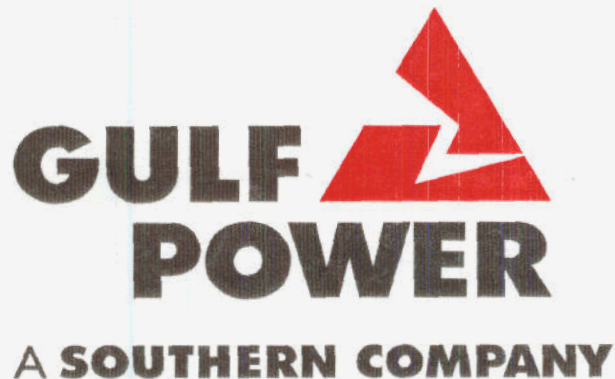


ORIGINAL

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 010949-EI

**TESTIMONY AND EXHIBIT
OF
R. J. MCMILLAN**



DOCUMENT NUMBER-DATE

11240 SEP 10 2006

FPSC-COMMISSION CLERK

1 GULF POWER COMPANY

2 Before the Florida Public Service Commission
3 Prepared Direct Testimony and Exhibit of
4 Richard J. McMillan
5 Docket No. 010949-EI
6 In Support of Rate Relief
7 Date of Filing: September 10, 2001

8 Q. Please state your name, business address, and occupation.

9 A. My name is Richard J. McMillan. My business address is One Energy
10 Place, Pensacola, Florida 32520. I am General Accounting Manager of
11 Gulf Power Company.

12 Q. Please describe your educational and professional background.

13 A. I graduated from Louisiana State University in 1976 with a Bachelor of
14 Science Degree in Accounting. Immediately following graduation, I was
15 employed by Gulf Power Company as an Internal Auditor. I have held
16 various accounting positions, including Staff Internal Auditor, Staff
17 Financial Analyst, Staff Accountant, Coordinator of Internal Accounting
18 Controls, Supervisor of Financial Planning; and in March 1992, I was
19 promoted to my current position as General Accounting Manager. Also,
20 during my employment, I graduated from the University of West Florida in
21 1983 with a Master of Science Degree in Business Administration.

22 Q. Briefly describe your duties and responsibilities as General Accounting
23 Manager.

24 A. My responsibilities include: all external accounting reporting and
25 administration, regulatory accounting requirements, tax accounting, fuel

1 accounting, actual FPSC recovery clause calculations and support, cost
2 accounting, bank reconciliations, coordination and preparation of the
3 Accounting department budget and Company budgets for general
4 corporate expenses, and assistance with various other projects and
5 assignments as required.

6

7 Q. What is the purpose of your testimony?

8 A. The purpose of my testimony is to support Gulf's Operation and
9 Maintenance (O & M) expense Benchmark calculations and the level of
10 Administrative and General (A & G) expenses included in the test year. I
11 am also the witness for tax expenses included in the test year.

12

13 Q. Have you prepared an exhibit that contains information to which you will
14 refer in your testimony?

15 A. Yes.

16 Counsel: We ask that Mr. McMillan's Exhibit (RJM-1) consisting
17 of six schedules be marked for identification as
18 Exhibit ____.

19

20 Q. Were all the schedules in this Exhibit prepared under your supervision
21 and direction?

22 A. Yes.

23

24

25

1 Q. Are you also the sponsor of certain Minimum Filing Requirements
2 (MFRs)?

3 A. Yes. The MFRs are listed at the end of my Exhibit on Schedule 6. To the
4 best of my knowledge, all of the information presented in the MFRs is true
5 and correct.

6
7 Q. Has the Company prepared an O & M Benchmark variance by function?

8 A. Yes. The Benchmark variance by function is included in MFR C-57, and
9 Schedule 1 of my Exhibit shows the functional summary for the test year.
10 As shown on the summary, the Company's total adjusted O & M of
11 \$186.4 million for the test year is \$3.7 million under the Benchmark. The
12 justifications for each functional variance are also included in MFR C-57,
13 beginning on page 3. The following Company witnesses address each
14 function: Mr. Moore is responsible for Production expenses; Mr. Howell is
15 responsible for Transmission expenses; Mr. Fisher is responsible for
16 Distribution expenses; Mr. Saxon will address Customer Accounts
17 expenses; Ms. Neyman is responsible for Customer Service and
18 Information, Sales, and advertising expenses; and I am responsible for
19 A & G expenses.

20
21 Q. What is the basis for the Company's base year Benchmark amounts?

22 A. The Benchmark year amounts are based upon the 1990 test year O & M
23 expenses approved in Gulf's last rate case in Order No. 23573, Docket
24 No. 891345-EI. The derivation of the 1990 allowed amounts by function is
25 included in Schedule 2 of my Exhibit. As noted in Schedule 2 of my

1 Exhibit, I also adjusted 1990 allowed amounts for certain Southern
2 Company Services (SCS) charges, which were charged to A & G in 1990
3 and are now charged to the responsible business unit's functional
4 accounts. The total adjustment of \$1.8 million is labeled SCS Functional
5 Adjustments. A detailed listing of the SCS work orders, which total
6 \$1.8 million, is included in Schedule 3 of my Exhibit.

7
8 Q. Have you prepared a schedule that shows the calculation of the
9 Benchmark amounts?

10 A. Yes. Schedule 4 of my Exhibit shows the calculation of the Benchmark
11 amounts. The adjustments reflected in columns 2 through 13 were
12 provided by Mr. Labrato and are also included in Schedule 8 of his
13 Exhibit.

14
15 Q. How is the Benchmark used to test the reasonableness of O & M
16 expenses?

17 A. The Benchmark methodology assumes that customer growth (except for
18 production) and inflation, as measured by the Consumer Price Index
19 (CPI), will adequately cover increases in O & M expenses from whatever
20 baseline year is used to the test year. However, a multitude of O & M
21 increases in our industry are totally unrelated to either customer growth or
22 inflation. These may take the form of new programs, maintenance of
23 aging steam plants, or increases associated with conforming to newly
24 adopted laws and regulations. Additionally, the CPI is a measure of
25 increases in the cost of a wide variety of consumer items only some of

1 which are related to the electric utility industry. Because this Commission
2 has favored the Benchmark comparison in the past, the Company
3 witnesses address the Benchmark variances in their testimony. As shown
4 in Schedule 1 of my Exhibit, the Company's total adjusted O & M expense
5 of \$186.4 million is \$3.7 million below the Benchmark.

6

7 Q. Please discuss A & G - Other (excluding production related A & G)
8 included in the test year.

9 A. As shown in Schedule 5 of my Exhibit, A & G - Other requested in the test
10 year is \$33.8 million and includes administrative and general expenses of
11 the Company, excluding the amount related to Production discussed by
12 Mr. Moore in his testimony. The requested level of A & G - Other is
13 necessary to provide administrative support to the Company and ensure
14 compliance with regulatory requirements. A & G - Other includes the
15 following types of expenses: labor, office supplies, and expenses of
16 A & G employees; fees and expenses for outside professional services;
17 property insurance; injuries and damages insurance; employee pensions
18 and benefits; regulatory commission expenses; and other corporate
19 general expenses. The test year request of \$33.8 million is \$18.3 million
20 below the Benchmark, which is an indicator that the amount requested is
21 reasonable.

22

23 Q. Please discuss the A & G - Other (excluding production related A & G)
24 variance of \$18.3 million under the O & M Benchmark.

25 A. Over the last 12.5 years, Gulf has implemented cost saving measures to

1 keep Company costs low while providing reliable electric service to our
2 customers. Technology has allowed the Company to streamline many
3 functions and reduce the level of employees historically required to
4 perform those functions. As a result, the Company and SCS implemented
5 several workforce reduction programs and reorganizations during the
6 1990's that decreased A & G salaries and related expenses. Also, in the
7 1990 test year, the majority of all professional service costs for
8 Information Technology, Internal Auditing, and Human Resources were
9 provided by Company employees and the expenses were included in the
10 A & G function. In the mid-nineties, these functions were reorganized and
11 moved to SCS from each Southern Company subsidiary. These costs are
12 now charged directly to the Business Unit incurring the costs where
13 feasible. Use of technology, workforce reductions, and organizational
14 changes over the last 12.5 years have resulted in an estimated variance
15 under the A & G Benchmark of \$13.9 million.

16 The Company also centralized the operation and maintenance of
17 the corporate and district facilities and revised the functional accounts
18 being charged to more accurately allocate facility expenses to the
19 business functions. This change in allocation resulted in a variance of
20 approximately \$2.9 million under the Benchmark. Employee benefit
21 expenses, injuries and damages expenses, property insurance, and
22 advertising expenses are the other major items included in the
23 \$18.3 million A & G – Other Benchmark variance. Employee benefit
24 expenses are approximately \$2.3 million under the Benchmark primarily
25 due to reduced pension expenses. Injuries and damages insurance is

1 \$1.4 million under the Benchmark primarily due to no change in the
2 annual reserve accrual since 1990. Property insurance is \$1.6 million
3 over the Benchmark primarily due to extensive hurricane damage in 1995
4 that necessitated an increase in the annual property insurance reserve
5 accrual from \$1.2 million to \$3.5 million. Corporate advertising expenses
6 are \$0.6 million over the Benchmark, because the Company is requesting
7 recovery of these expenses as discussed and supported by Ms. Neyman
8 in her testimony.

9
10 Q. Please explain the Net Operating Income (NOI) adjustment of \$1,853,000
11 related to the annualized property tax for Smith Unit 3 made by
12 Mr. Labrato in Schedule 8 of his Exhibit.

13 A. Because the test year contains only five months of property taxes for
14 Smith Unit 3, an annualization adjustment of \$1,853,000 is necessary to
15 ensure that the test year taxes are representative of future periods.

16
17 Q. Did these estimated taxes for Smith Unit 3 include a county tax exemption
18 for the new generating facility?

19 A. No. Gulf requested and was granted a tax exemption by the Bay County
20 Board of Commissioners in accordance with Florida Statute 196.1995
21 Economic Development Ad Valorem Tax Exemption. However, the Bay
22 County Property Appraiser has taken the position that the exemption for
23 Smith Unit 3 is unlawful. In a lawsuit testing the legality of the exemption,
24 Gulf received a Summary Judgement in its favor. This ruling has been
25 appealed by the Bay County Property Appraiser. The timing and final

1 outcome related to this lawsuit cannot be determined at this time. If the
2 Company prevails in court and the property appraiser is required to honor
3 the tax exemption granted for Smith Unit 3, the annual property taxes
4 would be reduced by \$1,251,000 based upon the 2000 millage rates (from
5 \$3,178,000 to \$1,927,000).

6
7 Q. Please summarize your testimony.

8 A. Since Gulf's last rate case 12.5 years ago, the Company has provided
9 reliable electric service and kept customer costs low while complying with
10 new and existing laws and regulations. During that time, inflation
11 increased 39 percent; and the average number of customers served
12 increased 32 percent. At the same time, the Company reduced the
13 number of employees required to support those increased customers. In
14 addition, the Company has taken advantage of new technology when it
15 was economically feasible and made other organizational changes to
16 keep costs low. The test year A & G – Other request of \$33.8 million
17 increased only 19 percent from 1990, which is \$18.3 million below the
18 Benchmark. Also, as shown in Schedule 1 of my Exhibit, the Company's
19 total adjusted O & M of \$186.4 million requested in the test year is
20 \$3.7 million under the Benchmark, and is reasonable and necessary to
21 continue to provide our customers reliable electric service.

22
23 Q. Mr. McMillan, does this conclude your testimony?

24 A. Yes.

25

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 010949-EI

Before the undersigned authority, personally appeared
Richard J. McMillan, who being first duly sworn, deposes, and says that he is the
General Accounting Manager, Accounting Department of Gulf Power Company,
a Maine corporation, and that the foregoing is true and correct to the best of his
knowledge, information, and belief.



Richard J. McMillan
General Accounting Manager

Sworn to and subscribed before me by Richard J. McMillan who is
personally known to me this 7th day of September, 2001.



Notary Public, State of Florida at Large



LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 2002
Comm. No: CC 725868

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TOTAL ADJUSTED O & M LESS FUEL, PURCHASED POWER, ECCR AND ECRC
BENCHMARK VARIANCE BY FUNCTION

1990 ALLOWED COMPARED TO TEST YEAR REQUEST EXPENSES (000's)

<u>Description</u>	<u>1990 Allowed</u>	<u>Test Year Benchmark</u>	<u>Test Year Request</u>	<u>Variance</u>
Steam Production	46,945	65,084	70,870	5,786
Other Production	47	65	3,905	3,840
Other Power Supply	966	1,339	2,427	1,088
Total Production	47,958	66,488	77,202	10,714
Transmission Facility Charges	1,978	3,622	1,163	(2,459)
Transmission - Other	4,159	7,615	7,046	(569)
Total Transmission	6,137	11,237	8,209	(3,028)
Distribution	15,196	27,825	33,048	5,223
Customer Accounts	7,733	14,160	16,662	2,502
Customer Service & Information	5,680	10,400	9,922	(478)
Sales	0	0	1,006	1,006
Production Related A&G	5,655	7,840	6,493	(1,347)
Administrative & General-Other	28,451	52,095	33,812	(18,283)
Total A&G	34,106	59,935	40,305	(19,630)
Total Adjusted O&M	116,810	190,045	186,354	(3,691)

BENCHMARK YEAR RECOVERABLE O & M EXPENSES BY FUNCTION

(\$000)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
Line No.	Description	Steam Prod	Other Prod	Other Power Supply	Total Prod	Trans Facility Charges	Other Trans	Total Trans	Distribution	Customer Accounts	Customer Service & Information	Sales	Prod Related A&G	Non-Prod A&G	Total A&G	Total Operation & Maintenance
1	1990 Budget	233,998	59	3,828	237,885	3,018	4,280	7,298	14,530	7,779	7,066	835	5,655	33,812	39,467	314,860
2	Less: Direct Fuel & Purchase Power	(182,451)	(12)	(7,818)	(190,281)			0							0	(190,281)
3	Net O & M	51,547	47	(3,990)	47,604	3,018	4,280	7,298	14,530	7,779	7,066	835	5,655	33,812	39,467	124,579
4	Less: Gulf Filed NOI Adjustments															
5	Unit Power Sales	(4,024)			(4,024)	(617)	(6)	(623)						(1,176)	(1,176)	(5,823)
6	ECCR				0			0			(1,640)			(147)	(147)	(1,787)
7	Marketing Support Activity				0			0				(148)			0	(148)
8	General & Nat'l Advertising				0			0						(226)	(226)	(226)
9	Industry Association Dues				0			0						(32)	(32)	(32)
10	Investigation Expenses				0			0						(615)	(615)	(615)
11	Adjusted O & M As Filed	47,523	47	(3,990)	43,580	2,401	4,274	6,675	14,530	7,779	5,426	687	5,655	31,616	37,271	115,948

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 Gulf Power Company
 Witness: R. J. McMillan
 Exhibit No. _____ (RJM-1)
 Schedule 2
 Page 1 of 2

BENCHMARK YEAR RECOVERABLE O & M EXPENSES BY FUNCTION

Line No.	(1) Description	(\$000)															
		(2) Steam Prod	(3) Other Prod	(4) Other Power Supply	(5) Total Prod	(6) Trans Facility Charges	(7) Other Trans	(8) Total Trans	(9) Distribution	(10) Customer Accounts	(11) Customer Service & Information	(12) Sales	(13) Prod Related A&G	(14) Non-Prod A&G	(15) Total A&G	(16) Total Operation & Maintenance	
12	Less: Commission Adjustments																
13	Navy House	(1)			(1)		(1)						(6)	(6)	(8)		
14	Plant Scherer	(510)		4,956	4,446		(81)	(81)					(148)	(148)	4,217		
15	Non-Recurring	(97)			(97)		(21)	(21)	(22)				(55)	(55)	(195)		
16	Industry Association Dues				0			0					(20)	(20)	(20)		
17	Rate Case Expenses				0			0					(250)	(250)	(250)		
18	Cogeneration & Industry Programs				0			0				(426)		0	(426)		
19	Good Cents Incentive				0			0				(50)		0	(50)		
20	Mkting Presentations & Seminars				0			0				(55)		0	(55)		
21	Shine Against Crime				0			0				(92)		0	(92)		
22	Economic Development				0			0			(687)			0	(687)		
23	Lobbying				0			0					(278)	(278)	(278)		
24	IRS, Grand Jury, etc.				0			0					(5)	(5)	(5)		
25	Research & Development	(43)			(43)			0						0	(43)		
26	Transmission Facility Charges				0	(423)		(423)						0	(423)		
27	Labor Complement Vacancies	(161)			(161)		(13)	(13)	(55)	(46)	(34)		(104)	(104)	(413)		
28	Productivity Improvement Plan				0			0					(358)	(358)	(358)		
29	Emp. Relocation & Development				0			0					(56)	(56)	(56)		
30	Mgmt Tax Preparation Services				0			0					(65)	(65)	(65)		
31	Caryville Subsurface	69			69			0						0	69		
32	Subtotal FPSC Adjustments	(743)	0	4,956	4,213	(423)	(116)	(539)	(77)	(46)	(657)	(687)	0	(1,345)	862		
33	SCS Functional Adjustments (1)	165			165		1	1	743		911		(1,820)	(1,820)	0		
34	1990 System Allowed	46,945	47	966	47,958	1,978	4,159	6,137	15,196	7,733	5,680	0	5,655	28,451	116,810		

(1) This adjustment reflects changes in account distributions for certain SCS charges that were charged to A&G in 1990 and are now charged to the functional area receiving the services.

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 Gulf Power Company
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 Exhibit No. ____ (RJM-1)
 Schedule 2
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GULF POWER COMPANY
1990 SCS CHARGES BENCHMARK FUNCTIONAL ADJUSTMENT

SCS WORK ORDERS TRANSFERRED FROM A & G TO
CUSTOMER SALES & INFORMATION
(000s)

<u>Work Order</u>	<u>Description</u>	<u>1990 Budget \$</u>
4616	Business Information System Projects	3
4661	Rate & Marketing Projects	214
4699	Terminal Processing	16
4748	Market Intelligence	29
4765	End-Use Applications	26
4766	Marketing Forecast	123
4768	Technology Applications Services - Center	25
4769	Training - Rates & Regulation	11
4770	Marketing Information	66
4771	Training - Rate Fundamentals	8
4776	Demand Side Management	7
4780	Marketing Programs - Commercial	29
4782	Marketing Services	269
4822	Rate Information System (RIS) - Production	28
4825	RIS - Load Data Analysis	19
4826	RIS - Billing Data Retrieval	12
4827	RIS - Rate Design	26
		<u>911</u>

SCS WORK ORDERS TRANSFERRED FROM A & G TO DISTRIBUTION

<u>Work Order</u>	<u>Description</u>	<u>1990 Budget \$</u>
4616	Business Information System Projects	2
4639	Engineering System Projects	522
4669	Power Delivery Systems	174
4685	System Dial Network	35
4699	Terminal Processing	10
		<u>743</u>

GULF POWER COMPANY
1990 SCS CHARGES BENCHMARK FUNCTIONAL ADJUSTMENT

SCS WORK ORDERS TRANSFERRED FROM A & G TO PRODUCTION

<u>Work Order</u>	<u>Sub</u>	<u>Description</u>	<u>1990 Budget \$</u>
4362		Research Administration	18
4457		R&EA Technical and Economic Assessments	49
4467		Engineering Drawing Storage and Maintenance	24
4616		Business Information Systems	4
4699		Terminal Processing	8
4701		Audits of Power Generation Activities	62
			<u>165</u>

SCS WORK ORDERS TRANSFERRED FROM A & G TO TRANSMISSION

<u>Work Order</u>	<u>Sub</u>	<u>Description</u>	<u>1990 Budget \$</u>
4699		Terminal Processing	1
			<u>1</u>
			<u>1,820</u>

TEST YEAR ADJUSTED O & M

(\$000)

Line No.	Function	(1) Test Year System Per Books	(2) Direct Fuel, Fuel-Related Expenses and Purchased Power	(3) ECCR	(4) ECRC	(5) Deprec Study	(6) Economic Develop	(7) Industry Assn. Dues	(8) Tallahassee Regulatory Office (SAB No. 36)	(9) Plant Scherer/ UPS	(10) Marketing Support Activities	(11) Chamber Dues	(12) Mgmt Tax Prep Services	(13) Bulk Power Energy Sales	(14) Subtotal Adjust	(15) Total Adjusted O & M
1	Production															
2	Steam Production	297,480	(218,428)		(2,317)	34				(5,899)					(8,182)	70,870
3	Other Production	94,295	(90,390)												0	3,905
4	Other Power Supply	20,080	(17,653)												0	2,427
5	Total Production	411,855	(326,471)		(2,317)	34				(5,899)					(8,182)	77,202
6	Transmission	8,089	(200)		283	45				(8)					320	8,209
7	Distribution	33,799			(1,165)	414									(751)	33,048
8	Customer Accounts	16,605				57									57	16,662
9	Customer Serv & Info	13,907		(3,991)		6									(3,985)	9,922
10	Sales Expenses	1,363					(53)				(61)			(243)	(357)	1,006
11	Administrative & General	42,178		(321)		3		(14)	(226)	(1,310)		(1)	(4)		(1,873)	40,305
12	Total Adjusted System O&M	527,796	(326,671)	(4,312)	(3,199)	559	(53)	(14)	(226)	(7,217)	(61)	(1)	(4)	(243)	(14,771)	186,354

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A&G - Other Benchmark Variance

A&G - Other

\$(000)

1990 Allowed	28,451
Test Year Adjusted Benchmark	52,095
Test Year Adjusted Request	33,812
System Benchmark Variance	(18,283)

<u>Description</u>	<u>1990 Allowed</u>	<u>Test Year Benchmark</u>	<u>Test Year Request</u>	<u>Variance</u>
1. Labor Reductions and Organizational Changes	20,243	37,066	23,221	(13,845)
2. Facility Expenses	2,318	4,244	1,344	(2,900)
3. Employee Benefits	3,780	6,920	4,575	(2,345)
4. Property Insurance	958	1,755	3,360	1,605
5. Injuries and Damages	1,681	3,077	1,729	(1,348)
6. Corporate Advertising Expenses	0	0	550	550
				<u>(18,283)</u>

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A&G - Other Benchmark Variance

A&G-OTHER

1. Labor Reductions and Organizational Changes

	<u>\$(000)</u>
1990 Allowed	20,243
Test Year Adjusted Benchmark	37,066
Test Year Adjusted Request	23,221
System Benchmark Variance	(13,845)

Justification

Due to advances in technology during the past 12.5 years, the Company and Southern Company Services (SCS) have streamlined many functions. As a result, they have reduced employees and related expenses through workforce reductions and organizational changes. Also, in 1990, professional services for Information Technology, Internal Auditing and Human Resources were provided primarily by Company employees and the expenses were charged to A&G. In the mid-nineties, these functions were reorganized and moved to SCS from each Southern Company subsidiary. These costs are now charged to the business unit incurring the costs wherever it is feasible to do so.

A&G - Other Benchmark Variance

A&G-OTHER

2. Facility Expenses

	<u>\$(000)</u>
1990 Allowed	2,318
Test Year Adjusted Benchmark	4,244
Test Year Adjusted Request	1,344
System Benchmark Variance	(2,900)

Justification

In 1990, corporate and district operations and maintenance facility expenses were primarily charged to A&G. In an effort to keep cost low during the past 12.5 years, the Company centralized facility operations and maintenance and revised the functional accounts being charged to more accurately allocate facility expenses to the business functions. This resulted in the decrease to A&G and increases to other functional areas. Overall, facility expenses are \$1 million under the benchmark.

A&G - Other Benchmark Variance

A&G-OTHER 3. Employee Benefits

	<u>\$(000)</u>
1990 Allowed	3,780
Test Year Adjusted Benchmark	6,920
Test Year Adjusted Request	4,575
System Benchmark Variance	(2,345)

Justification

Employee Benefits includes pensions, post retirement benefits, and other employee benefits such as: employee medical, life, and disability insurance. The benchmark variance is primarily due to pension benefits being under the benchmark by \$4.1 million and is partially offset by post retirement and other employee benefits being over the benchmark by \$1.8 million.

A&G - Other Benchmark Variance

A&G-OTHER 4. Property Insurance

	<u>\$(000)</u>
1990 Allowed	958
Test Year Adjusted Benchmark	1,755
Test Year Adjusted Request	3,360
System Benchmark Variance	1,605

Justification

Property insurance is over the benchmark primarily due to the FPSC authorizing the Company to increase the annual property reserve accrual from \$1.2 to \$3.5 million in 1996 in Docket No. 951433-EI. The increase was necessary primarily due to extensive hurricane damage in 1995.

A&G - Other Benchmark Variance

A&G-OTHER 5. Injuries & Damages (I&D)

	<u>\$(000)</u>
1990 Allowed	1,681
Test Year Adjusted Benchmark	3,077
Test Year Adjusted Request	1,729
System Benchmark Variance	(1,348)

Justification

The I&D expenses have not grown at the same pace as customer growth and inflation used to calculate the benchmark. The I&D annual reserve accrual of \$1.2 million has not changed from the 1990 budget and is \$1.0 million of the variance. Insurance premiums have increased only 10% since 1990 and I&D administrative expenses have decreased since 1990 due to organizational changes. Insurance premiums and administrative expenses are approximately \$300 thousand under the benchmark.

A&G - Other Benchmark Variance

A&G-OTHER 6. Corporate Advertising Expenses

	<u>\$(000)</u>
1990 Allowed	0
Test Year Adjusted Benchmark	0
Test Year Adjusted Request	550
System Benchmark Variance	550

Justification

These advertising expenditures are the most cost-effective way to communicate with customers and to establish the Company as a credible energy provider and information source. This credibility is crucial to encouraging customers to participate in Company conservation and energy efficiency programs.

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MINIMUM FILING REQUIREMENTS

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