BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Increase in Rates by Gulf Power Company	DOCKET NO. 110138-EI Filed: October 14, 2011

TESTIMONY AND EXHIBITS OF JEFFRY POLLOCK

ON BEHALF OF
THE FLORIDA INDUSTRIAL POWER USERS GROUP

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List of Acronyms

BAI	Brubaker & Associates, Inc
CCOSS	Class Cost-of-Service Study
EAD	Expected Annual Damage
FERC	Federal Energy Regulatory Commission
FIPUG	Florida Industrial Power Users Group
Gulf	Gulf Power Company
kW	Kilowatts
kWh	Kilowatt-hours
ROE	Return on Equity
RTP	Real-Time Pricing
TVA	Tennessee Valley Authority

1. INTRODUCTION, QUALIFICATIONS, AND SUMMARY

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Jeffry Pollock; 12655 Olive Blvd., Suite 335, St. Louis, MO 63141.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am an energy advisor and President of J. Pollock, Incorporated.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I have a Bachelor of Science Degree in Electrical Engineering and a Masters in Business Administration from Washington University. Since graduation in 1975, I have been engaged in a variety of consulting assignments, including energy procurement and regulatory matters in both the United States and several Canadian provinces. I have participated in regulatory matters before this Commission since 1976. My qualifications are documented in **Appendix A.** A partial list of my appearances is provided in **Appendix B** to this testimony.

Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A I am testifying on behalf of the Florida Industrial Power Users Group (FIPUG). Participating FIPUG companies purchase electricity from Gulf Power Company (Gulf). These customers require a reliable low-cost supply of electricity to power their operations. Therefore, participating FIPUG companies have a direct and significant interest in the outcome of this proceeding.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A I will address the following issues:

- The need for this Commission to thoroughly scrub Gulf's claimed revenue requirements in light of the fact that Gulf's industrial rates are among the highest in the southeast and because of the current depressed state of the economy in Gulf's service territory;
- The class cost-of-service study (CCOSS), and in particular Gulf's proposed classification of distribution network costs; and
- Gulf's proposal to increase its storm damage accrual.

Q ARE YOU FILING ANY EXHIBITS IN CONNECTION WITH YOUR TESTIMONY?

A Yes. I am filing **Exhibits JP-1** through **JP-6**. These exhibits were prepared by me or under my direction and supervision.

Q ARE YOU TAKING A POSITION ON ALL ISSUES RAISED BY GULF IN THIS CASE?

A No. The fact that I do not address a particular issue in my testimony should not be interpreted as an endorsement of Gulf's position on a particular issue.

Summary

Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A In light of the high unemployment in Gulf's service area and the fact that Gulf's industrial electricity rates have increased significantly and are now among the most expensive in the southeast, the Commission should thoroughly scrub the filing to minimize the impact of this proceeding on all customers.

Gulf's CCOSS generally comports with and uses accepted cost allocation practices. This includes the proposal to classify a portion of the distribution network (FERC Account Nos. 364 through 368) as customer-related. Classifying a portion of the distribution network as customer related appropriately recognizes that costs are incurred to connect a customer to the grid, irrespective of the amount of electricity consumed. The costs are incurred, in part, to comply with this Commission's rules prescribing that each utility meet certain minimum construction standards and to implement cost-effective storm hardening investments on the transmission and distribution system. Because these "compliance" costs must be incurred regardless of the amount of electricity consumed, they are clearly customer-related.

The Commission should reject Gulf's proposal to nearly double the annual storm accrual because it ignores this Commission's framework that provides for recovery of all restoration costs for the most severe storms. Gulf's current storm reserve balance is sufficient to cover the costs of all but the most severe storms. Further, continuing the current level of accruals will more than cover the average level of expenses charged to the storm reserve since 2005.

2. THE IMPACT OF THIS CASE

Q WHAT BASE REVENUE INCREASE IS GULF SEEKING IN THIS PROCEEDING?

A Gulf is seeking a $93.5 million (20.8%) base revenue increase. This proposal is based on a calendar year 2012 test year and assumes an 11.7% return on common equity (ROE).

Q WHEN WERE GULF'S CURRENT BASE RATES SET?

A Gulf's current base rates were implemented in June 2002, following the Commission's final order in Docket No. 010949-EI.

Q DOES THIS MEAN THAT GULF'S CUSTOMERS HAVE NOT EXPERIENCED HIGHER ELECTRICITY COSTS SINCE JUNE 2002?

A No. While Gulf touts that it has not had a base rate increase in many years, Gulf has continued to increase rates through changes in its various cost recovery factors. Gulf's cost recovery factors include:

- Fuel Charge;
- Conservation Charge;
- Capacity Charge; and
- Environmental Charge.

These factors apply to all customers and comprise 65% of the revenues Gulf recovers from retail customers. That is, the amount Gulf collects from customers through separate recovery clauses (outside of base rate cases) comprises 65% of Gulf's revenues. Thus, no customer has been immune from higher electricity costs. This includes Gulf's real-time pricing (RTP) customers whose base rates have also been affected by changes in incremental costs in addition to the increase in the cost recovery factors listed above.

Q HAVE YOU ANALYZED THE INCREASE IN ELECTRICITY COSTS EXPERIENCED BY GULF'S CUSTOMERS SINCE JUNE 2002?

A Yes. **Exhibit JP-1** compares the increase in electricity costs experienced by residential, commercial and industrial customers since June 2002. Thus, it provides a range of impacts from smaller low-load factor customers to larger high-load factor customers. The comparison includes both base rates and the then-applicable cost recovery factors.

Despite the fact that Gulf's base rates have not changed, all customers have experienced significant increases in electricity costs. Such increases range from 57% to 115%. Under Gulf's proposed base rates, the cumulative increases would range from 68% to 124%. Higher load factor (Rate LPT and Rate PX) customers have experienced (and will experience) much larger increases in electricity costs than lower load factor customers.

Q ARE GULF'S INDUSTRIAL ELECTRIC RATES COMPETITIVE?

A No. As a consequence of the increasing cost recovery factors, Gulf's industrial rates now rank among the highest of any major investor-owned electric utility in the southeast United States. This is shown in **Exhibit JP-2**, which consists of recent surveys of the electricity rates charged by thirty investor-owned electric utilities and the Tennessee Valley Authority (TVA) applicable to large high-load factor customers taking transmission service under standard firm tariffs. The surveys were conducted by Brubaker & Associates, Inc. (BAI). For the four most recent BAI surveys, Gulf's industrial rates have ranked among the top three highest of the 31 southeast utilities.

Q WHAT ARE THE IMPLICATIONS OF GULF'S HIGH INDUSTRIAL ELECTRICITY RATES?

A Electricity is a significant operating cost for manufacturers and other industrial consumers. High electricity rates make it very difficult for these entities to compete in both domestic and global markets where electricity rates may be much lower. Gulf's request for an increase of over $90 million does not bode well for preserving or growing the jobs these companies create in Gulf's service area.

Q ARE YOU AWARE THAT GOVERNOR RICK SCOTT HAS MADE IT A TOP PRIORITY OF HIS ADMINISTRATION TO CREATE AN ADDITIONAL 700,000 PRIVATE SECTOR JOBS IN FLORIDA OVER THE NEXT SEVEN YEARS?

A Yes, that is my understanding.

Q HOW WILL GULF'S CURRENT RATES FOR MANUFACTURERS AND INDUSTRIAL CONSUMERS, WHEN COMBINED WITH GULF'S REQUEST FOR MORE THAN $90 MILLION IN NEW BASE RATES, AFFECT THE ABILITY TO ATTRACT NEW PRIVATE SECTOR JOBS TO NORTHWEST FLORIDA AND GULF'S SERVICE TERRITORY?

A As I point out, currently Gulf's electric rates for large industrial consumers are among the highest in the southeastern United States. Gulf's request to increase base rates by over $90 million will make northwest Florida less attractive when competing to convince new industrial and commercial businesses to locate in Gulf's service territory. The cost of electricity is often a significant variable cost for business. As businesses are always sensitive to costs, especially in these difficult economic times, neighboring states with significantly lower electricity costs will have an advantage in energy costs when competing against Florida to recruit new business and the new private sector jobs that come with new businesses. Granting Gulf's requested rate hike will only increase and exacerbate the disparity between what utilities in neighboring states charge industrial customers as compared to what those same customers are charged for the same commodity, electricity, in Florida when doing business in Gulf's service territory in northwest Florida.

Q WHAT IS THE STATE OF THE LOCAL ECONOMY IN GULF'S SERVICE AREA?

A The local economy in Gulf's service territory continues to be depressed. **Exhibit JP-3** shows a weighted average of the unemployment rate in Gulf's service area:

- In 2002, following Gulf's last rate case;
- In 2009, at the height of the recession; and
- Currently.

As **Exhibit JP-3** shows, the unemployment rate increased from 5.1% in 2002 to 8.5% in 2009. Despite the official end of the recession, the unemployment rate has risen, and it is now 9.4%. The Florida average unemployment rate has also increased. Currently, the unemployment rates in both Gulf's service area and the state of Florida are higher than the national average.

Q WHAT ARE THE IMPLICATIONS OF GULF'S HIGH INDUSTRIAL ELECTRICITY RATES AND THE CURRENTLY DEPRESSED LOCAL ECONOMY?

A High industrial electricity rates play a major role in decisions by large energy-intensive consumers about where to locate, where it is more cost-effective to operate, and whether to expand production, furlough employees or even cease operations. As Florida attempts to encourage economic development and create new jobs, the Commission must ensure that Gulf's request for a rate increase minimizes the impact on all customers.

3. CLASS COST-OF-SERVICE STUDY

Background

Q WHAT IS A CLASS COST-OF-SERVICE STUDY?

A A cost-of-service study is an analysis used to determine each class' responsibility for the utility's costs. Thus, it determines whether the revenues a class generates cover the cost of service for that class. A class cost-of-service study separates the utility's total costs into portions incurred on behalf of the various customer groups. Most of a utility's costs are incurred to jointly serve many customers. For purposes of rate design and revenue allocation, customers are grouped into homogeneous classes according to their usage patterns and service characteristics. The procedures used in a cost-of-service study are described in more detail in **Appendix C**.

Q HAVE YOU REVIEWED THE CLASS COST-OF-SERVICE STUDY GULF POWER COMPANY FILED IN THIS PROCEEDING?

A Yes.

Q DOES GULF'S CLASS COST-OF-SERVICE STUDY COMPORT WITH ACCEPTED INDUSTRY PRACTICES?

A Yes. Gulf's CCOSS generally recognizes the different types of costs as well as the different ways electricity is used by various customers. In particular, Gulf properly recognizes that a certain portion of the distribution network is customer-related; that is, some distribution investment is required just to connect customers to the grid, irrespective of the level of power and/or energy usage.

Classification of Distribution Network Costs

Q HOW HAS GULF CLASSIFIED DISTRIBUTION INVESTMENT?

A Gulf has classified a portion of its distribution network investment as customer-related. This is consistent with the purpose of the distribution system, which is to deliver power from the transmission grid to the customer, where it is eventually consumed. Certain investments (*e.g.*, meters, service drops) must be made just to attach a customer to the system. These investments are customer-related.

Q ARE CERTAIN DISTRIBUTION INVESTMENTS, OTHER THAN THE METER AND SERVICE DROPS, ALSO CUSTOMER-RELATED?

A Yes. A portion of the primary and secondary distribution "network"—consisting of poles, towers, fixtures, overhead lines and line transformers booked to FERC Accounts 364, 365, 366, 367, and 368—is also customer-related. Classifying a portion of the distribution network as customer-related recognizes the reality that every utility must provide a path through which electricity can be delivered to each and every customer regardless of the peak demand or energy consumed. Further, that path must be in place if the utility is to meet its obligation to provide service upon demand.

If Gulf were to provide only a minimum amount of electric power to each customer, it would still have to construct nearly the same miles of line because it is currently required to serve every customer. The poles, conductors and transformers would not need to be as large as they are now if every customer were supplied only a minimum level of service, but there is a definite limit to the size to which they could be reduced.

Q DO ANY OTHER FACTORS JUSTIFY CLASSIFYING A PORTION OF THE DISTRIBUTION NETWORK AS CUSTOMER-RELATED?

A Yes. The distribution network must comply with this Commission's standards of construction. Specifically, Rule 25-6.034 requires that:

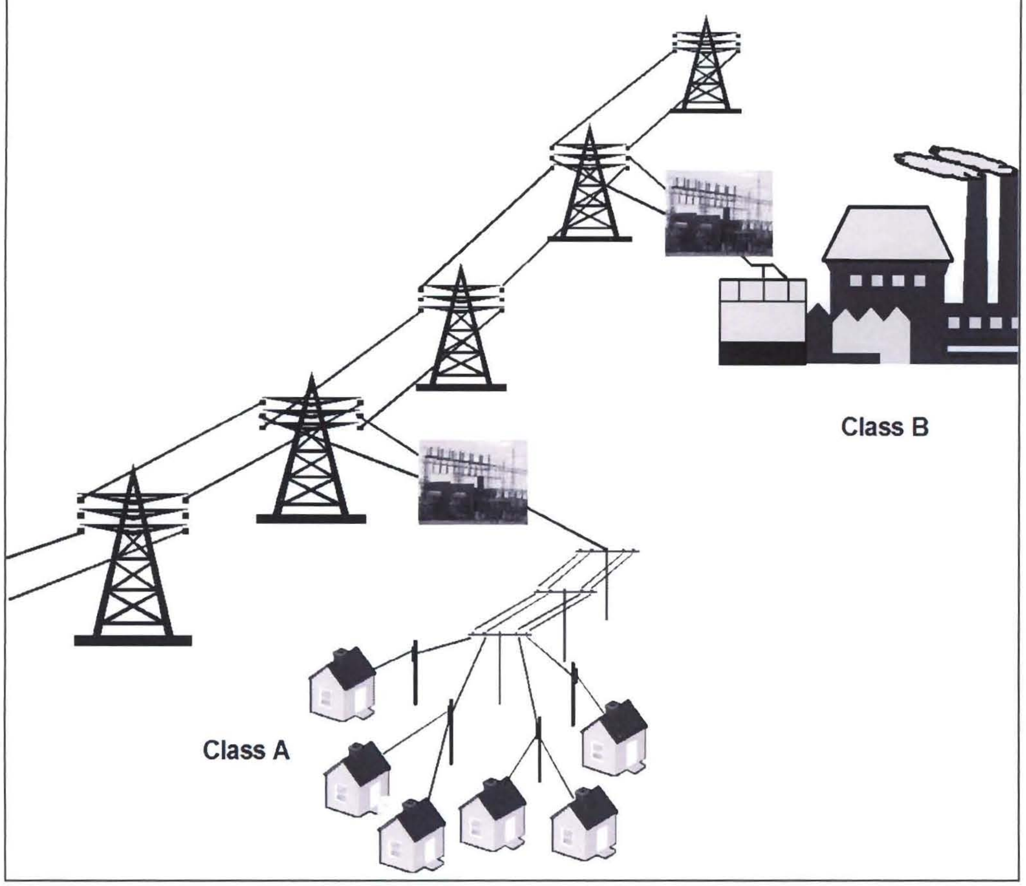
> (1) The facilities of each utility shall be constructed, installed, maintained and operated in accordance with generally accepted engineering practices to assure, as far as is reasonably possible, continuity of service and uniformity in the quality of service furnished.
>
> (2) Each utility shall, at a minimum, comply with the National Electrical Safety Code [ANSI C-2) [NESC], incorporated by reference in Rule 25-6.0345, F.A.C.

Rule 25-6.0342, Florida Administrative Code, was more recently added. It requires utilities to cost-effectively strengthen critical electric infrastructure to increase the ability of transmission and distribution facilities to withstand extreme weather conditions and reduce restoration costs and outage times to end-use customers associated with extreme weather conditions. The costs to comply with this Commission's rules are required not because of the amount of electric power and energy demanded but because of the existence of each customer and Gulf's obligation to provide a reliable connection to the grid.

Q HOW SHOULD THE CUSTOMER-RELATED PORTION OF THIS INVESTMENT BE DETERMINED?

A This requires an engineering analysis, such as the analysis Gulf provided in this case. The customer-related portion is representative of the investment required simply to attach customers to the system, irrespective of their demand and energy requirements. Consider the diagram below.

Illustration Showing the Customer Component of Distribution Primary and Secondary Plant



This shows the distribution network for a utility with two customer classes, A and B. The physical distribution network necessary to attach Class A, a residential subdivision for example, is designed to serve the same load as the distribution feeder serving Class B, a large shopping center or small factory. Clearly, a much more extensive distribution system is required to attach a multitude of small customers than to attach a single larger customer, even though the total demand of each customer class is the same.

Q **IS IT A RECOGNIZED PRACTICE TO CLASSIFY A PORTION OF THE DISTRIBUTION NETWORK AS CUSTOMER-RELATED?**

A Yes. For example, the NARUC Electric Utility Cost Allocation Manual states that:

> Distribution plant Accounts 364 through 370 involve demand and customer costs. The customer component of distribution facilities is that portion of costs which varies with the number of customers. Thus, the number of poles, conductors, transformers, services, and meters are directly related to the number of customers on the utility's system. (*NARUC, Electric Cost Allocation Manual at 90)*.

An excerpt from the manual pertaining to distribution cost classification is provided in **Exhibit JP-4**.

Q **IS THIS PRACTICE FOLLOWED BY OTHER UTILITIES?**

A Yes. **Exhibit JP-5** is a partial list of the utilities that classify some portion of their distribution network investment as customer-related. This is not intended to be an exhaustive survey.

Q **WHAT PORTION OF THE DISTRIBUTION NETWORK IS GULF PROPOSING TO CLASSIFY AS CUSTOMER-RELATED?**

A Gulf's engineering study resulted in classifying about 27% of its distribution network investment (FERC Accounts 364 through 368) as customer-related. This is shown in **Exhibit JP-5**, line 5, column 6.

Q **DO GULF'S SISTER OPERATING COMPANIES ALSO CLASSIFY SOME PORTION OF THEIR DISTRIBUTION NETWORKS AS CUSTOMER-RELATED?**

A Yes. As can be seen in **Exhibit JP-5**, Alabama Power, Georgia Power, and Mississippi Power also classify a significant portion of their investments in FERC

Accounts 364 through 368 as customer-related. Thus, this practice is widely used, and has been accepted, throughout the Southern Company system.

Q HOW DOES GULF'S CLASSIFICATION OF DISTRIBUTION NETWORK COSTS COMPARE WITH THE UTILITIES SHOWN IN EXHIBIT JP-5?

A As previously stated, Gulf classifies about 27% of the investment in FERC Accounts 364 through 368 as customer-related. The corresponding composite percentage for the other listed utilities ranges from 19% to 69%. Some variation is to be expected because of differences between each utility's distribution construction practices and the methodologies used to determine the customer-related component.

Q PLEASE SUMMARIZE YOUR RECOMMENDATION.

A Gulf's proposed classification of distribution network costs comports with accepted practice and is modest relative to other utilities. Accordingly, Gulf's proposed distribution customer classification should be adopted in this case.

4. STORM RESERVE

Q WHAT IS A STORM RESERVE?

A Rule 25-6.0143, Florida Administrative Code, states: "A separate subaccount shall be established for that portion of Account No. 228.1 which is designated to cover storm-related damages to the utility's own property or property leased from others that is not covered by insurance."

Q WHAT IS GULF'S CURRENT STORM RESERVE LEVEL?

A The balance in Gulf's storm reserve as of December 31, 2010 was $27.6 million. Considering the current annual storm damage accrual of $3.5 million, the balance will grow to $31.1 million assuming no property damage is charged to the reserve in 2011. (*Direct Testimony of Constance Erickson* at 29).

Q HOW IS THE STORM RESERVE FUNDED?

A The storm reserve is funded through customer contributions that the Commission authorizes when it sets base rates. Customers currently contribute $3.5 million per year to the storm reserve. At times, it has also been funded through specific surcharges. For example, the Commission approved and Gulf implemented a surcharge over 51 months to recover the costs of Category 3 storms Hurricane Ivan and Hurricane Dennis, which occurred in 2004 and 2005.

Q DOES THE COMMISSION HAVE A FRAMEWORK FOR STORM RESTORATION COST RECOVERY?

A Yes. According to the order in the last Tampa Electric Company rate case, the Commission addresses the storm restoration cost issue in the following manner:

> We have established a regulatory framework consisting of three major components: (1) an annual storm accrual, adjusted over time as circumstances change; (2) a storm reserve adequate to accommodate most, but not all storm years; and, (3) a provision for utilities to seek recovery of costs that go beyond the storm reserve. (*In re Tampa Electric Company*, FPSC Order No. PSC-09-0283-FOF-EI at 17).

Q WHO ULTIMATELY ASSUMES THE RISK OF LOSS FROM STORM DAMAGE UNDER THE EXISTING COMMISSION FRAMEWORK?

A As the Commission stated, Gulf's customers ultimately bear all of the risk of losses due to hurricanes and other storms:

> . . . under the current approach to the recovery of storm restoration costs, the risk associated with a lower reserve level (i.e., the possibility of storm restoration costs exceeding the Reserve, leading to subsequent customer charges) and the risk associated with a higher reserve level (i.e., paying charges now for storm restoration costs that do not materialize) is completely borne by FPL's customers. The customers represented in this proceeding have made clear that they would rather pay to fund the Reserve to a lower level now and risk future rate volatility than pay to fund the Reserve to a higher level before future storm restoration costs have been incurred. (*In re Florida Power & Light Company,* FPSC Order No. PSC-06-0464-FOF-EI at 25).

As such, Gulf is at little or no risk for recovering storm restoration costs regardless of the amount in the storm reserve. Put simply, from a customer perspective, the question is when to pay for the cost of restoration – before or after the damage occurs. It is clear that customers prefer to pay when the damage occurs, rather than have the utility hold their money for them. And, the

Commission has made it clear through its past actions that when a documented case for such recovery is made, it will permit the utility to recover these costs.

Q IS GULF PROPOSING AN INCREASE IN THE ANNUAL ACCRUALS FOR ITS STORM RESERVE?

A Yes. Gulf proposes to nearly double the amount it collects for storm reserve. Specifically, it seeks a $3.3 million increase in annual storm reserve contributions. This would raise the current annual accrual from $3.5 million to $6.8 million per year. This is a significant increase given that Gulf currently has a $27.6 million storm reserve.

Q HAS GULF SOUGHT TO ESTABLISH A TARGET RESERVE BALANCE?

A Yes. The current target level is $25.1 million to $36 million, approved by the Commission in Docket No. 951433-EI, Order No. PSC-96-1334-FOF-EI and affirmed in Gulf's last rate case. In this case, Gulf is proposing higher annual accruals with a targeted reserve balance between $52 and $98 million. (*Direct Testimony of Constance Erickson* at 32).

Q SHOULD GULF'S PROPOSED $3.3 MILLION ANNUAL INCREASE IN STORM RESERVE ACCRUALS BE APPROVED?

A No. Gulf has not supported the need for a $3.3 million increase. Further, since the current $27.6 million storm reserve is sufficient to cover all but the most severe storms, the annual accrual should not be changed. Put simply, this increase is not warranted, especially given the difficult economic circumstances in Gulf's service territory. As explained below, funds in the storm reserve are sufficient even if the accrual is stopped altogether. Therefore, I recommend that the Commission maintain the accrual at its current level.

Q WHAT IS THE BASIS FOR YOUR RECOMMENDATION?

A Under the Commission's framework described above, the storm reserve accrual and reserve balance are designed to provide coverage for some, but not all, storms. However, the Expected Annual Damage (EAD) presented by Gulf witness Erickson takes into account all manner and strength of storms. (*Gulf Response to Citizens' Interrogatories, Set 4, No. 206*). In other words, it assumes that the storm reserve should be adequate to cover damage from all storms, even the worst. The current $27.6 million reserve balance covers all Category 1 hurricanes and the majority of, but not the most destructive, Category 2 storms. Thus, it is sufficient to cover four consecutive years in which the expected annual loss chargeable to the storm reserve occurs.

Q WHY IS GULF SEEKING A $3.3 MILLION INCREASE IN STORM DAMAGE ACCRUALS?

A The proposed increase is based on the "expected average annual storm loss to be charged to the reserve" derived in the Gulf 2011 Hurricane Loss and Reserve Performance Analysis. (*Direct Testimony of Constance Erickson* at 29).

Q DOES THE EAD PRESENTED IN THE STUDY PROPERLY REFLECT THE ANNUAL COSTS THAT ARE COVERED WITH THE STORM RESERVE?

A No. I believe the EAD is overstated because it ignores the Commission's directive that the storm reserve should be adequate to accommodate most, but not all storm years.

Q WHAT TYPE OF STORMS ARE INCLUDED IN THE STUDY PRESENTED BY MS. ERICKSON?

A The EAD is the average damage of thousands of simulated hurricane seasons in the EQECAT model. The EAD of $8.3 million presented by Gulf represents the average of all these simulations. The analysis includes all storm categories in the EAD. The EAD for all levels of storms is $8.3 million per year, with a $6.8 million average expected charge to the reserve. Over the last five and one half years, Gulf has charged $5.3 million (in total) to the reserve, as shown in **Exhibit JP-6**. This equates to an annual average charge to the reserve of less than $1 million.

Q IS THERE ANY OTHER ISSUE WITH HOW THE EAD WAS CALCULATED?

A Yes. Gulf has indicated that the EAD calculation did not include consideration for storm hardening since no major storm has occurred since the storm hardening program was implemented in 2007. (*Gulf's response to Citizens Interrogatory Set 4, No. 205*). One would expect the expenditures dedicated to this program to reduce storm damage. However, the EAD calculation omits these benefits.

Q WHAT IS THE LIKELIHOOD THAT GULF WOULD INCUR DAMAGE IN EXCESS OF THE CURRENT $27.6 MILLION RESERVE BALANCE?

A Gulf analyzed the Aggregate Damage Excedance Probabilities for various damage levels up to and in excess of $250 million. (See Table 4-1 of Exhibit No. __ (CJE-1), Schedule 5). According to Gulf's study, there is an 8.03% probability that there will be damage in any one year that exceeds the current reserve level of $27.6 million. In other words, a storm inflicting damage in an amount of approximately $30 million is likely to occur only once every 12 years.

Q WHAT RESULTS DOES THE STUDY SHOW FOR CATEGORY 1 AND 2 HURRICANES?

A On average, the most destructive Category 1 storm would cause mean damage of slightly less than $30 million. (*Id.*, Exhibit No. __ (CJE-1), Schedule 5 at 14). The damage from the most costly Category 2 storm would cause mean damage of approximately $50 million. (*Id.*, Exhibit No. __ (CJE-1), Schedule 5 at 15).

Q IS IT NECESSARY TO SET THE STORM RESERVE ACCRUAL TO COVER THE COSTS OF ALL TROPICAL STORMS OR HURRICANES REGARDLESS OF THE LEVEL OF SUCH STORMS?

A No. The storm reserve and associated accrual are only part of the framework for recovering storm restoration costs. The Commission has demonstrated its ability and willingness to promptly consider and act upon a utility's request to recover storm costs. As such, the storm reserve need not cover all storms. To do so would impose an unnecessary added burden on customers.

Rather, what is needed is a reasonable accrual and a reasonable reserve designed to cover the expected damage from the more common (but not all) storm events. In this instance, Gulf is seeking to establish the reserve at a level designed to provide for coverage for all storm damage. Such a "worst case" approach is only necessary if the storm reserve and associated accrual are the only means by which a utility is able to obtain coverage for damages from storms.

Q HOW ARE CUSTOMERS AFFECTED BY THE PROPOSED $3.3 MILLION PER YEAR INCREASE IN CONTRIBUTIONS TO THE STORM RESERVE?

A Customers will see their electricity rates increase unnecessarily. As I previously stated, customers would prefer to keep any money they can in their pockets, rather than have Gulf hold it for them to address an event which has not even occurred. This is particularly the case given the Commission's record of prompt action on storm recovery requests.

Q DO GULF'S CUSTOMERS BENEFIT FROM HIGHER CONTRIBUTIONS TO FUND THE RESERVE?

A No. As explained above, the current $3.5 million contribution and the current storm reserve of $27.6 million are more than sufficient to cover all but the most severe storms. In contrast, the increase will benefit Gulf by increasing its cash flow. The storm accrual funds are not maintained in a separate account, but can be used to fund on-going Gulf operations. Finally, the risk of non-recovery for storm damage restoration costs will remain with customers because if a catastrophic storm or storms strike Gulf's service territory, customers will be surcharged to allow Gulf to recover restoration in excess of the storm reserve balance.

Q IS AN INCREASE IN THE RESERVE NECESSARY TO MAINTAIN THE STATUS QUO?

A No. The current reserve balance is sufficient to cover all Category 1 hurricanes, as well as all but the most severe Category 2 hurricanes. In fact, at the EAD chargeable to the reserve each year, the reserve balance is sufficient to provide coverage for four years. Thus, it is not necessary to increase the current funding level, and in fact, it would be sufficient for some years even if the accruals were stopped.

Q WHAT WOULD BE THE IMPACT ON THE STORM RESERVE IF ACCRUALS WERE STOPPED ENTIRELY?

A Over time, the level of the reserve will decline. However, absent a direct strike in the most populated portion of Gulf's service territory, the current reserve balance may be sufficient to cover the EAD funded from the reserve for the next four years. If losses remain at the levels experienced over the 2006-2010 period, the current reserve is more than capable of supporting storm recovery for several years, without any further customer contributions.

Q SHOULD THE COMPANY REVISE ITS STORM RESERVE ANALYSIS IN THE NEXT RATE CASE?

A Yes. Since the present analysis addresses all manner and strength of storms up to and including the most severe and damaging storms and excludes any benefits of the storm hardening program, the Commission should require that any subsequent study consider alternative levels of storm damage. Any subsequent study should evaluate the reserve performance taking into account only Category

1 (and potentially Category 2) storms. This approach gives recognition to the framework for addressing storm restoration costs – which recognizes that the annual accrual and reserve balance are not intended to cover the most destructive storms. A future analysis should also expressly consider how storm hardening efforts have reduced the risk of damage from hurricane or tropical storm events and the need to accrue monies for storm reserves.

Q **PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

A The storm reserve accrual should not be changed. The current reserve balance is sufficient to provide for coverage of the EAD funding from the reserve and also provides coverage for all Category 1 storms. A revised study should be submitted when Gulf next files a rate case or seeks to re-institute the storm reserve accrual and collection that shows what an appropriate reserve target is assuming coverage of *most* (Category 1 and 2) storms instead of *all* levels of storms.

Q **DOES THIS CONCLUDE YOUR TESTIMONY?**

A Yes.

APPENDIX A

Qualifications of Jeffry Pollock

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Jeffry Pollock. My business mailing address is 12655 Olive Blvd., Suite 335, St. Louis, Missouri 63141.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am an energy advisor and President of J. Pollock, Incorporated.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I have a Bachelor of Science Degree in Electrical Engineering and a Masters in Business Administration from Washington University. I have also completed a Utility Finance and Accounting course.

Upon graduation in June 1975, I joined Drazen-Brubaker & Associates, Inc. (DBA). DBA was incorporated in 1972 assuming the utility rate and economic consulting activities of Drazen Associates, Inc., active since 1937. From April 1995 to November 2004, I was a managing principal at Brubaker & Associates (BAI).

During my tenure at both DBA and BAI, I have been engaged in a wide range of consulting assignments including energy and regulatory matters in both the United States and several Canadian provinces. This includes preparing financial and economic studies of investor-owned, cooperative and municipal utilities on revenue requirements, cost of service and rate design, and conducting site evaluation. Recent engagements have included advising clients on electric restructuring issues, assisting clients to procure and manage electricity in both competitive and regulated markets, developing and issuing requests for proposals (RFPs), evaluating RFP responses and contract negotiation. I was also responsible for developing and presenting seminars on electricity issues.

I have worked on various projects in over 20 states and several Canadian provinces, and have testified before the Federal Energy Regulatory Commission and the state regulatory commissions of Alabama, Arizona, Colorado, Delaware, Florida, Georgia, Indiana, Illinois, Indiana, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Texas, Virginia, Washington, and Wyoming. I have also appeared before the City of Austin Electric Utility Commission, the Board of Public Utilities of Kansas City, Kansas, the Bonneville Power Administration, Travis County (Texas) District Court, and the U.S. Federal District Court. A partial list of my appearances is provided in **Appendix B**.

Q PLEASE DESCRIBE J. POLLOCK, INCORPORATED.

A J.Pollock assists clients to procure and manage energy in both regulated and competitive markets. The J.Pollock team also advises clients on energy and regulatory issues. Our clients include commercial, industrial and institutional energy consumers. Currently, J.Pollock has offices in St. Louis, Missouri and Austin, Texas. J.Pollock is a registered Class I aggregator in the State of Texas.

Testimony Filed in Regulatory Proceedings
by Jeffry Pollock

PROJECT	UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
90404	CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	39504	Direct	TX	Carrying Charge Rate Applicable to the Additional True-Up Balance and Taxes	9/12/2011
101101	AEP TEXAS NORTH COMPANY	Texas Industrial Energy Consumers	39361	Cross-Rebuttal	TX	Energy Efficiency Cost Recovery Factor	8/10/2011
101101	AEP TEXAS CENTRAL COMPANY	Texas Industrial Energy Consumers	39360	Cross-Rebuttal	TX	Energy Efficiency Cost Recovery Factor	8/10/2011
100503	ONCOR ELECTRIC DELIVERY COMPANY, LLC	Texas Industrial Energy Consumers	39375	Direct	TX	Energy Efficiency Cost Recovery Factor	8/2/2011
90103	ALABAMA POWER COMPANY	Alabama Industrial Energy Consumers	31653	Direct	AL	Renewable Purchased Power Agreement	7/28/2011
101101	AEP TEXAS NORTH COMPANY	Texas Industrial Energy Consumers	39361	Direct	TX	Energy Efficiency Cost Recovery Factor	7/26/2011
101101	AEP TEXAS CENTRAL COMPANY	Texas Industrial Energy Consumers	36360	Direct	TX	Energy Efficiency Cost Recovery Factor	7/20/2011
90201	ENTERGY TEXAS, INC.	Texas Industrial Energy Consumers	39366	Direct	TX	Energy Efficiency Cost Recovery Factor	7/19/2011
90404	CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	39363	Direct	TX	Energy Efficiency Cost Recovery Factor	7/15/2011
101201	NORTHERN STATES POWER COMPANY	Xcel Large Industrials	E002/GR-10-971	Direct	MN	Surplus Depreciation Reserve, Incentive Compensation, Non-Asset Trading Margin Sharing, Cost Allocation, Class Revenue Allocation, Rate Design	4/5/2011
101202	ROCKY MOUNTAIN POWER	Wyoming Industrial Energy Consumers	20000-381-EA-10	Direct	WY	2010 Protocols	2/11/2011
100802	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	38480	Direct	TX	Cost Allocation, TCRF	11/8/2010
90402	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Traditional Manufacturers Group	31958	Direct	GA	Alternate Rate Plan, Return on Equity, Riders, Cost-of-Service Study, Revenue Allocation, Economic Development	10/22/2010
90404	CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	38339	Cross-Rebuttal	TX	Cost Allocation, Class Revenue Allocation	9/24/2010
90404	CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	38339	Direct	TX	Pension Expense, Surplus Depreciation Reserve, Cost Allocation, Rate Design, Riders	9/10/2010
100303	NIAGARA MOHAWK POWER CORP.	Multiple Intervenors	10-E-0050	Rebuttal	NY	Multi-Year Rate Plan, Cost Allocation, Revenue Allocation, Reconciliation Mechanisms, Rate Design	8/6/2010
100303	NIAGARA MOHAWK POWER CORP.	Multiple Intervenors	10-E-0050	Direct	NY	Multi-Year Rate Plan, Cost Allocation, Revenue Allocation, Reconciliation Mechanisms, Rate Design	0714/2010
91203	ENTERGY TEXAS, INC.	Texas Industrial Energy Consumers	37744	Cross Rebuttal	TX	Cost Allocation, Revenue Allocation, CGS Rate Design, Interruptible Service	6/30/2010
91203	ENTERGY TEXAS, INC.	Texas Industrial Energy Consumers	37744	Direct	TX	Class Cost of Service Study, Revenue Allocation, Rate Design, Competitive Generation Services, Line Extension Policy	6/9/2010
90201	ENTERGY TEXAS, INC.	Texas Industrial Energy Consumers	37482	Cross Rebuttal	TX	Allocation of Purchased Power Capacity Costs	2/3/2010
90402	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Traditional Manufacturers Group	28945	Direct	GA	Fuel Cost Recovery	1/29/2010

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90201	ENTERGY TEXAS, INC.	Texas Industrial Energy Consumers	37482	Direct	TX	Purchased Power Capacity Cost Factor	1/22/2010
90403	VIRGINIA ELECTRIC AND POWER COMPANY	MeadWestvaco Corporation	PUE-2009-00081	Direct	VA	Allocation of DSM Costs	1/13/2010
90201	ENTERGY TEXAS, INC.	Texas Industrial Energy Consumers	37580	Direct	TX	Fuel refund	12/4/2009
90403	VIRGINIA ELECTRIC AND POWER COMPANY	MeadWestvaco Corporation	PUE-2009-00019	Direct	VA	Standby rate design; dynamic pricing	11/9/2009
80601	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	37135	Direct	TX	Transmission cost recovery factor	10/22/2009
80703	MID-KANSAS ELECTRIC COMPANY, LLC	Western Kansas Industrial Energy Consumers	09-MKEE-969-RTS	Direct	KS	Revenue requirements, TIER, rate design	10/19/2009
90601	VARIOUS UTILITIES	Florida Industrial Power Users Group	090002-EG	Direct	FL	Interruptible Credits	10/2/2009
80505	ONCOR ELECTRIC DELIVERY COMPANY	Texas Industrial Energy Consumers	36958	Cross Rebuttal	TX	2010 Energy efficiency cost recovery factor	8/18/2009
81001	PROGRESS ENERGY FLORIDA	Florida Industrial Power Users Group	90079	Direct	FL	Cost-of-service study, revenue allocation, rate design, depreciation expense, capital structure	8/10/2009
90404	CENTERPOINT	Texas Industrial Energy Consumers	36918	Cross Rebuttal	TX	Allocation of System Restoration Costs	7/17/2009
90301	FLORIDA POWER AND LIGHT COMPANY	Florida Industrial Power Users Group	080677	Direct	FL	Depreciation; class revenue allocation; rate design; cost allocation; and capital structure	7/16/2009
90201	ENTERGY TEXAS, INC.	Texas Industrial Energy Consumers	36956	Direct	TX	Approval to revise energy efficiency cost recovery factor	7/16/2009
90601	VARIOUS UTILITIES	Florida Industrial Power Users Group	VARIOUS DOCKETS	Direct	FL	Conservation goals	7/6/2009
90201	ENTERGY TEXAS, INC.	Texas Industrial Energy Consumers	36931	Direct	TX	System restoration costs under Senate Bill 769	6/30/2009
90502	SOUTHWESTERN ELECTRIC POWER COMPANY	Texas Industrial Energy Consumers	36966	Direct	TX	Authority to revise fixed fuel factors	6/18/2009
80805	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	36025	Cross-Rebuttal	TX	Cost allocatiion, revenue allocation and rate design	6/10/2009
80805	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	36025	Direct	TX	Cost allocation, revenue allocation, rate design	5/27/2009
81201	NORTHERN STATES POWER COMPANY	Xcel Large Industrials	08-1065	Surrebuttal	MN	Cost allocation, revenue allocation, rate design	5/27/2009
90403	VIRGINIA ELECTRIC AND POWER COMPANY	MeadWestvaco Corporation	PUE-2009-00018	Direct	VA	Transmission cost allocation and rate design	5/20/2009
90101	NORTHERN INDIANA PUBLIC SERVICE COMPANY	Beta Steel Corporation	43526	Direct	IN	Cost allocation and rate design	5/8/2009
81203	ENTERGY SERVICES, INC	Texas Industrial Energy Consumers	ER008-1056	Rebuttal	FERC	Rough Production Cost Equalization payments	5/7/2009
81201	NORTHERN STATES POWER COMPANY	Xcel Large Industrials	08-1065	Rebuttal	MN	Class revenue allocation and the classification of renewable energy costs	5/5/2009

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81201	NORTHERN STATES POWER COMPANY	Xcel Large Industrials	08-1065	Direct	MN	Cost-of-service study, class revenue allocation, and rate design	4/7/2009
81203	ENTERGY SERVICES, INC	Texas Industrial Energy Consumers	ER08-1056	Answer	FERC	Rough Production Cost Equalization payments	3/6/2009
80901	ROCKY MOUNTAIN POWER	Wyoming Industrial Energy Consumers	20000-333-ER-08	Direct	WY	Cost of service study; revenue allocation; inverted rates; revenue requirements	1/30/2009
81203	ENTERGY SERVICES	Texas Industrial Energy Consumers	ER08-1056	Direct	FERC	Entergy's proposal seeking Commission approval to allocate Rough Production Cost Equalization payments	1/9/2009
80505	ONCOR ELECTRIC DELIVERY COMPANY & TEXAS ENERGY FUTURE HOLDINGS LTD	Texas Industrial Energy Consumers	35717	Cross Rebuttal	TX	Retail transformation: cost allocation, demand ratchet waivers, transmission cost allocation factor	12/24/2008
70101	GEORGIA POWER COMPANY	Georgia Industrial Group and Georgia Traditional Manufacturers Association	27800	Direct	GA	Cash Return on CWIP associated with the Plant Vogtle Expansion	12/19/2008
80505	ONCOR ELECTRIC DELIVERY COMPANY & TEXAS ENERGY FUTURE HOLDINGS LTD	Texas Industrial Energy Consumers	35717	Direct	TX	Revenue Requirement, class cost of service study, class revenue allocation and rate design	11/26/2008
80802	TAMPA ELECTRIC COMPANY	The Florida Industrial Power Users Group and Mosaic Company	080317-EI	Direct	FL	Revenue Requirements, retail class cost of service study, class revenue allocation, firm and non firm rate design and the Transmission Base Rate Adjustment	11/26/2008
80601	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	35763	Supplemental Direct	TX	Recovery of Energy Efficiency Costs	11/6/2008
80601	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	35763	Cross-Rebuttal	TX	Cost Allocation, Demand Ratchet, Renewable Energy Certificates (REC)	10/28/2008
80601	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	35763	Direct	TX	Revenue Requirements, Fuel Reconciliation Revenue Allocation, Cost-of-Service and Rate Design Issues	10/13/2008
50106	ALABAMA POWER COMPANY	Alabama Industrial Energy Consumers	18148	Direct	AL	Energy Cost Recovery Rate (WITHDRAWN)	9/16/2008
50701	ENTERGY TEXAS, INC.	Texas Industrial Energy Consumers	35269	Direct	TX	Allocation of rough production costs equalization payments	7/9/2008
70703	ENTERGY GULF STATES UTILITIES, TEXAS	Texas Industrial Energy Consumers	34800	Direct	TX	Non-Unanimous Stipulation	6/11/2008
50103	TEXAS PUC STAFF	Texas Industrial Energy Consumers	33672	Supplemental Rebuttal	TX	Transmission Optimization and Ancillary Services Studies	6/3/2008
50103	TEXAS PUC STAFF	Texas Industrial Energy Consumers	33672	Supplemental Direct	TX	Transmission Optimization and Ancillary Services Studies	5/23/2008
60104	SOUTHWESTERN ELECTRIC POWER COMPANY	Texas Industrial Energy Consumers	33891	Supplemental Direct	TX	Certificate of Convenience and Necessity	5/8/2008
70703	ENTERGY GULF STATES UTILITES, TEXAS	Texas Industrial Energy Consumers	34800	Cross-Rebuttal	TX	Cost Allocation and Rate Design and Competitive Generation Service	4/18/2008
70703	ENTERGY GULF STATES UTILITES, TEXAS	Texas Industrial Energy Consumers	34800	Direct	TX	Eligible Fuel Expense	4/11/2008
70703	ENTERGY GULF STATES UTILITES, TEXAS	Texas Industrial Energy Consumers	34800	Direct	TX	Competitive Generation Service Tariff	4/11/2008

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70703	ENTERGY GULF STATES UTILITES, TEXAS	Texas Industrial Energy Consumers	34800	Direct	TX	Revenue Requirements	4/11/2008
70703	ENTERGY GULF STATES UTILITES, TEXAS	Texas Industrial Energy Consumers	34800	Direct	TX	Cost of Service study, revenue allocation, design of firm, interruptible and standby service tariffs; interconnection costs	4/11/2008
41229	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	35038	Rebuttal	TX	Over $5 Billion Compliance Filing	4/14/2008
60303	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Traditional Manufacturers Group	26794	Direct	GA	Fuel Cost Recovery	4/15/2008
71202	SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Periman Ltd.	07-00319-UT	Rebuttal	NM	Revenue requirements, cost of service study, rate design	3/28/2008
61101	AEP TEXAS CENTRAL COMPANY	Texas Industrial Energy Consumers	35105	Direct	TX	Over $5 Billion Compliance Filing	3/20/2008
51101	CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	32902	Direct	TX	Over $5 Billion Compliance Filing	3/20/2008
71202	SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Periman Ltd.	07-00319-UT	Direct	NM	Revenue requirements, cost of service study (COS); rate design	3/7/2008
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	34724	Direct	TX	IPCR Rider increase and interim surcharge	11/28/2007
70601	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Traditional Manufacturers Group	25060-U	Direct	GA	Return on equity; cost of service study; revenue allocation; ILR Rider; spinning reserve tariff; RTP	10/24/2007
70303	ONCOR ELECTRIC DELIVERY COMPANY & TEXAS ENERGY FUTURE HOLDINGS LTD	Texas Industrial Energy Consumers	34077	Direct	TX	Acquisition; public interest	9/14/2007
60104	SOUTHWESTERN ELECTRIC POWER COMPANY	Texas Industrial Energy Consumers	33891	Direct	TX	Certificate of Convenience and Necessity	8/30/2007
61201	ALTAMAHA ELECTRIC MEMBERSHIP CORPORATION	SP Newsprint Company	25226-U	Rebuttal	GA	Discriminatory Pricing; Service Territorial Transfer	7/17/2007
61201	ALTAMAHA ELECTRIC MEMBERSHIP CORPORATION	SP Newsprint Company	25226-U	Direct	GA	Discriminatory Pricing; Service Territorial Transfer	7/6/2007
70502	PROGRESS ENERGY FLORIDA	Florida Industrial Power Users Group	070052-EI	Direct	FL	Nuclear uprate cost recovery	6/19/2007
70603	ELECTRIC TRANSMISSION TEXAS LLC	Texas Industrial Energy Consumers	33734	Direct	TX	Certificate of Convenience and Necessity	6/8/2007
60601	TEXAS PUC STAFF	Texas Industrial Energy Consumers	32795	Rebuttal Remand	TX	Interest rate on stranded cost reconciliation	6/15/2007
60601	TEXAS PUC STAFF	Texas Industrial Energy Consumers	32795	Remand	TX	Interest rate on stranded cost reconciliation	6/8/2007
50103	TEXAS PUC STAFF	Texas Industrial Energy Consumers	33672	Rebuttal	TX	CREZ Nominations	5/21/2007
50701	ENTERGY GULF STATES UTILITES, TEXAS	Texas Industrial Energy Consumers	33687	Direct	TX	Transition to Competition	4/27/2007
50103	TEXAS PUC STAFF	Texas Industrial Energy Consumers	33672	Direct	TX	CREZ Nominations	4/24/2007
61101	AEP TEXAS CENTRAL COMPANY	Texas Industrial Energy Consumers	33309	Cross-Rebuttal	TX	Cost Allocation,Rate Design, Riders	4/3/2007
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	32710	Cross-Rebuttal	TX	Fuel and Rider IPCR Reconcilation	3/16/2007

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61101	AEP TEXAS NORTH COMPANY	Texas Industrial Energy Consumers	33310	Direct	TX	Cost Allocation,Rate Design, Riders	3/13/2007
61101	AEP TEXAS CENTRAL COMPANY	Texas Industrial Energy Consumers	33309	Direct	TX	Cost Allocation,Rate Design, Riders	3/13/2007
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	32710	Direct	TX	Fuel and Rider IPCR Reconcilation	2/28/2007
41219	AEP TEXAS NORTH COMPANY	Texas Industrial Energy Consumers	31461	Direct	TX	Rider CTC design	2/15/2007
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	33586	Cross-Rebuttal	TX	Hurricane Rita reconstruction costs	1/30/2007
60104	SOUTHWESTERN ELECTRIC POWER COMPANY	Texas Industrial Energy Consumers	32898	Direct	TX	Fuel Reconciliation	1/29/2007
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	33586	Direct	TX	Hurricane Rita reconstruction costs	1/18/2007
60303	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	23540-U	Direct	GA	Fuel Cost Recovery	1/11/2007
60503	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	32766	Cross Rebuttal	TX	Cost allocation, Cost of service, Rate design	1/8/2007
60503	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	32766	Direct	TX	Cost allocation, Cost of service, Rate design	12/22/2006
60503	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	32766	Direct	TX	Revenue Requirements,	12/15/2006
60503	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	32766	Direct	TX	Fuel Reconcilation	12/15/2006
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	32907	Cross Rebuttal	TX	Hurricane Rita reconstruction costs	10/12/06
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	32907	Direct	TX	Hurricane Rita reconstruction costs	10/09/06
60601	TEXAS PUC STAFF	Texas Industrial Energy Consumers	32795	Cross Rebuttal	TX	Stranded Cost Reallocation	09/07/06
60101	COLQUITT EMC	ERCO Worldwide	23549-U	Direct	GA	Service Territory Transfer	08/10/06
60601	TEXAS PUC STAFF	Texas Industrial Energy Consumers	32795	Direct	TX	Stranded Cost Reallocation	08/23/06
60104	SOUTHWESTERN ELECTRIC POWER COMPANY	Texas Industrial Energy Consumers	32672	Direct	TX	ME-SPP Transfer of Certificate to SWEPCO	8/23/2006
50503	AEP TEXAS CENTRAL COMPANY	Texas Industrial Energy Consumers	32758	Direct	TX	Rider CTC design and cost recovery	08/24/06
60503	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	32685	Direct	TX	Fuel Surcharge	07/26/06
60301	PUBLIC SERVICE ELECTRIC AND GAS COMPANY	New Jersey Large Energy Consumers	171406	Direct	NJ	Gas Delivery Cost allocation and Rate design	06/21/06
60303	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	22403-U	Direct	GA	Fuel Cost Recovery Allowance	05/05/06
50503	AEP TEXAS CENTRAL COMPANY	Texas Industrial Energy Consumers	32475	Cross-Rebuttal	TX	ADFIT Benefit	04/27/06
50503	AEP TEXAS CENTRAL COMPANY	Texas Industrial Energy Consumers	32475	Direct	TX	ADFIT Benefit	04/17/06

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41229	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	31994	Cross-Rebuttal	TX	Stranded Costs and Other True-Up Balances	3/16/2006
41229	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	31994	Direct	TX	Stranded Costs and Other True-Up Balances	3/10/2006
50303	SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Periman Ltd. Occidental Power Marketing	ER05-168-001	Direct	NM	Fuel Reconciliation	3/6/2006
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	31544	Cross-Rebuttal	TX	Transition to Competition Costs	01/13/06
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	31544	Direct	TX	Transition to Competition Costs	01/13/06
50601	PUBLIC SERVICE ELECTRIC AND GAS COMPANY AND EXELON CORPORATION	New Jersey Large Energy Consumers Retail Energy Supply Association	BPU EM05020106 OAL PUC-1874-05	Surrebuttal	NJ	Merger	12/22/2005
50705	SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Periman Ltd. Occidental Power Marketing	EL05-19-002; ER05-168-001	Responsive	FERC	Fuel Cost adjustment clause (FCAC)	11/18/2005
50601	PUBLIC SERVICE ELECTRIC AND GAS COMPANY AND EXELON CORPORATION	New Jersey Large Energy Consumers Retail Energy Supply Association	BPU EM05020106 OAL PUC-1874-05	Direct	NJ	Merger	11/14/2005
50102	PUBLIC UTILITY COMMISSION OF TEXAS	Texas Industrial Energy Consumers	31540	Direct	TX	Nodal Market Protocols	11/10/2005
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	31315	Cross-Rebuttal	TX	Recovery of Purchased Power Capacity Costs	10/4/2005
50701	ENTERGY GULF STATES UTILITIES TEXAS	Texas Industrial Energy Consumers	31315	Direct	TX	Recovery of Purchased Power Capacity Costs	9/22/2005
50705	SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Periman Ltd. Occidental Power Marketing	EL05-19-002; ER05-168-001	Responsive	FERC	Fuel Cost Adjustment Clause (FCAC)	9/19/2005
50503	AEP TEXAS CENTRAL COMPANY	Texas Industrial Energy Consumers	31056	Direct	TX	Stranded Costs and Other True-Up Balances	9/2/2005
50705	SOUTHWESTERN PUBLIC SERVICE COMPANY	Occidental Periman Ltd. Occidental Power Marketing	EL05-19-00; ER05-168-00	Direct	FERC	Fuel Cost adjustment clause (FCAC)	8/19/2005
50203	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	19142-U	Direct	GA	Fuel Cost Recovery	4/8/2005
41230	CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	30706	Direct	TX	Competition Transition Charge	3/16/2005
41230	CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	30485	Supplemental Direct	TX	Financing Order	1/14/2005
41230	CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC	Texas Industrial Energy Consumers	30485	Direct	TX	Financing Order	1/7/2005
8201	PUBLIC SERVICE COMPANY OF COLORADO	Colorado Energy Consumers	04S-164E	Cross Answer	CO	Cost of Service Study, Interruptible Rate Design	12/13/2004
8201	PUBLIC SERVICE COMPANY OF COLORADO	Colorado Energy Consumers	04S-164E	Answer	CO	Cost of Service Study, Interruptible Rate Design	10/12/2004
8244	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	18300-U	Direct	GA	Revenue Requirements, Revenue Allocation, Cost of Service, Rate Design, Economic Development	10/8/2004
8195	CENTERPOINT, RELIANT AND TEXAS GENCO	Texas Industrial Energy Consumers	29526	Direct	TX	True-Up	6/1/2004
8156	GEORGIA POWER COMPANY/SAVANNAH ELECTRIC AND POWER COMPANY	Georgia Industrial Group	17687-U/17688-U	Direct	GA	Demand Side Management	5/14/2004

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8148	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	29206	Direct	TX	True-Up	3/29/2004
8095	CONECTIV POWER DELIVERY	New Jersey Large Energy Consumers	ER03020110	Surrebuttal	NJ	Cost of Service	3/18/2004
8111	AEP TEXAS CENTRAL COMPANY	Texas Industrial Energy Consumers	28840	Rebuttal	TX	Cost Allocation and Rate Design	2/4/2004
8095	CONECTIV POWER DELIVERY	New Jersey Large Energy Consumers	ER03020110	Direct	NJ	Cost Allocation and Rate Design	1/4/2004
7850	RELIANT ENERGY HL&P	Texas Industrial Energy Consumers	26195	Supplemental Direct	TX	Fuel Reconciliation	9/23/2003
8045	VIRGINIA ELECTRIC AND POWER COMPANY	Virginia Committee for Fair Utility Rates	PUE-2003-00285	Direct	VA	Stranded Cost	9/5/2003
8022	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	17066-U	Direct	GA	Fuel Cost Recovery	7/22/2003
8002	AEP TEXAS CENTRAL COMPANY	Flint Hills Resources, LP	25395	Direct	TX	Delivery Service Tariff Issues	5/9/2003
7857	PUBLIC SERVICE ELECTRIC AND GAS COMPANY	New Jersey Large Energy Consumers	ER02050303	Supplemental	NJ	Cost of Service	3/14/2003
7850	RELIANT ENERGY HL&P	Texas Industrial Energy Consumers	26195	Direct	TX	Fuel Reconciliation	12/31/2002
7857	PUBLIC SERVICE ELECTRIC AND GAS COMPANY	New Jersey Large Energy Consumers	ER02050303	Surrebuttal	NJ	Revenue Allocation	12/16/2002
7836	PUBLIC SERVICE COMPANY OF COLORADO	Colorado Energy Consumers	02S-315EG	Answer	CO	Incentive Cost Adjustment	11/22/2002
7857	PUBLIC SERVICE ELECTRIC AND GAS COMPANY	New Jersey Large Energy Consumers	ER02050303	Direct	NJ	Revenue Allocation	10/22/2002
7863	DOMINION VIRGINIA POWER	Virginia Committee for Fair Utility Rates	PUE-2001-00306	Direct	VA	Generation Market Prices	8/12/2002
7718	FLORIDA POWER CORPORATION	Florida Industrial Power Users Group	000824-EI	Direct	FL	Rate Design	1/18/2002
7633	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	14000-U	Direct	GA	Cost of Service Study, Revenue Allocation, Rate Design	10/12/2001
7555	TAMPA ELECTRIC COMPANY	Florida Industrial Power Users Group	010001-EI	Direct	FL	Rate Design	10/12/2001
7658	SOUTHWESTERN ELECTRIC POWER COMPANY	Texas Industrial Energy Consumers	24468	Direct	TX	Delay of Retail Competition	9/24/2001
7647	ENTERGY GULF STATES, INC.	Texas Industrial Energy Consumers	24469	Direct	TX	Delay of Retail Competition	9/22/2001
7608	RELIANT ENERGY HL&P	Texas Industrial Energy Consumers	23950	Direct	TX	Price to Beat	7/3/2001
7593	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	13711-U	Direct	GA	Fuel Cost Recovery	5/11/2001
7520	GEORGIA POWER COMPANY SAVANNAH ELECTRIC & POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	12499-U,13305-U, 13306-U	Direct	GA	Integrated Resource Planning	5/11/2001
7303	ENTERGY GULF STATES, INC.	Texas Industrial Energy Consumers	22356	Rebuttal	TX	Allocation/Collection of Municipal Franchise Fees	3/31/2001
7309	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	22351	Cross-Rebuttal	TX	Energy Efficiency Costs	2/22/2001

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7305	CPL, SWEPCO, and WTU	Texas Industrial Energy Consumers	22352, 22353, 22354	Cross-Rebuttal	TX	Allocation/Collection of Municipal Franchise Fees	2/20/2001
7423	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	13140-U	Direct	GA	Interruptible Rate Design	2/16/2001
7305	CPL, SWEPCO, and WTU	Texas Industrial Energy Consumers	22352, 22353, 22354	Supplemental Direct	TX	Transmission Cost Recovery Factor	2/13/2001
7310	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	22349	Cross-Rebuttal	TX	Rate Design	2/12/2001
7308	TXU ELECTRIC COMPANY	Texas Industrial Energy Consumers	22350	Cross-Rebuttal	TX	Unbundled Cost of Service	2/12/2001
7303	ENTERGY GULF STATES, INC.	Texas Industrial Energy Consumers	22356	Cross-Rebuttal	TX	Stranded Cost Allocation	2/6/2001
7308	TXU ELECTRIC COMPANY	Texas Industrial Energy Consumers	22350	Direct	TX	Rate Design	2/5/2001
7303	ENTERGY GULF STATES, INC.	Texas Industrial Energy Consumers	22356	Supplemental Direct	TX	Rate Design	1/25/2001
7307	RELIANT ENERGY HL&P	Texas Industrial Energy Consumers	22355	Cross-Rebuttal	TX	Stranded Cost Allocation	1/12/2001
7303	ENTERGY GULF STATES, INC.	Texas Industrial Energy Consumers	22356	Direct	TX	Stranded Cost Allocation	1/9/2001
7307	RELIANT ENERGY HL&P	Texas Industrial Energy Consumers	22355	Direct	TX	Cost Allocation	12/13/2000
7375	CENTRAL POWER AND LIGHT COMPANY	Texas Industrial Energy Consumers	22352	Cross-Rebuttal	TX	CTC Rate Design	12/1/2000
7375	CENTRAL POWER AND LIGHT COMPANY	Texas Industrial Energy Consumers	22352	Direct	TX	Cost Allocation	11/1/2000
7308	TXU ELECTRIC COMPANY	Texas Industrial Energy Consumers	22350	Direct	TX	Cost Allocation	11/1/2000
7308	TXU ELECTRIC COMPANY	Texas Industrial Energy Consumers	22350	Cross-Rebuttal	TX	Cost Allocation	11/1/2000
7305	CPL, SWEPCO, and WTU	Texas Industrial Energy Consumers	22352, 22353, 22354	Direct	TX	Excess Cost Over Market	11/1/2000
7315	VARIOUS UTILITIES	Texas Industrial Energy Consumers	22344	Direct	TX	Generic Customer Classes	10/14/2000
7308	TXU ELECTRIC COMPANY	Texas Industrial Energy Consumers	22350	Direct	TX	Excess Cost Over Market	10/10/2000
7315	VARIOUS UTILITIES	Texas Industrial Energy Consumers	22344	Rebuttal	TX	Excess Cost Over Market	10/1/2000
7310	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	22349	Cross-Rebuttal	TX	Generic Customer Classes	10/1/2000
7310	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	22349	Direct	TX	Excess Cost Over Market	9/27/2000
7307	RELIANT ENERGY HL&P	Texas Industrial Energy Consumers	22355	Cross-Rebuttal	TX	Excess Cost Over Market	9/26/2000
7307	RELIANT ENERGY HL&P	Texas Industrial Energy Consumers	22355	Direct	TX	Excess Cost Over Market	9/19/2000
7334	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	11708-U	Rebuttal	GA	RTP Petition	3/24/2000

Testimony Filed in Regulatory Proceedings
by Jeffry Pollock

PROJECT	UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
7334	GEORGIA POWER COMPANY	Georgia Industrial Group/Georgia Textile Manufacturers Group	11708-U	Direct	GA	RTP Petition	3/1/2000
7232	PUBLIC SERVICE COMPANY OF COLORADO	Colorado Industrial Energy Consumers	99A-377EG	Answer	CO	Merger	12/1/1999
7258	TXU ELECTRIC COMPANY	Texas Industrial Energy Consumers	21527	Direct	TX	Securitization	11/24/1999
7246	CENTRAL POWER AND LIGHT COMPANY	Texas Industrial Energy Consumers	21528	Direct	TX	Securitization	11/24/1999
7089	VIRGINIA ELECTRIC AND POWER COMPANY	Virginia Committee for Fair Utility Rates	PUE980813	Direct	VA	Unbundled Rates	7/1/1999
7090	AMERICAN ELECTRIC POWER SERVICE CORPORATION	Old Dominion Committee for Fair Utility Rates	PUE980814	Direct	VA	Unbundled Rates	5/21/1999
7142	SHARYLAND UTILITIES, L.P.	Sharyland Utilities	20292	Rebuttal	TX	Certificate of Convenience and Necessity	4/30/1999
7060	PUBLIC SERVICE COMPANY OF COLORADO	Colorado Industrial Energy Consumers Group	98A-511E	Direct	CO	Allocation of Pollution Control Costs	3/1/1999
7039	SAVANNAH ELECTRIC AND POWER COMPANY	Various Industrial Customers	10205-U	Direct	GA	Fuel Costs	1/1/1999
6945	TAMPA ELECTRIC COMPANY	Florida Industrial Power Users Group	950379-EI	Direct	FL	Revenue Requirement	10/1/1998
6873	GEORGIA POWER COMPANY	Georgia Industrial Group	9355-U	Direct	GA	Revenue Requirement	10/1/1998
6729	VIRGINIA ELECTRIC AND POWER COMPANY	Virginia Committee for Fair Utility Rates	PUE960036,PUE960296	Direct	VA	Alternative Regulatory Plan	8/1/1998
6713	CENTRAL POWER AND LIGHT COMPANY	Texas Industrial Energy Consumers	16995	Cross-Rebuttal	TX	IRR	1/1/1998
6582	HOUSTON LIGHTING & POWER COMPANY	Lyondell Petrochemical Company	96-02867	Direct	COURT	Interruptible Power	1997
6758	SOUTHWESTERN ELECTRIC POWER COMPANY	Texas Industrial Energy Consumers	17460	Direct	TX	Fuel Reconciliation	12/1/1997
6729	VIRGINIA ELECTRIC AND POWER COMPANY	Virginia Committee for Fair Utility Rates	PUE960036,PUE960296	Direct	VA	Alternative Regulatory Plan	12/1/1997
6713	CENTRAL POWER AND LIGHT COMPANY	Texas Industrial Energy Consumers	16995	Direct	TX	Rate Design	12/1/1997
6646	ENTERGY TEXAS	Texas Industrial Energy Consumers	16705	Rebuttal	TX	Competitive Issues	10/1/1997
6646	ENTERGY TEXAS	Texas Industrial Energy Consumers	16705	Rebuttal	TX	Competition	10/1/1997
6646	ENTERGY TEXAS	Texas Industrial Energy Consumers	473-96-2285/16705	Direct	TX	Rate Design	9/1/1997
6646	ENTERGY TEXAS	Texas Industrial Energy Consumers	16705	Direct	TX	Wholesale Sales	8/1/1997
6744	TAMPA ELECTRIC COMPANY	Florida Industrial Power Users Group	970171-EU	Direct	FL	Interruptible Rate Design	5/1/1997
6632	MISSISSIPPI POWER COMPANY	Colonial Pipeline Company	96-UN-390	Direct	MS	Interruptible Rates	2/1/1997
6558	TEXAS-NEW MEXICO POWER COMPANY	Texas Industrial Energy Consumers	15560	Direct	TX	Competition	11/11/1996

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PROJECT	UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
6508	TEXAS UTILITIES ELECTRIC COMPANY	Texas Industrial Energy Consumers	15195	Direct	TX	Treatment of margins	9/1/1996
6475	TEXAS UTILITIES ELECTRIC COMPANY	Texas Industrial Energy Consumers	15015	DIRECT	TX	Real Time Pricing Rates	8/8/1996
6449	CENTRAL POWER AND LIGHT COMPANY	Texas Industrial Energy Consumers	14965	Direct	TX	Quantification	7/1/1996
6449	CENTRAL POWER AND LIGHT COMPANY	Texas Industrial Energy Consumers	14965	Direct	TX	Interruptible Rates	5/1/1996
6449	CENTRAL POWER AND LIGHT COMPANY	Texas Industrial Energy Consumers	14965	Rebuttal	TX	Interruptible Rates	5/1/1996
6523	PUBLIC SERVICE COMPANY OF COLORADO	Multiple Intervenors	95A-531EG	Answer	CO	Merger	4/1/1996
6235	TEXAS UTILITIES ELECTRIC COMPANY	Texas Industrial Energy Consumers	13575	Direct	TX	Competitive Issues	4/1/1996
6435	SOUTHWESTERN PUBLIC SERVICE COMMISSION	Texas Industrial Energy Consumers	14499	Direct	TX	Acquisition	11/1/1995
6391	HOUSTON LIGHTING & POWER COMPANY	Grace, W.R. & Company	13988	Rebuttal	TX	Rate Design	8/1/1995
6353	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	14174	Direct	TX	Costing of Off-System Sales	8/1/1995
6157	WEST TEXAS UTILITIES COMPANY	Texas Industrial Energy Consumers	13369	Rebuttal	TX	Cancellation Term	8/1/1995
6391	HOUSTON LIGHTING & POWER COMPANY	Grace, W.R. & Company	13988	Direct	TX	Rate Design	7/1/1995
6157	WEST TEXAS UTILITIES COMPANY	Texas Industrial Energy Consumers	13369	Direct	TX	Cancellation Term	7/1/1995
6296	GEORGIA POWER COMPANY	Georgia Industrial Group	5601-U	Rebuttal	GA	EPACT Rate-Making Standards	5/1/1995
6296	GEORGIA POWER COMPANY	Georgia Industrial Group	5601-U	Direct	GA	EPACT Rate-Making Standards	5/1/1995
6278	COMMONWEALTH OF VIRGINIA	VCFUR/ODCFUR	PUE940067	Rebuttal	VA	Integrated Resource Planning	5/1/1995
6295	GEORGIA POWER COMPANY	Georgia Industrial Group	5600-U	Supplemental	GA	Cost of Service	4/1/1995
6063	PUBLIC SERVICE COMPANY OF COLORADO	Multiple Intervenors	94I-430EG	Rebuttal	CO	Cost of Service	4/1/1995
6063	PUBLIC SERVICE COMPANY OF COLORADO	Multiple Intervenors	94I-430EG	Reply	CO	DSM Rider	4/1/1995
6295	GEORGIA POWER COMPANY	Georgia Industrial Group	5600-U	Direct	GA	Interruptible Rate Design	3/1/1995
6278	COMMONWEALTH OF VIRGINIA	VCFUR/ODCFUR	PUE940067	Direct	VA	EPACT Rate-Making Standards	3/1/1995
6125	SOUTHWESTERN PUBLIC SERVICE COMPANY	Texas Industrial Energy Consumers	13456	Direct	TX	DSM Rider	3/1/1995
6235	TEXAS UTILITIES ELECTRIC COMPANY	Texas Industrial Energy Consumers	13575|13749	Direct	TX	Cost of Service	2/1/1995
6063	PUBLIC SERVICE COMPANY OF COLORADO	Multiple Intervenors	94I-430EG	Answering	CO	Competition	2/1/1995
6061	HOUSTON LIGHTING & POWER COMPANY	Texas Industrial Energy Consumers	12065	Direct	TX	Rate Design	1/1/1995

Testimony Filed in Regulatory Proceedings
by Jeffry Pollock

PROJECT	UTILITY	ON BEHALF OF	DOCKET	TYPE	REGULATORY JURISDICTION	SUBJECT	DATE
6181	GULF STATES UTILITIES COMPANY	Texas Industrial Energy Consumers	12852	Direct	TX	Competitive Alignment Proposal	11/1/1994
6061	HOUSTON LIGHTING & POWER COMPANY	Texas Industrial Energy Consumers	12065	Direct	TX	Rate Design	11/1/1994
5929	CENTRAL POWER AND LIGHT COMPANY	Texas Industrial Energy Consumers	12820	Direct	TX	Rate Design	10/1/1994
6107	SOUTHWESTERN ELECTRIC POWER COMPANY	Texas Industrial Energy Consumers	12855	Direct	TX	Fuel Reconciliation	8/1/1994
6112	HOUSTON LIGHTING & POWER COMPANY	Texas Industrial Energy Consumers	12957	Direct	TX	Standby Rates	7/1/1994
5698	GULF POWER COMPANY	Misc. Group	931044-EI	Direct	FL	Standby Rates	7/1/1994
5698	GULF POWER COMPANY	Misc. Group	931044-EI	Rebuttal	FL	Competition	7/1/1994
6043	EL PASO ELECTRIC COMPANY	Phelps Dodge Corporation	12700	Direct	TX	Revenue Requirement	6/1/1994
6082	GEORGIA PUBLIC SERVICE COMMISSION	Georgia Industrial Group	4822-U	Direct	GA	Avoided Costs	5/1/1994
6075	GEORGIA POWER COMPANY	Georgia Industrial Group	4895-U	Direct	GA	FPC Certification Filing	4/1/1994
6025	MISSISSIPPI POWER & LIGHT COMPANY	MIEG	93-UA-0301	Comments	MS	Environmental Cost Recovery Clause	1/1/1994
5971	FLORIDA POWER & LIGHT COMPANY	Florida Industrial Power Users Group	940042-EI	Direct	FL	Section 712 Standards of 1992 EPACT	1/1/1994

APPENDIX C

Procedures for Conducting a Class Cost-of-Service Study

Q WHAT PROCEDURES ARE USED IN A COST-OF-SERVICE STUDY?

A The basic procedure for conducting a class cost-of-service study is fairly simple. First, we identify the different types of costs (functionalization), determine their primary causative factors (classification), and then apportion each item of cost among the various rate classes (allocation). Adding up the individual pieces gives the total cost for each class.

Identifying the utility's different levels of operation is a process referred to as functionalization. The utility's investments and expenses are separated into production, transmission, distribution, and other functions. To a large extent, this is done in accordance with the Uniform System of Accounts developed by the Federal Energy Regulatory Commission (FERC).

Once costs have been functionalized, the next step is to identify the primary causative factor (or factors). This step is referred to as classification. Costs are classified as demand-related, energy-related or customer-related. Demand (or capacity) related costs vary with peak demand, which is measured in kilowatts (or kW). This includes production, transmission, and some distribution investment and related fixed operation and maintenance (O&M) expenses. As explained later, peak demand determines the amount of capacity needed for reliable service. Energy-related costs vary with the production of energy, which is measured in kilowatt-hours (or kWh). Energy-related costs include fuel and variable O&M expense. Customer-related costs vary directly with the number of customers and include expenses such as meters, service drops, billing, and customer service.

Each functionalized and classified cost must then be allocated to the various customer classes. This is accomplished by developing allocation factors that reflect the percentage of the total cost that should be paid by each class. The allocation factors should reflect cost causation; that is, the degree to which each class caused the utility to incur the cost.

Q WHAT KEY PRINCIPLES ARE RECOGNIZED IN A CLASS COST-OF-SERVICE STUDY?

A A properly conducted class cost-of-service study recognizes two key cost causation principles. First, customers are served at different delivery voltages. This affects the amount of investment the utility must make to deliver electricity to the meter. Second, since cost causation is also related to how electricity is used, both the timing and rate of energy consumption (*i.e.*, demand) are critical. Because electricity cannot be stored for any significant time period, a utility must acquire sufficient generation resources and construct the required transmission facilities to meet the maximum projected demand, including a reserve margin as a contingency against forced and unforced outages, severe weather, and load forecast error. Customers that use electricity during the critical peak hours cause the utility to invest in generation and transmission facilities.

Q WHAT FACTORS CAUSE THE PER-UNIT COSTS TO DIFFER AMONG CUSTOMER CLASSES?

A Factors that affect the per-unit cost include whether a customer's usage is constant or fluctuating (load factor), whether the utility must invest in transformers and distribution systems to provide the electricity at lower voltage levels, the amount of electricity that a customer uses, and the quality of service (*e.g.,* firm or non-firm). In general, industrial consumers are less costly to serve on a per unit basis because they:

1. Operate at higher load factors;
2. Take service at higher delivery voltages; and
3. Use more electricity per customer.

A customer that purchases non-firm or interruptible service is receiving a lower quality of service than firm service. Thus, non-firm service is less costly per unit than firm service for customers that otherwise have the same characteristics.

Finally, a customer that assumes price risk, such as the case under Gulf's Schedule RTP (Real Time Pricing), is also less costly to serve. An RTP customer pays the hourly incremental cost plus a contribution to fixed costs. The incremental cost is not known until 24 hours prior to the next day. Thus, RTP is unlike any other rate.

All of these factors explain why some customers pay lower average rates than others.

For example, the difference in the losses incurred to deliver electricity at the various delivery voltages is a reason why the per-unit energy cost to serve is not the same for all customers. More losses occur to deliver electricity at distribution voltage (either primary or secondary) than at transmission voltage, which is generally the level at which industrial customers take service. This means that the cost per kWh is lower for a transmission customer than a distribution customer. The cost to deliver a kWh at primary distribution, though higher than the per-unit cost at transmission, is lower than the delivered cost at secondary distribution.

In addition to lower losses, transmission customers do not use the distribution system. Instead, transmission customers construct and own their own distribution systems. Thus, distribution system costs are not allocated to transmission level customers who do not use that system. Distribution customers, by contrast, require substantial investments in these lower voltage facilities to provide service. Secondary distribution customers require more investment than do primary distribution customers. This results in a different cost to serve each type of customer.

Two other cost drivers are efficiency and size. These drivers are important because most fixed costs are allocated on either a demand or customer basis.

Efficiency can be measured in terms of load factor. Load factor is the ratio of average demand (*i.e.*, energy usage divided by the number of hours in the period) to peak demand. A customer that operates at a high load factor is more efficient than a lower load factor customer because it requires less capacity for the same amount of energy. For example, assume that two customers purchase the same amount of energy, but one customer has an 80% load factor and the other has a 40% load factor. The 40% load factor customers would have twice the peak demand of the 80% load factor customers, and the utility would therefore require twice as much capacity to serve the 40% load factor customer as the 80% load factor. Said differently, the fixed costs to serve a high load factor customer are spread over more kWh usage than for a low load factor customer.

GULF POWER COMPANY

Increase in Electricity Costs Since Gulf's Last Rate Case

						Cost of Electricity at:				
Line	Rate	Demand (kW)		Energy (kWh)		June 2002 Rates	Present Rates	Percent Increase	Proposed Rates	Percent Increase
		(1)		(2)		(3)	(4)	(5)	(6)	(7)
1	**RS**			750		$57.45	$92.20	60%	$102.34	78%
2				1,000		$73.27	$119.60	63%	$131.45	79%
3				1,250		$89.09	$147.00	65%	$160.56	80%
4	**GS**			1,250		$100.91	$158.18	57%	$169.23	68%
5				1,500		$118.50	$187.21	58%	$199.47	68%
6				1,750		$136.08	$216.25	59%	$229.72	69%
7	**GSD**	20		11,000		$558.32	$1,056.51	89%	$1,101.64	97%
8		25		11,000		$585.42	$1,083.61	85%	$1,132.49	93%
9		50		11,000		$720.92	$1,219.11	69%	$1,286.74	78%
10	**LP**	500		288,000		$13,069	$25,868	98%	$27,214	108%
11		658		288,000		$14,452	$27,250	89%	$28,889	100%
12		1,315		288,000		$20,200	$32,999	63%	$35,853	77%
13	**LPT**	5,000	Max	600,000	On	$114,571	$220,651	93%	$232,899	103%
		5,000	On	1,800,000	Off					
14	**PX**	10,000		6,500,000		$248,381	$534,056	115%	$555,269	124%

Source: MFR Schedule A-2 in Docket Nos. 010949-EI and 110138-EI.

BRUBAKER & ASSOCIATES, INC.

July, 2011 Survey of Electricity Cost
for an Industrial Customer
50,000 kW Load, 90% Load Factor,
90% Power Factor and Transmission Service

Line	Utility Company	Mills per kWh
1	Gulf Power Company	81.09
2	Progress Energy Florida, Inc.	79.62
3	Tampa Electric Company	73.71
4	Georgia Power Company	73.59
5	Entergy Louisiana, Inc.	70.25
6	Entergy New Orleans, Inc.	68.72
7	Mississippi Power Company	66.65
8	South Carolina Electric & Gas Company	66.37
9	Central Louisiana Electric Company, Inc.	64.01
10	Florida Power & Light Company	62.36
11	Progress Energy Carolinas, Inc. - SC	61.88
12	Progress Energy Carolinas, Inc. - NC	61.63
13	Tennessee Valley Authority	58.19
14	Entergy Gulf States, Inc. - LA	57.87
15	Virginia Electric and Power Company	57.04
16	Monongahela Power Company, WV	56.02
17	Alabama Power Company	55.67
18	Entergy Texas Inc.- TX	55.47
19	Southwestern Electric Power Company, LA	53.25
20	Kentucky Power Company	50.80
21	Entergy Mississippi, Inc.	50.36
22	Entergy Arkansas, Inc.	50.00
23	Louisville Gas and Electric Company	48.46
24	Appalachian Power Company, WV	48.45
25	Southwestern Electric Power Company, TX	46.64
26	Ameren Missouri	45.32
27	Appalachian Power Company, VA	44.84
28	Duke Energy Carolinas, NC	43.78
29	Duke Energy Carolinas, SC	41.41
30	Kentucky Utilities Company	40.83
31	**Average**	**57.81**

Notes: The above was prepared by Brubaker & Associates, Inc. using publicly available information.
Calculations do not include sales or use tax.
For base rates (that vary by season i.e. not fuel or other riders), a seasonal blended rate is used.

BRUBAKER & ASSOCIATES, INC.

January, 2011 Survey of Electricity Cost
for an Industrial Customer
50,000 kW Load, 90% Load Factor,
90% Power Factor and Transmission Service

Line	Utility Company	Mills per kWh
1	Georgia Power Company	100.79
2	Gulf Power Company	81.09
3	Progress Energy Florida, Inc.	79.62
4	Tampa Electric Company	73.71
5	Mississippi Power Company	67.13
6	South Carolina Electric & Gas Company	66.43
7	Progress Energy Carolinas, Inc. - NC	62.90
8	Florida Power & Light Company	61.09
9	Progress Energy Carolinas, Inc. - SC	59.68
10	Entergy Texas Inc.- TX	59.11
11	Central Louisiana Electric Company, Inc.	56.85
12	Monongahela Power Company, WV	56.02
13	Tennessee Valley Authority	55.19
14	Entergy Mississippi, Inc.	54.19
15	Entergy New Orleans, Inc.	52.40
16	Virginia Electric and Power Company	52.17
17	Entergy Louisiana, Inc.	52.00
18	Entergy Gulf States, Inc. - LA	51.53
19	Alabama Power Company	50.22
20	Kentucky Power Company	49.40
21	Southwestern Electric Power Company, LA	48.33
22	Appalachian Power Company, WV	47.87
23	Ameren Missouri	45.89
24	Appalachian Power Company, VA	44.84
25	Duke Energy Carolinas, NC	43.96
26	Entergy Arkansas, Inc.	43.52
27	Duke Energy Carolinas, SC	41.44
28	Southwestern Electric Power Company, TX	39.86
29	Louisville Gas and Electric Company	39.18
30	Kentucky Utilities Company	38.28
31	**Average**	**55.82**

Notes: The above was prepared by Brubaker & Associates, Inc. using publicly available information.
Calculations do not include sales or use tax.
For base rates (that vary by season i.e. not fuel or other riders), a seasonal blended rate is used.

2/24/2011

BRUBAKER & ASSOCIATES, INC.

October, 2010 Survey of Electricity Cost
for an Industrial Customer
50,000 kW Load, 90% Load Factor,
90% Power Factor and Transmission Service

Line	Utility Company	Mills per kWh
1	Progress Energy Florida, Inc.	86.58
2	Gulf Power Company	85.17
3	Tampa Electric Company	80.22
4	Entergy New Orleans, Inc.	74.12
5	Mississippi Power Company	72.37
6	Georgia Power Company	71.95
7	South Carolina Electric & Gas Company	68.35
8	Progress Energy Carolinas, Inc. - NC	67.80
9	Entergy Louisiana, Inc.	65.47
10	Entergy Texas Inc.- TX (formerly Entergy Gulf States TX)	62.71
11	Florida Power & Light Company	62.67
12	Progress Energy Carolinas, Inc. - SC	62.66
13	Central Louisiana Electric Company, Inc.	61.39
14	Tennessee Valley Authority	61.16
15	Entergy Gulf States, Inc. - LA	58.65
16	Monongahela Power Company, WV	56.28
17	Kentucky Power Company	53.30
18	Southwestern Electric Power Company, LA	52.34
19	Alabama Power Company	52.12
20	Virginia Electric and Power Company	51.36
21	Entergy Mississippi, Inc.	47.87
22	Appalachian Power Company, WV	47.87
23	Appalachian Power Company, VA	47.63
24	Louisville Gas and Electric Company	47.07
25	Entergy Arkansas, Inc.	46.74
26	Southwestern Electric Power Company, TX	45.96
27	Ameren Missouri	44.80
28	Kentucky Utilities Company	44.21
29	Duke Energy Carolinas, SC	44.09
30	Duke Energy Carolinas, NC	43.85
31	**Average**	**58.89**

The above was prepared by Brubaker & Associates, Inc. using publicly available information.

10/20/2010

BRUBAKER & ASSOCIATES, INC.

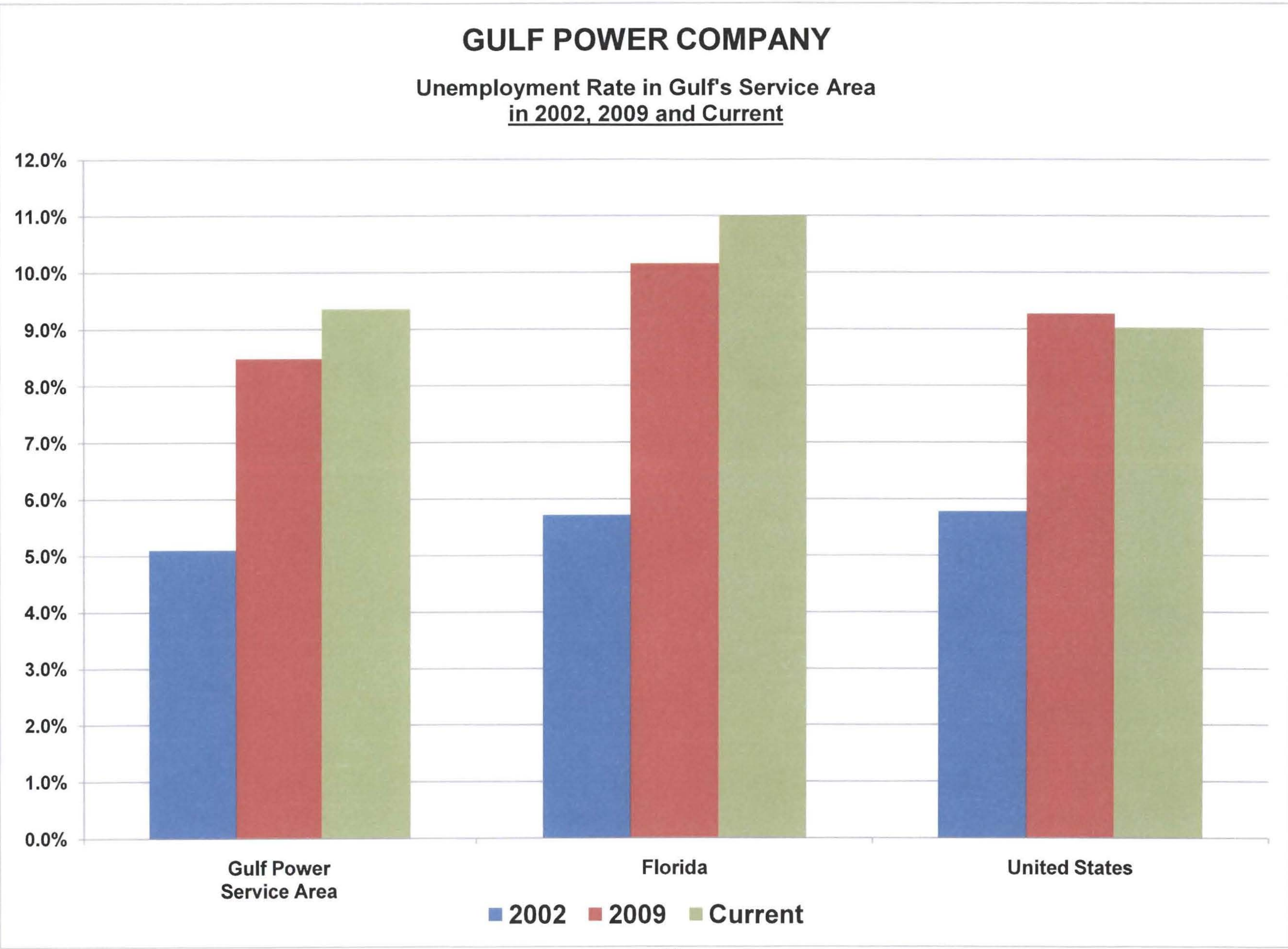
July 2010 Survey of Electricity Cost
for an Industrial Customer
50,000 kW Load, 90% Load Factor,
90% Power Factor and Transmission Service

Line	Utility Company	Mills per kWh
1	Entergy New Orleans, Inc.	87.76
2	Progress Energy Florida, Inc.	86.58
3	Gulf Power Company	85.17
4	Tampa Electric Company	80.22
5	Mississippi Power Company	72.37
6	Georgia Power Company	71.95
7	Entergy Texas Inc.- TX (formerly Entergy Gulf States TX)	71.48
8	Progress Energy Carolinas, Inc. - NC	67.80
9	South Carolina Electric & Gas Company	66.95
10	Progress Energy Carolinas, Inc. - SC	63.26
11	Florida Power & Light Company	62.92
12	Entergy Louisiana, Inc.	61.01
13	Entergy Mississippi, Inc.	60.95
14	Entergy Gulf States, Inc. - LA	56.81
15	Monongahela Power Company, WV	56.28
16	Kentucky Power Company	55.22
17	Central Louisiana Electric Company, Inc.	55.10
18	Alabama Power Company	55.05
19	Tennessee Valley Authority	53.83
20	Appalachian Power Company, VA	53.12
21	Virginia Electric and Power Company	51.36
22	Louisville Gas and Electric Company	50.52
23	Southwestern Electric Power Company, TX	50.10
24	Duke Energy Carolinas, NC	50.09
25	Kentucky Utilities Company	48.53
26	Appalachian Power Company, WV	47.87
27	Duke Energy Carolinas, SC	43.35
28	AmerenUE, MO	42.70
29	Southwestern Electric Power Company, LA	42.67
30	Entergy Arkansas, Inc.	41.37
31	**Average**	**59.75**

The above was prepared by Brubaker & Associates, Inc. using publicly available information.

8/23/2010

Docket No. 110138-EI
Unemployment Rate
Exhibit JP-3



CHAPTER 6

CLASSIFICATION AND ALLOCATION OF DISTRIBUTION PLANT

Distribution plant equipment reduces high-voltage energy from the transmission system to lower voltages, delivers it to the customer and monitors the amounts of energy used by the customer.

Distribution facilities provide service at two voltage levels: primary and secondary. Primary voltages exist between the substation power transformer and smaller line transformers at the customer's points of service. These voltages vary from system to system and usually range between 480 volts to 35 KV. In the last few years, advances in equipment and cable technology have permitted the use of higher primary distribution voltages. Primary voltages are reduced to more usable secondary voltages by smaller line transformers installed at customer locations along the primary distribution circuit. However, some large industrial customers may choose to install their own line transformers and take service at primary voltages because of their large electrical requirements.

In some cases, the utility may choose to install a transformer for the exclusive use of a single commercial or industrial customer. On the other hand, in service areas with high customer density, such as housing tracts, a line transformer will be installed to serve many customers. In this case, secondary voltage lines run from pole-to-pole or from handhole-to-handhole, and each customer is served by a drop tapped off the secondary line leading directly to the customer's premise.

I. COST ACCOUNTING FOR DISTRIBUTION PLANT AND EXPENSES

The Federal Energy Regulatory Commission (FERC) Uniform System of Accounts requires separate accounts for distribution investment and expenses. Distribution plant accounts are summarized and classified in Table 6-1. Distribution expense accounts are summarized and classified in Table 6-2. Some utilities may choose to establish subaccounts for more detailed cost reporting.

TABLE 6-1

CLASSIFICATION OF DISTRIBUTION PLANT[1]

FERC Uniform System of Accounts No.	Description	Demand Related	Customer Related
	Distribution Plant [2]		
360	Land & Land Rights	X	X
361	Structures & Improvements	X	X
362	Station Equipment	X	-
363	Storage Battery Equipment	X	-
364	Poles, Towers, & Fixtures	X	X
365	Overhead Conductors & Devices	X	X
366	Underground Conduit	X	X
367	Underground Conductors & Devices	X	X
368	Line Transformers	X	X
369	Services	-	X
370	Meters	-	X
371	Installations on Customer Premises	-	X
372	Leased Property on Customer Premises	-	X
373	Street Lighting & Signal Systems [1]	-	-

[1]Assignment or "exclusive use" costs are assigned directly to the customer class or group which exclusively uses such facilities. The remaining costs are then classified to the respective cost components.

[2]The amounts between classification may vary considerably. A study of the minimum intercept method or other appropriate methods should be made to determine the relationships between the demand and customer components.

TABLE 6-2

CLASSIFICATION OF DISTRIBUTION EXPENSES[1]

FERC Uniform System of Accounts No.	Description	Demand Related	Customer Related
	Operation [2]		
580	Operation Supervision & Engineering	X	X
581	Load Dispatching	X	-
582	Station Expenses	X	-
583	Overhead Line Expenses	X	X
584	Underground Line Expenses	X	X
585	Street Lighting & Signal System Expenses [1]	-	-
586	Meter Expenses	-	X
587	Customer Installation Expenses	-	X
588	Miscellaneous Distribution Expenses	X	X
589	Rents	X	X
	Maintenance [2]		
590	Maintenance Supervision & Engineering	X	X
591	Maintenance of Structures	X	X
592	Maintenance of Station Equipment	X	-
593	Maintenance of Overhead Lines	X	X
594	Maintenance of Underground Lines	X	X
595	Maintenance of Line Transformers	X	X
596	Maint. of Street Lighting & Signal Systems [1]	-	-
597	Maintenance of Meters	-	X
598	Maint. of Miscellaneous Distribution Plants	X	X

[1]Direct assignment or "exclusive use" costs are assigned directly to the customer class or group which exclusively uses such facilities. The remaining costs are then classified to the respective cost components.

[2]The amounts between classifications may vary considerably. A study of the minimum intercept method or other appropriate methods should be made to determine the relationships between the demand and customer components.

To ensure that costs are properly allocated, the analyst must first classify each account as demand-related, customer-related, or a combination of both. The classification depends upon the analyst's evaluation of how the costs in these accounts were incurred. In making this determination, supporting data may be more important than theoretical considerations.

Allocating costs to the appropriate groups in a cost study requires a special analysis of the nature of distribution plant and expenses. This will ensure that costs are assigned to the correct functional groups for classification and allocation. As indicated in Chapter 4, all costs of service can be identified as energy-related, demand-related, or customer-related. Because there is no energy component of distribution-related costs, we need consider only the demand and customer components.

To recognize voltage level and use of facilities in the functionalization of distribution costs, distribution line costs must be separated into overhead and underground, and primary and secondary voltage classifications. A typical functionalization and classification of distribution plant would appear as follows:

Substations:	Demand
Distribution:	Overhead Primary
	Demand
	Customer
	Overhead Secondary
	Demand
	Customer
	Underground Primary
	Demand
	Customer
	Underground Secondary
	Demand
	Customer
	Line Transformers
	Demand
	Customer
Services:	Overhead
	Demand
	Customer
	Underground
	Demand
	Customer
Meters:	Customer
Street Lighting:	Customer
Customer Accounting:	Customer
Sales:	Customer

From this breakdown it can be seen that each distribution account must be analyzed before it can be assigned to the appropriate functional category. Also, these accounts must be classified as demand-related, customer-related, or both. Some utilities assign distribution to customer-related expenses. Variations in the demands of various customer groups are used to develop the weighting factors for allocating costs to the appropriate group.

II. DEMAND AND CUSTOMER CLASSIFICATIONS 0F DISTRIBUTION PLANT ACCOUNTS

When the utility installs distribution plant to provide service to a customer and to meet the individual customer's peak demand requirements, the utility must classify distribution plant data separately into demand- and customer-related costs.

Classifying distribution plant as a demand cost assigns investment of that plant to a customer or group of customers based upon its contribution to some total peak load. The reason is that costs are incurred to serve area load, rather than a specific number of customers.

Distribution substations costs (which include Accounts 360 -Land and Land Rights, 361 - Structures and Improvements, and 362 -Station Equipment), are normally classified as demand-related. This classification is adopted because substations are normally built to serve a particular load and their size is not affected by the number of customers to be served.

Distribution plant Accounts 364 through 370 involve demand and customer costs. The customer component of distribution facilities is that portion of costs which varies with the number of customers. Thus, the number of poles, conductors, transformers, services, and meters are directly related to the number of customers on the utility's system. As shown in Table 6-1, each primary plant account can be separately classified into a demand and customer component. Two methods are used to determine the demand and customer components of distribution facilities. They are, the minimum-size-of-facilities method, and the minimum-intercept cost (zero-intercept or positive-intercept cost, as applicable) of facilities.

A. The Minimum-Size Method

Classifying distribution plant with the minimum-size method assumes that a minimum size distribution system can be built to serve the minimum loading requirements of the customer. The minimum-size method involves determining the minimum size pole, conductor, cable, transformer, and service that is currently installed by the utility. Normally, the average book cost for each piece of equipment determines the price of all installed units. Once determined for each primary plant account, the minimum size distribution system is classified as customer-related costs. The demand-related costs for each account are the difference between the total investment in the account and customer-related costs. Comparative studies between the minimum-size and other methods show that it generally produces a larger customer component than the zero-intercept method (to be discussed). The following describes the methodologies for determining the minimum size for distribution plant Accounts 364, 365, 366, 367, 368, and 369.

1. **Account 364 - Poles, Towers, and Fixtures**

   - Determine the average installed book cost of the minimum height pole currently being installed.

   - Multiply the average book cost by the number of poles to find the customer component. Balance of plant account is the demand component.

2. **Account 365 - Overhead Conductors and Devices**

   - Determine minimum size conductor currently being installed.

   - Multiply average installed book cost per mile of minimum size conductor by the number of circuit miles to determine the customer component. Balance of plant account is demand component. (Note: two conductors in minimum system.)

3. **Accounts 366 and 367 - Underground Conduits, Conductors, and Devices**

   - Determine minimum size cable currently being installed.

   - Multiply average installed book cost per mile of minimum size cable by the circuit miles to determine the customer component. Balance of plant Account 367 is demand component. (Note: one cable with ground sheath is minimum system.) Account 366 conduit is assigned, basedon ratio of cable account.

   - Multiply average installed book cost of minimum size transformer by number of transformers in plant account to determine the customer component. Balance of plant account is demand component.

4. **Account 368 - Line Transformers**

   - Determine minimum size transformer currently being installed.

- Multiply average installed book cost of minimum size transformer by number of transformers in plant account to determine the customer component.

5. Account 369 - Services

- Determine minimum size and average length of services currently being installed.
- Estimate cost of minimum size service and multiply by number of services to get customer component.
- If overhead and underground services are booked separately, they should be handled separately. Most companies do not book service by size. This requires an engineering estimate of the cost of the minimum size, average length service. The resultant estimate is usually higher than the average book cost. In addition, the estimate should be adjusted for the average age of service, using a trend factor.

B. The Minimum-Intercept Method

The minimum-intercept method seeks to identify that portion of plant related to a hypothetical no-load or zero-intercept situation. This requires considerably more data and calculation than the minimum-size method. In most instances, it is more accurate, although the differences may be relatively small. The technique is to relate installed cost to current carrying capacity or demand rating, create a curve for various sizes of the equipment involved, using regression techniques, and extend the curve to a no-load intercept. The cost related to the zero-intercept is the customer component. The following describes the methodologies for determining the minimum intercept for distribution-plant Accounts 364, 365, 366, 367, and 368.

1. Account 364 - Poles, Towers, and Fixtures

- Determine the number, investment, and average installed book cost of distribution poles by height and class of pole. (Exclude stubs for guying.)
- Determine minimum intercept of pole cost by creating a regression equation, relating classes and heights of poles, and using the Class 7 cost intercept for each pole of equal height weighted by the number of poles in each height category.
- Multiply minimum intercept cost by total number of distribution poles to get customer component.

- Balance of pole investment is assigned to demand component.

- Total account dollars are assigned based on ratio of pole investment. (Transformer platforms in Account 364 are all demand-related. They should be removed before determining the account ratio of customer- and demand-related costs, and then they should be added to the demand portion of Account 364.)

2. Account 365 - Overhead Conductors and Devices

- If accounts are divided between primary and secondary voltages, develop a customer component separately for each. The total investment is assigned to primary and secondary; then the customer component is developed for each. Since conductors generally are of many types and sizes, select those sizes and types which represent the bulk of the investment in this account, if appropriate.

- When developing the customer component, consider only the investment in conductors, and not such devices as circuit breakers, insulators, switches, etc. The investment in these devices will be assigned later between the customer and demand component, based on the conductor assignment.

  - Determine the feet, investment, and average installed book cost per foot for distribution conductors by size and type.

  - Determine minimum intercept of conductor cost per foot using cost per foot by size and type of conductor weighted by feet or investment in each category, and developing a cost for the utility's minimum size conductor.

  - Multiply minimum intercept cost by the total number of circuit feet times 2. (Note that circuit feet, not conductor feet, are used to get customer component.)

  - Balance of conductor investment is assigned to demand.

  - Total primary or secondary dollars in the account, including devices, are assigned to customer and demand components based on conductor investment ratio.

3. Accounts 366 and 367 - Underground Conduits, Conductors, and Devices

- The customer demand component ratio is developed for conductors and applied to conduits. Underground conductors are generally booked by type and size of conductor for both one-conductor (l/c) cable and three-conductor (3/c) cables. If conductors are booked by voltage, as between primary and secondary, a customer component is developed for each. If network and URD investments are segregated, a customer component must be developed for each.

- The conductor sizes and types for the customer component derivation are restricted to l/c cable. Since there are generally many types and sizes of l/c cable, select those sizes and types which represent the bulk of the investment, when appropriate.
  - Determine the feet, investment, and average installed book cost per foot for l/c cables by size and type of cable.
  - Determine minimum intercept of cable cost per foot using cost per foot by size and type of cable weighted by feet of investment in each category.
  - Multiply minimum intercept cost by the total number of circuit feet (l/c cable with sheath is considered a circuit) to get customer component.
  - Balance of cable investment is assigned to demand.
  - Total dollars in Accounts 366 and 367 are assigned to customer and demand components based on conductor investment ratio.

4. Account 368 - Line Transformers

- The line transformer account covers all sizes and voltages for single- and three-phase transformers. Only single-phase sizes up to and including 50 KVA should be used in developing the customer components. Where more than one primary distribution voltage is used, it may be appropriate to use the transformer price from one or two predominant, selected voltages.
  - Determine the number, investment, and average installed book cost per transformer by size and type (voltage).
  - Determine zero intercept of transformer cost using cost per transformer by type, weighted by number for each category.
  - Multiply zero intercept cost by total number of line transformers to get customer component.
  - Balance of transformer investment is assigned to demand component.
  - Total dollars in the account are assigned to customer and demand components based on transformer investment ratio from customer and demand components.

C. The Minimum-System vs. Minimum-Intercept Approach

When selecting a method to classify distribution costs into demand and customer costs, the analyst must consider several factors. The minimum-intercept method can sometimes produce statistically unreliable results. The extension of the regression equation beyond the boundaries of the data normally will intercept the Y axis at a positive value. In some cases, because of incorrect accounting data or some other abnormality in the data, the regression equation will intercept the Y axis at a negative value. When this happens, a review of the accounting data must be made, and suspect data deleted.

The results of the minimum-size method can be influenced by several factors. The analyst must determine the minimum size for each piece of equipment: "Should the minimum size be based upon the minimum size equipment currently installed, historically installed, or the minimum size necessary to meet safety requirements?" The manner in which the minimum size equipment is selected will directly affect the percentage of costs that are classified as demand and customer costs.

Cost analysts disagree on how much of the demand costs should be allocated to customers when the minimum-size distribution method is used to classify distribution plant. When using this distribution method, the analyst must be aware that the minimum-size distribution equipment has a certain load-carrying capability, which can be viewed as a demand-related cost.

When allocating distribution costs determined by the minimum-size method, some cost analysts will argue that some customer classes can receive a disproportionate share of demand costs. Their rationale is that customers are allocated a share of distribution costs classified as demand-related. Then those customers receive a second layer of demand costs that have been mislabeled customer costs because the minimum-size method was used to classify those costs.

Advocates of the minimum-intercept method contend that this problem does not exist when using their method. The reason is that the customer cost derived from the minimum-intercept method is based upon the zero-load intercept of the cost curve. Thus, the customer cost of a particular piece of equipment has no demand cost in it whatsoever.

D. Other Accounts

The preceding discussion of the merits of minimum-system versus the zero-intercept classification schemes will affect the major distribution-plant accounts for FERC Accounts 364 through 368. Several other plant accounts remain to be classified. While the classification of the following distribution-plant accounts is an important step,

Docket No. 110138-EI
Distribution Classification
Exhibit___ (JP-5)

GULF POWER COMPANY

Utilities that Classify a Portion of their Distribution Network Investment as Customer-Related

Line	Utility	Docket/Case No.	FERC Account No. 364	365	366	367	368	Total
			(1)	(2)	(3)	(4)	(5)	(6)
1	Alabama Power Company	18117 & 18416	100%	50%	100%	50%	28%	57%
2	Ameren Missouri	ER-2011-0028	22%	41%	68%	68%	57%	50%
3	Central Hudson Gas & Electric Company	09-E-0588	70%	71%	77%	75%	53%	67%
4	Georgia Power Company	D-31958	74%	29%	7%	8%	15%	26%
5	Gulf Power Company	110138-EI	65%	13%	4%	5%	25%	27%
6	Minnesota Power	D-E-015/GR-09-1151	35%	35%	26%	26%	22%	29%
7	Mississippi Power Company	Note 1	50%	53%	46%	59%	51%	52%
8	Niagara Mohawk	10-E-0050	50%	50%	54%	53%	0%	39%
9	Northern States Power Company	E002/GR-10-971	45%	45%	71%	71%	46%	61%
10	Progress Energy Carolina	E-2,Sub 537A	56%	56%	0%	0%	30%	32%
11	South Carolina Electric & Gas Company	2009-489-E	40%	40%	41%	41%	27%	37%
12	Kentucky Utilities	2008-00251	79%	79%	79%	79%	48%	69%
13	Louisville Gas and Electric Company	2008-00252	61%	61%	63%	63%	49%	59%
14	Virginia Electric Power Company	07-551-EL-AIR	45%	20%	17%	17%	10%	19%
15	Wisconsin Public Service Corporation	6690-UR-119	49%	71%	0%	72%	64%	59%

Denotes Southern Company affiliate.

Note 1: Source: Gulf's Response to Staff's Sixth Request for Production of Documents, No. 22.

Docket No. 110138-EI
Storm Reserve
Exhibit___ (JP 6)

GULF POWER COMPANY

Charges to the Storm Reserve

2006 through June 2011

Line	Year	Description	Amount Charged to Reserve ($000)
	(1)	(2)	(3)
1	2006	Tropical Storm Arlene	$1.7
		Smith Plant Fire	$2,000.0
		Panama City Thunderstorm	$133.9
		Securization Filing	$300.0
2	2007	Crist Plant Lightning Damage	$1,550.3
3	2008	Tropical Storm Fay	$793.3
4		Hurricane Gustav	$394.6
5		Hurricane Ike	$69.4
6	2009	Hurricane Gustav	$5.4
7		Hurricane Ike	($53.8)
8		Tropical Storm Ida	$95.3
9	2010	No Charges	$0.0
10	2011	No Charges through June	$0.0
11	**Total**		$5,290.1
12	**Annual Average**		$961.8

Source: Gulf's Response to Citizens Interrogatory Set 4 No. 197

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in Rates by Gulf Power Company ______________________/	DOCKET NO.: 110138-EI DATED: October 14, 2011

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the Florida Industrial Power Users Group's Testimony and Exhibits of Jeffry Pollock on CD has been furnished by U.S. Mail this 14th day of October, 2011, to the following:

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