

T

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

ORIGINAL
FILE COPY

MEMORANDUM

February 8, 1990

TO : CHAIRMAN WILSON
 COMMISSIONER BEARD
 COMMISSIONER EASLEY
 COMMISSIONER GUNTER
 COMMISSIONER HERNDON

FROM : DIVISION OF ELECTRIC & GAS (Romig) *SR JS* *JOJ*

RE : DOCKET NO. 891345-EI - APPLICATION OF GULF POWER COMPANY FOR A
 RATE INCREASE

Attached please find the remaining issues to be voted on by the Commission, and the spreadsheets reflecting the Commission's decision on February 6, 1990.

	ACK _____
	AFA _____
	APP _____
	CAF _____
CLR/bc	CMU _____
Attachments	CTR _____
cc: William Talbott	EAG _____
Steve Tribble	LEG _____
Joseph Jenkins	LIN <u>6</u>
Robert Trapp	OPC _____
John Slenkewicz	RCH _____
Tim Devlin	SEC <u>1</u>
Suzanne Brownless	WAS _____
	OTH _____

DOCUMENT NUMBER-DATE

01244 FEB -8 1990

FPSC-RECORDS/REPORTING

GULF POWER COMPANY
Docket No. 891345-EI

ISSUE SUMMARY

ISSUE 9: The fuel inventory component of working capital should be reduced \$624,000 (\$644,411 System) to remove excess heavy and light oil inventory at Gulf's plants and an additional \$2,133,000 (\$7,542,000 System) associated with fuel inventory at Plant Scherer for a total reduction of \$2,757,000 (\$8,186,000 System).

ISSUE 10: The appropriate amount of average rate base is \$785,912,000 after making adjustments for Issues 3, 4, 5, 6, 7, 8, 9 and removing an additional \$45,867,000 (\$161,982,000 System) to disallow the jurisdictional net investment in Plant Scherer. The total amount removed from rate base associated with Plant Scherer is \$52,124,000 (\$184,088,000 System).

ISSUE 12: The appropriate amount of O&M expenses is \$106,004,000. This amount includes a \$522,000 (\$1,733,000 System) reduction in O&M and \$4,453,000 (\$4,597,000 System) increase in interchange expenses associated with the removal of Plant Scherer. Taxes Other Than Income have also been reduced \$244,000 (\$861,000 System) for expenses associated with Plant Scherer.

ISSUE 13: The appropriate amount of Depreciation and Amortization Expense is \$41,476,000 which removes \$1,737,000 (\$6,143,000 System) in depreciation expense related to Plant Scherer.

ISSUE 14: The appropriate amount of income tax expense for the test year is \$16,446,000 after making expense adjustments, including Plant Scherer, and a \$97,000 (\$340,000 System) adjustment to the Amortization of I.T.C associated with Plant Scherer.

ISSUE 15: The appropriate amount of N.O.I. for the determination of revenue requirements is \$61,392,000.

ISSUE 16: An interim increase of \$5,751,000 should be granted.

ISSUE 17: The above base rate increase of \$5,751,000 results in a uniform percentage increase of 2.43% (\$5,751,000 divided by \$236,299,000).

GULF POWER COMPANY
DOCKET NO. 891345-E1
SEPTEMBER 1989 TEST YEAR
13 MONTH AVERAGE RATE BASE
(000)

	(1) ADJUSTED JURIS. AS FILED	(2) PLANT SCHERER ACQUISITION ADJUSTMENT	(3) PLANT SCHERER 63 MW	(4) SCS BUILDING CANCELLATION	(5) BONIFAY & GRACEVILLE OFFICES	(6) ACCUMULATED DEPRECIATION ERRORS	(7) AFUDC OVERACCRUAL	(8) FUEL INVENTORY GENERIC LEVEL	(9) TOTAL ADJUSTMENTS	(10) ADJUSTED TOTAL
PLANT IN SERVICE	\$1,145,119	(\$4,422)	(\$49,960)	(\$208)	(\$43)				(\$54,655)	\$1,090,464
ACCUMULATED DEPRECIATION	(395,093)	298	4,093		5	(26)			4,370	(390,723)
NET PLANT IN SERVICE	750,026	(4,124)	(45,867)	(208)	(38)	(26)	(22)		(50,285)	699,741
CONSTRUCTION WORK IN PROGRESS	11,979								0	11,979
PROPERTY HELD FOR FUTURE USE	3,306								0	3,306
									0	0
									0	0
NET UTILITY PLANT	765,311	(4,124)	(45,867)	(208)	(38)	(26)	(22)		(50,285)	715,026
WORKING CAPITAL	73,643		(2,133)					(624)	(2,757)	70,886
TOTAL RATE BASE	\$838,954	(\$4,124)	(\$48,000)	(\$208)	(\$38)	(\$26)	(\$22)	(\$624)	(\$53,042)	\$785,912
OPERATING REVENUES	\$243,500								\$0	\$243,500
OPERATING EXPENSES:										
OM - OTHER	111,323		(522)						(522)	110,801
OM - INTERCHANGE	(3,907)		4,453						4,453	546
DEPRECIATION & AMORTIZATION	43,213	(150)	(1,587)						(1,737)	41,476
AMORT. OF INVESTMENT CREDIT	(1,741)		97						97	(1,644)
TAXES OTHER THAN INCOME	18,426		(244)						(244)	18,182
INCOME TAXES-CURRENTLY PAYABLE	16,103	56	(790)						(734)	15,369
DEFERRED INCOME TAXES - NET	0								0	0
INVESTMENT TAX CREDIT - NET	0								0	0
TOTAL OPERATING EXPENSES	183,417	(94)	1,407	0	0	0	0	0	1,313	184,730
NET OPERATING INCOME	\$60,083	\$94	(\$1,407)	\$0	\$0	\$0	\$0	\$0	(\$1,313)	\$58,770
ACHIEVED RATE OF RETURN	7.16%								0.32%	7.48%

GULF POWER COMPANY
DOCKET NO. 891345-E1
SEPTEMBER 1989 TEST YEAR
13 MONTH AVERAGE RATE BASE
(000)

	(10) ADJUSTED TOTAL FROM PAGE 1	(11) LOBBYING EXPENSE	(12) TRANSMISSION RENTALS	(13) CUSTOMER SERVICES	(14) SALES	(15) INTEREST RECONCIL- IATION	(16)	(17)	(18) TOTAL ADJUSTMENTS	(19) ADJUSTED TOTAL
PLANT IN SERVICE	\$1,090,464								\$0	\$1,090,464
ACCUMULATED DEPRECIATION	(390,723)								0	(390,723)
NET PLANT IN SERVICE	699,741								0	699,741
CONSTRUCTION WORK IN PROGRESS	11,979								0	11,979
PROPERTY HELD FOR FUTURE USE	3,306								0	3,306
	0								0	0
	0								0	0
NET UTILITY PLANT	715,026								0	715,026
WORKING CAPITAL	70,886								0	70,886
TOTAL RATE BASE	\$785,912								\$0	\$785,912
OPERATING REVENUES	\$243,500								\$0	\$243,500
OPERATING EXPENSES:										
O&M - OTHER	110,801	(291)	(1,787)	(2,596)	(669)				(5,343)	105,458
O&M - INTERCHANGE	546								0	546
DEPRECIATION & AMORTIZATION	41,476								0	41,476
AMORT. OF INVESTMENT CREDIT	(1,644)								0	(1,644)
TAXES OTHER THAN INCOME	18,182								0	18,182
INCOME TAXES-CURRENTLY PAYABLE	15,369	110	672	977	252	710			2,721	18,090
DEFERRED INCOME TAXES - NET	0								0	0
INVESTMENT TAX CREDIT - NET	0								0	0
TOTAL OPERATING EXPENSES	184,730	(181)	(1,115)	(1,619)	(417)	710			(2,622)	182,108
NET OPERATING INCOME	\$58,770	\$181	\$1,115	\$1,619	\$417	(\$710)			\$2,622	\$61,392
ACHIEVED RATE OF RETURN	7.48%								0.33%	7.81%

GULF POWER COMPANY
DOCKET NO. 891345-E1
13 MONTH AVERAGE RATE BASE
EXPLANATION OF ADJUSTMENTS

SCHEDULE 1
Page 3 of 3
INTERIM

07-FEB-90

RATE BASE

COLUMN NO.

- (2) - THIS ADJUSTMENT REMOVES THE PLANT SCHERER UNIT 3 ACQUISITION ADJUSTMENT (\$6,937,131; A/D \$671,515) AND THE ACQUISITION ADJUSTMENT FOR COMMON FACILITIES (\$8,680,507; A/D \$382,817) FROM RATE BASE AND THE RELATED AMORTIZATION FROM THE INCOME STATEMENT. THE ACQUISITION ADJUSTMENTS AND AMORTIZATION HAVE NOT BEEN APPROVED BY THE COMMISSION.
- (3) - THIS ADJUSTMENT REMOVES 63 MW OF PLANT SCHERER UNIT 3 FROM RATE BASE AND THE RELATED EXPENSES FROM THE INCOME STATEMENT.
- (4) - THIS ADJUSTMENT REMOVES FROM RATE BASE THE COST OF A SOUTHERN COMPANY SERVICES BUILDING CANCELLED PRIOR TO CONSTRUCTION.
- (5) - THIS ADJUSTMENT REMOVES THE UNJUSTIFIED EXCESS COST OF THE BONIFAY AND GRACEVILLE BUILDINGS THAT WAS DISALLOWED IN GULF'S LAST RATE CASE.
- (6) - THIS ADJUSTMENT INCREASES ACCUMULATED DEPRECIATION TO CORRECT ERRORS IN DEPRECIATION ON TWO MAJOR PROJECTS.
- (7) - THIS ADJUSTMENT REMOVES FROM PLANT-IN-SERVICE AFUDC IMPROPERLY CAPITALIZED BEYOND THE IN-SERVICE DATE OF THE CRIST WAREHOUSE AND NAVAL AIR STATION SUBSTATION UPGRADE.
- (8) - THIS ADJUSTMENT REDUCES THE FUEL INVENTORY BY \$624,000 (\$644,000 SYSTEM) TO CONFORM WITH THE COMMISSION'S GENERIC FUEL INVENTORY POLICY AND REMOVES \$2,133,000 (\$7,542,000 SYSTEM) ASSOCIATED WITH PLANT SCHERER.

NOI ADJUSTMENTS

- (11) - THIS ADJUSTMENT REMOVES FROM O&M EXPENSES LOBBYING EXPENSES IMPROPERLY CHARGED ABOVE-THE-LINE.
- (12) - THIS ADJUSTMENT REDUCES O&M EXPENSES FOR PREVIOUSLY DISALLOWED TRANSMISSION LINE RENTALS ASSOCIATED WITH PLANT DANIEL AND TRANSMISSION LINE RENTALS FOR PLANT SCHERER THAT WERE NOT JUSTIFIED BY THE COMPANY.
- (13) - THIS ADJUSTMENT REMOVES FROM O&M EXPENSES FORMER ECCR PROGRAMS NOT JUSTIFIED BY THE COMPANY FOR RECOVERY IN BASE RATES.
- (14) - THIS ADJUSTMENT REMOVES FROM O&M EXPENSES SALES EXPENSES WHICH WERE SEEN AS UNNECESSARY OR WHICH DUPLICATE EXISTING GULF PROGRAMS.
- (15) - THIS ADJUSTMENT IS SIMPLY A MATHEMATICAL CALCULATION BASED ON THE CHANGES IN THE CAPITAL STRUCTURE AS A RESULT OF THE RATE BASE AND CAPITAL STRUCTURE RECONCILIATION.

Gulf Power Company
13-Month Average Capital Structure
Interim Rate Relief
Test Year Ending 9/30/89
Staff Position

Capital Components	Total Per Books	Direct Adjustments	Non-Utility Adjustments	Less: Unit Power Sales	Pro Rata Adjustments	System Adjusted	Juris-dictional Factor	Adjusted Capital Structure	Non-Utility Adjustments	Pro Rata Adjustments	Staff Adjusted	Cost Ratio	Wtd. Rate	Wtd. Cost
Long-Term Debt	\$496,851	(\$82,154)	\$0	(\$81,522)	(\$12,242)	\$320,933	97.58861%	\$313,194	\$0	(\$19,801)	\$293,393	37.33%	8.59%	3.21%
Short-Term Debt	\$1,115	\$0	\$0	\$0	(\$41)	\$1,074	97.58861%	\$1,048	\$0	(\$66)	\$982	0.12%	10.29%	0.01%
Preferred Stock	\$69,028	\$0	\$0	(\$13,387)	(\$2,044)	\$53,597	97.58861%	\$52,304	\$0	(\$3,307)	\$48,997	6.23%	7.62%	0.48%
Common Equity	\$357,854	(\$19,434)	(\$14,858)	(\$52,590)	(\$9,956)	\$261,016	97.58861%	\$254,722	\$0	(\$16,105)	\$238,617	30.36%	13.00%	3.95%
Customer Deposits	\$15,546	\$0	\$0	\$0	(\$571)	\$14,975	100.00000%	\$14,975	\$0	(\$947)	\$14,028	1.78%	7.66%	0.14%
Deferred Taxes	\$200,428	(\$27,244)	\$0	\$0	(\$6,363)	\$166,821	97.58861%	\$162,798	\$0	(\$10,293)	\$152,505	19.40%	0.00%	0.00%
ITCs - Zero Cost	\$1,033	\$0	\$0	\$0	(\$38)	\$995	97.58861%	\$971	\$0	(\$61)	\$910	0.12%	0.00%	0.00%
ITCs - Wtd. Cost	\$50,762	\$0	\$0	(\$9,336)	(\$1,522)	\$39,904	97.58861%	\$38,942	\$0	(\$2,462)	\$36,480	4.64%	10.32%	0.48%
	\$1,192,617	(\$128,832)	(\$14,858)	(\$156,835)	(\$32,778)	\$859,314		\$838,954	\$0	(\$53,042)	\$785,912	100.0%		8.26%

Calculation of JOIC Rate

Capital Components	Adjusted Amount	Ratio	Cost Rate	Wtd. Cost
Common Equity	\$254,722	41.07%	13.00%	5.34%
Preferred Stock	\$52,304	8.43%	7.62%	0.64%
Long-Term Debt	\$313,194	50.50%	8.59%	4.34%
	\$620,220	100.00%		10.32%

GULF POWER COMPANY
DOCKET NO. 891345-E1
O & N BENCHMARK VARIANCE BY FUNCTION
1989

SCHEDULE 3
Page 1 of 3

	Steam Production (000)	Other Production (000)	Other Power Supply (000)	Trans. Rents (000)	Trans. Other (000)	Total Trans. (000)	Distribution (000)	Customer Accounts (000)	Customer Service (000)	Sales (000)	Prod Rel Adm. & Gen. (000)	Other Adm. & General (000)	Total Adm. & Gen. (000)	Total (000)
1984 FPSC Allowed O&N Less Direct Fuel, ECCR & Purchased Power-System	\$35,502	\$81	\$1,020	\$962	\$2,335	\$3,297	\$7,670	\$6,074	\$1,505	80	\$3,043	\$21,006	\$24,049	\$79,198
Reconciling Adjustments														
Amort. of Unavailable Oil Capacity Payments	(51) 716													(51) 716
UPS Allocation Error											342		342	342
Adjusted 1984 FPSC Allowed O&N	36,167	81	1,020	962	2,335	3,297	7,670	6,074	1,505	0	3,385	21,006	24,391	80,205
True-Up of 1984 Comp. Multiplier Adj. to actual CPI-Cust. Growth	0	0	0	0	0.0368 53	53	0.0368 167	0.0368 140	0.0368 33	0.0368 0	0	0.0368 373	373	766
1984 Allowed O&N less Direct Fuel, ECCR & Purchased Power-System	36,167	81	1,020	962	2,388	3,350	7,837	6,214	1,538	0	3,385	21,379	24,764	80,971
Add Plant Daniel Related Adj. Docket 840036-E1				425		425					1,573		1,573	1,998
Former ECCR Programs Moved to Base Rates									2,248			348	348	2,596
Total O&N Base Adjusted for Plant Daniel & Former ECCR	36,167	81	1,020	1,387	2,388	3,775	7,837	6,214	3,786	0	4,958	21,727	26,685	85,565
1984 - 9/89 Compound Multiplier	1.1800	1.1800	1.1800	1.1800	1.3890	1.3890	1.3890	1.3890	1.3890	1.3890	1.1800	1.3890		
Interim O&N Benchmark - System	42,677	96	1,204	1,637	3,317	4,954	10,886	8,631	5,259	0	5,850	30,179	36,029	109,736
Plant Scherer & Associated Trans Line Rents	1,393			1,898	22	1,920					318		318	3,631
Interim Benchmark less Direct Fuel & Pur. Power-System	44,070	96	1,204	3,535	3,339	6,874	10,886	8,631	5,259	0	6,168	30,179	36,347	113,367
Interim Actual O&N less Direct Fuel & Pur. Power-System	52,819	24	1,086	3,139	2,945	6,084	13,907	6,714	5,564	1,677	5,640	31,902	37,542	125,417
WDI O&N Adjustments	0	0	0	0	0	0		642	(1,758)	(852)	0	(2,552)	(2,552)	(4,520)
Interim Actual Adjusted O&N -System	52,819	24	1,086	3,139	2,945	6,084	13,907	7,356	3,806	825	5,640	29,350	34,990	120,897
Benchmark Variance - Adj. System	8,749	(72)	(118)	(396)	(394)	(790)	3,021	(1,275)	(1,453)	825	(528)	(829)	(1,357)	7,530
Staff Adjustments-System	(1,393)	0	0	(2,011)	(22)	(2,833)	0	0	(2,596)	(669)	(318)	(307)	(625)	(7,316)
Unit Power Sales O&N Exp.														(7,154)
Adjusted Variance-System	7,356	(72)	(118)	(2,407)	(416)	(2,823)	3,021	(1,275)	(4,049)	156	(846)	(1,136)	(1,982)	(6,940)

Year	Total Customers	% Increase	Compound Multiplier	CPI Amount	% Increase	Compound Multiplier	Inflation and Growth Multiplier
1984	239,956		1.00000	1.039335		1.00000	1.0000
1985	253,135	5.492%	1.05492	1.076250	3.552%	1.03552	1.0924
1986	263,646	4.152%	1.09673	1.096917	1.920%	1.05540	1.1596
1987	271,648	2.959%	1.13124	1.137084	3.662%	1.09405	1.2376
1988	277,883	2.371%	1.15806	1.163500	4.082%	1.13871	1.3187
Sept 12 MTD 1989	282,408	1.628%	1.17692	1.226500	3.633%	1.18008	1.3889

TRUE - UP OF BASE YEAR MULTIPLIERS (1979 - 1984), PROJECTED TO ACTUAL*

1984 ACTUAL	1.23006	1.4316
1984 PROJECTED	1.20439	1.4316
DIFFERENCE	0.0257	0.0000

* 1984 ACTUAL CPI WAS 4.3% AND CUSTOMER GROWTH WAS 5.503%.
 1984 PROJECTED ASSUMES CPI WAS 4.3% AND CUSTOMER GROWTH WAS 3.31%.

GULF POWER COMPANY
DOCKET NO. 891345-E1
1989 O & M BENCHMARK VARIANCE BY FUNCTION (SYSTEM)

SCHEDULE 3
Page 3 of 3

Issue	Steam Production (000)	Nuclear Production (000)	Other Production (000)	Other Power Supply (000)	Trans- mission (000)	Distribution (000)	Customer Accounts (000)	Customer Service (000)	Sales (000)	Admin. & General (000)	Total (000)
1 Transmission Line Rentals					(2,011)						(2,011)
2 Sales								(669)			(669)
3 Customer Service							(2,596)				(2,596)
4 Lobbying Expenses										(307)	(307)
12 Plant Scherer O&M Exp.	(1,393)				(22)					(318)	(1,733)
											0
											0
											0
											0
											0
											0
											0
											0
											0
											0
											0
											0
											0
TOTAL SYSTEM	(1,393)	0	0	0	(2,033)	0	0	(2,596)	(669)	(625)	(7,316)

GULF POWER COMPANY
DOCKET NO. 881167-E1
SEPTEMBER 1989 TEST YEAR
13 MONTH AVERAGE RATE BASE

07-FEB-90

	(1) AVERAGE PER COMPANY	(2) AVERAGE STAFF ADJUSTED
	-----	-----
JURISDICTIONAL ADJUSTED RATE BASE	\$838,954	\$785,912
REQUIRED RATE OF RETURN	8.26%	8.26%
REQUIRED NET OPERATING INCOME	69,298	64,916
JURISDICTIONAL ADJUSTED NOI	60,083	61,392
NOI DEFICIENCY/(EXCESS)	9,215	3,524
NOI MULTIPLIER	1.631699	1.631699
REVENUE DEFICIENCY/(EXCESS)	\$15,035	\$5,751
	-----	-----
REQUIRED RETURN ON EQUITY	13.00%	13.00%
	-----	-----
ACHIEVED RATE OF RETURN	7.16%	7.81%
	-----	-----