BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In Re: Petition of Gulf Power Company for an increase in its rates and charges.	Docket No. 891345-EI Filed: May 3, 1990

CITIZENS' PRELIMINARY LIST OF ISSUES

ACK
AFA 1
APP
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CMU
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OTH

Respectfully submitted,

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1341

GULF POWER COMPANY
DOCKET NO. 891345-EI

OFFICE OF THE PUBLIC COUNSEL
PRELIMINARY LIST OF ISSUES

RATE BASE ISSUES

1. Has the Company properly projected the test year plant in service?

   Position: No. Based on an actual vs. projected analysis for August, 1989 through March, 1990, the total company plant is overstated by $11,458,000 ($11,178,000 juris.). (Larkin)

2. Has the Company properly stated the test year provision for depreciation and amortization?

   Position: No. The provision should be increased by $3,715,000 ($3,622,000 juris.) to reflect the proper JDITC balance. (Larkin)

3. Should an adjustment be made to remove the amounts the Commission had removed for the Bonifay and Graceville offices and the Leisure Lakes investment?

   Position: Yes. Reduce rate base by $183,000 pending a late filed exhibit. (Larkin)

4. What adjustment should be made to remove the Tallahassee office from rate base?

   Position: Reduce plant in service by $43,000 and accumulated depreciation by $26,000. (Larkin)

5. What adjustment is proper to remove the 1984 cancelled Southern Company Services' building from rate base?

   Position: Remove $346,000 from plant in service and $159,000 from the depreciation reserve. (Larkin)

6. What adjustment to rate base is necessary to reflect the proper treatment for rebuilds and renovations which were expensed by the Company?

Position: Increase plant in service by $369,000 and increase depreciation reserve by $18,000. (Larkin, Schultz)

7. What adjustment to rate base is necessary to remove the network protectors from expense to rate base?

Position: Increase plant in service by $90,000 and depreciation reserve by $5,000. (Larkin, Schultz)

8. What items should be removed from plant held for future use?

Position: Due to the current plans for use, the following items should not be included in rate base. Caryville land at $1,398,000; Bayfront office at $1,844,000; Pace Blvd. land at $612,000. (Larkin)

9. Has the Company properly stated its level of construction work in progress?

Position: No position at this time.

10. Should the Commission remove Plant Scherer from the rate base?

Position: Yes. The Plant Scherer capacity is not currently needed to serve retail ratepayers. (Rosen, Larkin,

11. Should the Commission remove the acquisition adjustment included in rate base for Plant Scherer?

Position: Yes. In the event the Commission decides to allow the Plant Scherer capacity in rate base, no acquisition adjustment should be approved. Reduce plant acquisition adjustment by $8,043,000 ($2,713,000 juris.) and an additional amount identified by the staff of $7,980,114. (Larkin)

12. What adjustments to working capital should be made for the removal of Plant Scherer?

Position: The following adjustments should be made to working capital. Reduce fuel by $2,030,000; M & S by $221,000; prepayments by $10,000; Others increased by $506,000; effect of UPS exclusion increase of $139,000 to prevent duplication; UPS working capital true up reduction to 1/8 th method for $2,342,000. (Larkin)

13. Should the remaining balance in Other Investment be included in working capital?

Position: No. This item has not been justified; remove $113,000 from working capital. (Larkin)

14. Should the working capital item titled "other accounts receivable" be removed?

Position: Yes. There is no evidence that this amount is properly included in rate base. Remove $1,230,000. (Larkin)

15. What adjustment is necessary to fuel inventory?

Position: The staff recommended interim adjustment should be used. (Larkin)

16. Has the Company overstated the materials and supply level?

Position: Yes. Reduce M & S by $2,307,000. (Larkin)

17. Should the prepaid pensions amount be removed from working capital?

Position: Yes. Reduce working capital by $1,485,000. (Larkin)

18. Should the amounts shown as "other current assets" and "other miscellaneous" deferred debits be removed from working capital?

Position: Yes. Reduce working capital by $136,000 and $30,000 respectively. (Larkin)

19. Should the Caryville Subsurface Study be removed from rate base?

Position: Yes. Remove $692,000 from rate base. (Larkin)

20. Should the Commission disallow deferred rate case expense as a working capital item?

Position: Yes. Reduce working capital by $765,000. (Larkin, Schultz)

21. What additional working capital adjustments are needed to reflect OPC's expense exclusions?

Position: Increase working capital by: $985,000 for supplemental pension and benefits reserve; $2,935,000 for post-retirement life and medical; $12,000 for deferred school plan appliances; $59,000 for productivity improvement plan. (Larkin, Schultz)

OPERATING INCOME ISSUES

22. Has the Company projected the proper level of sales?

Position: No. Retail sales are understated by $2,493,000. (Larkin, Rosen, Schultz)

23. What adjustment should be made to depreciation and amortization expense?

Position: Reduce the test year level by $967,000. (Larkin)

24. What is the proper interest synchronization adjustment in this case?

Position: Based on OPC's recommended adjustments, income taxes should be increased by $587,000. (Larkin)

25. What is the proper level of income taxes to be used in this case?

Position: Based on OPC's current position, state income taxes should be increased by $1,243,000 and federal income taxes should be increased by $7,261,000. (Larkin)

26. What adjustment should be made to the test year reference level for the Employee Relations Planning Unit?

Position: The test year reference level is overstated by $728,826 and should be reduced by this amount. (Schultz)

27. Has the Company made the proper adjustment to remove the labor complement?

Position: No. The labor complement adjustment is understated by $990,381. This also requires a payroll tax decrease of $78,406. (Schultz)

28. The Company has included $5,340,000 in Turbine and Boiler inspections, is further adjustment necessary?

Position: Yes. Based on a 10 year average, the proper level for this expense is $4,421,065. Reduce expenses by $918,935. (Schultz)

29. What adjustments should be made to the level of expenses for Plant Daniel?

Position: Plant Daniel steam production costs should be reduced by $646,000 and $1,172,000 for A & G costs to reflect the proper benchmark level. (Schultz)

30. What adjustments should be made to the expenses of Plant Scherer?

Position: Remove the $263,000 of production related A & G and $1,822,000 for transmission line rentals. (Schultz)

31. What adjustment is necessary to reflect the level of expense paid to Southern Company Services?

Position: Remove $734,595 in expenses related to steam production. (Schultz)

32. Would it be proper to amortize the 1989 credit to uncollectibles, which arose due to an accounting change, above the line?

Position: Yes. Since the customers have paid for prior year uncollectibles, they should receive any credits that arose due to excess amortization. A four year amortization results in a yearly credit of $203,250. (Schultz)

33. What is the proper level of rate case expense that should be approved in this case?

Position: Since no rate increase is necessary, no expense should be granted. In the event the Commission determines that a rate increase is appropriate, the total expense should adjusted based on the percentage of the total rate increase requested to the amount granted. This adjusted amount should then be amortized over 5 years. (Schultz)

34. Should an adjustment be made to the level of employee benefits?

Position: Yes. Remove $1,405,445. (Schultz)

35. Should an adjustment be made to remove part or all of the costs associated with the employee savings plan?

Position: Yes. No amount yet identified. (Schultz)

36. Should the Commission remove all or part of the costs of the Productivity Improvement Plan (PIP)?

Position: Yes. The entire $464,177 should be removed from test year expenses. (Schultz)

37. What amount of the Performance Pay Plan should be approved for retail recovery?

Position: None of this amount is appropriate for recovery in retail rates. Remove $1,021,637. (Schultz)

38. Should an additional adjustment be made to EEI dues?

Position: Yes. Based on the latest EEI report, an additional $21,608 should be removed. (Schultz)

39. What amount of the $326,808 for EPRI nuclear research should be included for setting retail rates?

Position: The entire amount should be removed from expenses. (Schultz)

40. Has the Company improperly included nonrecurring items in the test year expenses which should be capitalized?

Position: Yes. Remove $116,500 for heavy equipment rebuilds and $252,000 for renovations to the Panama City office. (Schultz)

41. Should an adjustment be made to the Plant Smith ash hauling expenses?

Position: Yes. This expense is overstated by $360,000. (Schultz)

42. What adjustment should be made to the Company's Employee Relations budget associated with the relocation and development programs?

Position: The development program costs of $72,250 should be removed as well as the $172,460 in costs associated with selling homes of relocated employees. (Schultz)

43. The Company has included $223,400 for bank fees/line of credit. Should this be included for retail recovery?

Position: The total budgeted amount for this item should be borne by the stockholders. (Schultz)

44. Should an adjustment be made to reduce the level of obsolete material to be written off in the test year?

Position: Yes. The Company has included a write off for distribution material of $109,000; this should be reduced by $83,000. (Schultz)

45. How much of the officer and management "perks" for tax services and fitness programs should be borne by the ratepayers?

Position: Both of these items should be removed. Reduce expenses by $65,100. (Schultz)

46. The Company has projected $1,109,000 for duct and fan repairs for the test year. Should an adjustment be made to this level?

Position: Yes. To more properly reflect an average year for this expense, it should be reduced by$310,319. (Schultz)

47. Should an adjustment be made to the Customer Services and Information expenses for ECCR - budget transfers ?

Position: Yes. Expenses should be reduced by $2,114,681 to remove: the Good Cents Program, the Energy Education Program and the Presentations/Seminars Program. (Schultz)

48. Should an adjustment be made to the Customer Services and Information benchmark?

Position: Yes. Conservation costs not allowed for ECCR recovery should be disallowed in base rates also. Reduce expenses by $1,207,237. (Schultz)

49. The Company has included expenses for marketing in the test year. Should an adjustment be made to remove this cost?

Position: Yes. the identifiable level of marketing expense which should be removed is $1,148,489. (Schultz)

50. How much of the expenses for Economic Development should be included in retail rates?

Position: The Company has included $687,000 for Economic Development, all of which should be excluded from recovery. (Schultz)

51. What adjustments are necessary to reflect a proper benchmark test of expense levels?

Position: The following expenses have not been adequately explained or verified in the Company's benchmark analysis and should be reduced accordingly. (Schultz)

a. Plant Crist-condensing & cooling proj.	$ 289,000
b. Distrib.-work order clearance	$ 418,154
c. Distrib.-underground line extensions	$ 351,000
d. Distrib.-network protectors	$ 90,000
e. Electric & magnetic fields study	$ 39,000
f. Acid rain monitoring	$ 43,000
	$ 1,230,154

52. What is the proper level of increase or decrease in revenues which should be set in this case?

Position: The Commission should reduce revenues by $11,791,000.

RATE OF RETURN ISSUES

53. Should non-electric utility plant be removed solely from equity?

Position: Yes. The Company has removed part of this investment from debt (see MFR Sch.D 12a). Reduce Equity and increase I-T Debt by $7,282,000. (Larkin)

54. Should an adjustment be made to negate the affect of the Company's corporate goal to increase its equity ratio?

Position: Yes. No specific adjustment at this time.

55. What is the appropriate calculated return on equity which should be approved?

Position: The proper calculated return on equity should be set at 11.75% (Rothschild), however this ROE should be adjusted downward.

56. Should a penalty be imposed on the Company to reflect a determination of mismanagement?

Position: Yes. The return on equity should be reduced 2.00% to reflect mismanagement.

57. What is the proper overall rate of return which should be set in this case?

Position: The rate of return should be set at 7.95%; less the effect of the equity penalty imposed by the Commission.

COST OF SERVICE

58. What is the proper method of determining the cost of service and rate design for the retail customer classes?

Position: The Equivalent Peaker Cost (EPC) method as proposed by Witness Robert Scheffel Wright should be adopted.

CERTIFICATE OF SERVICE
Docket No. 891345-EI

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U.S. Mail*, hand-delivery**, or by facsimile*** to the following parties on this 3rd day of May, 1990.

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