

8:25 am

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PLEASE REPLY TO:  
TALLAHASSEE

July 7, 1994

**ORIGINAL  
FILE COPY**

HAND DELIVERED

Blanca S. Bayo, Director  
Division of Records and Reporting  
101 East Gaines Street  
Tallahassee, Florida 32399

Re: Docket No. 931044-EI, Petition for Authority to Implement  
a Replacement Rate Schedule for Standby Electric Service  
by Gulf Power Company.

ACK Dear Ms. Bayo:

AFA \_\_\_\_\_ Enclosed for filing and distribution are the original and 15  
APP \_\_\_\_\_ copies of the Industrial Intervenors' Prehearing Statement in the  
C/F \_\_\_\_\_ above docket. Also enclosed is a diskette containing the pleading  
C/M \_\_\_\_\_ (titled 931044.PS) in WordPerfect 5.1 format as prepared on a MS-  
DOS 3.30 based computer.

CTR \_\_\_\_\_ Please acknowledge receipt of the above on the extra copy  
enclosed herein and return it to me. Thank you for your  
assistance.

- LEE *Anthony*
- LIB 4
- OPC \_\_\_\_\_
- RCM \_\_\_\_\_
- SEC 1
- WAS VGK/jfg
- OTH Enclosures

Sincerely,

*Vicki Gordon Kaufman*  
Vicki Gordon Kaufman

DOCUMENT NUMBER-DATE  
06759 JUL-7 1994  
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Authority to ) DOCKET NO. 931044-EI  
Implement a Replacement Rate )  
Schedule for Stand-by Electric ) FILED: July 7, 1994  
Service by Gulf Power Company. )

THE INDUSTRIAL INTERVENORS' PREHEARING STATEMENT

Monsanto Company, Stone Container Corporation, and Champion International Corporation ("Industrial Intervenors"), pursuant to Order No. PSC-94-0727-PCO-EI, file their Prehearing Statement.

A. APPEARANCES:

JOSEPH A. MCGLOTHLIN and VICKI GORDON KAUFMAN, McWhirter, Reeves, McGlothlin, Davidson and Bakas, 315 South Calhoun Street, Suite 716, Tallahassee, Florida 32301

On Behalf of the Industrial Intervenors

B. WITNESSES:

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Jeffry Pollock	Appropriateness of Gulf's Replacement Rate Schedule for Standby Electric Service	1-4
Bruce Hollinger	Appropriateness of Gulf's Replacement Rate Schedule for Standby Electric Service	4
Tom Kisla	Appropriateness of Gulf's Replacement Rate Schedule for Standby Electric Service	4

DOCUMENT NUMBER-DATE

06759 JUL-7

FPSC-RECORDS/REPORTING

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues</u>
Denny Brueggemeier	Appropriateness of Gulf's Replacement Rate Schedule for Standby Electric Service	4
Charles F. Bogatie	Appropriateness of Gulf's Replacement Rate Schedule for Standby Electric Service	4

At the time of filing this Prehearing Statement, the Industrial Intervenors had not yet received the testimony of Staff. Therefore, the Industrial Intervenors have not yet identified their rebuttal witnesses and reserve the right to do so.

C. EXHIBITS:

<u>Exhibit</u>	<u>Witness</u>	<u>Description</u>
JP-1 (Schedule 1)	Jeffry Pollock	Analysis of Monthly Peak Demands as a Percent of Annual System Peak; Summary of Load Characteristics
JP-1 (Schedule 2)	Jeffry Pollock	Analysis of Monthly Peak Demands as a Percent of Annual System Peak; Summary of Load Characteristics
JP-1 (Schedule 3)	Jeffry Pollock	Monthly Reserve Margins Expressed as a Percent of Peak Demand

At the time of filing this Prehearing Statement, the Industrial Intervenors had not yet received the testimony of Staff. Therefore, the Industrial Intervenors have not yet identified their rebuttal exhibits and reserve the right to do so.

D. STATEMENT OF BASIC POSITION:

Industrial Intervenors' Statement of Basic Position:

The Replacement Rate Schedule for Standby Electric Service proposed by Gulf Power should be permanently approved by the Commission. The new rate has been agreed upon by the Company and by the affected customers after over two years of discussion and represents a good faith effort by all parties to remedy the problems associated with Gulf's old standby rate, including the complexity and subjectivity of that rate.

Staff's objections to the new rate are unfounded. The rate is cost-based and recognizes that both Gulf and the Southern System are summer peaking. In addition, the Option A daily demand charge is appropriate as are the limits on applicability. The Commission should approve the new rate.

E. STATEMENT OF ISSUES AND POSITION:

1. ISSUE: Is the Coordinated Maintenance Month (CMM) provision on the Standby and supplemental rate schedule appropriate?

Industrial Intervenors:

Yes. While Staff suggests that the CMM is not cost-based and would send improper price signals to customers, their contention is incorrect. The CMM provision is cost-based because it recognizes that Gulf and the Southern Company are both summer peaking. Pricing service, like the rate at issue here, to encourage customers to minimize demand during summer may enable Southern to defer or avoid capacity additions and thus sends the correct signal to customers. In addition, the demand-related costs attributable to standby customers are fully recovered because the CMM provision recognizes the difference in both the nature and the cost of providing backup and

maintenance service. Finally, contrary to Staff's assertion, the IIC is not relevant in evaluating either the CMM or the costing/pricing practices of Gulf. (Pollock)

2. ISSUE: Is the annual review of the Option A daily demand charge found on the Standby and Supplemental rate schedule appropriate?

Industrial Intervenors:

Yes. Staff objects to using seven days in calculating the "Option A" daily demand charge. Staff appears to be concerned that a customer may be underbilled. However, Staff's concern is unfounded because Staff relies solely on past experience and does not factor in the availability of supplemental energy (SE) as Southern grows into its existing capacity resources. Because SE will be available for fewer hours in the future due to the fact that incremental cost of generation will exceed the average energy cost recovery in more hours of the year, the assumptions which support the new rate are appropriate. (Pollock)

3. ISSUE: Is the applicability of rate charges for the above 7,499 KW range customers appropriate?

Industrial Intervenors:

The Industrial Intervenors object to this issue because it was not set for hearing by the Commission at the time it set this docket for hearing. Therefore, this issue should be deleted.

In the event that the issue is not deleted, the Industrial Intervenors' position is that the rate charge applicability provision is appropriate. Staff's concern that a standby customer may no longer qualify for the PX/PXT rate schedule because it does not have a 75% annual load factor is irrelevant to determining the local facilities and non-fuel energy charges for standby service. Local facilities are related to size and not load factor. Similarly, PX/PXT non-fuel charge has nothing to do with the size of the customer and is only indirectly related to load factor. (Pollock)

4. ISSUE: Should the Commission approve the Gulf Power's Standby and Supplemental rate schedule?

Industrial Intervenors:

Yes. The Gulf rate is the result of over two years of negotiations between the company and the customers to develop a workable solution to the complicated standby rate previously in effect. Staff's objections to the rate (discussed in the other issues) are unfounded and the rate should be approved. (Pollock, Hollinger, Kiska, Brueggemeier, Bogatie)

F. STIPULATED ISSUES:

None at this time.

G. PENDING MOTIONS:

The Industrial Intervenors have no pending motions.

H. OTHER MATTERS:

None at this time.

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Attorneys for the Industrial  
Intervenors

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Industrial Intervenors' Prehearing Statement has been furnished by U.S. Mail or by hand delivery\* to the following parties of record, this 7th day of July, 1994.

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