

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition of Gulf Power)
Company for Rate Increase)

Docket No. 891345-EI
Date filed: May 2, 1990

PRELIMINARY STATEMENT OF ISSUES AND POSITIONS OF
GULF POWER COMPANY

Gulf Power Company ("Gulf Power", "Gulf", "the Company"), by and through its undersigned counsel, and pursuant to Order No. 22750 issued March 29, 1990 and Rule 25-22.038(3) F.A.C., files its preliminary statement of issues and positions and sets forth the following:

STATEMENT OF ISSUES AND POSITIONS:

FACTUAL ISSUES:¹

RATE BASE

1. Issue: Is the test year rate base based upon reasonable projections and assumptions?
Gulf's Position: Yes. (Scarborough, Parsons, McMillan, Kilgore, Gilbert & Bell)
2. Issue: What is the appropriate level of rate base for Gulf Power for 1990?
Gulf's Position: \$923,562,000/(\$1,192,516,000)
(Scarborough, McMillan)

PLANT-IN-SERVICE

3. Issue: What is the appropriate amount of plant-in-service in rate base?
Gulf's Position: \$1,275,624,000/(\$1,451,703,000)
(Scarborough, Parsons, McMillan)
4. Issue: Is Gulf's 1990 Capital Expenditures Budget of \$62,193,000 reasonable and prudent?
Gulf's Position: Yes. (Scarborough, Parsons, Gilbert)

¹All issues and positions are stated in terms of the jurisdictional number, with the corresponding system number following in parenthesis unless otherwise stated.

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5. Issue: What is the appropriate level of accumulated depreciation to be used in this case?
Gulf's Position: \$454,964,000/(\$487,260,000)
(Scarborough, McMillan)
6. Issue: Should Gulf's share (515 megawatts of capacity) of Plant Daniel and expenses associated therewith be included in the rate base?
Gulf's Position: Yes. The Commission has recognized the prudence of Gulf's partial ownership in Plant Daniel. This capacity is no longer dedicated to Unit Power Sales (UPS) customers, and provides capacity at low cost to Gulf's service area. (Scarborough, Parsons, Howell)
7. Issue: Should Gulf's share (63 megawatts of capacity) of Plant Scherer and expenses associated therewith be included in rate base?
Gulf's Position: Yes. this capacity is no longer dedicated to Unit Power Sales (UPS) customers, and provides capacity at low cost to Gulf's service area. (Scarborough, Parsons, Howell)

CONSTRUCTION WORK IN PROGRESS (CWIP)

8. Issue: What is the appropriate amount of CWIP that should be included in rate base in this case?
Gulf's Position: \$14,949,000/(\$15,739,000)
(Scarborough, McMillan)

PROPERTY HELD FOR FUTURE USE

9. Issue: What is the appropriate amount of property held for future use that should be included in rate base in this case?
Gulf's Position: \$3,925,000/(\$4,025,000)
(Scarborough, Parsons, McMillan, Conner)

WORKING CAPITAL

10. Issue: What is the appropriate amount of working capital that should be included in rate base in this case?
Gulf's Position: \$81,711,000/(\$200,266,000)
(Scarborough, McMillan)

NET OPERATING INCOME

11. Issue: What is the appropriate level of Net Operating Income (NOI) for 1990?
Gulf's Position: \$60,910,000/(\$78,848,000)
(Scarborough, McMillan)
12. Issue: What is appropriate projection of total operating revenues for 1990?
Gulf's Position: \$255,580,000/(\$502,892,000)
(Scarborough, Kilgore, McMillan)
13. Issue: Is the test year net operating income based upon reasonable projections and assumptions?
Gulf's Positions: Yes. (Gilbert, McMillan, Bell)
14. Issue: Have all appropriate adjustments to NOI been made in the Company's filing?
Gulf's Position: Yes. (Scarborough, McMillan)

OPERATION AND MAINTENANCE EXPENSES (O & M)

15. Issue: Are Gulf's budgeted O & M expenses for 1990 reasonable and prudent?
Gulf's Position: Yes. (Parsons, Scarborough, Kilgore, Gilbert, Jordan, Lee, Bowers)
16. Issue: What is the appropriate amount of rate case expense to be included in the test year?
Gulf's Position: \$500,000 / (\$500,000)
(Scarborough, Haskins)

INCOME TAXES

17. Issue: What is the appropriate amount of income tax expense for 1990?
Gulf's Position: \$14,806,000/(\$21,346,000)
(Scarborough, McMillan)

COST OF CAPITAL AND CAPITAL STRUCTURE

18. Issue: What is the weighted average overall cost of capital including the proper components, amounts, and cost rates associated with the capital structure?
Gulf's Position: 8.34% (Scarborough, McMillan)

<u>Component</u>	<u>Amount</u> <u>(000's)</u>	<u>Percent</u>	<u>Cost</u> <u>Rate</u>	<u>Weighted</u> <u>Cost</u>
Long Term Debt	329,936	35.73	8.72	3.12
Short Term Debt	4,290	.46	8.00	.04
Preferred Stock	55,316	5.99	7.75	.46
Customer Deposits	15,659	1.70	7.65	.13
Common Stock	293,655	31.79	13.00	4.13
Tax Credit Zero Cost	831	.09	--	--
Tax Credit Wgt. Cost	40,916	4.43	10.49	.46
Deferred Taxes	<u>182,959</u>	<u>19.81</u>	<u>--</u>	<u>--</u>
Total	<u>923,562</u>	<u>100.00</u>		<u>8.34%</u>

19. Issue: What is the appropriate rate of return on common equity that should be allowed in this case?
Gulf's Position: 13.00% (Morin)

REVENUE EXPANSION FACTOR

20. Issue: What are the appropriate revenue expansion factors in 1990?
Gulf's Position: The net operating income (NOI) multiplier as filed is 1.631699 (refer to MFR C-58). (Scarborough, McMillan)

REVENUE REQUIREMENTS

21. Issue: What is the appropriate total operating revenue deficiency for 1990?
Gulf's Position: \$26,295,000 (Scarborough, McMillan)

COST OF SERVICE

22. Issue: What is the appropriate cost of service methodology to be used in designing the rates of Gulf Power Company?
Gulf's Position: 12 MCP and 1/13 Energy. (O'Sheasy)
23. Issue: Was the load research data used by Gulf in the cost of service study adequate?
Gulf's Position: Yes. (Kilgore)
24. Issue: Are Gulf's separation of amounts by territorial wholesale and retail jurisdictions appropriate?
Gulf's Position: Yes. (O'Sheasy)

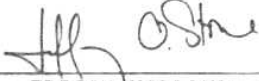
RATE DESIGN

25. Issue: Are the base revenues based upon reasonable estimates of number of customers, KW & KWH?
Gulf's Position: Yes. (Kilgore)
26. Issue: If a revenue increase is granted, how should it be allocated to customer classes?
Gulf's Position: The allocation of the increase should be designed to cause the rate of return for each class to move closer to the retail system average rate of return at the proposed level. However, no class should receive a base rate percent increase/decrease that exceeds 1.5 times the system average percent increase/decrease. (Haskins)

27. Issue: Are the Company's proposed changes to customer charges appropriate?
Gulf's Position: Yes. (Haskins)
28. Issue: Are the Company's proposed changes to standard demand charges appropriate?
Gulf's Position: Yes. (Haskins)
29. Issue: What are the appropriate service charges to be collected by Gulf Power Company?
Gulf's Position: The following are the Company's proposed service charges:
- | | |
|------------------------|---------|
| Initial Connection | \$20.00 |
| Investigation | 55.00 |
| Temporary Service Pole | 60.00 |
- All other service charges remain at current levels.
(Haskins)
30. Issue: Should the Company's proposed rates for street and outdoor lighting be approved?
Gulf's Position: Yes. (Haskins)

LEGAL ISSUES: None.

Respectfully submitted this 2nd day of May, 1989.



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Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished this 2nd day of May, 1990 by U. S. Mail or hand delivery to the following:

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