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BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

	:	
In The Matter of	:	DOCKET NO. 891345-E1
	:	
Application of GULF POWER	:	<u>HEARING</u>
COMPANY for an increase in rates	:	<u>THIRD DAY</u>
and charges.	:	<u>AFTERNOON SESSION</u>

VOLUME - VI

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Pages 803 through 997

Division of Records & Reporting

JUN 13 1990

FPSC Hearing Room 106
 Fletcher Building
 101 E. Gaines Street
 Tallahassee, Florida 32399

Florida Public Service Commission

Wednesday, June 13, 1990

Met pursuant to notice at 9:30 a.m.

BEFORE: COMMISSIONER MICHAEL McK. WILSON, CHAIRMAN
 COMMISSIONER GERALD L. GUNTER
 COMMISSIONER THOMAS M. BEARD
 COMMISSIONER BETTY EASLEY

APPEARANCES:

(As heretofore noted.)

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DOCUMENT NO. 65224-90

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AFTERNOON SESSION

(Hearing reconvened at 1:05 p.m.)

COMMISSIONER GUNTER: You are inquiring?

RICHARD J. McMILLAN

having been previously called and duly sworn as a witness on behalf of Gulf Power Company, resumed the stand and testified as follows:

CONTINUED CROSS EXAMINATION

BY MS. RULE:

Q Mr. McMillan, have you checked on the difference between letters of credits and lines of credit?

A Yes. I have.

Q What's the difference?

A A letter of credit, briefly, is a notification issued by a bank to an individual or a firm authorizing the latter to draw on that bank.

Q I see you have checked.

A Yes.

Q And a line of credit is?

A A line of credit is essentially that. It's a -- it's not a specific, enforceable contract, but it's more of a notification based upon certain terms and conditions with a prospective borrower that the bank will make available to it a loan or such, you know,

1 either as a note or something, or it depends upon the
2 particular instrument. But that's essentially what it
3 is, it's a notification from the bank that they will
4 make available to you borrowings up to a specific
5 limit.

6 Q Thank you. And finally, with regard to
7 cost-of-service methodology in relationship to
8 uncollectible expenses, Gulf's cost-of-service study
9 allocates uncollectibles to RS, GS, and GSD classes
10 only based on average number of customers. Did you
11 provide information on allocation of uncollectibles to
12 Mr. O'Sheasy?

13 A I prepare a lot of the cost-of-serve detail
14 information that is used in the cost of serve because
15 it would be used in the forecasted test year. I did --
16 my specific area did not prepare that, it was prepared
17 in the Customer Accounting Department but it did come
18 through me and was provided to Mr. O'Sheasy, yes.

19 Q Does Gulf record uncollectible account
20 information by either revenue class or by rate class?

21 A Yes. We did. The uncollectible expense,
22 you're referring to?

23 Q Yes.

24 A Yes. We did allocate that to three rate
25 classes.

1 Q No, how do you book it?

2 A How do you book it?

3 Q How do you record it?

4 A Well, it's based upon each individual
5 customer's bill, actually. I mean, when the customer's
6 bill becomes a certain amount overdue, it's charged off
7 as a gross write-off.

8 Q Well, allocation information is included in
9 your cost of service study. Uncollectibles were
10 allocated to different rate classes. How is that
11 booked? You say -- you just told me it's booked
12 according to individual customer, fine. But how do you
13 then do it according to class?

14 Or do you do it according to class, by
15 revenue or by rate class?

16 A It really wasn't, wouldn't make that big of a
17 difference. Obviously, it's written off against the
18 reserve for uncollectible expense and there's no
19 revenue categorization necessary in that specific
20 account. We do have, you know, in our customer
21 accounting records a summary by customer that was
22 written off. If you wanted to go through about a
23 12-inch run and summarize that, which I have talked to
24 Marge once before about this earlier, and I did have
25 our customer accounting people go back and look at the

1 last few years. They did not have the time to do it by
2 specific rate class -- or I don't have that schedule
3 with me. I could get it in the next week, maybe.

4 But what they did do is go back and look at
5 '87, '88 and '89 actual gross write-offs, which we do
6 have a report that shows that. It's just not
7 subtotaled by rate schedule or even class. We had to
8 manually go in and add this up. And I can provide
9 something of that nature.

10 Giving you a history, just a little history
11 on this, and I talked with our customer accounting
12 people that provided this in prior rate cases dating
13 back to late '70s.

14 And they said at one time we had an
15 individual with the Company that sat there for these
16 cost-of-service studies and recorded every one of
17 these, summed it up. And over the course of two or
18 three rate cases, looking at the chargeoffs, it was
19 pretty obvious that these three rate classes, in
20 essence, consume the total of our uncollectible
21 write-offs and that the customer relationship within
22 those three rate classes fairly closely mirrors the
23 actual write-offs. And they eliminated the need for
24 the manpower or the labor to continually sit there and
25 sum these things up.

1 And that's essentially how we got into this
2 allocation methodology, identifying those three rates
3 and just allocating it to those rates based on the
4 customers within those three rates.

5 Q How long ago was that?

6 A Early '80's, probably around the '81 case.

7 Q Well, the problem Staff has now is that the
8 way you allocate uncollectible to Accounts RS, GS and
9 GSD, based on the average number of customers, means
10 small customer pays the same amount or is allocated the
11 same amount as is the large customer.

12 And Staff has attempted to get information
13 from Gulf in the past. I believe you're probably
14 familiar with Staff's Third Set of Interrogatories,
15 Item No. 53? And also you may or may not be familiar
16 with Mr. Haskins' Late-Filed Exhibit No. 9 to his
17 deposition. Those are contained in Exhibits 437 and
18 438.

19 A These were obviously the response to those
20 interrogatories supports the amounts that we included
21 in the filing, which it appears to us was what the
22 question was, it asks under what basis that we
23 allocated the uncollectible expense to rate class? And
24 that's what we delineated on that response to Item No.
25 53.

1 Q Well, Mr. Haskins has indicated in his
2 Late-Filed Exhibit No. 9, which is in Staff's, in
3 hearing Exhibit No. 438, that uncollectibles by rate
4 class were not available. And then he indicated total
5 uncollectibles. It's not clear to us exactly how Gulf
6 keeps these records and why at some point we've been
7 told the information is not available and then later we
8 were told, we were just given an allocation and said,
9 "This is what we do."

10 Is your answer right now that the reason
11 you allocate the uncollectibles the way you do is
12 because of something that happened in the early '80s, a
13 look that Gulf took at the uncollectible problem then?

14 A Well, no, we just felt like that's a good
15 basis for allocating the expense. And it's so
16 demonstrated when you look at the actual
17 uncollectibles.

18 Now, I could have been a little bit
19 misleading. The analysis I have is on gross write-offs
20 and they do not have the same write-off based on net
21 write-offs. Obviously, if you write a customer off,
22 there is some, like if you have a deposit, you write
23 off the net effect and the reserve would be less, but
24 it would obviously given you an indication of where the
25 write-offs are occurring.

1 There have never been, based upon anybody's
2 recollection in the Company or any records we have, any
3 write-offs in the industrial class and would not make
4 -- to us it, would not seem a cost causation type idea
5 to spread these things through all rate classes
6 whenever all rate classes aren't incurring these costs.

7 COMMISSIONER GUNTER: Let me ask you a
8 question on that point, Mr. McMillan.

9 How can you have an evaluation of your
10 deposit policies if you don't know where your losses
11 are occurring by rate class? How do you know that you
12 have proper deposit policies established to minimize?
13 Because it's my understanding the purpose of deposits
14 is to minimize the risk to other customers within that
15 class for people's failure to pay. And if you don't
16 know what your activity is per customer class, how do
17 you really know that you've got the pot right?

18 WITNESS McMILLAN: We can make that
19 determination. Unfortunately, the systems we have
20 right now don't mechanically come up with those
21 subtotals. It's just you, through man hours, they can
22 accumulate that data. They have it on a customer
23 basis, obviously, and it's just a matter of summing
24 them up.

25 They do this report down there and it's

1 rather lengthy, but it goes through all the write-offs.
2 And I guess, to answer your question in a roundabout
3 way, the people that work with this on a daily basis
4 say that they know without any uncertain terms that
5 basically 80 to 85% of our write-offs are in the
6 residential class. And they can -- we have the
7 records, the details there to support that. It's just
8 a time-consuming basis to go back and do that.

9 COMMISSIONER GUNTER: So your response or the
10 Company's response is, "Trust me." Is that right?

11 WITNESS McMILLAN: Not really trust you. I
12 think the information is available and on a periodic
13 basis it is reviewed.

14 COMMISSIONER GUNTER: Well, periodically not
15 since the early '80s? Is that what we're saying?
16 Because I'm hearing Counsel saying you have a response
17 that it is not available, you know, those kinds of
18 things. If it's not available for review and hadn't
19 been available since the '80s, since the early '80s,
20 you know, you just begin to question about the deposit
21 policies. It actually raises another question.

22 WITNESS McMILLAN: I assume this is the
23 Haskins' deposition and, like I say, I think his
24 statement "uncollectibles by rate class," is a true
25 statement from the standpoint of what is maintained on

1 the accounting records readily available. There are
2 records that at least, not like '89 and '88 -- I'm not
3 sure to their retention whether or not they will have
4 this particular report that I refer to where they can
5 go back and determine what the actual write-offs were
6 by rate schedule and rate class. But it is not a
7 figure that pops out of that report. You have to have
8 an accountant or someone sit there and summarize the
9 data.

10 MS. RULE: No further questions.

11 CHAIRMAN WILSON: Questions? Questions,
12 Commissioners?

13 COMMISSIONER GUNTER: Hold on just a second.

14 Mr. McMillan, would you turn to page -- to
15 Item 27 on the Prehearing Order, Page 22?

16 I understand Gulf's position when I read
17 that. But the issue couched is, if Plant Scherer is
18 not included in the ratebase, what are the appropriate
19 ratebase NOI adjustments to exclude it? For my
20 purposes, I'm not interested in the dollar figures, but
21 are the -- would you disagree in response to the
22 question asked on Issue 27 that these are the proper --
23 that Staff's listing are the proper accounts where the
24 adjustments would take place? Or are there others? Or
25 are there those included there that should not be?

1 (Pause)

2 WITNESS McMILLAN: Since they are listed as
3 sort of generic, subtotals, obviously, covers most of
4 your rate base NOI items, so that would include those
5 two areas. You would have potentially some capital
6 structure adjustments.

7 COMMISSIONER GUNTER: Okay. So there would
8 be adjustments to capital structure?

9 WITNESS McMILLAN: Now, the idea here is
10 obviously -- I think what Staff is using and Public
11 Counsel is using for the basis of their adjustments is
12 Interrogatory 144, which, as I noted in those
13 footnotes, did not include all of the unit power sales
14 amounts that we are crediting to the unit power sales
15 retail customers, and that's what I am referring to in
16 my response in the Prehearing Order. When you consider
17 those additional items that they have not picked up,
18 you would reduce -- the revenue requirements would be,
19 roughly, a little less than \$2 million, actually.

20 COMMISSIONER GUNTER: Okay. On Issue 13,
21 when you start talking about construction work in
22 progress, what you're doing, and I'm trying to
23 understand a "yes." Have you just taken all the
24 construction activity that's taken place that would
25 exceed a year and applied CWIP on it? (Pause)

1 WITNESS McMILLAN: This is the 13-month
2 average amount of construction work in progress,
3 noninterest-bearing, that would, based on our forecast,
4 would be outstanding on a 13-month average basis, not
5 in any specific point in time.

6 COMMISSIONER GUNTER: Okay. For purposes of
7 my understanding, are these short duration jobs?

8 WITNESS McMILLAN: They would all be jobs of
9 less than 12 months, which is based on the new rule,
10 the AFUDC rules.

11 COMMISSIONER GUNTER: All right. In your
12 plans for 1990, the test year capital additions, do you
13 have construction projects that would exceed a year?

14 WITNESS McMILLAN: Yes, we do.

15 COMMISSIONER GUNTER: What would be the, just
16 off the top of your head -- well, it's not going to be
17 off the top of your head, she's going to provide it to
18 you. What's the dollar volume of those that would
19 exceed a year?

20 WITNESS McMILLAN: The 13-month average of
21 those are included on my Schedule 6 in my prefiled, and
22 they amount to \$431,000.

23 COMMISSIONER GUNTER: How much?

24 WITNESS McMILLAN: \$431,000.

25 COMMISSIONER GUNTER: All right. What's the

1 dollar volume of those less than a year?

2 WITNESS McMILLAN: It's the majority of our
3 CWIP, actually, \$14,949,000.

4 COMMISSIONER GUNTER: Well -- all right.

5 WITNESS McMILLAN: I'm sorry, it's
6 \$15,308,000, actually. \$14,949,000 is the
7 jurisdictional amount of that.

8 COMMISSIONER GUNTER: How about Issue 68, if
9 we could for a minute. You projected \$687,000 for
10 economic development expense in the sales function for
11 1990. Even though it has Mr. Bowers' name down here,
12 if you get to the front of it, you're also identified
13 as a witness in the issue number listing. Is that
14 appropriate or is that all Mr. Bowers'?

15 WITNESS McMILLAN: Probably the only reason I
16 would be listed, that I could guess, would be to
17 identify the amount that I've actually removed, the
18 adjustments that I have made in my NOI adjustment
19 related to conservation or sales and national
20 advertising -- I mean, national advertising and area
21 development.

22 COMMISSIONER GUNTER: Let me ask a question
23 of your counsel. Is he the witness I should talk about
24 the philosophy?

25 MR. HOLLAND: No, sir, Mr. Bowers is.

1 COMMISSIONER GUNTER: Mr. Bowers would be.
2 So he's included just nearly because it's a figure to
3 be worked on?

4 MR. HOLLAND: Yes, sir. Commissioner, I
5 can't find it off the top of my head, but there was an
6 audit exception relevant to economic development, and
7 that's why he's there, it related to the accounting for
8 that.

9 COMMISSIONER GUNTER: Okay. Well, I'm just
10 here trying to stumble through what I've got to stumble
11 through.

12 MR. HOLLAND: Yes, sir. Philosophically,
13 that would be Mr. Bowers.

14 COMMISSIONER GUNTER: And he would give us
15 the rationale and the reason why that figure would have
16 been included?

17 MR. HOLLAND: Yes, sir.

18 COMMISSIONER GUNTER: Hold on just a second
19 and that may be all of mine. (Pause)

20 Let me see if I understand Issue 19 on Page
21 18, please. (Pause)

22 Would you explain, or are you aware of
23 Commission policy that had been to exclude the
24 unamortized portion of rate case expense?

25 WITNESS McMILLAN: They have done that in our

1 last two rate cases, yes, sir.

2 COMMISSIONER GUNTER: All right. Would you
3 explain Gulf's position on Issue 19?

4 WITNESS McMILLAN: Well, it's Gulf's feeling,
5 as this Commission has recognized, that the rate case
6 expenses are a legitimate component of the cost of
7 running a utility company. Based upon regulated
8 requirement, there are certain expenses incurred to
9 come over and request rate relief. It could be our own
10 request or you all could have us over here, for that
11 fact, on a show cause.

12 And if the Company is going to be expected to
13 recover those funds over the future period, the
14 unamortized portion of that is a legitimate working
15 capital requirement of the Company; that we've actually
16 incurred the funds, we've spent the money and there's a
17 cost of money related to that that we feel is
18 legitimately recoverable by the utility. Especially if
19 there's some proposal to stretch this amortization out
20 over four or five years.

21 You know, on a two-year, I think what the
22 Commission has said the last two cases when we got
23 two-year amortization, it was like a sharing of the
24 cost between the stockholders, since they are obviously
25 getting the benefit of the additional revenues, and the

1 cost related to the case on the NOI side would be
2 recoverable expense over two years. But you start
3 shifting that out five years, and the stockholder being
4 expected to incur significant carrying costs for
5 something that they've already spent.

6 COMMISSIONER GUNTER: All right. For the
7 sake of brevity, I'm not going to ask any other
8 questions on the issues you're responsible for because
9 there's a large number of them that are really fallout
10 items.

11 WITNESS McMILLAN: That's correct.

12 COMMISSIONER GUNTER: So it doesn't serve any
13 purpose to go through those. I don't have anything
14 further, Mr. Chairman, not of this witness.

15 CHAIRMAN WILSON: Redirect?

16 MR. HOLLAND: Yes, sir.

17 REDIRECT EXAMINATION

18 BY MR. HOLLAND:

19 Q Mr. McMillan, do you have the year-to-date, I
20 believe as of May, budget-to-actual comparison for
21 plant additions?

22 A Hold on one second. (Pause)

23 Yes, I do have. This stuff is relatively --
24 we've been working on this, actually, and the total
25 construction expenditures through May are \$208,000 over

1 budget, year-to-date.

2 Q All right.

3 A Through March we were roughly a million and a
4 half under and we caught that up. (Pause)

5 Q Mr. McMillan, earlier you were asked by
6 Staff, and really it's under Issue 27, and if I could
7 get you to turn to Issue 27, you were asked by Staff
8 several question about the impact of removing Plant
9 Scherer, 63 megawatts of Plant Scherer from rate base
10 for purposes of the test year. The questions you were
11 asked related to the impact on ITC and tax deferral.
12 If the 63 megawatts of Scherer were to be removed from
13 rate base, are there other impacts that should be taken
14 into account?

15 A Well, obviously, yes, you would have, you
16 know, your typical rate base adjustments, plant in
17 service, accumulated depreciation and working capital
18 items, and then your NOI adjustments related to that 63
19 megawatts.

20 Q In Staff's Exhibit No. 432, which is Response
21 to Public Counsel's Third Set of Interrogatories, do
22 you have that document?

23 A Yes, I do.

24 Q In the footnotes there you referenced the
25 fact that you did not include allocated investment

1 related to general plant or investment in transmission
2 line, 115 kV and above, which are credited to the
3 retail customer. Have you performed a calculation
4 which shows the impact of those items?

5 A Yes, I have.

6 MR. HOLLAND: Mr. Chairman, we'd like to hand
7 out an exhibit that Mr. McMillan has prepared that
8 shows those calculations and let him speak to that.

9 CHAIRMAN WILSON: All right.

10 MR. HOLLAND: I'd like to have this
11 identified for the record.

12 CHAIRMAN WILSON: It will be Exhibit No. 575.
13 (Exhibit No. 575 marked for identification.)

14 MR. BURGESS: Commissioner, I have a
15 question. I don't know how to pose it. I guess I
16 could do it in terms of an objection. Rather than
17 that, though -- first, I'd like to find out simply if
18 this is a response to an issue that's been in the case
19 since the very beginning and was in the last rate case,
20 why we're getting some calculation on the effect of it
21 at this point?

22 CHAIRMAN WILSON: What is this exactly?

23 MR. HOLLAND: If I might, I could inquire of
24 the witness, or I could attempt to --

25 CHAIRMAN WILSON: Well, let's ask the

1 witness. We've heard Mr. Burgess' question.

2 MR. HOLLAND: Okay.

3 CHAIRMAN WILSON: What is this, and why do we
4 have it right now?

5 WITNESS McMILLAN: Essentially this is a
6 summarization of all the appropriate adjustments that
7 would be required to remove the 63 megawatts related to
8 Plant Scherer, including the recognition of the credits
9 that we are receiving for A&G expenses, general plant
10 and transmission lines, which, if you look down toward
11 the bottom of your schedule, the Staff essentially, in
12 Interrogatory 144, these figures are exactly the same
13 on Page 1, down through, if you look in the middle of
14 the page. Interrogatory 144 includes no IIC offset
15 either. That is one item that would have to be
16 included.

17 And then below that I'm showing the Scherer
18 transmission line rentals and the production-related
19 A&G, which have been addressed earlier, and the O&M,
20 and what Staff has proposed doing is essentially
21 disallowing those, along with the 63 megawatts, and
22 what I mentioned in my Prehearing Order, and had not
23 had the opportunity at that time to quantify that, or
24 actually get the exhibit put together when I did my
25 rebuttal testimony, is that amount that I've asterisked

1 there, the \$3.8 million, it's just the revenue
2 requirements impact of all these unit power sales
3 allocations that we're making, related to the 149
4 megawatts, in excess of the amount that's directly
5 related to Scherer amounts. And I was trying to figure
6 out a way to lay this out that would be clear to all
7 parties.

8 I think if you look at the first page, which
9 is the proposed adjustments, and there is a UPS column
10 there, and compare that to the total UPS adjustments
11 that we're proposing to make and have made in the Cost
12 of Service Study, which if you look at Page 2, those
13 figures tie right into our UPS adjustments on my
14 prefiled exhibits, less the production related Scherer
15 adjustments identified in Interrogatory No. 144.

16 You can clearly see there is additional rate base
17 amounts and NOI amounts that the company is already
18 allocating to UPS, and the retail customer is
19 benefiting from. And I can tell you exactly what those
20 are. It's the administrative and general expenses, and
21 the O&M related to our transmission lines, and the
22 related plant investment related to some general plant
23 and transmission lines, which we actually recover from
24 UPS and are crediting the retail customer for all those
25 dollars. And these are directly related to our Scherer

1 UPS sales.

2 And if you're -- you know, I guess our feeling is
3 if you're going to disallow the whole 63 megawatts of
4 Scherer, including the transmission line rentals and
5 the production related A&G, that it's only appropriate
6 that you recognize these additional benefits that we've
7 already allocate. to UPS, related to unit power sales
8 out of that unit.

9 COMMISSIONER GUNTER: The retail customer.

10 WITNESS McMILLAN: To retail customers,
11 right. That, in effect, is the 3. -- if you look down
12 in the middle of the page, you'd have \$2,056,000
13 related to the retail component of the Scherer
14 transmission rentals and the production-related A&G and
15 we're actually receiving from the 149 megawatts of
16 Scherer sales, almost \$3.8 million in revenue
17 requirements that we've already credited the retail
18 customer for in this filing. So that actually --

19 MR. BURGESS: Commissioner, if, before he
20 goes further into the explanation of, or basically what
21 he purports to be the effect of this, I do have to
22 enter an objection to it. I think that we asked for
23 this information in Interrogatory 144, which asked for
24 each balance sheet account affected, and then
25 including, but not limited to, and then we said all

1 plant items, et cetera, and then each income statement
2 account affected, including but not limited to.

3 We tried to be as inclusive as we could in a
4 interrogatory, and this is the interrogatory that we
5 propounded to Gulf on February 7th, wherein we could
6 get this type of information. The Company has known
7 this was going to be an issue since the rate case that
8 they withdrew. It's been an issue in this case since
9 the beginning; it's in our testimony; they had rebuttal
10 testimony, and now we're getting new information as of
11 the day of the hearing.

12 And, again, it's the type of information that
13 requires a great deal of effort to, first of all,
14 understand what each piece of it is, to see if there's
15 any reasonable challenge, and to inquire as to the
16 validity or the calculation of each of these items.
17 And even though I may agree to the relevance of some of
18 the items included in here, I don't have an opportunity
19 to challenge it.

20 And there has been plenty of opportunity to
21 challenge it. This is an issue that was presented
22 before -- as early as any of the others -- as early as
23 any issue that was defined in this case. So I object
24 to this information being brought in at this point.

25 MR. HOLLAND: Commissioner, if I might.

1 From a basic legal proposition the door was
2 opened, questions were asked relative to what
3 adjustments are appropriate. We talked about ITC, we
4 talked about deferred taxes. We referenced this
5 exhibit, which has the footnote on it, that says this
6 doesn't include everything, that there are certain
7 things that have been excluded.

8 Commissioner Gunter inquired about Issue 27,
9 with respect to what are the appropriate adjustments
10 that should be made. If you'll refer to our position
11 on Issue 27 we say that the actual revenue requirements
12 will be provided when available.

13 What I've tried to do here, Mr. McMillan did,
14 at Page 14 of his rebuttal testimony, reference the \$2
15 million. We have not had the opportunity, given
16 certain adjustments that were recommended over and
17 above those that were contained in the testimony, or in
18 the interrogatory.

19 Mr. Larkin made some additional adjustments.
20 He, in fact, imputed revenues as if this 63 megawatts
21 were being sold in unit power sales; imputing sales
22 that have not taken place.

23 We stated in our position, we stated in our
24 rebuttal testimony, that we would be providing this
25 additional information.

1 Now, I can go through, and I think I'm
2 perfectly entitled to go through and ask him about each
3 item on here without this exhibit, and I'm prepared to
4 do that, if that's necessary. What we were trying to
5 do is to simplify, to the extent that we can, and it's
6 not a simple thing, to the extent that we could, to
7 simplify the presentation of the actual impact of Plant
8 Scherer in this rate case. And that's what this
9 exhibit is intended to do.

10 The other thing that I would add, certainly
11 it would have come up in rebuttal. One of my reasons,
12 when the door was opened in the cross examination of
13 Mr. McMillan, was to go ahead and get this on the
14 table, to give Mr. Burgess, his consultants, give the
15 Staff and everybody else time to examine the document
16 between now and the time when Mr. McMillan comes back
17 up on rebuttal, and be prepared to ask him anything
18 they would like about the exhibit.

19 MR. BURGESS: Commissioner, I'm very
20 concerned with what's happening to all the prehearing
21 effort. It sounds like Mr. Holland is saying, "Oh,
22 you can ask a question in interrogatory form and we
23 might not provide the response there. But if you ask
24 the same question at the hearing, then in his redirect
25 he's entitled to bring up anything and bring in new

1 information.

2 He says Mr. Larkin made adjustments. Mr.
3 Larkin made adjustments in his prefiled direct
4 testimony, for which Gulf had a reasonable amount of
5 time to respond in its rebuttal testimony. And so
6 they've had the opportunity. The fact that in the
7 Prehearing Order it says, "Actual revenue requirement
8 will be provided when available," the Company is the
9 one with the information. We're the ones that don't
10 have the information.

11 CHAIRMAN WILSON: Do we have a copy of
12 Interrogatory 144? Is that it?

13 MR. HOLLAND: It's Exhibit 432 that was
14 referred to by Staff earlier.

15 WITNESS McMILLAN: Yeah, I would like to
16 point out and defend myself, that we responded properly
17 to that exhibit. It specifically requests Scherer
18 information. And I'm saying that these amounts that we
19 are crediting the customer for are not directly
20 Scherer-related, but must be considered to fairly
21 represent what the revenue impact is of Plant Scherer.
22 They are wanting to exclude all these direct Scherer
23 amounts and not recognize --

24 MR. BURGESS: Commissioner, there is no
25 question before the witness right now, so I'd object to

1 any further statements until we get worked out what the
2 Commission's reaction to this exhibit's going to be.

3 CHAIRMAN WILSON: What was the question in
4 Interrogatory 144?

5 MR. BURGESS: It's fairly lengthy. I don't
6 know whether --

7 CHAIRMAN WILSON: Why don't you just bring it
8 over here and let me look at it.

9 MR. BURGESS: Okay. (Counsel hands document
10 to Chairman.)

11 CHAIRMAN WILSON: Thanks. (Pause)

12 MR. BURGESS: The point that I'd make,
13 Commissioner, is this is all in response -- even Mr.
14 McMillan's last statement is, "This is in response to
15 the adjustment that we are suggesting be made for Plant
16 Scherer." We made that adjustment in our testimony,
17 they have had the opportunity to file rebuttal
18 testimony in response to that.

19 MR. HOLLAND: I think you made more
20 adjustments than are contained in this interrogatory.

21 MR. BURGESS: We made adjustments in our
22 testimony.

23 MR. HOLLAND: And we responded in the
24 rebuttal testimony that additional adjustments were
25 appropriate to the tune about \$2 million. We stated

1 here that we were going to provide the details of that.

2 Commissioner, I think it's perfectly
3 appropriate and, again, I'm prepared to do it. We're
4 trying to simplify the process, is what we are trying
5 to do. And I'm prepared, if the Commissioners would
6 like and Mr. Burgess would prefer, I'll simply ask the
7 questions about what other revenue impacts there are
8 associated with the removal of the 63 megawatts of
9 Plant Scherer.

10 MR. BURGESS: My problem is I don't
11 understand, if they are the ones with the information,
12 why they say, in testimony, "We'll provide this
13 information later," and then provide it at the hearing.

14 CHAIRMAN WILSON: Let me read this for just a
15 moment. (Pause)

16 CHAIRMAN WILSON: What is it that you know
17 now that is included in this proposed exhibit that you
18 didn't know at the time you prepared the response to
19 Interrogatory No. 144?

20 MR. HOLLAND: It might be better to let the
21 witness address that. But let me make one point.

22 We did reference most of what is included in
23 this exhibit in the footnotes, stating that we did not
24 include the allocated investment. He asked for
25 investment related specifically to Plant Scherer, and

1 that's what we gave him. We specifically stated in
2 response to that interrogatory that we had not included
3 the allocated investment related to general plant or
4 transmission lines that are associated with the sales,
5 UPS sales.

6 COMMISSIONER BEARD: Let me ask it a little
7 differently, if I can.

8 What is it that the witness knows now that he
9 didn't know that Staff apparently did know when we did
10 the calculation of interim? Because I remember most of
11 these figures popping back in and the quote was, I
12 think on Scherer, that if you put it in or you pull it
13 out, there was only a half a million dollars swing.
14 Staff could do that -- yeah, I think so, because of the
15 ITC sales. I think it was five-point something versus
16 4.5 million. Somebody tell me if I'm wrong.

17 MR. HOLLAND: I think it was more like 5
18 million.

19 COMMISSIONER BEARD: 5 million, 4.5,
20 whatever.

21 MR. HOLLAND: No, I'm talking about the
22 revenue impact that was included for interim purposes
23 or was taken out was about 5 million, if I'm not
24 mistaken.

25 COMMISSIONER BEARD: Now, there was some

1 swing associated with the --

2 MR. HOLLAND: That was Daniel where the ITC
3 swing canceled it out.

4 MR. BURGESS: Daniel was almost even and I
5 think Scherer was about 5 million net.

6 COMMISSIONER BEARD: So Scherer was a 5
7 million swing that now has changed to a \$72,000 swing?

8 MR. HOLLAND: Commissioner, if you will
9 recall in the interim we did not have the opportunity
10 in terms of presentation of testimony to argue the case
11 relative to Plant Scherer.

12 COMMISSIONER BEARD: But had you been able
13 to, you could have shown us that difference?

14 MR. HOLLAND: Yes, sir.

15 COMMISSIONER BEARD: Well, if you --

16 MR. HOLLAND: Well, I don't say we could
17 have, no. And I don't -- what I'm saying is that we
18 have, and it's not a simple thing to do, but we have
19 gone out and looked at how much revenues are credited
20 to the UPS customers or how much costs are allocated to
21 the retail customers as a result of these UPS sales.
22 All we're saying here, and we state it in our position
23 in Issue 27, is that if people are going to take the
24 position that Scherer is not entitled to be included in
25 retail rate base, that the retail customer should not

1 get the benefit, any benefit, associated with the unit
2 power sales. If you're saying we didn't invest in this
3 plant for the long-term best interests of Gulf's
4 customers --

5 COMMISSIONER BEARD: You need to be distinct.
6 Because, frankly, I find the document interesting
7 because it raises some questions I didn't have before.
8 But you need to limit the arguments to the legal side
9 of that; and that probably ought to go to you, because
10 I'm not the lawyer.

11 MR. BURGESS: Commissioner, if I could -- the
12 focus of our objection would be this: that we did what
13 we considered to be as comprehensive a job as we could
14 in trying to get information from the Utility as to the
15 effect of removing Plant Scherer, the 63 megawatts of
16 Scherer.

17 The Utility has the first opportunity and the
18 last opportunity in filing first and in filing
19 rebuttal. And I think, from our standpoint, that gives
20 them the edge anyway in the natural process. And now
21 they're holding back, in this particular case, on
22 rebuttal and waiting to bring it in in the hearing.

23 Now, Mr. Holland says that, "Well, once we
24 opened the door by asking the questions in the hearing,
25 then he could bring in something anyway."

1 I say, "No, that runs contrary to the idea
2 of what we're doing in the prehearing process, which is
3 to avoid trial by ambush."

4 And I see that's what they've done in their
5 position here; but they had an opportunity to expand on
6 that position and present it in rebuttal testimony. If
7 it took them this long to come up with this type of
8 information and they have the information, how long
9 does it take us to explore their position through
10 discovery and then present some type of response or
11 some type of challenge?

12 MR. HOLLAND: Commissioner, Mr. Chairman, I
13 strongly disagree with the basic premise that Mr.
14 Burgess is arguing. I think the Rules of Procedure
15 very clearly provide that if in cross examination of a
16 witness the door is opened, questions are asked with
17 respect to a certain issue or certain costs, expenses,
18 whatever, that we have the right to redirect on that.
19 And that's exactly what I've got the right to do.

20 CHAIRMAN WILSON: Well, the concern that I
21 have is that the Interrogatory 144 that I'm reading
22 looks like it's asked for this.

23 MR. HOLLAND: No, I disagree with that.

24 CHAIRMAN WILSON: Tell me where it didn't.

25 MR. HOLLAND: Well, if I could, let me ask

1 the witness what he responded to in the interrogatory.
2 And let him explain to you what we responded to.

3 CHAIRMAN WILSON: I don't mind you asking the
4 witness, and I'd like a fairly concise explanation
5 without going into the, what the substance of this
6 exhibit is. What it is that is in this exhibit that
7 was not asked for in 144 that's being responded to here
8 at this point.

9 MR. HOLLAND: Okay.

10 COMMISSIONER EASLEY: And is it more
11 substantive than a format change?

12 MR. HOLLAND: I think the answer to that is
13 yes --

14 WITNESS McMILLAN: Yes.

15 MR. HOLLAND: -- but I'll let him respond.

16 WITNESS McMILLAN: Basically, on
17 Interrogatory 144, as I mentioned earlier, the only
18 requested data, Gulf's investment in Plant Scherer.
19 And that's the only items that we identified are direct
20 incremental costs related to Plant Scherer in
21 Interrogatory 144.

22 It would not include an IIC offset, which I
23 included on this schedule; and it would not include the
24 administrative and general cost, general plant and
25 transmission lines charges that we received from the

1 UPS customers and yet they're included in the
2 transmission line rentals, which are related to
3 Scherer.

4 And so there is a mismatch, and that's why I
5 footnoted that in that footnote. It clearly says I did
6 not include those allocated costs because I was afraid
7 somebody was going to try to pick this up and use it as
8 an adjustment, and there are other things that should
9 be considered at least by the Commission.

10 And that's what our attempt has been on this
11 schedule, to lay something out that would be
12 straightforward and easy to follow to -- you know, I
13 don't think it is as complicated -- I tried to make it
14 as simple as possible.

15 If you look at the amounts that I've included
16 on 144, which include the UPS amounts on that schedule,
17 and you look at the UPS adjustments I've made in the
18 filing on my prefiled rate base schedule and NOI
19 schedule, it's pretty clear that we have --

20 (Fire alarm sounded. Recess.)

21 - - - - -

22 (Brief Recess.)

23 CHAIRMAN WILSON: Where were we?

24 MR. BURGESS: Ed and I talked it over during
25 the break and didn't get anywhere. So we're about

1 where we were.

2 CHAIRMAN WILSON: Didn't agree to have an
3 arm-wrestling match or anything?

4 MR. HOLLAND: I wouldn't agree to that.

5 (Laughter)

6 CHAIRMAN WILSON: I don't blame you, either.

7 MR. HOLLAND: We might run a race or something
8 like that, but no arm wrestling.

9 MR. BURGESS: Anyway, I'll just, to bring it
10 back before the Commission and re-crystalize the
11 objections, I would say that we filed -- I've gone back
12 and looked at the schedule. We filed direct testimony
13 on May 1st on this issue, and the Utility filed
14 rebuttal testimony on this issue on May 21st. The
15 point that I'd make is if in three weeks the Utility,
16 with access to the information, could not put together
17 this type of detail, which apparently that's what it
18 says in the rebuttal testimony, there's another
19 adjustment, but they haven't had the opportunity to
20 make specific that calculation. And I'd say, if three
21 weeks with the Utility, with all its resources and with
22 the information available to it, is not enough time for
23 it to come up with a specific calculation, then two
24 days or 15 minutes or whatever it happens to be, surely
25 is not enough for us to do discovery, attempt to

1 understand everything that's behind it, challenge any
2 of the numbers behind it and track them down and come
3 up with cross examination that would be meaningful.

4 MR. HOLLAND: Mr. Chairman, if I might
5 respond.

6 CHAIRMAN WILSON: Sure.

7 MR. HOLLAND: Where I started, and I think
8 this is still the basic premise, is that we're entitled
9 to have this exhibit introduced. The door was opened
10 in cross examination. I think it's a basic legal
11 principle that if a subject matter is open, questions
12 are asked relative --

13 CHAIRMAN WILSON: I think what we are talking
14 about here is a matter of fairness, that the same
15 question has basically been answered -- asked in an
16 interrogatory well before we get to hearing, asked in a
17 similar or the same question in direct doesn't open up
18 the opportunity to answer something with this witness
19 on the stand that you didn't answer previously when you
20 had a similar question in discovery. That's the point.

21 MR. HOLLAND: With all due respect, two
22 things: One, I don't think that the interrogatory
23 asked the question --

24 CHAIRMAN WILSON: That's what I've been trying
25 to get to in this discussion.

1 MR. HOLLAND: I think where we left off was
2 that the witness was, in fact, describing what he
3 responded to, and I would also point out that this
4 interrogatory, until introduced into evidence, is not
5 evidence.

6 CHAIRMAN WILSON: I understand that. I
7 understand that. That doesn't detract from the basic
8 question of if the question hadn't been answered before
9 and not answered, why is it being answered now?

10 MR. HOLLAND: One, I don't think the question
11 was asked.

12 CHAIRMAN WILSON: Well, let's get into that
13 and do this as quickly as possible. We're spending a
14 lot of time on this.

15 Q (By Mr. Holland) Mr. McMillan, let me just
16 ask you directly, is there anything in Question 144,
17 Interrogatory 144, that would lead you to respond in
18 any way other than in the way that you responded?

19 A No, there is not.

20 Q Did you respond to the interrogatory with the
21 data that was requested in that interrogatory?

22 A Yes, I did.

23 Q Is the amount -- is the calculation that is
24 contained in Exhibit 575, in addition to, over and
25 above and supplemental to the questions that were asked

1 in 144?

2 A There is additional information on that, yes.

3 Q Did you, in your rebuttal testimony, in
4 response to Mr. Larkin, indicate that there were
5 additional offsets other than those specifically
6 related to the 63 megawatts of Plant Scherer, which
7 should be made when -- if the Commission were to
8 disallow the 63 megawatts from rate base?

9 A Yes, I did. And I've also footnoted that
10 clearly at the bottom of my response to 144. Since it
11 specifically asked for just Scherer investment, I
12 wanted to make sure in the footnote that if anybody
13 were to try to pick this up, that I have not included
14 any allocated amounts which should be also considered
15 that aren't recorded on our books as Plant Scherer.

16 MR. HOLLAND: Commissioner, if it's a question
17 of fairness, I think it's extremely fair to the extent
18 -- and we were -- as you recall, we had three weeks to
19 file rebuttal testimony. One of those weeks was spent,
20 with a great deal of pleasure, before you in the tax
21 refund docket. We were also doing the --

22 CHAIRMAN WILSON: We all have fond memories
23 of that one.

24 MR. HOLLAND: We were, also, during that
25 period of time attempting still to respond to

1 outstanding discovery requests, write rebuttal
2 testimony. We did begin at that point to try to
3 formulate an exhibit which would be responsive, that is
4 the number -- the estimated number that is contained in
5 Mr. McMillan's rebuttal testimony at Page 15.

6 Again, and I would re-emphasize the fact that
7 we -- I'm presenting this now rather than at the time
8 of the rebuttal to give the opportunity for examination
9 and cross examination later on if that's deemed
10 appropriate by the parties. We're attempting to be
11 fair about it.

12 Again, I would -- I think I've got the right,
13 whether we introduce the exhibit or not, because the --
14 and the basis for the asking the questions would be the
15 same as seeking the admissibility of the exhibit, to
16 ask questions relative to what additional impacts
17 should be taken into account as a result of the
18 removal, proposed removal of the 63 megawatts at Plant
19 Scherer.

20 MR. BURGESS: Commissioner, there was a time
21 when we were at the early stages of trying to come up
22 with a prehearing process, that there might be an
23 issue, "What is the proper rate base?" And under what
24 is the proper rate base, a party may attempt to raise
25 any number of issues that they hadn't thought of or

1 hadn't brought up at that point. And it was a
2 considerable burden on the other parties trying to deal
3 with that.

4 We have, as well as all the parties involved,
5 attempted as much as possible through the prehearing
6 process, to alert every other party in the case to all
7 of the issues that were intended to be raised and to
8 the direction from which it would be approached in the
9 case. And it has created an organized hearing process,
10 but will continue to do so only if it's adhered to, and
11 the problem I have is we are now at a point where I
12 see, from what Mr. Holland says, is we'll be bringing
13 in a number, a great deal of information in, just in
14 response to the cross examination.

15 It's easy enough to say, "Well, this falls
16 within the same area that was asked on cross
17 examination." Well, of course it does, if the general
18 issue is there. But this type of detailed information
19 is something that should be put on the table soon
20 enough for all parties to have the opportunity to
21 address. And at this point I just don't think that
22 opportunity has been available to at least this
23 particular party.

24 MS. RULE: Commissioner, I'd like to point
25 something out.

1 CHAIRMAN WILSON: Yes? Please do.

2 MS. RULE: This comes up repeatedly in almost
3 every hearing.

4 CHAIRMAN WILSON: Yeah.

5 MS. RULE: And I'd like to point out that
6 sometimes we wouldn't have to ask the question if we
7 got the information before, and, so we're put in the
8 position of asking the question because we didn't get
9 the information and then they claim the door is open.
10 So, I don't know which came first, the chicken or the
11 egg, but I do know that on occasion if we had the
12 information, we wouldn't need to ask the question, they
13 wouldn't be able to come up with the exhibit.

14 CHAIRMAN WILSON: Well, there's that, and I
15 appreciate your comments about the orderly process of
16 the prehearing process, but I'm not sure that any
17 prehearing process can literally take everything out of
18 the realm of actually responding and adhearing to
19 things that go on there.

20 I'll tell you what I'm going to do with this,
21 and I don't know whether what I'm doing is just
22 postponing this argument, so we rehear it when you come
23 back on rebuttal. But to treat this as a supplemental
24 response, in the nature of a supplemental response to
25 that Interrogatory No. 144, or additional schedules

1 that support the rebuttal testimony, so that we do not
2 look at this or talk about this until you come back on
3 rebuttal. It gives Public Counsel an opportunity, at
4 least, to examine it and determine whether there are
5 questions or information that he needs from the Company
6 or from you between now and then.

7 And Public Counsel, if you need the
8 opportunity to either depose this witness or have a
9 interview with him between now and the time he comes on
10 in rebuttal, you will have that opportunity, and the
11 Company will make this witness available for that
12 opportunity to examine him. And then we'll look at
13 this when he comes back on rebuttal, because reading
14 your rebuttal testimony, this subject is directly
15 addressed in your rebuttal testimony because the
16 statement is made at Page 15 that -- 14, "Were the
17 Commission to remove the Company's total investment in
18 Plant Scherer, as well as associated expenses, then the
19 total impact should likewise be -- UPS sales should
20 likewise be removed and all benefits -- a customer
21 should receive none of the benefits," and it sounds
22 like this is the calculation of the statement that
23 occurs in your rebuttal testimony, and if it comes up
24 at all that's where it ought to come up and not here.

25 Any further redirect?

1 MR. HOLLAND: Yes. Mr. Chairman, just to
2 preserve the record I would like to note on the record,
3 depending on what the ruling is at that time, I would
4 reserve the right to make a proffer at that time.

5 CHAIRMAN WILSON: All right.

6 Q (By Mr. Holland) Mr. McMillan, on a totally
7 different subject, bank, lines of credit and temporary
8 cash investments, is it necessary for the Company to
9 have a certain amount of cash available in the ordinary
10 course of its business?

11 A Some type of liquid asset, yes.

12 Q Could one make an analogy to his or her own
13 personal finances, to make a comparison between the
14 need to have cash available to pay bills?

15 A Well, I'm sure you could. You could easily
16 correlate that to an individual with a a checking
17 account. Obviously you must maintain a balance in that
18 account in order to write checks against that. When it
19 gets to zero, then you're going to have to go out and
20 borrow some money and put some more money back into
21 that account, so in the Company's handling of temporary
22 cash is, in effect, an interest bearing account.
23 That's all it is.

24 And there may be some confusion in that
25 regards. What we're calling temporary cash

1 investments, in a lot of cases most of that money is
2 only invested overnight, two nights, three nights, but
3 the treasurer always -- he has a schedule of the
4 investment schedules and makes sure some is maturing
5 daily so he can cover any potential checks that would
6 be hitting the banks.

7 They are not long-term investments or 30-day,
8 60-day type instruments. You may have some of those if
9 you had plenty of cash, but when you only have a small
10 amount of temporary cash investments, they would
11 probably all be an overnight or one- or two-day type
12 investment vehicles.

13 Q Is temporary cash investments, in terms of a
14 personal checking account, analogous to an
15 interest-bearing checking account?

16 A Yes, like a NOW account, or something like
17 that.

18 Q And would temporary cash or cash be analogous
19 to a noninterest bearing checking account?

20 A Yes, a demand account, in effect.

21 Q And would the line of credits that we spoke
22 of earlier and differentiated between the letter of
23 credit, would that be analogous to a loan or a line of
24 credit that an individual might have at a bank in order
25 to meet his or her debts?

1 A Yes. Those lines of credit will enable us to
2 go out and make a loan. That's correct, up to the
3 amount of that line of credit.

4 Q In terms of prudent management of money, is
5 it the more prudent thing to do to invest in an
6 interest-bearing checking account or a
7 noninterest-bearing checking account?

8 A Obviously, it would be more beneficial to
9 keep that money in a interest bearing account. (Pause)

10 Q Of the three options available to the
11 company, lines of credit, cash or temporary cash
12 investments, is there a balance which the Company
13 attempts to achieve in order to conduct its ordinary
14 and required provision of electric service?

15 A There is no single balance. Obviously based
16 on our current disbursement system that we have in
17 place as a single dispository account, we, in effect,
18 keep zero cash. There are some small amounts of cash
19 in some of our outlying banks, but, in effect, if you
20 look at our forecast and what we've included in working
21 capital, there is a negative amount of cash.

22 I mean, that's just because of rounding in
23 the model but we have essentially subzero in cash which
24 would be noninterest-bearing accounts, and so all of
25 our funds in the projected period have been included in

1 temporary cash or short-term debt, which are either --
2 temporary cash earns interest; short-term debt
3 obviously incurs an interest charge, and are included
4 in capital structure.

5 Q Is it typical in the utility industry and in
6 corporations, in general, that some amount of cash be
7 maintained for operating purposes?

8 A Absolutely.

9 Q Is the amount that is contained in the budget
10 and has been, in fact, adjusted out the amount that
11 Gulf Power Company deems appropriate for budgeting
12 process to provide ready cash for the payment of bills
13 and other expenses that you might need to meet?

14 A Based upon our forecasted 1990 test year,
15 that is the time correct amount, the 13-month average
16 amount of our temporary cash. I would not, in any way,
17 state that that would be the maximum amount we would
18 have in any year.

19 As I was stating earlier, if anything, that's
20 a very conservative, low estimate based upon -- you
21 just look at the monthly volatility and our revenues
22 coming in there is 20 to \$30 million difference between
23 our peak and valley months and you cannot, there is no
24 way unless we could somehow massage our expenses, which
25 we would not do unless your expenses and revenues

1 equaled exactly, there is no way you can maintain a
2 zero cash balance at all times. So a short answer
3 would be, yes, it's a very conservative estimate.

4 Q On another issue, and this is relative to
5 Exhibit 437 in the allocation of uncollectible
6 accounts. I think you answered this question but I
7 just want to make sure that I heard your response
8 correctly.

9 To your knowledge has there been, in recent
10 past, and by recent past I mean the last 5, 10 years, a
11 customer in the LP, LPT, PX or PXT class that has
12 failed to pay its bill?

13 A To my knowledge there has not been.

14 MR. HOLLAND: Commissioners, that's all I
15 have.

16 CHAIRMAN WILSON: All right, if all his -- we
17 have some late-files that are due, and all other
18 exhibits have been stipulated, is that correct?

19 MR. HOLLAND: That's correct. While you were
20 out we added four additional exhibits that had not been
21 premarked and Commissioner Gunter marked those.

22 CHAIRMAN WILSON: All right.

23 MR. HOLLAND: But they have been stipulated
24 to.

25 CHAIRMAN WILSON: Okay. That's 567, 68 and

1 69?

2 MR. HOLLAND: 566 through 69.

3 CHAIRMAN WILSON: 566 through 69?

4 MR. HOLLAND: That's correct.

5 CHAIRMAN WILSON: All right.

6 (Exhibit No. 566 through 569 received into
7 evidence)

8 CHAIRMAN WILSON: Thank you very much. You
9 may be excused, temporarily. Call your next witness.

10 MR. HOLLAND: Call Mr. Bowers.

11 (Witness McMillan excused.)

12 MR. HOLLAND: Mr. Chairman, while he's doing
13 that could we have about two minutes --

14 CHAIRMAN WILSON: Sure.

15 MR. HOLLAND: -- three minutes?

16 CHAIRMAN WILSON: Let's just stand at
17 informal recess.

18 (Recess)

19

- - - - -

20 MR. HOLLAND: Mr. Chairman, I think Mr.
21 Bowers needs to be sworn.

22 WILLIAM PAUL BOWERS

23 appeared as a witness on behalf of Gulf Power Company,
24 and after being first duly sworn, testified as follows:

25 MR. HOLLAND: Mr. Chairman, Mr. Bowers'

1 exhibits to his direct testimony have been premarked
2 164 through 168. And, in addition, we have submitted
3 -- and copies have been provided to everyone -- of
4 Exhibits 171 through 187, less Exhibit 177, which was
5 duplicative of another exhibit. Everyone should have
6 those.

7 CHAIRMAN WILSON: I have those.

8 DIRECT EXAMINATION

9 BY MR. HOLLAND:

10 Q With that, Mr. Bowers, would you state your
11 name and your business address and position with Gulf
12 Power Company?

13 A Name is William Paul Bowers, 500 Bayfront
14 Parkway, Pensacola, Florida, 32520. I'm the General
15 Manager of Marketing and Load Management of Gulf Power
16 Company.

17 Q And, Mr. Bowers, have you prepared testimony
18 in this docket entitled "The Direct Testimony of W. P.
19 Bowers"?

20 A Yes. I have.

21 Q Do you have any corrections to that
22 testimony?

23 A No, I do not. (Pause)

24 Okay, we have two corrections. I think they
25 are already provided.

1 CHAIRMAN WILSON: You might have to ask a
2 leading question.

3 MR. HOLLAND: Yeah.

4 Q (By Mr. Holland) I think you have got two
5 corrections, Mr. Bowers. Could you point those out to
6 us?

7 CHAIRMAN WILSON: Sure, if you'll tell him
8 what they are. (Laughter)

9 MR. HOLLAND: We'll make the witness aware of
10 the corrections.

11 COMMISSIONER EASLEY: Aren't the corrections
12 on Page --

13 WITNESS BOWERS: On Page 24, Line 7, add
14 "Home Energy Education and Presentations/Seminars."

15 COMMISSIONER EASLEY: Whoops, wait a minute.
16 Hold it.

17 COMMISSIONER BEARD: "Home Energy Education"?

18 WITNESS BOWERS: "-- and Presentations/
19 Seminars."

20 COMMISSIONER BEARD: And you said you
21 couldn't lead a horse to water and make him drink.

22 WITNESS BOWERS: At Page 25, Line 7, change
23 "C-e-m-t-s" to "C-e-n-t-s."

24 Q (By Mr. Holland) Mr. Bowers, with those
25 corrections, if I were to ask you the questions today

1 that are contained in your testimony, would your
2 answers be the same?

3 A Yes, they would be.

4 MR. HOLLAND: Mr. Chairman, we have would ask
5 that Mr. Bowers' testimony be inserted into the record
6 as though read.

7 CHAIRMAN WILSON: Without objection, his
8 testimony will be so inserted into the record.

9 (Exhibits Nos. 164 through 168; 171 through
10 176, and 178 previously stipulated into evidence.)

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GULF POWER COMPANY
Before the Florida Public Service Commission
Direct Testimony of
W. P. Bowers
In Support of Rate Relief
Docket No. 891345-EI
December 15, 1989

Q. Please state your name, address and occupation.

A. My name is W. Paul Bowers. My business address is 500 Bayfront Parkway, Pensacola, FL 32501. I am employed by Gulf Power as Director of Marketing and Load Management.

Q. Please describe your education and business background.

A. I received a Bachelor of Science Degree in Public Administration/Political Science from the University of West Florida. I also have a Master of Science Degree in Management from Troy State University. My career at Gulf Power started in 1979 when I joined the Company as Residential Marketing Representative. I have held positions of increasing responsibility, including Supervisor of Residential Sales, that have broadened my knowledge of utility marketing and marketing planning. I have appeared before this Commission on conservation related matters. I have held leadership positions with the Southeastern Electrical Exchange and served on several task forces for the Southern electric system in developing strategic plans for the 90s. I have been an

1 instructor at Auburn University's Engineering Extension
2 service for six years and currently serve on the Business
3 Advisory Council education systems in Northwest Florida.
4 In my current position as Director of Marketing and Load
5 Management, I am responsible for directing the Company's
6 activities in meeting our customers' needs through energy
7 services that fulfill their expectations of an electrical
8 supplier.

9
10 Q. Have you prepared an exhibit that contains information to
11 which you will refer in your testimony?

12 A. Yes.

13 Counsel: We ask that Mr. Bowers'
14 Exhibit, comprised of
15 5 Schedules be marked
16 for identification as
17 Exhibits ~~164~~¹⁶⁸ (WPB-1).
18

19 Q. What is the purpose of your testimony?

20 A. The purpose of my testimony is to justify the Company's
21 Customer, Information and Sales Expenses contained in the
22 1990 test year. I will describe the purpose of the
23 Marketing and Load Management Department; how and why the
24 Company markets its product; and finally, I will justify
25 the specific programs we are asking to be included in the

1 test year expenses.

2

3 **Q. What are the specific activities that are handled by or**
4 **through the Marketing and Load Management Department?**

5 A. Specific activities include load research, customer
6 forecast, kilowatthour forecast, base rate revenue
7 forecast, demand forecast, customer service and
8 information programs, conservation programs, marketing
9 planning, technology assessment, market research, load
10 research tape translation and analysis, direct customer
11 contact and program monitoring.

12

13 **Q. What are the responsibilities of the Marketing and Load**
14 **Management Department?**

15 A. The Marketing and Load Management Department is assigned
16 the responsibility of formulating and implementing a
17 corporate marketing strategy that is mutually beneficial
18 both to our customers through cost-effective load-growth
19 management and to our Company through the prudent
20 commitment of costly facilities. Marketing is expected
21 to know the needs of our present and prospective
22 customers, to plan and develop marketing programs geared
23 to meeting those needs in a profitable manner, to
24 coordinate internally among those departments with those
25 organizations and agencies that affect the success of our

1 strategy, and to assure that the Company is suitably
2 prepared for program implementation in the marketplace.

3

4 **Q. Please describe Gulf Power's overall marketing philosophy**
5 **and policies.**

6 A. First of all, our marketing philosophy and policies are
7 an outgrowth of our corporate purpose, or mission. This
8 corporate mission is to provide adequate electric service
9 to all customers at the lowest possible price while
10 earning an adequate return on the capital for investors
11 who have provided the funds to make such service
12 possible. Consistent with this corporate purpose, our
13 basic overall marketing policy is to be the competitive
14 choice energy supplier in Northwest Florida by providing
15 superior value for the services which improve the quality
16 of life and the business operations of our customers. As
17 this overall marketing policy is carried out, we are
18 guided by the recognition that our success is dependent
19 upon gaining and retaining the business confidence of our
20 customers. Since our service is an integral part of our
21 customers' businesses or quality of life, we cannot
22 expect to be their energy supplier of choice if we do not
23 have their confidence.

24

25 **Q. How do you determine what programs are developed and**

1 **implemented?**

2 A. Company statistics, customer feedback, and marketing
3 program performance are monitored for trends in the
4 marketing environment. In addition, marketing research
5 is conducted to identify emerging customer consumption
6 patterns, preferences, and technological applications.
7 This information is compiled, interpreted, and contrasted
8 with long-term expansion plans and financial
9 considerations to establish appropriate programs for
10 implementation in the marketplace. Programs are also
11 developed and implemented based on regulatory
12 requirements included in the National Energy Act, Public
13 Utilities Regulatory Policies Act and the Florida Energy
14 Efficiency and Conservation Act.

15

16 Q. **What marketplace changes have occurred in recent years**
17 **that would affect Gulf's marketing efforts?**

18 A. A review of the proceedings and issues that have been
19 heard by this Commission in recent years gives us an idea
20 of the changes that have occurred in the energy market.
21 Examinations of wheeling and transmission access and rate
22 issues, retail sales by private suppliers, standby
23 service and rates therefore, non-firm service and rates
24 therefore, incentive rates, customer-specific load
25 retention and cogeneration deferral rates and contracts,

1 deposit policies and practices, energy and capacity
2 payments offered for Q.F. power, energy and capacity
3 payments to solid waste facilities, and transmission
4 facility construction and ownership disputes are
5 indicative of the number and broad range of factors
6 increasing the competitiveness of the energy market
7 during the past few years.

8
9 Q. What is the relationship between this increased
10 competition in the energy market and Gulf's increased
11 marketing efforts?

12 A. Since Gulf's last rate case, two of Gulf's largest
13 industrial customers notified us, at separate times, that
14 they were planning to install their own generation,
15 eliminating, or nearly eliminating, their need for
16 electric service from Gulf Power. The result of this
17 change in status would have been increased overall costs
18 to all of Gulf's customers. In each case, we learned of
19 the customers' intentions through our information
20 exchanges and contacts with them. We were able to work
21 with those customers to prepare special contracts which
22 represented alternatives beneficial to the individual
23 contracting customer as well as all of Gulf's other
24 customers. We brought those special contracts to this
25 Commission for approval, and both were approved as cost

1 beneficial to Gulf's ratepayers over the life of those
2 contracts. Our marketing and customer service presence
3 provided both the opportunity and mechanism to reach this
4 solution which benefits all concerned.

5 In 1985, Gulf Power requested approval of a new rate
6 rider to be offered to the Company's larger commercial
7 and industrial customers. This new rate rider,
8 Supplemental Energy (SE), has been and still is a
9 marketing tool which helps the Company improve its load
10 factor through increased off-peak kilowatthour (kwh)
11 sales without creating the need for additional generating
12 capacity. The new pricing mechanism was conceived and
13 developed following communications with our customers and
14 careful examinations of the energy alternatives available
15 to them, the Company's marketing objectives, and the
16 Company's existing price menu. The SE rider was approved
17 by this Commission and remains a very important marketing
18 tool for Gulf Power.

19 These are examples of marketing activities that were
20 made necessary by the increased competition in the energy
21 market. All were developed using extensive customer
22 input. The higher degree of market presence by
23 alternative energy suppliers contributed substantially to
24 the need for these activities. These competitive
25 conditions continue to exist and, in fact, are still

1 growing. The result is a continuing need for increased
2 marketing efforts associated with our customer service,
3 information exchange, and sales activities. As was the
4 case in the example mentioned, the ultimate result of
5 these activities is lower overall costs for all of Gulf's
6 customers.

7

8 **Q. Are your customers expecting an increase in the marketing**
9 **services provided by Gulf Power?**

10 **A. Absolutely. Our customers are demanding more and better**
11 **marketing services.**

12 To illustrate our industrial customers' expectation
13 of quantity and quality in utility services, I have
14 attached, as Schedule 1, a copy of a brochure titled "Air
15 Products' Quality Management Process - A Guideline for
16 Utilities." This document was provided to us by Air
17 Products in 1988, and serves as a vendor specifications
18 sheet for their utility service suppliers. I urge the
19 Commission to note on the last page of the brochure that
20 some of the utility supplier certification standards
21 listed go beyond the mere provision of kilowatthours.
22 The customer is concerned with marketing activities such
23 as effective sales representation, innovative/competitive
24 proposals and responsiveness to Air Products' needs.
25 Factors such as utility rates based on cost-of-service;

1 reliability of supply consistent with contract; timely
2 notice of proposed rate changes or other actions
3 affecting costs; and adequate and reasonably priced fuel
4 sources are also included. This is only one example.
5 There are others and every indication is that this trend
6 will continue to spread. Our industrial customers must
7 remain competitive in the market place. We must continue
8 our efforts to understand these businesses so that we may
9 serve them better for the benefit of all our ratepayers.
10 Our industrial customers really do expect, even demand,
11 more and better marketing services.

12
13 **Q. What has been the reaction of your residential customers**
14 **concerning the services you offer?**

15 **A.** Gulf conducted a survey in 1988 to determine our
16 residential customers' reaction to our programs. The
17 respondents were asked a series of questions relating to
18 awareness of programs, whether or not they had
19 participated and their opinion of these programs.
20 Respondents' opinions are summarized in Schedule 2.
21 Based on this survey, we are convinced that our
22 residential customers are receiving the kinds of services
23 they deem most important.

24 In the last three years alone, we have received and
25 fulfilled requests from customers for: (a) information

1 on such subjects as heat pumps, our levelized billing
2 payment plan, outdoor lighting, and how to read a meter;
3 (b) assistance with lighting planning and kitchen layout;
4 and (c) presentations on energy related subjects to
5 Optimist Clubs, Garden Clubs and Circles, Women's Clubs
6 and Units, Kiwanis Clubs, Exchange Clubs, Rotary Clubs,
7 Sertoma Clubs, Area Agency on Aging, Council on Aging
8 Congregate Sites, Teachers Groups, Homemakers Extension
9 Groups, Business Brown Bag Meetings, YMCA, Military Wives
10 Groups, Girl Scouts, Boy Scouts, Rangers, School Classes,
11 Boys Clubs, Girls Clubs, and 4-H.

12

13 **Q. Has the level of Gulf's marketing activities and emphasis**
14 **increased in recent years?**

15 **A. Yes.** We are providing new customer education and
16 information services to customers in all market segments.
17 We are also providing additional energy analysis,
18 including assisting our customers with cost/benefit
19 analysis for their energy supply options. These are some
20 of the new services which we are providing our customers.

21

22 **Q. Is Gulf actively selling energy?**

23 **A. Yes,** Gulf selectively sells energy but only when it is
24 cost-effective to our ratepayers. Gulf attributes its
25 success in the marketplace to its ability to sell

1 concepts to our customers such as conservation, load
2 management and general economic efficiency. These skills
3 have also enabled Gulf to selectively sell energy. In
4 order to be the competitive choice energy supplier in
5 Northwest Florida, we must minimize overall unit cost of
6 service, thereby enabling our customers to maximize
7 overall value received from our service. A few years
8 ago, load factor improvement strategies were incorporated
9 into our marketing plan. The load factor improvement
10 strategies call for increased kwh sales, primarily during
11 non-peak periods, in order to increase the utilization
12 and efficiency of existing and planned facilities. Our
13 load factor improvement strategies are a vital part of
14 our commitment to minimize overall unit cost of service.

15

16 Q. You stated earlier that Gulf is actively selling energy
17 selectively. Is the Company actively selling energy in
18 the industrial market segment?

19 A. Yes. Additional industrial sales are an important part
20 of our load factor improvement strategies. As I stated
21 earlier, load factor improvement, which increases the
22 utilization and efficiency of Gulf's facilities, can
23 result in lower overall unit cost of service. Another
24 very important reason for our emphasis in this market
25 segment is the amount the Company earns on sales in that

1 market. Our return on investment in that market segment
2 is equal to the return on our overall retail business and
3 significantly higher than our return in the residential
4 class. A kilowatt utilized by the residential class at
5 about 50 percent load factor and a lower return is of far
6 less benefit to the Company and its customers than the
7 same kw utilized by the industrial class at a load factor
8 in excess of 70 percent and a higher return. Therefore,
9 if a kw can be "conserved" in the residential market
10 without reducing comfort, and in most cases improving it,
11 and made available for "sale" in the industrial market,
12 total cost to all ratepayers is reduced.

13
14 Q. Has the Commission recognized the benefits resulting from
15 off-peak energy sales to all ratepayers?

16 A. Yes. During the last three years, the Florida Public
17 Service Commission has approved our Supplemental Energy
18 rider and special contracts with two of our large
19 industrial customers (Monsanto & Air Products) for which
20 the stated purpose was and is to increase and retain kwh
21 sales. The Commission recognizes that these sales are
22 not the cause of expenditures for additional production
23 capacity. In fact, in Order No. 14442, Docket No.
24 850102-EI, dated June 6, 1985, it was stated that without
25 these loads the ratepayers of Gulf Power could incur

1 higher costs for the energy they buy.

2

3 Q. Why do your marketing efforts concentrate on increasing
4 off-peak energy sales?

5 A. Gulf's ongoing market and load research efforts reveal
6 definite changes taking place in market conditions. We
7 face an increasingly competitive market environment which
8 has created a significant risk of losing large blocks of
9 commercial and industrial loads for which Gulf has
10 already constructed facilities to serve. Loss of high
11 load factor loads on Gulf's system has occurred and will
12 continue to occur due to foreign competition,
13 cogeneration, higher customer production costs, and
14 outdated customer facilities and technology.

15 Gulf Power Company's system annual load factor is
16 currently lower than any of the other Southern electric
17 system operating companies, and the growth in the general
18 economy is steadily declining. This is because we have a
19 lower concentration of industrial customers. Loss of
20 high load factor sales will hurt contingency planning and
21 can only result in further deterioration of the Company's
22 load factor. The end result will be the need for higher
23 rates and higher fuel charges to our customers. As a
24 result of this environment, Gulf Power Company, in
25 addition to the other companies in the Southern electric

1 system, has developed long-term plans to insure the
2 lowest cost, most reliable electricity to its customers.
3 A vital part of this strategic plan includes conservation
4 and marketing efforts begun by the Company over ten years
5 ago. The ultimate objective, which Gulf's management
6 believes to be in the best interests of Gulf's customers,
7 is to minimize overall costs of service through
8 increasing the efficiency and utilization of existing
9 facilities while reducing requirements for future
10 facilities. This strategy conserves corporate
11 investment, utilizes it more efficiently, and holds down
12 rates to the consumer by spreading fixed costs over more
13 kilowatthours.

14 The overall plan is a long-term one, encompassing
15 conservation, selected load building, pricing
16 alternatives, load management options, cogeneration and
17 other demand side options as well as supply side
18 alternatives, and encouraging the economic growth of
19 Northwest Florida.

- 20
- 21 Q. What benefits have accrued to your ratepayers as a result
22 of your marketing efforts?
- 23 A. Utilities have traditionally brought plant in service
24 just prior to the time it was needed. More often than
25 not this would be a large base load unit. When the plant

1 was put in service, little or none of the capacity would
2 actually have been sold. As a result, the costs of this
3 plant were spread over the same number of units of sales
4 (kwh) that existed prior to its operation, thereby
5 creating a significant impact on the utility's customers.
6 The amount of rate relief we are asking for in this case
7 is lower than it would have been, because we have "sold"
8 parts of Plants Daniel and Scherer before they were
9 brought into the rate base.

10 Our marketing strategies developed in 1984 were
11 designed to avoid filing for rate relief by increasing
12 off-peak sales to a level that would generate revenues to
13 cover the cost of Plants Daniel and Scherer. Our efforts
14 have been focused on increasing off-peak sales. The
15 growth in peak-hour demand is simply a result of natural
16 growth in all classes of customers, not a direct result
17 of our marketing efforts. The fact is that these
18 programs have significantly reduced the impact of our
19 bringing Daniel and Scherer into rate base. Gulf is
20 justifiably proud of the results of its efforts in this
21 regard and should be supported.

22
23 Q. What would happen if the Commission forced Gulf to cease
24 and desist all marketing efforts?

25 A. The best example would be to describe what happened to

1 the utility industry from 1970 to 1985. The oil embargo
2 in the early 70s had a devastating impact on the nation,
3 especially on energy suppliers. Prices skyrocketed and
4 utilities all over the country were blamed by their
5 customers and their regulators. Utilities had to close
6 down their sales departments because they were hounded
7 out of the marketplace. As we all know, significant
8 amounts of plant were already committed and were put in
9 service, exacerbating the problem.

10 The industry was in chaos as customers and utilities
11 fought each other, and the regulators were caught in
12 between. Everybody was losing and the nation was
13 suffering as a result. This scenario actually occurred
14 at the national level, and it is highly likely that it
15 can occur on a regional level if the overall economics of
16 a utility's service area are not considered.

17
18 **Q. What happened next?**

19 **A.** Several pieces of federal legislation were passed that
20 had the effect of prohibiting utilities from selling
21 their product. In Florida the FEECA Act was passed
22 requiring the Commission to set goals and mandate
23 programs beginning in 1980 and implemented in 1981.
24 Utilities began offering conservation services but with a
25 unique twist: gas utilities were given funds to

1 implement programs to aggressively market their product,
2 while at the same time the electric utilities were
3 similarly funded to reduce their energy sales and were
4 encouraged to promote the use of natural gas. This
5 environment continued until the mid 80s when another
6 change was identified.

7

8 **Q. What was this change?**

9 **A. Electric utilities returned to the marketplace realizing**
10 **that some sales were beneficial and could actually reduce**
11 **the cost to customers. Reduced costs are achieved by**
12 **improving load factor through off-peak and valley period**
13 **sales, thereby spreading more units across investments.**
14 **Certain electric utilities were able to do this without**
15 **adversely impacting peak-hour demand and the efforts on**
16 **the part of utilities and regulators to conserve scarce**
17 **resources.**

18

19 **Q. Why don't the utilities aggressively promote their**
20 **product if the benefits are there?**

21 **A. Some of them have. Others have not been allowed to do so**
22 **due to legislative and regulatory constraints which have**
23 **failed to respond to this changing environment.**

24

25 **Q. Should regulators assume part of the responsibility?**

1 A. If blame were to be placed, then it would be on both the
2 utilities and the regulators. As an industry, utilities
3 have not been able to totally persuade regulators that we
4 understand the marketplace, customers, competition, and
5 that we will not let history repeat itself. At the same
6 time regulators have, in numerous instances, refused to
7 address these changes and are sticking to the policies of
8 the early 80s. The Florida Commission has been quicker
9 to react to the changes that have occurred, especially
10 over the past few years.

11 What virtually all regulators and many utilities
12 have failed to recognize is that conservation and the
13 marketing of off-peak energy are not mutually exclusive.
14 They can, when properly combined, be of tremendous
15 benefit to the customers. What we are really talking
16 about is the efficient use of energy. This is how Gulf
17 has interpreted FEECA. We believe that the legislature
18 never intended to put the electric utilities in the state
19 out of the business of marketing their products. The
20 legislature simply intended that the customers use all
21 sources of energy in the most efficient manner.
22 Legislating consumer behavior concerning energy
23 purchasing decisions will not be successful; you cannot
24 legislate consumer thought.

25

1 Q. Where does Gulf fit into all this?

2 A. The trials and tribulations experienced by utilities
3 throughout the nation were not experienced by Gulf Power.
4 We were active participants in the promotional practices
5 of the 60s and early 70s in programs such as the Gold
6 Medallion Home. In the mid-70s, the changes previously
7 discussed were anticipated, and Gulf implemented a wide
8 range of conservation programs beginning in 1976 with the
9 Good Cents Home and Residential Energy Audits: five
10 years before anyone else in the state. Commercial and
11 Industrial programs were implemented in 1979. When FEECA
12 was passed, Gulf already had the programs in place and
13 had achieved significant results. These same programs
14 were included, without modification, in our conservation
15 plan approved in 1981 for Conservation Cost Recovery.

16 Gulf did not experience the negative customer and
17 regulatory reactions that other utilities experienced
18 because we knew who our customers were and what they
19 wanted.

20 Our price remained stable and continues to be one of
21 the lowest in Florida and one of the lowest in the
22 nation. Gulf's record of consumer complaints about
23 reliability and customer services is one of the lowest in
24 the state. We have played a major role in stabilizing
25 the economy of our service area. Our operation and

1 maintenance expenses and cost of providing service are
2 among the lowest in the nation.

3 We are where we are and have been able to accomplish
4 this high level of customer satisfaction because of our
5 presence in the market. Were our marketing efforts to be
6 gutted, as some have proposed, these accomplishments
7 would soon be lost. We have little doubt that very soon
8 after having ceased these efforts, we would be forced
9 back into the marketplace by our customers and this
10 Commission at a much higher cost than if simply allowed
11 to continue and maintain our current efforts. Customer
12 actions are the source of all solutions. When the
13 information and programs they demand are provided to
14 them, they will determine the final outcome.

15

16 Q. Since marketing has enabled you to anticipate the future,
17 what is going to happen next?

18 A. We do not know for sure, but we are certain that with
19 marketing we will be in a better position to anticipate
20 and react to change quicker and more effectively than we
21 would be able to without marketing.

22 With market research, we can accurately determine
23 what customers expect in their changing environment.
24 They expect their utility to offer more stable voltages
25 needed for sensitive electronic equipment, innovative

1 account and billing services, and greater comfort and
2 efficiency in their homes. Customers will and are
3 demanding a more responsible utility to meet their needs,
4 and if we are not allowed by regulators to respond to the
5 market, the future is bleak. The marketplace is not the
6 same as it was in the 70s or early 80s, and it is
7 changing more rapidly as we enter the 90s. Customers
8 will find other sources for their energy needs. Some of
9 our industrial customers have already taken that course
10 of action. If we are not able to meet this problem, we
11 will find ourselves raising our price to cover our costs
12 over fewer and fewer customers. We do not want that to
13 happen. We want to be the energy supplier that is
14 responsive to customer needs. Marketing is vital to our
15 future success in that regard.

16 We are asking the Commission to recognize our track
17 record and abilities and to support our total effort to
18 continue providing low cost reliable electric service to
19 our customers. Marketing, which provides the link to our
20 customers, is the key to this endeavor.

21

22 Q. Do you have any final comments with which you would
23 conclude this portion of your testimony?

24 A. We recognize that some of the marketing philosophies and
25 principles which we are embracing may be new to the

1 Commission, and in many cases, they are also new to us.
2 Significant changes in the energy services marketplace,
3 both in the recent past and expected in the near future,
4 have caused us to update our marketing philosophies. New
5 strategies and programs have been developed and
6 implemented after careful consideration. Each of these
7 strategies and individual programs are designed to play a
8 role in accomplishing our marketing objective, which is
9 reducing overall cost to our customers.

10 Our customers would not tolerate merely reading
11 meters and rendering bills. Surely this Commission does
12 not expect Gulf Power to limit its business function to
13 these activities.

14

15 Q. Mr. Bowers, how are the expenses for the Marketing and
16 Load Management Department recovered?

17 A. A portion of our expenses is recovered through the
18 Energy Conservation Cost Recovery (ECCR) mechanism and
19 the balance through base rates. We are asking for
20 approval to recover \$5,426,000 or 77 percent of our total
21 1990 expenses through base rates.

22

23 Q. What is the 1990 benchmark deviation for the Marketing
24 Department?

25 A. The Department is under the benchmark by \$281,000 for

1 the 1990 test year.

2

3 Q. Have you made any adjustments to the 1984 approved
4 expenses?

5 A. Yes, an adjustment was made to include expenses for
6 programs that were being recovered through base rates in
7 1984 and subsequently transferred to ECCR during our 1984
8 retail rate case. The total amount of this adjustment is
9 \$2,248,000. I will discuss later in my testimony the
10 justifications for the programs that we are requesting to
11 be included in base recovery in the 1990 test year

12

13 Q. Why did you make this adjustment?

14 A. Prior to Gulf's 1984 rate case, approximately 61 percent
15 of the Department's expenses were recovered through base
16 rates and the balance through ECCR. Gulf's 1984 filing
17 sought to continue this ratio. Although the total
18 dollars were largely unaffected, the Commission ruled
19 that approximately 61 percent of the expenses should be
20 recovered through the ECCR mechanism. As a result of
21 this decision, a revised filing to reflect this change
22 was submitted. This decision, which Gulf fully
23 supported, had the effect of artificially lowering the
24 1984 Benchmark by \$1,625,000. Schedule 3 shows how this
25 decision impacts the 1990 Benchmark calculation.

1 Q. Mr. Bowers, would you now specifically address the
2 individual programs and their expenses that you are
3 requesting to be included in the 1990 test year?

4 A. Yes, there are expenses for programs that we are
5 requesting to be included in this test year. The four
6 programs are Good Cents New Home, Good Cents Improved
7 Home, Energy Education and Presentations/Seminars.

8 Q. What benefits does the Good Cents Home Program provide to
9 Gulf Power Company's ratepayers which are not considered
10 in the Commission's cost-effective methodology?

11 A. Many other quality customer services are offered through
12 the Good Cents Home Program which are not considered in
13 Home, Energy Education and Presentations/Seminars. I
14 will address each program individually beginning with the
15 Good Cents New Home Program.

16
17 Q. Is the Good Cents New Home Program cost-effective?

18 A. Yes, the Good Cents Home program is cost-effective based
19 on the FPSC approved cost-effectiveness evaluation
20 methodology. While there are three criteria used by the
21 Commission, they are not given equal weight in
22 determining cost-effectiveness. In Order No. 9677,
23 November 26, 1980, Docket No. 800671-EG(MC), on page 2,
24 the Commission states, "A cost benefit analysis of
25 conservation plans should be limited to costs and

1 benefits experienced by the utility alone." The Order
2 further states that, "Analysis of customer costs and
3 benefits involves many assumptions, some of which are
4 speculative, and some of which are not quantifiable, and
5 such an analysis is somewhat superfluous...."

6

7 **Q. What benefits does the Good ~~cents~~ Home Program provide to**
8 **Gulf Power Company's ratepayers which are not considered**
9 **in the Commission's cost-effective methodology?**

10 **A. Many other quality customer services are offered through**
11 **the Good ~~cents~~ Home Program which are not considered in**
12 **the Commission's cost-effective methodology. It is**
13 **important to remember that these services would not be**
14 **offered unless they were sought by customers. These**
15 **services include, but are not limited to:**

16 1. Design assistance - Gulf Power representatives
17 regularly assist customers in determining the most
18 efficient design options when planning the
19 construction of a new home. These options include
20 orientation, window placement and specifications,
21 equipment sizing and selection, duct design, and
22 thermal options.

23 2. Education - Representatives work closely with
24 builders, heating and air-conditioning dealers,
25 insulation contractors, real estate salespeople,

1 lenders, and customers to provide any information
2 needed to build and sell energy efficient new homes.
3 This includes information on emerging technologies,
4 technical services, and promotional tools available
5 in the market.

6 3. Inspection - Gulf Power Representatives are required
7 to provide inspections of Good Gents Homes during
8 construction to insure quality installation of
9 energy efficient features and to verify that the
10 work meets the standards required for certification.

11 4. Follow-up - The Good Gents Home Call is the final
12 part of the certification process. Once the
13 customer takes occupancy of a Good Gents Home, the
14 representative makes an appointment to discuss the
15 energy efficient features in detail, explain the
16 type and operation of energy efficient heating and
17 air-conditioning equipment, explain the effect of
18 lifestyle on energy consumption, and show the
19 customer how to read the meter.

20 Each of these services have contributed to the
21 success and longevity of the Good Gents Home Program.
22 Though they are not quantifiable as defined by the
23 Commission's cost-effectiveness test, they do provide a
24 valuable service to the customer.

25

1 Q. Why isn't the Good Gents Home Program included in Energy
2 Conservation Cost Recovery (ECCR)?

3 A. The program was removed from ECCR by mutual agreement
4 between Staff and the Company in October 1987, because
5 the benefit to cost ratio was considered marginal for
6 participating customers. Staff's recommendation in
7 Docket No. 860718-EG, June 22, 1988, page 5 states:
8 "This provision should not be viewed as Staff opposition
9 to utility involvement in improving building standards or
10 encouraging compliance with the Code. These activities
11 may be appropriate forms of customer service."
12

13 Q. Why do you continue to operate the Good Gents Home
14 Program when you have the Florida Energy Efficiency Code
15 for building construction?

16 A. The Good Gents Home Program offers superior services and
17 benefits to our customers which are not provided through
18 the Code. The Good Gents Program provides a vehicle to
19 optimize compliance with the Code which is not
20 universally enforced in Northwest Florida. The Code is,
21 in actual practice, the minimum standards for building
22 construction in the state. The Code does not provide the
23 signals or incentives for builders to include the
24 "optimum" in energy conserving technologies in new
25 construction. Examples of optimization of the Code

1 include proper installation and sizing of heating and
2 air-conditioning equipment to insure savings are realized
3 and to encourage efficiencies beyond those set as
4 minimum. Proper installation also insures the service
5 and maintenance expenses will be at a minimum and the
6 life of the equipment will be optimized.

7 We are absolutely convinced that without our
8 involvement in and promotion of the Good Gents Home
9 Program, the number of homes meeting even the minimum
10 standards set by the Code would be far fewer than is now
11 the case. If we are forced to shut this program down,
12 the tremendous gains which have been made beginning in
13 1976 in educating the public of the importance of
14 constructing energy efficient new homes will be lost.
15 This is not in the customers' best interest. Customer
16 demand for service will not end with the cancellation of
17 this program or any other program. What will end is the
18 Company's ability to respond to their demands.

19
20 Q. Mr. Bowers, what is the next program you are seeking
21 expense recovery for in this case?

22 A. The next program is the Good Gents Improved Home Program.

23
24 Q. Please describe the program.

25 A. The Good Gents Improved Home Program is designed to

1 encourage energy efficient retrofitting and remodeling in
2 all types of existing residential dwellings. Since the
3 inception of the program in 1977, there have been over
4 10,000 residential dwellings retrofitted to meet Gulf's
5 Goodcents Improved Home Program qualifications. The
6 program utilizes field personnel in direct one-on-one
7 contact with trade allies (Heating, Ventilation and Air
8 Conditioning contractors, insulation contractors, window
9 and door manufacturers, realtors and lenders) and
10 customers to promote the use of the latest conservation
11 measures. Incorporated into the program are training,
12 general public education activities, energy analysis on
13 dwellings, cost-effective analysis on all measures,
14 advertisements, and dissemination of materials concerning
15 residential conservation. Many customers learn of this
16 program through educational presentations and choose to
17 retrofit their existing homes as a result of the
18 information they receive.

- 19
- 20 Q. Is the Goodcents Improved Home Program cost-effective?
- 21 A. Yes. In Gulf Power Company's answers to Staff's First
22 Set of Interrogatories in Docket No. 880002-EG, the
23 Company showed that the program is cost-effective to all
24 ratepayers, participating customers, and to the State of
25 Florida based on the FPSC approved cost-effectiveness

1 evaluation methodology.

2

3 Q. Can you substantiate the savings you claim in your
4 cost-effectiveness evaluation?

5 A. Yes. We know from our load research that heating and
6 cooling are peaking loads. We also know that by raising
7 the efficiency of equipment, coupled with a reduction in
8 the sizing of that equipment due to increased thermal
9 integrity required in the Good Gents Improved Home
10 Program, will result in substantial savings. For
11 example:

12 7.0 SEER @ 36,000 BTUH = 5.14 kw

13 9.0 SEER @ 30,000 BTUH = 3.33 kw

14 Net kw reduction at system peak-hour = 1.81 kw

15 Gulf has worked with individual customers both
16 before and after retrofitting and is certain that demand
17 and energy savings are accruing to participants in the
18 Good Gents Improved Home Program. Again customers need a
19 reliable source to turn to for information and
20 assistance. This program provides the vehicle for the
21 thousands of customers who need help.

22

23 Q. Why were the program costs disallowed for approval
24 through ECCR?

25 A. Staff analysis on April 20, 1989, indicated that the Good

1 **ents Improved Home Program** should be removed from ECCR
2 for two reasons:

- 3 1. **Gulf** has not performed a post retrofit analysis on
4 the program to validate the claimed kw and kwh
5 savings identified through **Gulf's** engineering
6 estimates.
- 7 2. The payback to participating customers was marginal
8 (1.045 to 1).

9

10 **Q. Has Gulf Power Company performed a post retrofit analysis**
11 **on the Good ents Improved Home Program?**

12 **A. Gulf** has investigated a post retrofit analysis in the
13 past; however, several factors contributed to the
14 Company's belief that the benefits did not justify the
15 cost of the project. The sampling process required for
16 statistical validity would require a large number of
17 homes that met the standards for **Good ents** to an equal
18 number of inefficient homes of similar characteristics in
19 size, appliance loads, and occupancy. In order to
20 accurately track consumption patterns, the project would
21 require the monitoring period to be at least two years.

22 For these reasons, the Company believes that the
23 benefits of this type of research do not warrant the
24 cost.

25

1 Q. What about the issue of payback?

2 A. Gulf has shown through the cost-effectiveness analysis
3 that this program provides a payback to the participant.
4 However, Staff has taken the position that, because the
5 payback to the participant is marginal, they will
6 discontinue to participate in the future, resulting in
7 the program benefits turning negative.

8 The Company has repeatedly tried to point out to the
9 Staff that economic payback in and of itself is not the
10 determining factor for a customer's participation in this
11 program. As stated in Commission Rule 25-17.008, the
12 value of a program should be primarily judged on the
13 benefits provided to all customers of a utility.
14 Customers continue to participate in the program and have
15 a high level of satisfaction with the services provided
16 in spite of Staff's assertion that they would not be
17 rational to do so. On page 2 of Order No. 9677, November
18 26, 1980, Docket No. 800671-EC(MC), the Commission
19 states, "Analysis of customer costs and benefits involves
20 many assumptions, some of which are speculation, and some
21 of which are not quantifiable, and such an analysis is
22 somewhat superfluous...."

23 Gulf Power has historically shown its ability to
24 maintain a high level of customer participation in this
25 program. The reason for this is that customers recognize

1 and place value on other factors associated with this
2 program. These include, but are not limited to increased
3 comfort and resale value. These factors are not taken
4 into account in the cost-effectiveness methodology but
5 have a major impact on customer participation. The net
6 present value of the savings associated with this program
7 to all ratepayers of Gulf Power Company is 3.461 to 1.
8 The Company believes that this justifies our
9 participation in the program and that it is unfair to
10 disallow such a program based on assumptions concerning
11 participation before they occur.

12
13 **Q. Are there any other benefits which accrue to the**
14 **ratepayers?**

15 **A.** Yes. The Company, through its sponsorship of the Good
16 cents Improved Home Program has a major impact on the
17 quality of installation in the marketplace. Each job is
18 inspected prior to a home being certified Good cents to
19 ensure that the installation meets the standards required
20 for certification. There are no other agencies in the
21 marketplace which are available to assist the customer
22 through inspections.

23 In addition, participation in this program helps
24 Gulf Power improve load factor in the residential class.
25 In the long run this helps all ratepayers through

1 efficiencies that assist the Company in offering the
2 lowest rates possible.

3

4 Q. Please describe the Energy Education Program.

5 A. Energy education consists of services offered to all
6 customers that are not specifically provided for in other
7 marketing and customer service programs. The
8 presentations are offered to present as well as future
9 customers. Activities and programs for customer groups
10 include appliance selection and use, residential electric
11 system design, optional energy use and application for
12 household tasks, residential interior lighting, energy
13 management, lifestyle information and economic efficiency
14 of energy use. The programs are designed to meet the
15 customers' needs by providing them with the necessary
16 information to enable them to understand how to optimize
17 the benefits of their energy investment. The
18 presentations promote wise choices so the customer will
19 receive a high return on their energy dollars.
20 Information is tailored to the customers' needs and
21 presented without bias for the customers to choose what
22 is best for them.

23

24 Q. What activities comprise your Energy Education Program?

25 A. All of the activities associated with this program are

1 general in nature and fall into two major categories:
2 adult education and youth education. Examples include
3 but are not limited to the following:

4 Adult Education Program - Targeted toward club, civic,
5 church and employee groups. The presentations generally
6 used to educate adults regarding energy conservation
7 include:

- | | |
|--------------------------------------|---------------------------|
| 8 * Consuming Energy | * You've Got the Power |
| 9 * Microwave Oven Usage | * Buying Time |
| 10 * Holiday Program | * Electricity - Your Most |
| 11 * Kitchen Appliance Usage | Valuable Resource |
| 12 * Marketing Services Offered | |

13 The purpose of offering adult education presentations
14 is two-fold. First, the purpose is to educate the adult
15 customer regarding active participation in energy
16 conservation and management activities. The second
17 purpose of the presentations is to inform Gulf's
18 customers of the services offered to them. The adult
19 group presentations allow Gulf to share those services
20 with the customer, thus gaining a greater knowledge of
21 the customers' needs and how to fill the needs.

22 Youth Presentations - Designed for community youth groups
23 as well as elementary and secondary school classes. The
24 emphasis of each of the youth education programs is
25 fossil fuels, energy conservation by lifestyles and meter

1 reading. Children learn about energy conservation and
2 adopt it as a routine part of their lives. Presentations
3 include:

- 4 * Magic of Power
- 5 * Your First Home Away From Home
- 6 * Electricity Your Most Valuable Resource
- 7 * We're Talking About Electricity

8 **Q. Mr. Bowers, would you please describe your**
9 **Presentations/Seminars Program?**

10 A. Presentations and seminars are educational tools offered
11 to commercial customers. The presentations are
12 customized to meet the individual needs of the customer
13 and are used to educate customers regarding advanced
14 end-use technologies. Customers attending these seminars
15 range from corporation executives to local construction
16 allies.

17
18 **Q. What are some of the topics of discussion?**

19 A. Topics of discussion in the presentations and seminars
20 include technology assessment, improved load factor,
21 improved demand-side management, increased productivity
22 and improved planning ability. Technology assessment
23 benefits the customers through lower investment risk,
24 lower life cycle cost and increased product quality.
25 Customers request the seminars because of the complexity

1 of the energy-related issues facing them and the impact
2 on the economic stability on commercial and industrial
3 market segment.

4

5 Q. Why aren't the expenses for these programs included in
6 ECCR?

7 A. Staff's basic concern with these programs is that they
8 are not quantifiable and do not have limits on
9 expenditures under ECCR. In the Staff Analysis of Energy
10 Education Programs throughout the state in Docket No.
11 890002-EG it states, "We believe programs of this kind
12 are a fundamental part of the customer service
13 responsibility of the Company and, therefore, do not
14 require special recovery." Staff further states that,
15 "If the FEECA statute and ECCR were abolished tomorrow,
16 customers would still be calling service offices
17 inquiring about energy efficient products and uses. The
18 company should and would provide such information on how
19 to use its product wisely."

20

21 Q. How does Gulf view the Staff's position regarding the
22 Energy Education and Presentations/Seminars programs?

23 A. The Company feels that the ECCR mechanism offered the
24 best mechanism to monitor the levels of expenditures in
25 Energy Education. However, Gulf Power's primary position

1 is that these programs are an essential part of our
2 business and must be continued. We agree with Staff that
3 customers will always demand these services and the
4 Company has an obligation to provide them. We feel that
5 our expenditures in Energy Education Programs are prudent
6 and will continue to be. The reason this issue is being
7 addressed here is to ensure future recovery of these
8 expenses through base rates, as recommended by Staff,
9 rather than through ECCR.
10

11 Q. Would you summarize your position on these four programs?

12 A. Yes. Gulf Power has a proven track record of providing
13 quality customer service programs that benefit our
14 customers as well as the Company. When customers
15 identify a need that we feel is our responsibility to
16 provide, we do. Gulf Power Company does not look at the
17 recovery mechanisms available and then design programs to
18 fit those mechanisms. The high level of customer
19 participation in these programs indicates that our
20 customers demand them. We have an obligation to those
21 customers, to our Company, and to the state of Florida to
22 continue.

23 Gulf Power Company has made major investments in the
24 development and implementation of these programs. The
25 positive image enjoyed by the Good Gents Program is

1 greater than any other utility sponsored program in the
2 history of our Company or any company in the state. If
3 the Commission disallows future recovery of the expenses
4 associated with these programs, the result will be
5 disastrous. The Company will lose contact with its
6 customers and trade allies, resulting in distrust and
7 disinterest. These programs must be maintained so that
8 as the Commission identifies program needs in the future
9 our Company will be prepared to implement them at the
10 lowest possible cost and highest level of participation.
11 Should the Commission rule that the Company should get
12 out of these programs now, only to restart these or
13 similar programs at a later date, will require huge cash
14 outlays with minimal participation and results.

15

16 Q. Mr. Bowers, what are your 1990 test year expenses for
17 Economic Development?

18 A. The total expenses we are asking to be recovered
19 are \$687,000. Schedule 4 shows the benchmark
20 calculation.

21

22 Q. Mr. Bowers, please define economic development.

23 A. The definition of economic development is creating wealth
24 through the mobilization of human, financial, capital,
25 physical and natural resources to generate marketable

1 goods and services. Traditionally, economic development
2 has been viewed as the "marketing" of Florida to domestic
3 and foreign business and industry as a favorable place to
4 relocate or expand their operations. The rapid emergence
5 of global economic events such as heightened domestic and
6 international economic competition, growing international
7 trade, and rapid technological advancements, are
8 mandating that economic development be looked at from a
9 much broader perspective: one of assessing the strengths
10 and weaknesses of an economy and making the investments
11 necessary to improve the environment in which our
12 existing businesses operate. Gulf Power has identified
13 the need for and has committed resources to community
14 development and not just generating economic growth.
15 These activities, if successful, will be mutually
16 beneficial to all ratepayers, society as a whole and the
17 Company.

18
19 **Q. Why are utilities in general and specifically Gulf Power**
20 **actively involved in community development?**

21 **A.** Gulf Power Company has long recognized that its own
22 well-being is directly tied to that of our community and
23 that we have a direct stake in the community's overall
24 development. For utilities in particular, community
25 development is critical to the long-term success because

1 a utility is only as strong as the communities it serves.
2 This has not always been the case for some utilities but
3 is essential for Florida utilities especially because of
4 growth management legislation. Specifically, economic
5 development has become a key part of our electric utility
6 demand-side marketing plans due to the greater
7 opportunities provided to increase load factor, by adding
8 or expanding customers that have a higher load factor
9 themselves or have need for utilizing energy during
10 non-peak hours.

11

12 **Q. What is Gulf Power's role in the economic development of**
13 **Northwest Florida?**

14 **A.** Although utilities have limited ability to directly
15 "land" a new industry or expand an existing industry (the
16 communities themselves are responsible for providing the
17 "bundle" of benefits to prospective new or expanding
18 industry), there are a number of resources and activities
19 electric utilities can provide to enhance the prospects.
20 A key strategy Gulf has invested in has been a regional
21 marketing and promotional campaign to develop the
22 appropriate infrastructure, information and data base as
23 well as combine and coordinate the limited resources of
24 numerous local communities for maximum effort. Gulf
25 Power, as common link among Northwest Florida

1 communities, has also assumed a leadership role in
2 furthering the capability of communities in its service
3 territory to attract and/or expand the industrial base.
4 Electric utilities can be a driving force in economic
5 development by exerting various forms of community
6 leadership. Senior officers and management personnel of
7 Gulf Power have been called upon to serve local civic
8 organizations having an interest in economic development
9 and thus assumed leadership roles and responsibilities.

10

11 **Q. Would Northwest Florida continue to grow if you were not**
12 **involved in economic development?**

13 **A. Yes, the region would continue to grow; however, there is**
14 **a greater risk that the growth would not strengthen the**
15 **economy or be beneficial to our ratepayers.**

16

17 **Q. Please explain.**

18 **A. Gulf Power, like the other natural monopolies regulated**
19 **by the FPSC, has an obligation to provide electric**
20 **service to all potential customers regardless of size and**
21 **their impact on our system. Included in this**
22 **responsibility is an obligation to provide reliable**
23 **electric service at the lowest possible cost to all**
24 **ratepayers. Mismanaging growth can be detrimental to the**
25 **entire economy because of the negative impacts on the**

1 price, quality and reliability of our product.

2 Gulf is not interested in growth just for the sake of
3 it, we want to be in a position to assist in the
4 management of growth so that our communities and
5 ratepayers will receive lasting benefits with a minimum
6 of risk.

7

8 Q. Does this conclude your testimony?

9 A. Yes, it does.

10

11

12

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25

1 Q (By Mr. Holland) Have you prepared a summary
2 of your testimony?

3 A Yes. I have.

4 Q Please proceed.

5 A Gulf Power's marketing efforts operate under
6 a long-term strategic plan. This plan is continually
7 updated to meet the needs of our customers and Company.
8 The primary responsibility of marketing is one of
9 formulating and implementing strategies that are
10 mutually beneficial to our customers through
11 cost-effective load management and to our Company
12 through the prudent commitment of resources.

13 Our strategies are customer-driven, centered
14 on the needs and expectations of all our customers.
15 The customer is informed, educated, assisted and
16 encouraged to make cost-beneficial choices for
17 themselves while providing benefits to all consumers
18 through cost-effective application of energy-related
19 technologies.

20 To be more specific, our strategy in the
21 residential market is to reduce the growth rate in peak
22 demand by offering services to customers in both the
23 new home market, as well as the existing home market.
24 We employ highly talented, highly skilled residential
25 representatives who meet our customers' expectations

1 for energy services. These individuals are the
2 strength of our programs. They perform audits, make
3 recommendations on application of energy-efficient
4 measures, check new homes for efficiency ratings, and
5 suggest alternatives for optimizing the efficiency of
6 any residential structure. They also perform
7 educational seminars and meetings on the affect
8 lifestyle has on energy consumption, product and
9 equipment applications and general information on how
10 to improve the efficient use of energy.

11 They present this information to prospective
12 home buyers, existing homeowners, renters, retirees,
13 seasonal residents, both summer and winter, and
14 military personnel. They also inform the energy
15 purchasers of tomorrow by educating our students on
16 safety and energy efficiency.

17 In all, the outcome is one that will benefit
18 all customers through reduced capacity requirements and
19 more efficient use of all energy sources. We are very
20 proud of what our residential employees do and other
21 customers are better off due to their efforts.

22 Our activities in the commercial and
23 industrial markets reflect our residential efforts. We
24 have talented employees to satisfy customer needs for
25 products and services. They are able to meet with

1 architects, engineers, energy managers, as well as
2 plant managers and commanders of military
3 installations, to inform and respond to specific
4 requests while recommending the most efficient energy
5 application to improve productivity and the operation
6 of their facilities. In this market, our employees
7 must keep abreast of new and changing technologies,
8 such as application of new electro-technologies, such
9 as infrared paint curing which replaced the old process
10 of baking painted materials. Highly technical, yes;
11 but something we must be able to understand to meet our
12 customers' needs for products and services.

13 Our customers want us to be their energy
14 partners and not just energy provider. A partnership
15 based on a long-term commitment to meet specific
16 customers' needs.

17 In the development of our strategic market
18 plans and the design of programs that follows, Gulf
19 utilizes various forms of research to determine our
20 customers' present needs and future desires. A major
21 input into this process is the immediate feedback from
22 our customers received from them during our day-to-day
23 contacts.

24 We estimate the number of customer contacts
25 resulting from our marketing efforts in 1989 is around

1 50,000 contacts.

2 In conclusion, I want to reiterate that our
3 commitment is to improving our customers' energy
4 efficiency. Our programs and services address their
5 energy needs in a cost-effective manner providing
6 benefits to all Gulf Power's customers. Thank you.

7 MR. HOLLAND: Tender Mr. Bowers for cross
8 examination.

9 CROSS EXAMINATION

10 BY MR. BURGESS:

11 Q Mr. Bowers, I have a few questions with
12 regard to Issue 47. Do you have a copy of the
13 Prehearing Order?

14 A Yes, I do.

15 Q And you're here to answer questions involving
16 whether revenue should be imputed for the benefit of
17 using Gulf's logo and name?

18 A Yes, sir.

19 Q Would you say there's any value in a logo?

20 A Depending on the recognition of that logo,
21 there might be.

22 Q Do you think Gulf's logo is recognized in the
23 West Florida area?

24 A As an electric service provider, yes, it is.

25 Q Are logos generally copyright?

1 A Some of them are, yes, sir.

2 Q Do you know whether Gulf's is?

3 A I do not know.

4 Q Are people occasional sued for copyright
5 infringement or trademark infringement?

6 A Yes, sir, I believe they are.

7 Q What if just some company started -- that had
8 no affiliation to Gulf, and without permission just
9 started using Gulf's logo and name, do you think Gulf
10 might sue them?

11 A If it was an unaffiliated company, I'm sure
12 we would.

13 Q And I assume that Gulf would sue them for
14 damages?

15 A That's more of a legal question, Mr. Burgess.
16 I would have to refer that to my counsel, but I think
17 we would offer to stop and desist the use of the name
18 before we go and proceed on legal damages and
19 restitution-type of damages.

20 Q There is a little bit of difficulty because I
21 think the issue does involve a little bit of a legal
22 question. You would take some kind of legal action,
23 and if you -- would you not, as Gulf Power Company?

24 A I'm sure we would.

25 CHAIRMAN WILSON: Why?

1 WITNESS BOWERS: Only if they did not cease
2 and desist once we requested them to do that.

3 CHAIRMAN WILSON: Why would you want somebody
4 to not use your name?

5 WITNESS BOWERS: Confuse the public of what
6 kind of service Gulf Power is providing versus what
7 this other entity might be using our name for.

8 Q (By Mr. Burgess) Is there not some potential
9 confusion of the public with Gulf's affiliates using
10 the Gulf's logo and name?

11 A No, it's not.

12 Q How is it not confusing then?

13 A I believe you'd have to go back on a
14 historical perspective and determine if Gulf Power's
15 affiliation with the entities underneath it has some
16 kind of synop -- some kind of relationship for a long
17 period of time. I think Gulf Power's -- if you get
18 specific to this issue, appliance sales and service
19 business, has been there for a number of years, I'd
20 estimate 40 to 50 years that we've been in this type of
21 business. I think there is a synopsis with Gulf
22 Power's name and appliance sales and services. The
23 point is, is it recognized in the consumer's mind as
24 appliance business or not, using the Gulf Power's name.

25 Q Okay, excuse me, I'm sorry, go ahead. Go

1 ahead, Mr. Bowers.

2 A I believe that we have done a survey. Last
3 year I was made responsible for this area, and my
4 concern is to try to determine what our consumers, the
5 ones that purchase from us and the ones that purchase
6 from others, if they knew that we were in the business
7 or not. And we surveyed 600 customers, or potential
8 customers, and out of that, the results are that only
9 two percent of the people that bought brown goods --
10 and that's TVs and stereos and such -- knew that Gulf
11 Power was in the business at all. And only 20% knew
12 that we were in the white good business, the ones that
13 purchased from other vendors. So what that told me was
14 that our name recognition on appliance sales and
15 service was not there in the marketplace; that the
16 conclusion that I would make from that was I need to
17 make a differentiation, separate that name in the
18 consumer's mind so that they'd know that we were in the
19 business to sell appliances and TVs and stereos.

20 COMMISSIONER GUNTER: That might be
21 characterized as being suspicions confirmed about the
22 lack of knowledge on the part of consumers. I always
23 considered myself to be sort of an irrational consumer
24 too, but if I go in a building -- and you do have some
25 co-located buildings, do you not, with appliance sales?

1 WITNESS BOWERS: Yes.

2 COMMISSIONER GUNTER: And it's a Gulf Power
3 building, and I bet all your paperwork is in there,
4 Gulf Power appliance sales and things, and what have
5 you, and the folks that even going in a Gulf Power
6 building with Gulf Power logo's paperwork and what have
7 you, wouldn't know that Gulf Power was in that
8 business. It's even worse than I suspected.

9 CHAIRMAN WILSON: What else did you ask about
10 on that survey?

11 WITNESS BOWERS: There's a -- what some of
12 the questions -- and I don't have all the questions in
13 front of me, Commissioner, but some of the questions
14 that were highlighted in that, where were their
15 purchases made? And the preferred store was Sears for
16 those people that bought outside of Gulf Power. And
17 the ones that purchased from us, we asked, "Why did you
18 purchase from us?" And 20% of those that have
19 purchased from us said they had a good experience in
20 the past. So that's historical perspective, used to
21 doing with us.

22 And another group, we had specific brands,
23 Frigidaire Refrigerator as an example, that they were
24 aware that we carried and they would come to us for.

25 CHAIRMAN WILSON: Did any of them answer --

1 did you have a category of "We bought appliances from
2 you because you were the local power company"? Did you
3 ask that question?

4 WITNESS BOWERS: I don't recall that specific
5 one, Commissioner, but I'd have to get that survey, and
6 I can provide that in a late-filed, but one of the ones
7 is, "Is financing an item that you would use in
8 consideration for purchasing of appliances? Would that
9 be at the top on your mind as far as purchasing
10 appliances?" And one of the questions was yes, and
11 that Gulf Power provides that service to them.

12 CHAIRMAN WILSON: Do you advertise appliance
13 sales as a bill stuffer?

14 WITNESS BOWERS: Yes, we do.

15 COMMISSIONER EASLEY: Do you have in your
16 survey or another survey, do you have any percentage of
17 the number of customers who pay their bills by coming
18 in the store -- coming in the building?

19 WITNESS BOWERS: No, ma'am, I would not have
20 that information.

21 CHAIRMAN WILSON: Do you distinguish on that
22 basis, in collections, between people who mail the
23 bills back in and those who come to the building to pay
24 their bills? Who would know about that?

25 WITNESS BOWERS: I would have to defer that

1 to Mr. Scarbrough.

2 CHAIRMAN WILSON: Somehow I thought that's
3 who you'd defer that to.

4 WITNESS BOWERS: He's in charge of customer
5 accounting area, so I'd have to --

6 COMMISSIONER EASLEY: There's nothing in your
7 survey that got you even close to that kind of
8 statistic?

9 WITNESS BOWERS: No, ma'am. The only thing
10 that was close to that is level of income, people that
11 bought from vendors outside of Gulf Power versus
12 inside, and the distinction there is ours is average
13 household income was around \$22,000, versus those that
14 purchased from outside Gulf Power being around 32,000.
15 So there's a \$10,000 differential there.

16 COMMISSIONER EASLEY: Does the bill stuffer
17 that advertises the appliance sales emphasize where the
18 appliance sales are located?

19 WITNESS BOWERS: Store locations are
20 emphasized on the bill stuffers.

21 COMMISSIONER EASLEY: Are there separate
22 non-co-located appliance stores?

23 WITNESS BOWERS: There are two of those.

24 COMMISSIONER EASLEY: Two of those.

25 CHAIRMAN WILSON: How long have you been in

1 the appliance sales business?

2 WITNESS BOWERS: Me, specifically, since mid
3 year last year. As far as Gulf Power, like I said --

4 CHAIRMAN WILSON: That's what I mean, Gulf
5 Power.

6 WITNESS BOWERS: I'd estimate it 40 to 50
7 years, and I'd have to verify that number. I don't
8 have that specifically.

9 CHAIRMAN WILSON: Why is Gulf Power in the
10 appliance sales business?

11 WITNESS BOWERS: To provide a profit to the
12 stockholders of Gulf Power.

13 CHAIRMAN WILSON: You weren't here earlier to
14 see that exhibit where we looked at the profit numbers,
15 obviously?

16 WITNESS BOWERS: No, sir, I wasn't, but I'm
17 aware of the issue, much aware that the management of
18 this company has charged me to determine, with a change
19 of management, and the commitment they made to look at
20 it one hard time, that we have 12 months to determine
21 if it's going to be a profitable venture or not and
22 should we continue this effort. And we have a
23 responsibility to come back to the executive management
24 of this company and say, "Yes, continue on or close it
25 down."

1 COMMISSIONER GUNTER: Would a way to hasten
2 that would be to have that as a fully separated
3 subsidiary operating on its own hook, to remove any
4 doubt and question, and then the individual gets out as
5 an enterprise fund that's charged to run that as a
6 fully separated subsidiary with rather than white Gulf
7 vehicles, have purple Gulf vehicles, so you knew where
8 they were, or whatever, and it have -- being a fully
9 separated sub, you'd make that decision in a heartbeat,
10 pretty quick?

11 WITNESS BOWERS: Yes, sir.

12 COMMISSIONER GUNTER: It wouldn't take you a
13 year to make that decision because you'd be looking on
14 a weekly basis of cash flow and what have you, and if
15 nothing else, see, a cash flow would make the decision
16 for you whether to stay open or not, isn't that right?

17 WITNESS BOWERS: That's correct. One of the
18 things in our discussion with executive management is
19 that we looked at three scenarios: To keep the
20 operation like it is; to start moving out of the
21 buildings that we are in, if it's a feasible thing to
22 do for all concerned; or to separate it totally. And
23 that's what we are investigating right now.

24 COMMISSIONER GUNTER: But that would force
25 the decision for you, cash flow would force the

1 decision for you in a heartbeat? It would make the
2 decision for you.

3 WITNESS BOWERS: I think any prudent manager
4 would have to look at the bottom line and make a
5 decision based on the bottom line.

6 CHAIRMAN WILSON: You sell white goods and
7 brown goods?

8 WITNESS BOWERS: That's correct.

9 CHAIRMAN WILSON: You sell refrigerators?

10 WITNESS BOWERS: (Nods affirmatively.)

11 CHAIRMAN WILSON: Sell stoves?

12 WITNESS BOWERS: Yes, sir.

13 CHAIRMAN WILSON: Freezers?

14 WITNESS BOWERS: Yes, sir.

15 CHAIRMAN WILSON: Washing machines?

16 WITNESS BOWERS: Yes, sir.

17 CHAIRMAN WILSON: Dryers?

18 WITNESS BOWERS: Yes, sir.

19 CHAIRMAN WILSON: Do you limit it to certain
20 brands?

21 WITNESS BOWERS: Right now we are not
22 limited, but we look at the best price we can get at
23 the volume that we sell at, and certain vendors provide
24 certain cost breaks that we take 25% of the floor space
25 and allocate it to them, or take 50% of the floor space

1 and allocate it to them. We try to look at the best
2 cost we can to be competitive in the marketplace. Our
3 concern is -- our prices are high, and that we're doing
4 everything we can to negotiate with those vendors, to
5 see if we can get our prices down.

6 CHAIRMAN WILSON: Do you sell air
7 conditioners?

8 WITNESS BOWERS: Window units, yes, sir.

9 CHAIRMAN WILSON: Do you sell the -- of the
10 brand of the line -- or the brands that you sell of
11 appliances, do you only sell the most efficient -- the
12 ones with the highest efficiency ratings? Or do you
13 sell the whole line?

14 WITNESS BOWERS: We have a standard in which
15 the efficiency ratings are recommended. We have upper
16 line and then medium-priced line. I think on air
17 conditioners, window units, I think it's a minimum of
18 7.5 SEER, and I'd have to check that to verify that for
19 you, but I believe that's the minimum in window
20 air-conditioner units that we recommend.

21 CHAIRMAN WILSON: Do you know what SEER
22 rating -- do you all have an appliance dealer award
23 system, like some of the utilities in Florida do. where
24 they have rebates to dealers for selling certain kinds
25 of applicances, heat pumps and air conditioners and

1 that kind of thing? Do you have a program like that,
2 or direct rebate or incentive to customers to purchase?

3 WITNESS BOWERS: No, sir, not in our
4 appliance sales business.

5 CHAIRMAN WILSON: So you don't have any kind
6 of corporate philosophy on sales of appliances that
7 limits the kind of appliance that you sell to only the
8 highest -- the ones with the highest efficiency?

9 WITNESS BOWERS: Like I previously mentioned,
10 Commissioner, is that we do have a standard which says
11 we'll recommend -- or we sell and stock efficiency --
12 high-efficiency appliances, but that changes. And I
13 think right now our efficiency level might be in the
14 medium range to high range. We don't have any low
15 range.

16 COMMISSIONER EASLEY: You don't have any low
17 range that you sell or that you recommend, or is that
18 synonymous?

19 WITNESS BOWERS: That we sell.

20 Q (By Mr. Burgess) Mr. Bowers, I'd like to ask
21 a couple of questions with regard to Issue 67, the
22 Shine Against Crime Program.

23 Now, as I read the second sentence,
24 specifically the phrase, "Better utilization of
25 electrical plant," I take that to be that it provides

1 for sales of off-peak kilowatt hours, and therefore
2 spreads fixed costs across a greater number of units.

3 Do I understand that correctly?

4 A Yes, sir.

5 Q So that's one of the principles of the Shine
6 Against Crime?

7 A I believe the Shine Against Crime Program was
8 founded on the conversion of mercury vapor to
9 high-pressure sodium conversion programs, and the need
10 to respond to consumers' requests on crime prevention.
11 And the outgrowth of those benefits are, like you just
12 stated, off-peak energy sales.

13 Q Now, the other benefit that you've mentioned
14 is the conversion of bulbs, is that correct?

15 A Excuse me?

16 Q The conversion of the bulbs, of the light
17 bulbs?

18 A Yes, sir.

19 Q Is it a conversion to a more efficient light
20 bulb?

21 A Yes, it is. It actually saves 27 kilowatt
22 hours per month on an 8800 aluminum fixture.

23 Q Doesn't, ironically somewhat, these two
24 principles work against one another, one being to
25 encourage the sale of more kilowatt hours off peak, and

1 the other being to reduce the number of kilowatt hours
2 sold off peak; that is within the same program?

3 I'm not making a criticism of the program,
4 I'm just -- don't those two work against one another?

5 A They both provide an effect to lowering the
6 overall cost to consumers, reducing kilowatt hour
7 demand and increasing utilization in off peak period.

8 Q Well, the -- not to the same group of
9 consumers, do they? If you're talking about increasing
10 the sales of off-system kilowatt hours, then you're
11 talking about lowering the cost to the entire customer
12 group across all of Gulf's service area, correct?

13 A That's correct.

14 Q But then when you lower the number of
15 kilowatt hours sold, then basically you are eroding
16 somewhat that effect?

17 A That's true.

18 Q Is it your position -- is the position of the
19 utility that this consistent with the FEECA
20 requirements, that there is no inconsistency with the
21 FEECA requirements?

22 A I think within FEECA, it states the reduced
23 peak demand and lower energy, where to do so is cost
24 effective, and I believe this is consistent with FEECA.

25 Q Thank you, Mr. Bowers. That's all we have.

1 CHAIRMAN WILSON: I have to tell you, the
2 first time I noticed that Shine Against Crime when I
3 was looking at the spread sheet, the letters are so
4 small, I thought it said, "Swine Against Crime." And I
5 didn't know if you had a special program for pig
6 farmers or what.

7 COMMISSIONER EASLEY: One of the things I
8 needed to tell you was that some of the citizens'
9 anticrime groups have worked with law enforcement to
10 increase the Shine Against Crime Program, and perhaps
11 that's where the involvement gets confusing.

12 CHAIRMAN WILSON: That's almost too subtle
13 for this group. "Swine Against Crime."

14 All right, staff, do you have any?

15 MR. BURGESS: Instead of guard dogs, they
16 have --

17 COMMISSIONER BEARD: What you've got is
18 increased kWh sales to pig farmers, but you have a
19 reduced total sales to the general body of ratepayers,
20 kind of subtle shift.

21 CHAIRMAN WILSON: On that note.

22 MS. RULE: I have a question about the "Swine
23 Against Crime Program." Well, the first time I heard
24 it, Mr. Shine, of E&G, was explaining it to me, and I
25 thought this was a program he had sponsored with the

1 Utility.

2 CHAIRMAN WILSON: "Shine Against Swine."

3 MS. RULE: Never mind.

4 COMMISSIONER GUNTER: Can you imagine what
5 it's going to be like a week from Friday?

6 CHAIRMAN WILSON: About 8:00 o'clock at night.

7 MS. RULE: And we're on Witness No. 20.

8 CROSS EXAMINATION

9 BY MS. RULE

10 Q Are there any new installations under the
11 Shine Against Crime program?

12 A Yes, there is.

13 Q Wouldn't that tend to increase off-peak sales?

14 A Yes, it would. Again, let me point out one
15 thing with the Shine Against Crime program, this is a
16 response, again, to consumers on crime prevention,
17 neighborhood watch programs and local law enforcement
18 agencies. It's also been endorsed by the State
19 Attorney General's Office as a premier program in crime
20 prevention. There is a benefit as a result of that
21 that our consumers are getting a higher lighting level
22 in their yards, their driveways and in parking lots.

23 Q Is it necessary for the provision of electric
24 service?

25 A Yes.

1 Q I don't think anybody is arguing that it's a
2 really nice program, but is it necessary for the
3 provision of electric service?

4 A Yes. We're the only ones allowed to do it.

5 Q Pardon me?

6 A We're the ones to allow to do it, connect to
7 our pole.

8 Q Yes, but does sponsoring the program -- is
9 sponsoring the program necessary in Gulf's role as a
10 provider of electrical service? Does it help you to
11 provide electrical service?

12 A Yes, it has an effect of reducing overall cost
13 to all of our consumers.

14 Q Can you provide electrical service without
15 this program?

16 A Of course.

17 Q Then it's not really necessary, is it?

18 A It is necessary when the consumers are
19 requesting that type of service, and we have requests
20 from not only residential consumers, but commercial
21 consumers to evaluate the lighting needs of their
22 residence or businesses. And as an example, local
23 ordinances on crime have asked for us to participate
24 with some of the convenience stores to determine if
25 their lighting is proper to meet the local ordinance.

1 So we are participating in that event.

2 COMMISSIONER EASLEY: Are you through with
3 that? How old is this program?

4 WITNESS BOWERS: Approximately four or five
5 years.

6 COMMISSIONER EASLEY: Prior to the last rate
7 case?

8 WITNESS BOWERS: Yes.

9 COMMISSIONER EASLEY: What happened to it in
10 the last rate case?

11 WITNESS BOWERS: No, no, no, ma'am, it was
12 after.

13 COMMISSIONER EASLEY: Not prior to the last
14 rate case?

15 WITNESS BOWERS: It was after --

16 COMMISSIONER EASLEY: So it was not considered
17 in the last rate case?

18 WITNESS BOWERS: That's correct.

19 Q (By Mr. Rule) Mr. Bowers, I believe you would
20 have in front of you an exhibit packet. Can you put
21 your hands on that? Specifically, I'd like to direct
22 you to Exhibit 416 which should be in your packet.

23 A Okay.

24 Q Exhibit 416 contains interrogatory responses
25 or -- Interrogatories No. 196 and 197, and it appears

1 that they should have been one question. 196 is a
2 statement. It says, "Included in Gulf's Standard
3 Classification of Accounts, is Account 416-290, Sales
4 Miscellaneous Expense and contains the following in the
5 description of this account:

6 "...special exhibitions to demonstrate the use
7 of appliances for the purpose of increasing the sale of
8 electric energy and the cost of activities such as
9 those of the Home Economics Department shall not be
10 charged to this account, but shall be charged to the
11 proper subaccount of Sales Expenses (FPC Account
12 912).'"

13 Interrogatory No. 197 requests a detail
14 description of all charges and dollar amounts included
15 in Account 912 based on the above statement.

16 And the answer is that, "There are no charges
17 and dollar amounts included in Account 912 based on the
18 statement in Item 196 of this set of interrogatories.
19 Could you tell me whether there are any charges and
20 dollar amounts recorded below the line to record the
21 expenses described in Account 416-290, Sales
22 Miscellaneous Expenses?

23 A Could you repeat that, Marsha?

24 Q Certainly. The response to 197 says that
25 there aren't any charges and dollar amounts included in

1 Account 912, and I'm wondering whether there are any
2 charges and dollar amounts recorded below the line in
3 Account 416-290?

4 A No, there is not any -- there is any -- no,
5 none.

6 COMMISSIONER EASLEY: You want to try that one
7 more time?

8 WITNESS BOWERS: There is none.

9 Q (By Ms. Rule) Isn't it contrary to Gulf
10 Power's own conservation programs and Florida's FEECA
11 statute to increase sales of electric energy?

12 A No.

13 Q Does Gulf market its Good Cents Program?

14 A Do we market it to consumers, yes, we do.

15 Q Do you market it to other utilities or anybody
16 else who might use the program in the same way Gulf
17 does?

18 A Gulf Power does not.

19 COMMISSIONER GUNTER: Who does?

20 WITNESS BOWERS: Southern Electric
21 International, a subsidiary of the Southern Company.

22 COMMISSIONER GUNTER: Who developed the Good
23 Cents Program?

24 WITNESS BOWERS: Sir?

25 COMMISSIONER GUNTER: Who developed the Good

1 Cents Program?

2 WITNESS BOWERS: The Gulf Power Company in
3 1975.

4 COMMISSIONER GUNTER: At what time was -- did
5 you all -- how long did you run it independently, Gulf
6 Power alone?

7 WITNESS BOWERS: Until today in our own
8 service --

9 COMMISSIONER GUNTER: No, alone. You all
10 developed it in 1975. How long did it take it to
11 mature, until the point that it began to be marketed by
12 your parent?

13 WITNESS BOWERS: 1982 is when the SEI became
14 involved with it. In 1981 the Company investigated if
15 there is a market and invested some money into
16 determining the package that could be sold to other
17 utilities.

18 COMMISSIONER GUNTER: Did you receive any
19 revenue?

20 WITNESS BOWERS: Commissioner, I'd have to go
21 back in the records and give that to you. I think
22 there was an audit in 1987, '88, that -- by this
23 Commission that went through the Good Cents
24 diversification efforts, and I couldn't tell you the
25 revenue exactly. I know there was some benefit to Gulf

1 Power, accrued to it. I know that Southern Electric
2 International still owes Gulf Power a certain portion
3 of dollars for the original investment in that
4 packaging of the Good Cents Home Program. That's all.

5 COMMISSIONER GUNTER: Is that an ongoing
6 program? Are they involved in the sales continuously?
7 Are they still in the program?

8 WITNESS BOWERS: They're still in the program,
9 yes, sir.

10 COMMISSIONER GUNTER: Is there a document, a
11 contract between the parties, or is there documentation
12 as to how the authority was delegated to giving up or
13 whatever, whatever happened to allow them to begin in
14 that business? Is there a document that we might
15 review or look at to make a determination as to royalty
16 payments, or one thing or another? You talk about an
17 audit in 1987, but this is the first full revenue
18 requirements proceeding we have had since 1984 to
19 address, you know, if ratepayers are paying through
20 rates and conservation expenses development of any
21 program, and that program is removed and goes to an
22 affiliate and is being marketed, Where is the benefit
23 returned to those that provided the funds for the
24 development of the program? You understand what I'm
25 saying?

1 WITNESS BOWERS: Yes, sir, but I believe there
2 needs to be a distinction between that that was
3 provided to our consumers as energy conservation
4 program and that that was packaged and promoted on a
5 national basis. The ratepayers do not pay for the
6 packaging and the logo design for the national program.

7 COMMISSIONER GUNTER: No, but it's just like
8 selling software, Mr. Bowers. We hear that all the
9 time in telecommunications, where somebody develops the
10 software, and when you go stick it in your computer,
11 you buy software from somebody else and stick in your
12 computer, it's lost its identity, but you still pay for
13 it, or the person that develops it spends the money.

14 The only source of revenue that you and Gulf
15 Power have is from revenues that you receive from your
16 ratepayers. Now, we can -- you know, they support all
17 those activities. That's the only source of revenue
18 you've got. So it's developed there, and I think it's
19 not an illogical question for me to ask is, is there a
20 contract in which the rights to do that business was
21 given up by Gulf to an affiliate? You know, up until
22 that time if you got it all, if you developed it, you
23 say, "Buzz off, Charlie, we're going to do this
24 ourselves." You understand my question?

25 WITNESS BOWERS: Yes, sir.

1 COMMISSIONER GUNTER: Do we have a signed
2 contract?

3 MR. HOLLAND: Yes, you do.

4 COMMISSIONER GUNTER: Is it in the record?

5 MR. HOLLAND: It's not in the record and I
6 think we've provided it at least twice, and maybe three
7 times in various investigations that have been
8 conducted by this Commission, and I understand what
9 you're saying. And we also provided the significant
10 losses that SEI has incurred in attempting to market --

11 COMMISSIONER GUNTER: Well, that didn't help
12 me, Mr. Holland. I haven't seen it. I'd like to, if
13 we could get a copy of it late-filed.

14 WITNESS BOWERS: Commissioner, let me correct
15 something, on the audit that was done, it was done in
16 June of 1989. It was last year.

17 COMMISSIONER GUNTER: June of '89?

18 WITNESS BOWERS: Yes, sir. And it was
19 conducted by Ms. Lynn Whitehead, a regulatory analyst,
20 and I think within that audit there was a letter of
21 agreement in that document.

22 COMMISSIONER GUNTER: Okay. If Staff will get
23 me a copy of that, there would be no necessity for --

24 CHAIRMAN WILSON: Who developed that logo that
25 goes with the Good Cents Program? Gulf Power developed

1 that?

2 WITNESS BOWERS: Yes, sir.

3 CHAIRMAN WILSON: You all have been using that
4 for a long time?

5 WITNESS BOWERS: There was two TV logos.
6 Prior to 1981 there was a Good Cents logo with Ready
7 Kilowatts involved in it.

8 CHAIRMAN WILSON: Right.

9 WITNESS BOWERS: And after that is the
10 house-shaped Good Cents logo.

11 CHAIRMAN WILSON: Both of which were dropped
12 by Gulf Power?

13 WITNESS BOWERS: Pardon?

14 CHAIRMAN WILSON: Both of which were dropped
15 by Gulf Power?

16 WITNESS BOWERS: Yes, sir.

17 CHAIRMAN WILSON: You all have those
18 copyrighted, I assume?

19 WITNESS BOWERS: Yes.

20 CHAIRMAN WILSON: And part of the charge for
21 licensing your Good Cents program is the value of that
22 logo?

23 WITNESS BOWERS: Yes, sir.

24 CHAIRMAN WILSON: And part of the argument,
25 as I recall, on conservation cost recovery was that

1 Good Cents home logo had come to have a separate
2 meaning among Gulf's ratepayers. And the residents of
3 north Florida who had seen that, as I recall, there
4 were -- there was considerable discussion about the
5 difference between an individual advertisement and a
6 full range of advertising program that extended over a
7 number of years, so that by the time you got to the end
8 of that you didn't have to put everything that you
9 would in the first add you put out, you may have to
10 stick that Good Cents logo there and everybody knew
11 what you were talking about, and knew who you were
12 talking about and what the thrust of the ad was.

13 WITNESS BOWERS: Good Cents is synonymous
14 with energy efficiency in our market. I remember that
15 argument also.

16 CHAIRMAN WILSON: So it acquires value as a
17 logo.

18 WITNESS BOWERS Yes, sir

19 COMMISSIONER BEARD: You all didn't copyright
20 Ready Kilowatt?

21 WITNESS BOWERS No, sir.

22 COMMISSIONER BEARD: Just in association with
23 the program?

24 WITNESS BOWERS: Pardon?

25 COMMISSIONER BEARD: You just used that as

1 part of a logo that you felt --

2 WITNESS BOWERS: Right. The "cents" mark
3 and "Good Cents Home" name was copyrighted but not the
4 Ready Kilowatt part of it.

5 MS. RULE: Commissioners, are you done with
6 that line?

7 CHAIRMAN WILSON: Go ahead.

8 Q (By Ms. Rule) I'm sorry, Mr. Bowers. Could
9 you provide as a late-filed exhibit, which I believe
10 would be 576, a copy of the contract between Gulf and
11 SCI, and include with that the audit you referred to,
12 and a schedule of any compensation received by Gulf?

13 A Yes, I will. And, like I previously said,
14 it's a letter of agreement, so I will provide that.

15 CHAIRMAN WILSON: 576?

16 MS. RULE: Yes, sir.

17 (Late-filed Exhibit No. 576 identified.)

18 Q (By Ms. Rule) Mr. Bowers, with regard to
19 Issue 68, Gulf has projected \$687,000 for economic
20 development expense in the sales function for 1990.

21 In your testimony you state that -- and this
22 is at Page 40 -- "Gulf Power has identified the need
23 for, and has committed resources to community
24 development, and not just generating economic growth.
25 These activities, if successful, will be mutually

1 beneficial to all ratepayers, society as a whole, and
2 the Company."

3 Are there community development organizations
4 in your service area?

5 A Yes, there are.

6 Q Would those community development
7 organizations be doing roughly the same function that
8 you've described at Page 40 of your testimony?

9 A No, they do not. The distinction between a
10 Chamber of Commerce or Economic Development Council
11 that exists in a community is one that strictly
12 recruits industry. Ours is to evaluate that
13 community's infrastructure needs; determine what's best
14 for that community, as far as if there is growth going
15 to occur what kind of growth would be beneficial to
16 that market; understand the unemployment rates; the
17 demographics; what makes up the labor force of that
18 community; what's the transportation needs of that
19 community.

20 So that's what community development is all
21 about. In our training we have a program called
22 "Building Energy Economic Strategies Together," where
23 we train the business leaders of the community on
24 recognizing their strengths and weaknesses, and what to
25 do to be involved in economic development.

1 Q Doesn't your testimony indicate that the
2 communities themselves are responsible for providing
3 the actual benefits, or inducements, for expanding
4 businesses?

5 A They do.

6 Q On Page 42 of your testimony you state that,
7 "Northwest Florida would continue to grow if Gulf was
8 not involved in economic development, but that there is
9 a greater risk that the growth would not strengthen the
10 economy or be beneficial to ratepayers." Can you
11 explain what you mean by that?

12 A Yes, ma'am.

13 Growth is going to occur. But, depending on
14 the economic foundation of that community, if we bring
15 in, or if a community brings in a company that pays low
16 wages, \$4 a hour wages, what impact will that have on
17 that community, as far as its infrastructure, if it's
18 basing the taxation base of doing roads, sewage
19 treatment plants, and those type of things on the
20 average income of \$8 per resident. And that would
21 deteriorate that community's well being.

22 Q Why is it Gulf's function to direct that kind
23 of development instead of leaving it to the
24 communities?

25 A We're involved, not directly, but we're

1 involved in that process.

2 Q Why is it Gulf's function to spend, what is
3 it, \$687,000 being involved in that process?

4 A Because we get involved in the design of the
5 plants; we're involved in the communication link to
6 understand what growth is going to occur. It's very
7 important from our perspective that we get informed,
8 up-front, if growth 's going to occur that we're
9 involved in it. If we can manage that growth better,
10 and inform that energy consumer of the future how to
11 more appropriately use our product, I think everybody
12 is better off.

13 One of the points you have to recognize is
14 we're losing businesses in northwest Florida. We have
15 the threat of losing military installations. We have
16 the threat of major companies leaving northwest
17 Florida. Panama City is one of the highest
18 unemployment rates in northwest Florida.

19 I think it's important for us to be involved
20 and be a partner with the communities we serve energy
21 to. And so do they. I think in my testimony one of
22 the number one items in my exhibit, from a survey that
23 we have done, that economic development was important
24 to our consumers.

25 Q Isn't northwest Florida one of the highest

1 growth areas in the United States?

2 A No.

3 Q You state on Page 43 of your testimony that,
4 "Gulf wants to be in a position to assist in the
5 management of growth so that our communities and
6 ratepayers will receive lasting benefits with a minimum
7 of risk."

8 Can you tell me why providing assistance in
9 growth management is necessary to the provision of
10 electric service?

11 A Load management, reduced peak demands. We
12 work with the industry, we spread out the energy usage
13 that it wouldn't impact considerably on peak demand.

14 Q Load management seems quite a bit different
15 from community development that you're speaking of,
16 does it not?

17 A No, ma'am. That's the process. Community
18 development is an all-encompassing process where we're
19 working with communities hand in hand, and working with
20 the industries that are looking at a specific community
21 to place a plant.

22 Q Do Gulf's economic development activities
23 foster increased sales of electricity?

24 A Yes. (Pause)

25 Q Mr. Bowers, in your testimony, I believe it's

1 on Page 15, you state that, "Growth in peak demand is
2 due to customer growth and not marketing of
3 electricity." I'd like to direct your attention to
4 Exhibit 445, which you should have in front of you.

5 (Pause) Do you have that now?

6 I'd like you to specifically to look at Page
7 7 of the exhibit. (Pause) And I believe that page
8 shows that certain promotional programs Gulf had in
9 place in 1987 increased peak demand by 4,835 kilowatts
10 in the winter, and increased kilowatt-hour sales by
11 1,787,025 kilowatt hours.

12 Now, was not this answer given in response to
13 the question regarding how much demand and energy
14 increased as a result of certain programs?

15 A That's correct.

16 Q So then you do attribute that increase to the
17 programs?

18 A Yes, I do.

19 Q The item also indicates that the programs are
20 not going to be offered in 1990, is that correct?

21 A Those specific programs, that is correct.

22 Q Gulf's Good Cents Incentive Program will be
23 offered in 1990, will it not?

24 A As defined in 1990, that's correct.

25 Q Can you tell me the difference between those

1 programs and the Good Cents Incentive Program?

2 A Within this answer there is a specific
3 question related to paying of rebates, or paying of
4 points through the incentive program, where points were
5 allowed for changeout of other fuel sources in a
6 residential structure. And based on the Good Cents
7 Incentive Program that is being filed with this
8 Commission, and through the interrogatory process,
9 there is no distinction on fuel source.

10 Q Pardon me? I didn't hear your last sentence.

11 A There is to distinction on fuel source and
12 relate it to the points attributable to a changeout.

13 Q Are points awarded no matter what the
14 previous fuel source was?

15 A That is correct. (Pause)

16 Q It seems, then, that it's the same type of
17 program, still offers the points, is that correct?

18 A Still offers points, but there is -- no
19 matter what the fuel source is, it offers points for
20 high-efficiency air conditioning; it offers points for
21 heat recovery devices on water heating; it offers
22 points for heat pumps. This question asked
23 specifically, in whole or part with natural gas, for
24 the years '86, '87, '88 and '89 and projected '90.

25 Q I'd like you to look at Exhibit 470, which you

1 should also have in front of you. (Pause)

2 Before we go to that, Mr. Bowers, did your
3 prior programs only allow points for changeouts from
4 gas to electric?

5 A Repeat that, Marsha.

6 Q Did your prior programs only allow points for
7 changeouts from gas to electric?

8 A No, it did not.

9 Q Going to Exhibit 470, it's a rather lengthy
10 exhibit and I've marked some of the pages in your copy.
11 I'd like to direct your attention to Page 55, which
12 contains an interrogatory response dealing with cost
13 effectiveness of the Good Cents New Home Program. Do
14 you see that?

15 A Yes, ma'am.

16 Q On that page, there's a table. And listed in
17 the upper left-hand corner is peak reduction per
18 customer, .4 kilowatts. Could you tell me how that
19 figure was calculated?

20 A Yes, I would. That .4 kW was calculated on
21 using an energy simulation program termed Residential
22 Building Energy Program that simulated an all-electric
23 code house versus a Good Cents optimum energy efficient
24 house, and the result being .4 kW and 1052 kilowatt
25 hours reduction between that.

1 Q Were any post-installation inspections done
2 to verify the reduction number?

3 A Not load research. But we do have MRS, which
4 is Marketing Reporting System Data, that provides us
5 information on what is being built and what's being
6 installed in Good Cents homes and what is being
7 installed in nonGood Cents homes. We do have that type
8 of data, but we do not have load research data. That
9 was at issue during the ECCR hearings related to Good
10 Cents homes.

11 Q Can you tell me how you calculated the kWh
12 reduction per customer, which is listed as 1052 kWh?

13 A The difference between the two homes?

14 Q Would you take a look on Page 64, which has
15 also been marked in your exhibit? You see similar
16 information for the Good Cents home improved. And
17 you've listed 1.05 kW peak reduction per customer and
18 3,746 kWh reduction per customer. How did you reach
19 these figures?

20 A Again, residential building energy program,
21 energy simulation, that provided this data. Let me
22 point out, the RBEP program has been approved by DOE,
23 Oak Ridge National Laboratories, and other third party
24 entities as a recognized energy management simulation
25 program. And this is where we got these kW and

1 kilowatt hour reduction numbers from, using an all-
2 electric home to our Good Cents home improved
3 standards.

4 CHAIRMAN WILSON: Is that winter peak or
5 summer peak?

6 WITNESS BOWERS: That is summer peak, we're a
7 summer peaking utility.

8 Q (By Ms. Rile) Is any computer simulation for
9 building performance really accurate? It is, after
10 all, simulation, is it not?

11 A Yeah, but it's a recognized simulation program
12 that's been approved for audits in other energy
13 simulations that this Commission requires us to do.

14 Q But you've also said you've conducted no
15 post-installation audits that would allow you to test
16 the assumptions in your simulation.

17 A That's correct. But with post research, load
18 research data, you'd have to inflect lifestyle into
19 that data. Nothing's exact. This simulation's
20 probably better than some of the load research data we
21 probably could get.

22 Q On each of those two tables we discussed on
23 Page 55 and again on Page 64, there's a distribution
24 cost listed. Do you see those?

25 A Yes, I do.

1 Q Why do you feel it's appropriate to include
2 distribution costs in the cost-effectiveness test when
3 the distribution lines would be there with or without
4 these programs?

5 A It's a reflection of transformer size,
6 differentiation between the higher required kW on a
7 residential structure versus a Good Cents structure.
8 This data was provided to us by System Planning in our
9 organization to inflect and to be put into the
10 cost-effectiveness runs.

11 Q In each table, you've included an inservice
12 year for avoided, I believe it's generation,
13 transmission and distribution facilities. For the Good
14 Cents home new, it's year 11, and Good Cents home
15 improved, it's year 8. How did you reach those years?

16 A It depends on the year these were done. I
17 don't have that date on this, this interrogatory
18 response or this exhibit. But it reflects the year it
19 was done.

20 Q Well, recent filings in your Company's
21 conservation plan show the next generation edition in
22 1996. How does that relate to the inservice year in
23 these tables?

24 A Excuse me for a second. If you would go to
25 that Page 64, the base year for this run was 1988. And

1 inservice date was eight years, which would make it
2 1996. Okay. On the Good Cents home, the base year was
3 1986, which at that point it was 1997 for the capacity
4 to come into service in our service territory.

5 Yeah, you also recognize, too, on Page 55 the
6 avoided cost of capacity is \$375 on the Good Cents
7 Program and \$301 on the Good Cents improved.

8 Q Which means what?

9 A Which means the expansion plan changed.

10 Q Have the assumptions and the simulation
11 changed since the base year of these programs?

12 A The basic assumptions of the house itself has
13 not changed in the terms of energy efficiency levels or
14 what we were comparing against.

15 Q I would also like to direct your attention in
16 that same exhibit to Page 61.

17 A One thing I'd like to point out on all these.
18 You -- never mind, they're all cost-effective and I
19 think you're going to that now.

20 Q I'm not sure if I understood you. Were you
21 going to continue a response?

22 A Well, my point is that both of these are
23 cost-effective based on this evaluation, this
24 cost-effectiveness run as approved by this Commission.
25 And apparently your follow-up question is going to go

1 to those categories which prove that they are
2 cost-effective.

3 Q Well, I am rather interested in that, as a
4 matter of fact. If you look on Page 61, "All Customer
5 Benefit" in Column 7?

6 A Yes, ma'am.

7 Q What year do we start showing a positive
8 benefit?

9 A Year 11.

10 Q Could you explain that column, please? What
11 does it indicate?

12 A (Pause) Marsha, I'm going to get basic with
13 this, I'm not going to get into the details. I'm not
14 real familiar with the details of this program. But
15 what that column illustrates is the benefits of us
16 avoiding costs, kW and kilowatt hours, in Column 1,
17 against our costs. And what benefits is it providing
18 to all ratepayers in Gulf Power service territory over
19 the life of this program, which is 1 through 21. It
20 provides a net present value of \$4,000,010.

21 Q So when you say that Column 7 indicates an
22 all customer benefit in year 11, what does that really
23 mean?

24 A In Column 2, you'll notice that the costs
25 stop in year 11, the benefits continue of this program

1 through the year 21. So the consolidated column of
2 Line 7 is giving you the value to all ratepayers for
3 this activity in the marketplace.

4 Q But basically, all customers will be paying
5 for the program for years 1 through 10, yet all
6 customers will not be receiving a benefit until year
7 11, is that correct?

8 A A net benefit, that's correct.

9 Q Is Column 7 presented on a cumulative net
10 present value basis?

11 A Yes.

12 Q Are you saying that the total for that column
13 is, or -- is presented on a cumulative net present
14 value basis, or that the amounts indicated for each
15 year would be also on a cumulative net present value
16 basis?

17 A Again, Marsha, I have to get into the
18 details, which I'm not real familiar with. But I
19 believe it's cumulative on a net present value on a
20 year-by-year basis.

21 Q Who would you have to check with to find that
22 out for sure?

23 A Duncan Bushardt, who is a witness in this
24 hearing.

25 Q Could you please check with him so we could

1 talk about this again on rebuttal?

2 A Sure.

3 Q And basically, the information I would want
4 to know also deals with the other pages I have marked
5 and how those tables are presented.

6 A This, let me reflect. This is a program
7 written by the Commission that we run to determine
8 cost-effectiveness of programs. We just input the
9 numbers, the values, associated with the benefit of
10 those programs, the .4 kW, the distribution costs and
11 those type things.

12 Our response is that the Column 7 on Page 61
13 needs to be positive to show a positive benefit to all
14 participating customers. Likewise, on Page 63, is it
15 positive to the participant, the cost beneficial
16 participant? And then there is on Page 62, is it
17 beneficial to the society of Florida? And they're all
18 showing positive numbers on a cumulative basis over the
19 21 years.

20 And I think in the FEECA standards, rules
21 state that we have demonstrated is it cost-effective to
22 all participating -- to all ratepayers. Is it
23 cost-effective to all ratepayers? And I think this
24 program and what you're going through demonstrates that
25 it is.

1 Q Can you explain the difference between
2 essential customer services and energy education?

3 A Okay. Within essential customer service, and
4 that's more of a nomenclature of accounting, a
5 capturing of specific expenses related to information
6 on rate comparisons, preparation, monitoring the O&M
7 budget, development of the inputs necessary from the
8 field to develop our kilowatt hour and revenue
9 forecasts, travel expenses associated with meeting with
10 the Florida Public Service Commission, Florida
11 Coordinating Groups and others. It also has \$131,000
12 in the advertising for safety, that's included in
13 essential customer service.

14 Energy education is specific conservation
15 energy efficiency education directed to adults and
16 school-aged children. There's 161,000 of the 425 in
17 labor, 66,000 in advertising, and 188,000 in materials
18 and supplies, which make up booklets and brochures
19 related to energy efficient products, installation
20 recommendations, heat pump brochures, water heater
21 brochures and such to provide to all consumers. Also
22 booklets and brochures in energy education that are
23 provided to school children in the fourth, sixth and
24 ninth grades on educating them about energy
25 consumption, energy production and energy efficiency.

1 Q Mr. Bowers, you mentioned earlier some
2 differences between the Good Cents and --

3 CHAIRMAN WILSON: Are you changing subjects?

4 MS. RULE: On to Good Cents Incentive, if you
5 want to carry on with this.

6 CHAIRMAN WILSON: No, I want to take a break.
7 Why don't we do that and come back in about ten minutes.

8 (Brief recess.)

9

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10 Q (By Ms. Rule) Mr. Bowers, I'd like you to
11 take a look at Page 70 of Exhibit 470.

12 A Would you repeat that?

13 Q Page 70 of Exhibit 470. And earlier we were
14 discussing whether Column 7 showed a cumulative net
15 present value.

16 If you look at the bottom of the page on the
17 left-hand side, there are two lines, or two
18 indications, one says "Nominal Total," is that correct?

19 A That's correct.

20 Q So that can't be a cumulative net present
21 value, is that correct? That's a nominal value.

22 A That's correct

23 Q And below that it says "Net Present Value,"
24 but that's just the total indicated there that's the
25 net present value, isn't it?

1 A That's correct.

2 Q So that the lines, each of the years, one
3 through 21, are not indicated as net present value, are
4 they?

5 A No, they are not; they are nominal.

6 Q Okay. And, in fact, all the tables that are
7 set up in this fashion are nominal value in that column
8 rather than net present value.

9 A Thank you for correcting me on that.

10 Q And if you were to list the net present value
11 on all those columns, the pay back would be much
12 longer, wouldn't it?

13 A I couldn't tell you that. I don't know. I
14 really don't know.

15 Q Going back to the Good Cents Incentive
16 Program, you stated that the program has been changed.
17 Could you tell me what types of incentives were
18 originally distributed for this program?

19 A Points were awarded for installation of high
20 efficient equipment and Good Cents homes, and those
21 points were redeemable for advertising, merchandising
22 or trips.

23 Q And what types of incentives are currently
24 offered?

25 A Advertising, merchandising or trips.

1 Q How are the costs for these incentives
2 recovered?

3 A For the \$50,000 at issue in Issue 62, \$25,000
4 is contained in the Good Cents Home program, and
5 \$25,000 is contained in Technology Transfer.

6 Q Pardon me? I didn't hear your last answer.

7 A \$25,000 of it is contained in Technology
8 Transfer, or contained within Issue 100.

9 Q Going back to the Good Cents programs we were
10 discussing earlier, programs show fairly long payback
11 periods on an individual basis. What do your energy
12 auditors tell customers who participate in these
13 programs about their savings?

14 A Our energy auditors provide energy analysis
15 of the feature that is recommended for that individual
16 structure. And an economic analysis is provided to
17 that individual. Some features might have a payback of
18 two to three years. Some might have a payback of 10 or
19 11 years. But on a consolidated basis, a residential
20 structure can be improved with several features and it
21 might have a payback of less than several years.

22 Q Is the information given to the customer on a
23 nominal basis or a cumulative net present value basis?

24 A Nominal on civil payback.

25 Q I'd like you to take a look at Exhibit 443,

1 which should be in your packet. (Pause)

2 A Okay.

3 Q Exhibit 443 contains Interrogatory No. 86 and
4 requests some information about a 1987 Governor's
5 Energy Award-Winning Project located in Gulf's service
6 territory. And specifically the interrogatory
7 requested -- the question was, "Has this building been
8 certified as a Good Cents building? Who are the Gulf
9 employees who are involved with making this
10 determination?"

11 Could you provide the answer to that question
12 or those questions?

13 A We have provided it in the interrogatory
14 response.

15 Q I'd like you to put it into the record,
16 please?

17 A Would you like me --

18 Q You don't have to read it. Was the building
19 certified?

20 A No.

21 Q Why not?

22 A Because it did not meet our Good Cents
23 standard as defined in 1984-85.

24 Q In what way did it fail to meet standards?

25 A As implemented in the field, it failed not

1 thermally, but on equipment standards; it had gas heat
2 in it.

3 Q So it wasn't certified because it had gas
4 heating, is that correct?

5 A That's the way the program was filed with
6 this Commission under ECCR. It was later revised in
7 1986 to reflect the changes as requested by this
8 Commission to certify gas source heat.

9 Q Did Gulf offer to go back and look at the
10 building again and certify it under the program as it
11 was changed?

12 A I'm not aware of any other contact with the
13 building owner.

14 Q It appears, then, that from the beginning of
15 the Good Cents program, Gulf was attempting to or
16 actually did eliminate gas from the program, is that
17 correct? That is, the mere fact that a building was
18 heated by gas and even a small part would eliminate it
19 from the Good Cents program.

20 A Not in all Good Cents programs. In this Good
21 Cents Building Program, as implemented, it was without
22 recognition of gas as a heat source. On Good Cents
23 regular -- Good Cents Residential Programs, both could
24 be qualified.

25 Q Would you please look at Exhibit 445. I'm

1 sorry, 447. 447 contains some advertising that I'd
2 like you to take a look at.

3 CHAIRMAN WILSON: That's exhibit number what?

4 MS. RULE: 447.

5 Q (By Ms. Rule) I'd like to you take a look a
6 Page 3 of the exhibit, the advertisement says, "Fact:
7 Every year a Good Cents home costs \$158 less than a gas
8 home."

9 By looking at that advertisement, Mr. Bowers,
10 can you tell what the basis for comparison is?

11 A First, I'd like to point out this was a
12 response to advertising that was going on in our
13 service territory that was somewhat misleading. And
14 our field troops, our reps and our supervisors in the
15 field requested a response because consumers were being
16 misled.

17 The basics for these savings, or the actual
18 gas cost of that community, whichever -- I don't know
19 where it is, compared to a Good Cents standard, using
20 the Code standards of R-30 wall insulation, double-pane
21 windows to our Good Cents standards. Using those
22 actual costs in that community with the gas supplied
23 versus a heat pump supplied house, the net savings were
24 \$158.

25 Q Were the homes that you were comparing

1 identical?

2 A No, they were not.

3 Q In fact, in Exhibit 445, on Page 18, there is
4 a complete description of the energy saving features of
5 the Good Cents and gas homes used in some of the
6 advertising, is that correct?

7 A For these fact ads.

8 Q And, in fact, the Good Cents home as attic
9 insulation of R-38 versus R-30 insulation for a gas
10 home, is that correct?

11 A Marsha, in our Exhibit 445.

12 Q Yes, on Page 18.

13 A Would you restate your question?

14 Q Looking at the response provided to the
15 interrogatory, regarding the complete description of
16 the energy saving features of the Good Cents and
17 comparison gas home, it shows that the Good Cents home
18 has attic insulation of R-38 versus R-30 insulation for
19 the gas home, is that correct?

20 A That's correct. That reflects what's being
21 promoted in the marketplace.

22 Q Pardon me?

23 A That reflected what was being promoted in the
24 marketplace.

25 Q And wall insulation of R-19 is shown for the

1 gas home -- I'm sorry, for the Good Cents home versus
2 R-11 of the gas home, is that correct?

3 A That's correct.

4 Q Perimeter insulation of R-5 is listed for the
5 gas home and none is listed -- I'm sorry -- R-5 is
6 listed for Good Cents and no perimeter insulation is
7 listed for the gas home, is that correct?

8 A That's correct.

9 Q Would these factors affect your advertising;
10 that is if they were exactly the same, would the Good
11 Cents home still cost \$158 less than the gas home?

12 A It would cost less but it wouldn't be \$158.

13 Q The interrogatory response also lists the
14 Good Cents home as having .5 air exchanges per hour,
15 while the gas home has .75 air exchanges per hour.
16 Would that also make a difference in the cost?

17 A That affects the Btu gain of the structure.
18 Yes, it would.

19 Q For the heating ventilation and
20 air-conditioning equipment, could you explain to me
21 whether those are exactly comparable?

22 A The sizing of the HVAC system, as reflected
23 in this interrogatory response, shows a proper-sized
24 home with 18,000 Btus, air conditioning on the heat
25 pump, versus a 24 two-ton unit on the gas home. That

1 is reflecting of the heat gain of that structure and
2 that's proper, approximately proper, for that
3 structure. And they both have nine SEERs, as far as
4 efficiency rating.

5 Q But a larger unit on the gas home, is that
6 correct?

7 A That's correct because the envelope is not as
8 tight.

9 Q Would that also affect the cost comparison?

10 A Yes, it would.

11 Q Where is that indicated in the ad on Page 3
12 of Exhibit 447? I believe Page 4 also went with that.
13 And there is a disclaimer at the bottom of the page
14 which says, "Costs shown are based on current electric
15 and natural gas rates as of 10-88 in a 1,456 square
16 foot house with" -- let's see, I believe it's with a
17 family of four, "a heat pump of 9.0 SEER and an
18 equivalent gas furnace with a 70% AFUE."

19 That's the only disclaimer. Does this lead
20 one to believe that in other respects the houses are
21 exactly alike?

22 A No. Because what we're advertising is a
23 Good Cents home, which like Commissioner Wilson was
24 alluding to earlier, is synonymous with high-energy
25 efficiency ratings.

1 Our program, which is promoted, is one that
2 optimizes efficiency in new residential structures, and
3 what was being promoted was minimum efficiency in
4 gas-using equipment.

5 Q Where is that indicated on your
6 advertisement?

7 A It is not.

8 CHAIRMAN WILSON: If on exhibit -- we're
9 looking at Exhibit 162, is that right? 172?

10 MS. RULE: 172.

11 CHAIRMAN WILSON: Is that where those
12 calculations are?

13 MS. RULE: No, that's on Exhibit 445.

14 CHAIRMAN WILSON: Okay. I think it's
15 probably the same thing.

16 MS. RULE: It may be. Interrogatory 45.
17 Staff's Second Set.

18 CHAIRMAN WILSON: Same thing. If the values
19 for insulation and attic wall -- what is that duct?
20 What does that mean? I mean, what does that number
21 mean?

22 WITNESS BOWERS: That's the duct system in
23 regards to insulated -- the R-value around the duct
24 system.

25 CHAIRMAN WILSON: 4.2 insulated around the

1 duct?

2 WITNESS BOWERS: Yes.

3 CHAIRMAN WILSON: And the perimeter, R-5,
4 what is that?

5 WITNESS BOWERS: That's perimeter insulation
6 on slab where the thermo sheeting is put down below the
7 slab level.

8 CHAIRMAN WILSON: Okay. You said the reason
9 you'd have to use a 24,000 Btu air conditioner was
10 because the envelope wasn't as tight on the gas home?

11 WITNESS BOWERS: It will reflect the Manual J
12 calculation.

13 CHAIRMAN WILSON: Does that tell me that if
14 you have the same values for attic wall perimeter, that
15 it would change the size of the gas pump? Change the
16 size of the HVAC equipment for the gas home?

17 WITNESS BOWERS: That's correct.

18 CHAIRMAN WILSON: And do you know what those
19 numbers would turn out to be if you put a gas -- an
20 appropriately-sized equivalent with gas into a Good
21 Cents home, otherwise Good Cents home? Do you
22 understand my question?

23 WITNESS BOWERS: Yes, sir. What you're
24 asking is put the thermal features the same. Only
25 comparison changes that you have is have a gas heating

1 system in the same size HVAC air-conditioning system
2 with the same SEER --

3 CHAIRMAN WILSON: Uh-huh.

4 WITNESS BOWERS: -- what the numbers were.
5 In my rebuttal testimony I've attached --

6 CHAIRMAN WILSON: Okay. I'm sorry. I hadn't
7 read that yet. Is that in there?

8 WITNESS BOWERS: Yes, sir. We did that
9 comparison. I think, in the tax rule that question
10 also was raised and we provided that --

11 CHAIRMAN WILSON: I'll wait until you get
12 back on rebuttal.

13 WITNESS BOWERS: One point on the gas home is
14 what Florida Model Energy Code is asking for, that
15 would qualify under the Code.

16 Q (By Ms. Rule) I'd like to direct your
17 attention next to Exhibit 441. Exhibit 441 is Gulf's
18 Response to Interrogatory No. 130 from Staff's Eighth
19 Set of Interrogatories.

20 COMMISSIONER GUNTER: Excuse me, Counsel.
21 Are you leaving the electric and gas --

22 MS. RULE: Yes, sir.

23 COMMISSIONER GUNTER: -- kind of situation?

24 Before we do that, could I inquire just a
25 couple? (Pause)

1 On Page 52, Issue 104, Mr. Bowers, if I could
2 inquire just for a moment.

3 WITNESS BOWERS: Yes, sir.

4 COMMISSIONER GUNTER: The promotion film,
5 that's pretty well done. I saw it two or three times.
6 So it's not without some knowledge that I have, that I
7 saw it.

8 Is there any liability ongoing with that,
9 with that film? In other words, were there any
10 royalties paid for -- you know, those moveies are
11 copyrighted?

12 WITNESS BOWERS: None.

13 COMMISSIONER BEARD: There's no, the film
14 making people didn't ever get on you all's case about
15 that?

16 WITNESS BOWERS: Yes, sir, they did.

17 COMMISSIONER GUNTER: What did you all do,
18 just tell them you had quit?

19 WITNESS BOWERS: They said, "Cease and desist
20 and destroy all copies."

21 COMMISSIONER GUNTER: Okay. There may be one
22 in existence.

23 MR. HOLLAND: You may have one, we don't have
24 any more.

25 COMMISSIONER GUNTER: No, no, that's what I'm

1 talking about. It may be in the Commission building
2 somewhere.

3 MR. HOLLAND: Show it at your own risk.

4 COMMISSIONER GUNTER: Okay. (Laughter) It
5 wasn't that good. It was good but it wasn't that good.

6 COMMISSIONER EASLEY: That's called a
7 disclaimer.

8 COMMISSIONER GUNTER: As I read the Company's
9 position in here, I go down to -- excuse me, go down to
10 105. And I read 104 and 105 together and I sort of get
11 the impression that even though these are not -- the
12 money for these is not included in this rate case, I'm
13 somewhat a little disturbed in thinking that Gulf did
14 not know at the time the Gas Busters T-shirt -- and, by
15 the way, I got one of those, too -- the Gas Busters
16 T-shirt or the film was made, that the Commission had
17 not spoken and had not addressed any conservation
18 efforts being source neutral. Isn't that your position
19 -- isn't that the Company's position on these two
20 issues?

21 A I think our position is that -- and we've, I
22 think, addressed this with the Commission before --
23 that maybe these were inappropriate responses to things
24 that were occurring in our marketplace. But we also
25 interpreted the fuel source orders that have come out

1 of this Commission in such a way that seemed they would
2 not violate those principles.

3 COMMISSIONER GUNTER: In other words, Gas
4 Busters T-shirts were all right? You know, that policy
5 was all right in conservation? Would that be some
6 innovative reading of orders?

7 And the reason I ask the question, the first
8 time that source neutrality came out was in Order 9974,
9 dated 4-24-81, in which it was clearly addressed in
10 that order that there was a gas company that we took
11 some exception to their conservation programs and
12 demanded that it be source neutral.

13 Then the next place I find out about it, just
14 a little quick review, was in an Order 12179, dated
15 6-30-83, which even had a fuel source neutrality
16 section in the order.

17 WITNESS BOWERS: That's right.

18 COMMISSIONER GUNTER: I sort of got the
19 impression that the Company's position was that the
20 Commission hadn't addressed it.

21 WITNESS BOWERS: Well, let me, can I give you
22 my?

23 COMMISSIONER GUNTER: Yeah, I'm trying to
24 understand. Because to me, it sort of gets to be an
25 attitude situation of do you innovatively read orders

1 to fit what you might want to do?

2 And that, if that's the case, we got, I guess
3 I'm wasting my time voting, and attorneys are wasting
4 their time writing orders to publish, or we should do a
5 different job of it. We should be very explicit and
6 tie your hands down to specifically what we mean. And
7 if that's what we need to do -- see, it's a learning
8 exercise for me.

9 WITNESS BOWERS: Commissioner, I think our
10 Company has spoke to those issues on a couple of
11 occasions, several occasions, to, you know, rectify any
12 inappropriate reactions that we might have.

13 But you reference to Order 9974, there's an
14 Order 9899 the Commission had put out in the ECCR,
15 Energy Conservation Cost Recovery, hearings. And it
16 basically said that "We strongly recommend, but do not
17 require, any subsidy or rebate program to not
18 discriminate for or against any energy type or source
19 except that rebates or subsidies should not apply to
20 water or space heating that is oil-fired which uses
21 electric resistant elements as a primary heat source."

22 In Order 12179, in that paragraph that you
23 referenced to, it basically says, "Any program that
24 contains rebates or subsidies having the objective of
25 avoiding or eliminating new or existing electrical

1 resistance space or water heating should be implemented
2 in a manner that is consistent with the conservation
3 goal of promoting the use of natural gas as a
4 substitute or replacement for electrical energy where
5 to do so is cost-effective."

6 COMMISSIONER GUNTER: Uh-huh. Well, I guess
7 my point is that I know you've been in this room back
8 when all this was taking place, and I'm a little bit
9 amazed that the feeling is not there that we were
10 expecting source neutrality.

11 I do say that honestly, with some amazement.
12 Because I know that I have said it a number of times
13 about source neutrality is that we were looking for
14 things to be, as long as they were cost-effective, that
15 the source should be neutral.

16 WITNESS BOWERS: That's correct.

17 COMMISSIONER GUNTER: And the fact of the
18 matter is, even in the early days and maybe still, one
19 of the reasons that we were really trying to demand
20 that -- and I think if you go back and review some of
21 those records, the electric utilities were offering
22 energy audits for gas utilities on a reimbursement
23 basis in the very early days. And that's where the
24 deals came up about "Hey, boys, it has to be source
25 neutral if you're going to do a energy audit for a gas

1 company." Do you remember those? I do.

2 WITNESS BOWERS: Yes, sir.

3 COMMISSIONER GUNTER: All right. Go ahead.

4 Q (By Ms. Rule) Mr. Bowers, directing your
5 attention to Exhibit 441, which I believe you had
6 before you?

7 A Okay.

8 Q That has Gulf's response to Item 130 of
9 Staff's Eighth Set of Interrogatories. I believe the
10 response provides a test year expense for conservation
11 programs which had conservation cost recovery prior to
12 May '89, is that correct?

13 A That's correct.

14 Q Were you responsible for splitting the cost
15 for these programs into revenue class categories?

16 A No, I was not.

17 Q Thank you. No further questions -- oh, who
18 would be?

19 A Michael O'Sheasy, and I believe he's a
20 witness in this proceeding.

21 MS. RULE: Thank you very much. No further
22 questions.

23 COMMISSIONER EASLEY: Mr. Chairman, I have
24 one quick one.

25 CHAIRMAN WILSON: Go ahead.

1 COMMISSIONER EASLEY: Mr. Bowers, a little
2 bit ago you said something that was almost a throw away
3 line and I'd like to go back to it. It had to do with
4 the "Shine Against Crime Program." I go back with some
5 trepedation to that subject.

6 But you picked up, after some of the
7 exchange, with a comment about the law enforcement
8 people and the response to consumer demand. But you
9 also used the word "ordinances." Would you elaborate
10 on that a little bit? I'm not sure that I really
11 understood what you said.

12 WITNESS BOWERS: Commissioner, I'm going to
13 go back to specific, I think I was illustrating that
14 convenience stores were being looked upon to provide
15 safety and security for those employees that work
16 within them. And part of that is my understanding that
17 some of the communities which we serve are looking at
18 local ordinances for those convenience stores to have
19 lighting levels to ensure some type of security for
20 those employees inside that building.

21 We had correspondence, as an example, with
22 Sunshine Junior Food Stores where they asked us to
23 examine and evaluate and do some analysis on all their
24 locations in Northwest Florida due to some movement by
25 local council members on ordinances to increase and

1 improve the safety and security of those employees due
2 to the high risk for those employees and the crime rate
3 surrounding those convenience store robberies and
4 things like that.

5 COMMISSIONER EASLEY: Would any lighting done
6 as a result of that survey be done at the expense of
7 Sunshine Food Stores or at the expense of the
8 ratepayers?

9 WITNESS BOWERS: Depending on -- if it's
10 lighting that they own versus what we recommend, if
11 it's on our fixtures, they still pay for the energy
12 that's associated with those lights.

13 COMMISSIONER EASLEY: Okay.

14 WITNESS BOWERS: Any, or any of the fixtures.

15 COMMISSIONER EASLEY: But that is not in
16 response to ordinances currently in effect?

17 WITNESS BOWERS: I believe the backup
18 witnesses are providing some information to me, that
19 they're saying there is some local ordinances in
20 Escambia County, plus there is a bill pending in the
21 state.

22 COMMISSIONER EASLEY: Backup resource people?

23 WITNESS BOWERS: Thank you.

24 COMMISSIONER EASLEY: When I heard that and
25 had my delayed computer reaction here, are there county

1 or city zoning ordinances that require you to do
2 anything with regard to shopping malls or residential
3 areas, hospitals, anything like that, as to lighting
4 programs?

5 WITNESS BOWERS: Just a second. No, ma'am,
6 there is no ordinances that we are aware of, but we do
7 participate with the mall management or shopping center
8 management to ensure that their lighting levels are
9 appropriate.

10 COMMISSIONER EASLEY: Okay, thank you.

11 COMMISSIONER GUNTER: Mr. Bowers, I'd like to
12 touch on a couple of issues that may or may not have
13 been touched on. I'm not real sure. On Issue 63 on
14 Page 36, has there ever been an analysis done of the
15 building code adopted by Department of Community
16 Affairs and the Good Cents Program laid down
17 side-by-side?

18 WITNESS BOWERS: Yes, sir, and that's part of
19 our cost-effectiveness calculation.

20 COMMISSIONER GUNTER: Is that the -- the
21 cost-effective calculation, is that the one?

22 WITNESS BOWERS: Yes, sir.

23 COMMISSIONER GUNTER: Okay. I just -- I
24 wasn't sure that was the one. A part of you all's
25 rationale is you say there's additional value given

1 because building inspectors don't follow the law.

2 WITNESS BOWERS: That is correct.

3 COMMISSIONER GUNTER: Is that --

4 WITNESS BOWERS: Our analysis is based on the
5 assumption that the code is enforced, and rated against
6 a Good Cents home standards, and that's where we come
7 up with our energy demands savings, but there would be
8 larger savings due to the fact that the code is not
9 enforced uniformly in our service territory.

10 COMMISSIONER GUNTER: And to just put that
11 simply, building code inspectors at the county and
12 municipal level are violating the law? Is that right?
13 Either they build it to code and stamp it off that
14 it's done right, or it isn't done right. Did I get
15 that out of your testimony?

16 WITNESS BOWERS: Yes, sir. And I have
17 letters if you would like to see some from 1990 that
18 basically states that three of our counties do not
19 enforce it. Some of them use us to enforce it, to
20 provide the code calculations and those type things
21 before they issue a building permit, and some do
22 enforce it totally, but ask us to be involved in the
23 process to ensure maximum efficiency and installation
24 standards are being adhered to.

25 COMMISSIONER GUNTER: In other words, your

1 electric ratepayers are acting as surrogates for the
2 taxpayers to accomplish a job that the taxpayers are
3 paying to be done by public servants?

4 WITNESS BOWERS: No, sir. I think the way we
5 view this is --

6 COMMISSIONER GUNTER: I'm just saying in
7 reality the way it happens?

8 WITNESS BOWERS: I understand.

9 COMMISSIONER GUNTER: Ratepayers are having
10 to pay for enforcement of the building codes, so --

11 WITNESS BOWERS: We are actively a
12 participant in the building code, but they also reap
13 the benefit of the energy savings and demand savings.

14 COMMISSIONER GUNTER: I ain't taking
15 exception to that.

16 WITNESS BOWERS: I understand.

17 COMMISSIONER GUNTER: I get argumentative,
18 you and I both know it.

19 COMMISSIONER EASLEY: Really?

20 COMMISSIONER GUNTER: Item 64. Do you have
21 a -- have you got a spreadsheet which would detail all
22 of those expense items?

23 WITNESS BOWERS: We do have spreadsheets that
24 are provided in the budget process that does not
25 itemize each activity. Like I said, it's more of a

1 classification. We call it "Central Customer Service "
2 but it's a collection of costs associated with
3 monitoring --

4 COMMISSIONER GUNTER: I understand. That's
5 like me going hunting and I got a \$1,000 rifle and an
6 89 cent or can of Beenie Weenies, but if I was getting
7 a whole truck load of stuff, I'd need to be able to
8 differentiate what I got in there, you know, if I was
9 looking at the dollars.

10 WITNESS BOWERS: Yes, sir, we can --

11 COMMISSIONER GUNTER: And I would kind of
12 expect maybe this would be like my \$1,000 shotgun or my
13 Beenie Weenies.

14 COMMISSIONER EASLEY: If you can't tell the
15 difference between a \$1,000 shotgun and those Beenie
16 Weenies, you shouldn't be going hunting.

17 COMMISSIONER GUNTER: I understand, but when
18 I start looking in here, some of the items, development
19 with a customer, EEI, Florida Coordinating Group,
20 travel, some of those kinds of things are all lumped
21 together, and I was wondering, do you have a
22 spreadsheet that lets me know out of each one of those
23 individual expenditures, do we know how much for each
24 of those individual expenditures? Do you understand
25 what I'm saying?

1 WITNESS BOWERS: Yes, sir, I do. And the
2 spreadsheets that we have is collection of expenses
3 related to labor in those accounts, material and
4 supplies, outside services, advertising, vehicles,
5 consultants if needed. And it's totalled up that way.

6 COMMISSIONER GUNTER: Sum of the parts have
7 to equal the whole?

8 WITNESS BOWERS: That's correct.

9 COMMISSIONER GUNTER: Some way you had to
10 come up with \$767,609. And the sum of the parts,
11 somehow -- somewhere, you added all of those together?

12 WITNESS BOWERS: Yes, sir.

13 COMMISSIONER GUNTER: You got those that we
14 could have?

15 WITNESS BOWERS: We could provide that in a
16 late-filed.

17 COMMISSIONER GUNTER: How about a late-filed
18 exhibit number? And I think that next number is 577.

19 MR. PRUITT: 577.

20 (Late-Filed Exhibit No. 577 identified.)

21 (Pause.)

22 COMMISSIONER GUNTER: I'm trying to
23 understand Issue 65 and the Company's position in
24 trying to understand why we are addressing this here
25 and not in the conservation cost recovery, there are

1 several of those, but this one just sort of lends
2 itself to the energy education program, Item 65, Issue
3 65 on Page 37.

4 WITNESS BOWERS: Right. Commissioner, in
5 1989 the Commission ordered that those type of
6 conservation awareness and education programs be
7 removed out of ECCR.

8 COMMISSIONER GUNTER: I apologize. I have
9 been gone.

10 WITNESS BOWERS: Let me read a quote out of
11 that. It's Order No. 21317. It says, basically, "Now,
12 however, we believe programs of this kind are a
13 fundamental part of the customer service responsibility
14 of such utilities and, therefore, do not require
15 special recovery. If the FEECA statute and ECCR were
16 abolished tomorrow, customers would still call utility
17 service offices to inquire about energy-efficient
18 products and uses." So it's basically --

19 COMMISSIONER GUNTER: Okay.

20 WITNESS BOWERS: -- moved out of ECCR, but
21 it's still a valuable service.

22 COMMISSIONER GUNTER: I wasn't aware that
23 policy had been changed. Again, I'll say thank you for
24 educating me that I don't have to sit through those
25 meetings to learn about that.

1 WITNESS BOWERS: It's basically saying
2 there's no need for special treatment.

3 COMMISSIONER GUNTER: Okay. What -- you're
4 shown as a witness to address Issue 73. What -- help
5 me there. Is it in Customer Service and Information?
6 Is that the line that you -- Receive Services from
7 Southern Company?

8 WITNESS BOWERS: I believe that I'm adjoined
9 to this issue to verify the expenses associated with
10 Southern Company Services.

11 COMMISSIONER GUNTER: Well, you want to tell
12 me what -- which one of these categories do you receive
13 services from in your area of responsibility?

14 WITNESS BOWERS: Customer service and
15 information.

16 COMMISSIONER GUNTER: All right. What do you
17 do -- what do you get for them \$200,000?

18 WITNESS BOWERS: Commissioner, one thing I'd
19 like to point out, those expenses are consolidated in
20 these other issues and programs, but what we get from
21 Southern Services is computer programs, assistance in
22 the forecast, forecasting of the Company --

23 COMMISSIONER GUNTER: I thought you all had
24 an element in the Company. We would have had some
25 testimony about forecasting.

1 WITNESS BOWERS: We do.

2 COMMISSIONER GUNTER: Within the company?

3 WITNESS BOWERS: Within the company, that's
4 correct.

5 COMMISSIONER GUNTER: I'm talking about
6 Southern Company Services.

7 WITNESS BOWERS: That's correct.

8 COMMISSIONER GUNTER: What do they do for
9 you?

10 WITNESS BOWERS: They assist in that process,
11 in the forecasting process. They assist in the market
12 research process.

13 COMMISSIONER GUNTER: Okay. What else do
14 they do?

15 WITNESS BOWERS: They provide computer
16 programs for reporting systems, our RBEP program
17 development that's from Southern Services. Computer
18 time is also charged from Southern Services to those
19 accounts.

20 COMMISSIONER GUNTER: In other words, you're
21 using their computer for some of your activities?

22 WITNESS BOWERS: Yes, sir.

23 COMMISSIONER GUNTER: And that you all don't
24 use your own computer resources to handle all of yours?

25 WITNESS BOWERS: I think it's cost-effective

1 for the main frame, large type computers to be utilized
2 on a system-wide basis versus Gulf incurring the total
3 cost for such expensive equipment.

4 COMMISSIONER GUNTER: Okay. What I'm trying
5 to do, and I understand it's a laborious process, I'm
6 trying to make sure all the issues are covered that
7 you've got responsibility for.

8 WITNESS BOWERS: I understand.

9 COMMISSIONER GUNTER: Issue 100, I'm trying to
10 understand again. Do you have a spread sheet which
11 would show specific dollars for all of the programs
12 that you have spent significant amounts of money?

13 You know, there's always that other category
14 that catches that one if you got any for a thousand
15 bucks, but as I run down through Gulf's position, I
16 look at things like training, general education,
17 technical support to trade allies concerning emerging
18 technologies, such as Smart House. I would think that
19 probably advanced space air conditioning systems, such
20 as -- is that cold storage?

21 WITNESS BOWERS: Cool storage.

22 COMMISSIONER GUNTER: I thought maybe that was
23 something new. Integrated heat pumps, advanced water
24 heating systems, on and on. Do you have a spread sheet
25 like we talked about previously as to what is included

1 that's being recommended for disallowance, or either
2 the total customer services budget? Do you have a
3 spread sheet that would show that?

4 WITNESS BOWERS: Yes, sir. We can provide
5 that. Let me clarify one thing. I think Staff's
6 position in Issue 100, the recommendation of 2.157 is a
7 reflector of the other issues that they're making
8 recommendations on.

9 COMMISSIONER GUNTER: I understand.

10 WITNESS BOWERS: In OPC, Office of Public
11 Counsel, in their exhibit they listed, I think, 31
12 items.

13 COMMISSIONER GUNTER: Yep.

14 WITNESS BOWERS: What we tried to do in our
15 response is to show where those dollars are reflected
16 in other issues and come up with a net amount in that
17 exhibit of 399,000, which is our technology transfer
18 activities, as described, that you were mentioning.

19 COMMISSIONER GUNTER: I'd just like to see
20 that, because I understand where you spent the bucks,
21 and I think that would be Late-Filed 578.

22 MR. HOLLAND: I think we've already got it
23 prepared.

24 COMMISSIONER GUNTER: Got enough copies of it?

25 WITNESS BOWERS: I don't know if this is what

1 you were looking for, though.

2 COMMISSIONER GUNTER: We can find out real
3 quick.

4 WITNESS BOWERS: I think what you'll see,
5 Commissioner --

6 COMMISSIONER GUNTER: What I'm trying to do is
7 understand the issues.

8 WITNESS BOWERS: I was going to add to that,
9 what that did was clarify those lines that were
10 contained in the Office of Public Counsel, but I'll
11 supply the detailed information I think you're looking
12 for.

13 COMMISSIONER GUNTER: Yeah, because that
14 doesn't help me none. I appreciate it.

15 MR. HOLLAND: If that doesn't tell you, let's
16 get it back and we'll put the detail in there that you
17 need.

18 COMMISSIONER GUNTER: I think the detail --
19 because, Mr. Holland, the middle column, ECCH, I'd be
20 ripping my hair out trying to understand what that's
21 about. And that would be Late-Filed 578, and that
22 would just be a spread sheet analysis on -- what was
23 that, Issue 100?

24 MR. HOLLAND: Yes, sir.

25 (Late-Filed Exhibit No. 578 identified.)

1 COMMISSIONER GUNTER: I don't have anything
2 further, Mr. Chairman.

3 WITNESS BOWERS: Commissioner, can I ask to
4 show you a budget run that -- this type of information
5 would satisfy you. Could we show that to you?

6 COMMISSIONER GUNTER: Why don't we at a break,
7 or at the conclusion of your testimony?

8 WITNESS BOWERS: Okay.

9 COMMISSIONER GUNTER: I'd be willing to, and
10 Mr. Burgess, and what have you so we don't -- and
11 Major Enders -- we'll all look at it together. And, of
12 course, Staff.

13 I didn't have any further questions.

14 MS. RULE: No further questions.

15 CHAIRMAN WILSON: I note in the exhibits that
16 -- and I have 183 -- those are the ones that were
17 handed out earlier, that's one of his exhibits?

18 MR. HOLLAND: Yeah, I think so.

19 CHAIRMAN WILSON: What it shows is O&M
20 expense, excluding fuel and purchased power, and has a
21 ranking, and this is among a number of questions or
22 examples of Gulf being among the lowest cost providers
23 of electricity and having the lowest total O&M
24 expenses, things like that. And I've seen these over
25 the years. I've seen the Jacksonville Electric

1 Authority charts that they supplied.

2 Why is Gulf the lowest, or among the lowest?
3 Why do you have the lowest -- assuming this is true --
4 the lowest O&M expense on a per-kWh basis? Are you the
5 right witness to ask that?

6 WITNESS BOWERS: I can answer it from my
7 perspective, but I think the executive management of
8 this Company could answer that for you. Mr. McCrary or
9 some of the other officers.

10 But I believe, my position -- Ed.

11 MR. HOLLAND: McCrary would appreciate that.

12 CHAIRMAN WILSON: I'd like to hear your
13 answer.

14 MR. HOLLAND: I think so, from the
15 perspective of the Marketing Department, what their
16 efforts are, I think it's appropriate to respond.

17 COMMISSIONER BEARD: You stopped him just
18 right, "I believe."

19 WITNESS BOWERS: From my perspective I
20 believe that our programs in the Marketing Department
21 are geared to long-term benefits to all consumers. I
22 believe that our management of this company looks at
23 the prudent commitment of resources, are there other
24 alternatives; investigate supply-side alternatives
25 versus demand-side alternatives, to try to determine

1 the appropriate level of O&M expense for the Company,
2 and try to do that and contain those expenses for our
3 customers.

4 From my perspective, I think we've done a
5 good job.

6 CHAIRMAN WILSON: Well, if these are all
7 true, I'm sure you have. And my question is why can
8 you do it and why you're doing so much better a job
9 than another utility. What is it that distinguishes
10 you from any other utility in this state or the other
11 folks that you compare yourself with? What is it
12 that's done so much better by Gulf Power than anybody
13 else?

14 WITNESS BOWERS: I couldn't really give you
15 one specific item because it's a consolidation of
16 activities within the Company. I think that gives --

17 CHAIRMAN WILSON: I'm looking for the secret.
18 I want to know what it is. You could probably sell
19 that a lot quicker than you could a Good Cents program.

20 WITNESS BOWERS: I believe, Commissioner,
21 it's the consolidated effort of the whole Company,
22 geared at providing the lowest possible cost to our
23 consumers. And with that vision, everybody working
24 toward that vision, they scrutinize expense as much as
25 possible and provide services to our customers that

1 have long-term benefits of holding down our costs.

2 CHAIRMAN WILSON: Well, I appreciate that
3 statement, but I think if I ask any company witness of
4 any of the utilities in the state of Florida or in the
5 southeast, they'd give me exactly the same answer that
6 you did, that their goal is to provide the lowest cost
7 service possible to their company and they scrutinize
8 every dollar of expense, and they do this, that and the
9 other. And I look at these numbers and either you all
10 mean it and they don't, or you're able to do it and
11 they can't. I just wonder what it is that you all do
12 so much better or less expensively than others do that
13 allows you to be in that position.

14 WITNESS BOWEPS: I think we have just been
15 successful.

16 COMMISSIONER GUNTER: Let me just ask you a
17 couple of quick questions, and I know it's out of your
18 field, but what percentage of your payroll represents
19 your total expenses for the Company over the year?
20 40%? 30%?

21 WITNESS BOWERS: Commissioner, I wouldn't
22 have that number. For marketing I could give you that
23 number.

24 COMMISSIONER GUNTER: I understand. Mr.
25 Scarbrough or McCrary, Parsons could probably give you

1 that.

2 One of the things you do is you start making
3 comparative wage rates from various places and it
4 probably costs you a little less money; your wage rates
5 probably a little different in the panhandle than they
6 are in Dade County, or on the east coast of Florida.
7 You know, there are a number of kind of things, and
8 everybody is doing good. But there are some things,
9 they might have had very successful labor negotiations
10 over the last couple of decades; a number of things to
11 look at.

12 So everybody can have great pride in what
13 they do, and I think justifiably that you are proud of
14 your company, but there are other circumstances which
15 exist; it could be geographic circumstances, for
16 instance. You get out in Wyoming somewhere where you
17 have one customer for as far as you can see, their's is
18 probably pretty low.

19 WITNESS BOWERS: Commissioner, I believe --
20 our position is --

21 COMMISSIONER GUNTER: A lot of different
22 circumstances, wouldn't you agree?

23 WITNESS BOWERS: That's correct. We want to
24 have a partnership with our customers where they
25 benefit from our activities and that's our focus.

1 CHAIRMAN WILSON: Do you do this or do you
2 know if anybody in your company does -- keeps
3 comparative statistics between your company and the
4 other companies in Florida, or between your company and
5 the companies in the southeast or companies of
6 comparable size throughout the nation to compare things
7 like different kinds of ratios that would look at
8 salary benefits or other kinds of operating ratio
9 numbers. Do you do that?

10 WITNESS BOWERS: No, sir, I do not do that.

11 CHAIRMAN WILSON: Does anybody in your
12 company do that?

13 WITNESS Yes, sir. Mr. Gilbert in our
14 Corporate Planning Department.

15 CHAIRMAN WILSON: All right.

16 MR. HOLLAND: Commissioner, we filed an
17 interrogatory reponse that listed 54 ways in which we
18 compare ourselves.

19 CHAIRMAN WILSON: Where is that?

20 MR. HOLLAND: I don't think it's in the
21 record. It's -- I can show it to you.

22 CHAIRMAN WILSON: Well, yeah, I'd like to
23 have a copy of that. I imagine -- why don't you have
24 copies made enough for everybody to have copies of it.

25 MR. HOLLAND: We ought to get the question if

1 you're going to do that.

2 COMMISSIONER GUNTER: Because, you know, one
3 of them big ole X 14s that can fire off a rocket and
4 hit a water heater, they'd do well in any Top Gun
5 exercise in the United States or in the world. You
6 know, they have a big time hitting one of them big old
7 airplanes, but boy, when they can hit a water heater.

8 (Laughter)

9 MR. HOLLAND: You had to do it.

10 COMMISSIONER GUNTER: I couldn't resist.

11 MR. HOLLAND: I understand.

12 COMMISSIONER BEARD: I was being nice. I was
13 asking if you all used gas lighting in your "Shine for
14 Crime" program.

15 CHAIRMAN WILSON: That's "Swine for Crime."

16 COMMISSIONER BEARD: Swine for crime.

17 COMMISSIONER GUNTER: Just an off-the-record
18 item a minute.

19 (Discussion off the record.)

20 CHAIRMAN WILSON: I don't have any other
21 questions. We'll just wait and get that exhibit. Does
22 anybody have any problem with that going in the record?
23 Mr. Burgess, were you here when I asked --

24 MR. BURGESS: Yes. I was in the back of the
25 room.

1 CHAIRMAN WILSON: Okay. Questions on
2 redirect?

3 COMMISSIONER GUNTER: Mr. Burgess, when he
4 gets through we're going to go look at that thing for
5 that late-filed.

6 MR. BURGESS: I heard that, too, so that's
7 all right.

8 COMMISSIONER GUNTER: Staff and everybody.

9 REDIRECT EXAMINATION

10 BY MR. HOLLAND:

11 Q Mr. Bowers, might good management have
12 something to do with a low overall cost of per
13 kilowatt-hour or lower O&M costs?

14 A That is it. I think I referred to that to my
15 response to the Commissioner, too.

16 Q Specifically with respect to your programs,
17 has Mr. Bushart in his testimony presented evidence of
18 something that we have done to lower the overall cost
19 to our consumers?

20 A Yes, he has. He's prepared to go into detail
21 with that.

22 Q Okay. Is there anything that we do in the
23 marketing area that is not directed at the long-term
24 best interest of our consumers?

25 A No.

1 Q Very early on you were asked some questions
2 with regard to the appliance sales area.

3 Is it the practice of the appliance sales
4 area to promote high efficiency appliances?

5 A Yes, it is. It is the practice to promote
6 high efficiency units.

7 Q Is that consistent with what Gulf is trying
8 to do in other areas of marketing?

9 A Yes.

10 Q In part of your analysis, and I think you
11 referred to it as a one-year look at your ability to
12 make money in the appliance sales area, or to return
13 appliance sales to a profit-making position. Are you,
14 in fact, looking at changing the name to separate it
15 from Gulf Power Company?

16 A Yes, we are. And I think as a result of that
17 survey, it was evident that we needed to build
18 awareness among our customers to compete in the retail
19 market, and that's why we're currently considering that
20 right now.

21 Q With respect to the Shine Against Crime --
22 "Swine Against Crime" as it's now known -- if a
23 individual, a customer of Gulf Power Company, is going
24 to install lighting, is there other avenues available
25 to him to obtain lights, or are there other?

1 A Yes, there are.

2 Q Does Gulf Power having control over or, in
3 fact, participating in a program whereby we promote
4 outdoor lighting, avail us of some control over the
5 efficiency of the installations that are made?

6 A That's why we're involved.

7 CHAIRMAN WILSON: Do you provide outdoor
8 lighting? You provide the pole and the light?

9 WITNESS BOWERS: Yes, sir, we will provide
10 that at charge.

11 CHAIRMAN WILSON: And as a flat rate?

12 WITNESS BOWERS: Yes, sir.

13 CHAIRMAN WILSON: You will also subsidize the
14 replacement of inefficient lights, is that right, or do
15 you? You don't?

16 WITNESS BOWERS: We do not provide any
17 subsidy, we just replace the light. The customer gets
18 charged for that.

19 CHAIRMAN WILSON: The customer's charged for
20 that?

21 WITNESS BOWERS: Yes, sir.

22 CHAIRMAN WILSON: You mean if it's his light?

23 WITNESS BOWERS: No, no; no, sir. If it's a
24 Company-owned light, we'll replace that and put a
25 higher efficient unit up and get billed under the

1 tariffs we have available for outdoor lights. If it's
2 customer owned, we make recommendation and they have
3 their electricians install that.

4 CHAIRMAN WILSON: This is for commercial or
5 residential?

6 WITNESS BOWERS: Yes, sir.

7 CHAIRMAN WILSON: Is that an approved
8 conservation program or is this something else?

9 WITNESS BOWERS: No, sir, it's not, it never
10 has been filed with this Commission.

11 COMMISSIONER GUNTER: Outdoor lighting is a
12 tarified item that you have, though; is it not in the
13 tariffs?

14 WITNESS BOWERS: Yes, sir.

15 COMMISSIONER GUNTER: Which that's what it's
16 under, isn't it?

17 WITNESS BOWERS: Yes, sir, that's true.

18 COMMISSIONER GUNTER: But it's not under the
19 conservation program, it's a tarified item under your
20 regular rate structure.

21 WITNESS BOWERS: That's correct.

22 COMMISSIONER GUNTER: I had to sit up on that
23 one, Mr. Chairman, I apologize.

24 CHAIRMAN WILSON: Okay. Go ahead.

25 Q (By Mr. Holland) Mr. Bowers, with respect to

1 No. 68 and the economic development efforts of Gulf
2 Power Company, is it important to Gulf Power Company
3 and Gulf Power Company's customers to promote the
4 efficient use of electricity with respect to new
5 businesses that might be coming in?

6 A Yes. It is.

7 Q Would it be more beneficial to Gulf's
8 customers if a new business came in with a high load
9 factor or a low load factor?

10 A More beneficial on a high load factor basis.

11 Q Can you tell me why?

12 A Improves the overall load factor of the
13 Company. By having new customers attracted with higher
14 than our average load factor, it improves the overall
15 load factor, improving revenue structure of the
16 Company.

17 Q If we make the assumption that northwest
18 Florida is going to grow naturally, is it beneficial to
19 Gulf's customers that it be in that marketplace
20 promoting a higher load factor growth rather than a
21 lower load factor growth?

22 A Yes, it would be beneficial.

23 COMMISSIONER BEARD: Let me understand.

24 Then, when you're in this development mode, it's not,
25 it's more items like load factor as opposed to whether

1 the employees get paid \$4 an hour or \$8 an hour?

2 WITNESS BOWERS: As far as Gulf Power
3 specific community side, which we were discussing
4 earlier, you know, educate community leaders on those
5 type of issues. When Gulf Power gets involved as far
6 as new industry coming in, it's important that we work
7 with that industry on load factors, load management
8 applications.

9 COMMISSIONER BEARD: I understand that. I
10 was just trying to make sure what the priorities were.
11 I didn't get that understanding earlier.

12 MR. HOLLAND: Let me ask you that question.

13 Q (By Mr. Holland) Would it be important or
14 would it impact Gulf Power Company's attitude toward a
15 new customer as to the base wage rate that that
16 employer, new employer, might have?

17 A Yes. It would. That's part of the targeting
18 of industries that is associated with economic
19 development activities.

20 Q Mr. Bowers, I want to ask you some additional
21 questions with respect to Exhibit 470, which are the,
22 among others, the cost benefit analysis that were
23 provided and have been made part of the record. Do you
24 have that exhibit?

25 A Yes, sir.

1 Q Let me ask you this. Was your cost benefit
2 analysis that you have provided there with respect to
3 both the Good Cents new and Good Cents existing run in
4 accordance with the Commission-prescribed methodology?

5 A Yes. It was.

6 Q Have you done other cost benefit analysis on
7 these programs?

8 A Yes. We have. We have updated the cost
9 benefit runs to reflect current data.

10 Q Do they continue to show that there are
11 benefits associated with those programs?

12 A They remain cost-effective.

13 Q At Page 30 of your direct testimony, there is
14 a somewhat more simplified cost benefit related to the
15 Good Cents improved program. Can you explain that?

16 A Basically, what that shows is kW reduction on
17 a unit that was sized at 36,000 Btu's at 7 SEER
18 improved to a level of 9 SEER with properly sized
19 30,000 Btu's. I think this is part of the Good Cents
20 improved home that reflects the addition of
21 installation of windows, thermal windows, in the home
22 that would allow for a reduction in the equipment size.

23 Q You stated in response to a question from
24 Commissioner Gunter that the homes -- that the
25 comparison that is made here is a Good Cents home

1 compared to a code home. Is that correct?

2 A That's correct.

3 Q If you were to perform a similar analysis of
4 homes, typical homes, nonGood Cents homes that are
5 being built in northwest Florida, what would the cost
6 benefit analysis show?

7 A It would be more cost-effective in the sense
8 of greater kW reduction that could be achieved from a
9 less insulated home that doesn't comply to code
10 standards.

11 Q Is the typical home that is being built in
12 northwest Florida a code home?

13 A I can't say yes to that because in a lot of
14 cases the code is not being enforced so the homes are
15 not meeting that code standard.

16 Q And you were asked a question about who is
17 paying and is the ratepayer, to the extent that Gulf
18 Power Company is assisting the governmental entities in
19 enforcement of the code to the extent that it's being
20 enforced? To the extent that it's not being enforced,
21 why have the government agencies indicated that they
22 are not enforcing the code?

23 A If I can quote from one of the letters, it
24 basically says, "Our office work load and personnel
25 shortages prevent us from effectively carrying out this

1 task."

2 Q Is that a matter of money, having available
3 funding to hire the employees necessary to enforce?

4 A Another letter I'll quote, "This is not
5 required due to the funding and available manpower."
6 That's correct.

7 Q To the extent that the code is enforced or
8 the customer builds a Good Cents home, do all of Gulf's
9 customers benefit from that?

10 A Yes. They do, in terms of reduced peak
11 demand.

12 Q In --

13 A Recognize that we provide energy calculations
14 for all homes. We've done approximately 2500 code
15 calculations in 1989 alone to provide services to our
16 customers. To provide energy simulations, also.

17 Q Are those code calculations part of the Good
18 Cents Program?

19 A It's part of the Good Cents process.

20 Q The Commission --

21 A Understand, our reps are involved. You know,
22 in my summary I mentioned that the strengths of our
23 programs are the personnel behind them. Our reps are
24 involved in the process from the start of the
25 construction of the home, meeting with the builder or

1 the home buyer or purchaser to show the benefits of a
2 well-constructed, highly energy efficient dwelling to
3 their overall energy costs.

4 Q Let me ask you this. If -- well, first, has
5 the Commission determined which is most important, that
6 the program be cost-effective to the customer who is
7 actually installing the conservation related appliances
8 or thermal envelope, or that it be cost-effective for
9 all the customers?

10 A I believe they put the weight with the
11 all-customer test, all-ratepayer test.

12 Q Did the Commission, in fact, issue an order
13 which stated that, "The cost benefit analysis of
14 conservation plans should be limited to the costs and
15 benefits experienced by the Utility alone"?

16 A Yes, they did.

17 Q Can you tell me what order that was in?

18 (Pause)

19 COMMISSIONER GUNTER: Give him one of those
20 "subject to checks."

21 MR. HOLLAND: Yeah.

22 Q (By Mr. Holland) Would you agree that that is
23 out of Order 9677, Docket 800671-EG, subject to check?

24 A Yes, sir. Subject to check.

25 CHAIRMAN WILSON: That was sort of a leading

1 question. But in the interests of time, Mr. Burgess, I
2 believe we can go ahead.

3 MR. HOLLAND: Thank you, appreciate the help.

4 COMMISSIONER GUNTER: We're trying to get to
5 Leroy.

6 MR. HOLLAND: Leroy has got me up here
7 stalling so you don't get to him, and I don't
8 appreciate that. (Laughter)

9 COMMISSIONER BEARD: The man says, "Come on
10 down."

11 CHAIRMAN WILSON: You all got another 45
12 minutes.

13 COMMISSIONER GUNTER: He started sitting away
14 over there and he just moved down seat-by-seat.

15 Q (By Mr. Holland) Mr. Bowers, are there other
16 benefits that can't be quantified that are associated
17 with installation of energy conservation measures in a
18 home?

19 A Yes. There is. Specifically, comfort of the
20 home, plus the resale value attributable to high
21 efficient certified Good Cents homes that the lenders
22 recognize. That's a benefit due to the -- to get the
23 income ratio that they perform on prospective
24 purchasers of structures. If you can verify that the
25 energy bill of that structure is less than the average

1 house, they would be more apt to approve that person
2 for purchase of a home, they would have more disposable
3 income to pay the payment.

4 Q You were asked some questions relative to the
5 analyses that are contained in Exhibit 571 -- I'm
6 sorry, 470 -- relative to the avoided unit and the
7 price of the avoided unit. And I believe you stated
8 that those were different. Under the updated analysis
9 that you've run, have you, in fact, included identical
10 costs of the avoided unit?

11 A Yeah. Our costs have gone down as far as
12 avoided. In this analysis on Page 55, you'll see
13 generation costs in 1986 at 375. Current data reflects
14 that the avoided CT is at 310 currently.

15 Q And to ask, if a different unit were used,
16 either a combined cycle unit or the coal unit for the
17 entire state, what would that do to the cost benefit
18 analysis?

19 A It continued to improve the cost-effectiveness
20 of the program. I think the avoided cost on the combined
21 cycles is at 721, the baseload unit is at 1689, I believe
22 is the correct number, subject to check.

23 But you can see if it's at 375 cost-effective,
24 that increasing the avoided cost would improve the
25 effectiveness of that program.

1 Q Mr. Bowers, would you look at Exhibit 445,
2 Page 18 of 20?

3 A Yes, sir, I have it.

4 Q Would the gas home shown on that exhibit meet
5 the code?

6 A Yes. It would.

7 Also in my rebuttal testimony, I've
8 highlighted the fact of the comparison homes as far as
9 the same thermals. But also, you recognize this is a
10 code home that is defined as cost-effective but it's
11 minimized on the efficiency standards.

12 Q Mr. Bowers, with respect to Issues 104 and
13 105 and your responses to Commissioner Gunter as to
14 Gulf's understanding of the Commission's source
15 neutrality doctrine, does Gulf have an appreciation for
16 and an understanding today of that policy?

17 A Yes.

18 Q What is Gulf's policy with respect to the
19 provision of information to the customers with respect
20 to the comparative costs of gas versus electricity?

21 A As before, we are demonstrating to our
22 consumers whatever choice of fuel that they would like.
23 We provide information on the highest efficiency heat
24 pump. We'll make recommendations on comparable gas
25 furnaces.

1 MR. HOLLAND: That's all I have. I couldn't
2 stall long enough.

3 CHAIRMAN WILSON: I guess not.

4 COMMISSIONER BEARD: You still have a chance
5 through introduction of his initial testimony to drag
6 it out a little further.

7 MS. RULE: Commissioner, I realize that Gulf
8 usually doesn't need any help in stalling, but could I
9 bring up something?

10 CHAIRMAN WILSON: Hang on just a moment.

11 (Pause)

12 CHAIRMAN WILSON: Go ahead. I'm sorry.

13 MS. RULE: There was an exhibit that was
14 requested or that Gulf asked to put in the record.
15 That was the Interrogatory No. 37, Public Counsel's
16 First Set of Interrogatories. That was the comparative
17 data. In looking at the response, it doesn't seem to
18 contain any data.

19 CHAIRMAN WILSON: I noticed that, too.

20 MS. RULE: It contains a list of things that
21 they swear to God they could compare for us if we
22 wanted them to, but it doesn't say what the comparison
23 is.

24 MR. HOLLAND: I think, and I don't have it in
25 front of me, but we invited, and I think Public Counsel

1 did, in fact, come and look at that data, and that's
2 why I didn't hesitate.

3 MR. BURGESS: And Gulf looked bad relative to
4 all the others. (Laughter)

5 MR. HOLLAND: That's why I didn't hesitate to
6 introduce the exhibit. I think if we had looked bad,
7 it would be in front of you.

8 MS. RULE: Given that the exhibit doesn't
9 really give us any comparative data itself, do we
10 really need it as an exhibit?

11 MR. HOLLAND: The exhibit, in response, and
12 we really don't care, but it says describe each type of
13 comparative data that we maintain, and we responded to
14 the interrogatory.

15 CHAIRMAN WILSON: Has the last comparison
16 that you ran for 1988 been provided to the Staff, or to
17 anybody?

18 MR. HOLLAND: Not to my knowledge, other than
19 those that we have presented here in terms of O&M and
20 our overall rates. The Commission, I think, keeps
21 comparative statistics as well that you would have in
22 your files.

23 COMMISSIONER BEARD: Perhaps in lieu of that
24 we could just get the newspaper article that came out
25 about comparative O&M.

1 MR. HOLLAND: That would be fine --

2 COMMISSIONER BEARD: I don't think I'd have
3 thought so, what I saw.

4 MR. HOLLAND: The overall rates, I think
5 compare -- the one that I saw, compared very favorably.

6 COMMISSIONER BEARD: This one, I think was in
7 operation and maintenance as opposed to overall rates.
8 It didn't seem to take into account distance and other
9 problems and everything that was related that you all
10 should in fairness be able to account for.

11 MR. HOLLAND: I don't know what you're -- I'm
12 not familiar --

13 COMMISSIONER BEARD: I'll relate this, for
14 example, if you live next to a coal mine, it's probably
15 going to cost you a lot less to transport it than it
16 would be for you to transport your coal, right?

17 MR. HOLLAND: Yeah, okay.

18 COMMISSIONER BEARD: Was the point I was
19 making.

20 CHAIRMAN WILSON: I don't think we need to
21 mark this as an exhibit. We have a workshop coming up
22 on this same subject.

23 Okay. Anything further of this witness?

24 COMMISSIONER GUNTER: I'm going to look at
25 Mr. Bowers' list, come on over.

1 CHAIRMAN WILSON: I missed that. What are we
2 talking about?

3 COMMISSIONER GUNTER: It's just a late-filed,
4 a spread sheet on Issue 100. He may have what we got.
5 If he does, we'll just copy it now; if not --

6 CHAIRMAN WILSON: Let's take a few minutes
7 and you can go ahead and look at that. (Pause)

8 We are going to adjourn right now and we
9 will resume tomorrow morning at 9:00 o'clock.

10 (Thereupon, hearing adjourned at 5:25 p.m.,
11 to reconvene at 9:00 a.m., Thursday, June 14, 1990, at
12 the same location.)

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