBS would be if the rate  
10 schedule is denied.

11  
12 Q. Do you have any comments regarding Mr. Berg's  
13 reference to FPSC Order No. 17159, an order which  
14 was issued in February, 1987?

15 A. Yes. Mr. Berg has concluded that the Coordinated  
16 Maintenance Months provision and the Annual Review  
17 of Option A Daily Demand Charge provision are not in  
18 compliance with specific provisions in that 1987  
19 FPSC order entered in Docket No. 850678-EU. It is  
20 inappropriate to test this proposal against the  
21 specific letter of what was written in a 1987 order  
22 based on 1986 hearings in a 1985 docket. At that  
23 time, Gulf and the other electric utilities in  
24 Florida had virtually no experience with pricing and  
25 billing standby service. We now have the benefit of

1 several years of experience.

2 I counted five times in that 1987 order that it  
3 either stated explicitly or referred to the need to  
4 revisit or reconsider the policies and concepts  
5 included in that order as we gained experience. We  
6 have gained that experience over the past several  
7 years, and it leads us to know now that we can do a  
8 better job than perhaps we did when we were just  
9 starting out in this process.

10 I would add that I believe the FERC is also  
11 under the impression that we in Florida are going to  
12 live and learn when it comes to pricing standby  
13 service. In the FERC's May 1993 order denying a  
14 petition for rehearing filed by the industrial  
15 cogenerator intervenors in the FERC docket initiated  
16 for purposes of reviewing FPSC Order No. 17159, the  
17 FERC appears to have relied on the Florida  
18 Commission's stated intention to continue to review,  
19 revise, and revisit its policies on pricing standby  
20 service as experience is gained.

21

22 Q. What has Mr. Berg advocated with regard to the  
23 Coordinated Maintenance Month Provision in Rate SBS?

24 A. Mr. Berg is apparently suggesting that the Daily  
25 Demand charge in Rate SBS should be higher in the

1 Coordinated Maintenance months than the current  
2 amount for this component, which is zero. He also  
3 suggests that the Daily Demand Charge in the non-  
4 Coordinated Maintenance Months should be higher than  
5 what is currently found in Rate SBS, in light of the  
6 zero daily demand charge during the Coordinated  
7 Maintenance months. As a result, it is not clear  
8 which one or both of the two changes Mr. Berg is  
9 advocating. In either event, Mr. Berg has not  
10 addressed the revenue impact of the changes he has  
11 suggested either in total, or equally importantly,  
12 by customer.

13 As has been mentioned previously, the new  
14 standby service pricing arrangement was developed  
15 with two rate level objectives in mind - no overall  
16 increase in revenues for Gulf Power and no increase  
17 for the individual customers. This second  
18 objective:

- 19 a) is especially appropriate in light of the  
20 circumstances that caused us to seek a change in  
21 our standby service pricing arrangement, and  
22 b) can reasonably be accomplished since only a few  
23 customers are involved.

24 The economic effects on individual cogeneration  
25 customers associated with a change in Gulf's standby

1 service rate should not be overlooked.

2 Mr. Berg concludes his testimony on the  
3 Coordinated Maintenance Months component with the  
4 statement that he does not believe the Coordinated  
5 Maintenance Month provision is necessary, and that  
6 the seasonal differential in the daily demand charge  
7 component of the old rate provides an adequate  
8 incentive for customers to schedule maintenance in  
9 the non-summer months. Mr. Berg is apparently  
10 suggesting that a new rate be adopted for these  
11 customers which is different from both the present  
12 rate SBS or the old rate. Mr. Berg's new rate  
13 apparently would have no provision for coordinated  
14 maintenance and would have seasonal daily demand  
15 charges which mirror those in Gulf's old standby  
16 service rate. This suggestion suffers several flaws  
17 which make it inappropriate. First, Mr. Berg has  
18 not offered any indication of the economic effect of  
19 such a rate on Gulf's customers. Also, that  
20 suggestion would leave Gulf's customers with no  
21 opportunity to usefully coordinate maintenance with  
22 Gulf Power and receive an economic incentive for  
23 doing so. This is a position which they have not  
24 been in under either the old rate or rate SBS, since  
25 the Coordinated Maintenance Months provision in Rate

1 SBS is an enhancement of a similar provision in  
2 Gulf's old rate. Mr. Berg has not addressed the  
3 effect this would have on Gulf's customers' standby  
4 service usage.

5 Also, though Mr. Berg testifies that the  
6 seasonal differential in Gulf's old rate would  
7 provide an adequate incentive for Gulf's customers  
8 to schedule maintenance in non-summer months, the  
9 company's actual experience indicates differently.  
10 As Mr. Howell states in his direct testimony  
11 beginning on line 4 on page 9, Gulf's experience  
12 "under the old standby service rate shows that they  
13 indeed purchased standby service from Gulf Power  
14 during the summer months, at times when Gulf  
15 experiences its highest system loads and its highest  
16 cost to provide service. In fact, the Company has  
17 seen a fairly high incidence of standby demand at  
18 times during the summer months when the load is  
19 between 90% and 100% of Gulf's annual peak."  
20

21 Q. What has Mr. Berg recommended with regard to the  
22 Annual Review of Option A Daily Demand Charges?

23 A. It is not clear from his testimony what  
24 recommendation Mr. Berg is making with regard to  
25 this provision.



1 I can think of three possible suggestions he  
2 might have in mind, each of which is entirely  
3 inappropriate.

4 The first one would be to modify the Annual  
5 Review component so that it would provide for an  
6 upward adjustment at year-end as well as the  
7 downward adjustment provided for in Rate SBS. That  
8 suggestion was addressed in my direct testimony, and  
9 fails to recognize the asymmetrical responsibility  
10 for designating Supplemental Energy periods, and  
11 raises retroactive ratemaking concerns. It simply  
12 is bad practice to attempt to raise the price after  
13 the customer has made the purchase.

14 The second possible suggestion Mr. Berg may  
15 have in mind would be to set the Option A Daily  
16 Demand Charge at a level high enough to ensure that  
17 there would always be a downward adjustment at the  
18 time of the annual review. This approach was also  
19 addressed in my direct testimony. This approach  
20 would leave the customer in the position of making  
21 operational decisions throughout the year based on  
22 unrealistically high "prices". I used the term  
23 prices in quotes here because the "prices" in effect  
24 every month would be expected to change by some  
25 unknown amount due to the Annual Adjustment.

1 Also, such an approach would reintroduce too much of  
2 the "puzzling decision economics" that plagued our  
3 customers under the old rate, as described in Mr.  
4 Bogatie's "2:00 AM" example.

5 The third possible suggestion that Mr. Berg may  
6 have in mind would be to remove the Annual Review  
7 provision from the Option A version altogether.  
8 This would leave those customers with the potential  
9 exposure to the Daily Demand Charge of \$1.41 per KW  
10 per day for every single weekday of the month, since  
11 Gulf is under no obligation to designate any  
12 Supplemental Energy periods. This would equate to a  
13 demand charge of nearly \$30 per KW per month. In  
14 reality, such a provision might economically  
15 preclude our cogeneration customers who purchase  
16 standby service from availing themselves of Gulf's  
17 optional Supplemental Energy program. This could be  
18 construed as a violation of the Public Utility  
19 Regulatory Policies Act (PURPA) enacted by Congress,  
20 the FERC rules established to implement PURPA, and  
21 the Florida Statutes regarding cogeneration.

22  
23 Q. Do you have any final remarks with which you would  
24 conclude your testimony?

25 A. Mr. Berg has offered no valid reason for removing  
our cogeneration customers from Rate SBS and placing

1           them on either the old rate or some different rate.  
2           Gulf Power has developed, through an 18 month long  
3           collaborative effort with its customers, a complete  
4           plan for pricing and billing standby electric  
5           service. We have visited all of these customers'  
6           facilities on numerous occasions to learn what their  
7           needs are, and what they aren't. We have combined  
8           the understanding we have gained of our customers'  
9           needs with our own experience in pricing our  
10          services to develop Rate SBS. Rate SBS:  
11          a) is cost based;  
12          b) complies with relevant federal requirements;  
13          c) is born out of our specific experiences over  
14          the last several years;  
15          d) is a substantial improvement over its  
16          predecessor;  
17          e) is consistent with principles of good utility  
18          pricing;  
19          f) gives appropriate recognition to non-cost  
20          inputs to pricing; and  
21          g) is an example of Gulf Power's commitment to  
22          rely on pricing as a primary means to achieve  
23          marketing objectives, including conservation  
24          objectives.  
25          Finally, Rate SBS is the only complete plan for

1 pricing and billing standby service that has been  
2 offered in this proceeding.

3  
4 Q. Does this conclude your testimony?

5 A. Yes.

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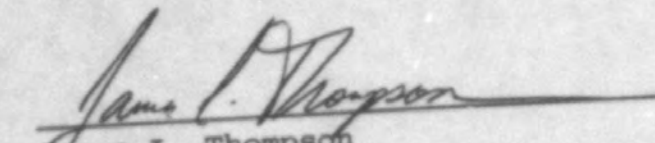
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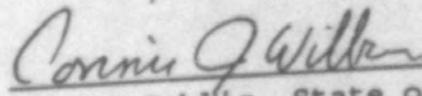
STATE OF FLORIDA     )  
                                  )  
COUNTY OF ESCAMBIA   )

Docket No. 931044-EI

Before me the undersigned authority, personally appeared James I. Thompson, who being first duly sworn, deposes and says that he/she is a Pricing Specialist in Marketing and Load Management at Gulf Power Company and that the foregoing is true and correct to the best of his/her knowledge, information and belief.

  
James I. Thompson  
Pricing Specialist in Marketing and  
Load Management

Sworn to and subscribed before me this 8th day of  
July, 1994.

  
Notary Public, State of Florida at Large  
Commission No. CC059328

(Know Personally)

My Commission Expires:

Notary Public  
State of Florida at Large  
My Commission Expires:  
October 25, 1994

AFFIDAVIT

STATE OF FLORIDA )  
COUNTY OF ESCAMBIA )

Docket No. 931044-EI

Before me the undersigned authority, personally appeared James I. Thompson, who being first duly sworn, deposes and says that he/she is a Pricing Specialist in Marketing and Load Management at Gulf Power Company and that the foregoing is true and correct to the best of his/her knowledge, information and belief.

*James I. Thompson*  
James I. Thompson  
Pricing Specialist in Marketing and Load Management

Sworn to and subscribed before me this 8th day of July, 1994.

*Connie J. Wilton*  
Notary Public, State of Florida at Large  
Commission No. CC059328

(Know Personally)  
My Commission Expires:

Notary Public  
State of Florida at Large  
My Commission Expires:  
October 25, 1994



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition for Authority to implement Replacement Rate Schedule  
for Standby Electric Service by Gulf Power Company

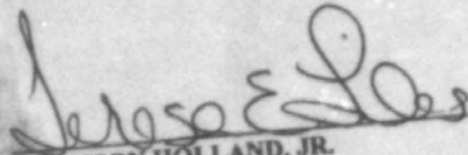
) Docket No. 931044-EI  
)

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S.  
Mail this 11th day of July, 1994 on the following:

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