

**ORIGINAL
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FLORIDA PUBLIC SERVICE COMMISSION

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

MEMORANDUM

February 16, 1990

TO : Chairman Wilson
Commissioner Beard
Commissioner Easley
Commissioner Gunter
Commissioner Herndon

891345 EI

FROM: DIVISION OF ELECTRIC AND GAS (HARVEY, ROMIG) ER JS JDS

RE : REQUEST FOR THE IMPACT OF PLANT DANIEL ON GULF'S
INTERIM RATE REQUEST

Attached for your information is an analysis showing the impact of Plant Daniel on Gulf Power's interim rate request. Also attached is the impact of the inclusion of Plant Daniel and Plant Scherer on Gulf Power's reserve margin.

JH/LR:jbw
Attachment

DOCUMENT NUMBER-DATE
01510 FEB 16 1990
PSC-RECORDS/REPORTING

REVENUE REQUIREMENT DISCUSSION

A. Gulf Power has included in its jurisdictional rate base \$139,295,000 and \$42,254,000 in plant-in-service and accumulated depreciation, respectively, associated with Plant Daniel. If the Commission were to allow that portion of Plant Daniel or 271 MW, included in Gulf's last rate case, the following jurisdictional adjustments would be proper. (Schedule 1, column 3)

- 1) Reduce Plant-in-Service \$38,377,000 and Accumulated Depreciation \$11,641,000.
- 2) Reduce Working Capital \$2,957,000 for fuel inventory and other Materials & Supplies.
- 3) Operating & Maintenance expenses would be reduced \$2,312,000.
- 4) I.I.C. expenses would increase \$7,294,000.
- 5) Reduce Depreciation expense by \$1,440,000.
- 6) Increase Amortization of Investment Tax Credits \$97,000.
- 7) Reduce Taxes-Other \$919,000.
- 8) Income Taxes would be reduced by \$589,000 associated with the above adjustments.

B. The above adjustments provided by Gulf, would have reduced the Commission's approved interim revenue deficiency for Gulf from \$5,751,000 to \$5,226,000. (Schedule 3)

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

	ADJUSTED JURIS. AS FILED	COMMISSION VOTE	ADJUSTMENT TO REMOVE 103 MW OF DANIEL	ADJUSTED TOTAL
PLANT IN SERVICE	\$1,145,119	\$1,090,464	(\$38,377)	\$1,052,087
ACCUMULATED DEPRECIATION	(395,093)	(390,723)	11,641	(379,082)
NET PLANT IN SERVICE	750,026	699,741	(26,736)	673,005
CONSTRUCTION WORK IN PROGRESS	11,979	11,979		11,979
PROPERTY HELD FOR FUTURE USE	3,306	3,306		3,306
		0		0
		0		0
NET UTILITY PLANT	765,311	715,026	(26,736)	688,290
WORKING CAPITAL	73,643	70,886	(2,957)	67,929
TOTAL RATE BASE	\$838,954	\$785,912	(\$29,693)	\$756,219
OPERATING REVENUES	\$243,500	\$243,500		\$243,500
OPERATING EXPENSES:				
O&M - OTHER	111,323	105,458	(2,312)	103,146
O&M - INTERCHANGE	(3,907)	546	7,294	7,840
DEPRECIATION & AMORTIZATION	43,213	41,476	(1,440)	40,036
AMORT. OF INVESTMENT CREDIT	(1,741)	(1,644)	97	(1,547)
TAXES OTHER THAN INCOME	18,426	18,182	(919)	17,263
INCOME TAXES-CURRENTLY PAYABLE	16,103	18,090	(589)	17,501
DEFERRED INCOME TAXES - NET	0	0		0
INVESTMENT TAX CREDIT - NET	0	0		0
TOTAL OPERATING EXPENSES	183,417	182,108	2,131	184,239
NET OPERATING INCOME	\$60,083	\$61,392	(\$2,131)	\$59,261
ACHIEVED RATE OF RETURN	7.16%	7.81%		7.84%

NOTE: Data relating to the IIC offsets and Daniel transmission line rentals are based on estimates provided by gulf power.

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 Rate Adjustments	System Adjusted	Juris-dictional Factor	Adjusted Capital Structure	Non-Utility Adjustments	Pro Rate 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	(\$30,886)	\$282,308	37.33%	8.59%	3.21%
Short-Term Debt	\$1,115	\$0	\$0	\$0	(\$41)	\$1,074	97.58861%	\$1,048	\$0	(\$103)	\$945	0.12%	10.29%	0.01%
Preferred Stock	\$69,028	\$0	\$0	(\$13,387)	(\$2,044)	\$53,597	97.58861%	\$52,304	\$0	(\$5,158)	\$47,146	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	(\$25,120)	\$229,602	30.36%	13.00%	3.95%
Customer Deposits	\$15,546	\$0	\$0	\$0	(\$571)	\$14,975	100.00000%	\$14,975	\$0	(\$1,477)	\$13,498	1.78%	7.66%	0.14%
Deferred Taxes	\$200,428	(\$27,244)	\$0	\$0	(\$6,363)	\$166,821	97.58861%	\$162,798	\$0	(\$16,055)	\$146,743	19.40%	0.00%	0.00%
ITCs - Zero Cost	\$1,033	\$0	\$0	\$0	(\$38)	\$995	97.58861%	\$971	\$0	(\$96)	\$875	0.12%	0.00%	0.00%
ITCs - Wtd. Cost	\$50,762	\$0	\$0	(\$9,336)	(\$1,522)	\$39,904	97.58861%	\$38,942	\$0	(\$3,840)	\$35,101	4.64%	10.32%	0.48%
	\$1,192,617	(\$128,832)	(\$14,858)	(\$156,835)	(\$32,778)	\$859,314		\$838,954	\$0	(\$82,735)	\$756,219	100.0%		8.26%

Calculation of JDIC 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%

07-FEB-90

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

Schedule 3

	(1) AVERAGE PER COMPANY	(2) COMMISSION VOTE	PLANT DANIEL ADJUSTED
JURISDICTIONAL ADJUSTED RATE BASE	\$838,954	\$785,912	\$756,219
REQUIRED RATE OF RETURN	8.26%	8.26%	8.26%
REQUIRED NET OPERATING INCOME	69,298	64,916	62,464
JURISDICTIONAL ADJUSTED NOI	60,083	61,392	59,261
NOI DEFICIENCY/(EXCESS)	9,215	3,524	3,203
NOI MULTIPLIER	1.631699	1.631699	1.631699
REVENUE DEFICIENCY/(EXCESS)	\$15,035	\$5,751	\$5,226
REQUIRED RETURN ON EQUITY	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
ACHIEVED RATE OF RETURN	<u>7.16%</u>	<u>7.81%</u>	<u>7.84%</u>

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GULF POWER'S RESERVE MARGIN
UNDER VARIOUS INCLUSIONS OF DANIEL AND SCHERER

<u>Amount of Scherer Included (MM)</u>	<u>Amount of Daniel Included (MM)</u>	<u>Reserve Margin (%)</u>
0	0	-9.1
0	271.4 (allowed last rate case)	6.4
0	374.6 (interim request)	12.3
0	513.5 (full rate case request)	20.3
63 (interim and full rate case request)	374.6 (interim request)	15.9
63 (interim and full rate case request)	513.5 (full rate case request)	23.9