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October 26, 2011

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COMMISSION CLERK

Ms. Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 110138-EI Petition for increase in rates by Gulf Power Company

Dear Ms. Cole:

Enclosed for filing in the above docket is the Redacted Version of the prefiled testimony of OPC witness Kimberly H. Dismukes.

On October 14, 2011, the Office of Public Counsel submitted one copy of the prefiled testimony of Ms. Dismukes under Gulf Power Company's claim of confidentiality. This procedure was an interim measure, designed to enable OPC to adhere to the procedural schedule while providing Gulf Power Company an opportunity to review the testimony and redact the material that it regards as confidential. The enclosed Redacted Version reflects Gulf Power's review. Counsel for Gulf Power will provide its revised request for confidentiality, including the highlighted confidential material and the accompanying detailed justification, in a separate filing.

Thank you for your assistance.

Sincerely,

Joe A. McGlothlin
Joseph A. McGlothlin
Associate Public Counsel

COM 5
APA 1
ECR 6
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CLK cf. RPR

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Enclosure

cc: Parties of record
Caroline Klancke

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the Redacted Version of the Prefiled Testimony of Kimberly H. Dismukes was furnished by e-mail and/or U.S. Mail this 26th day of October, 2011 to:

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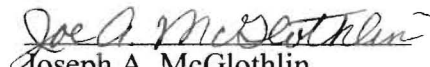
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Joseph A. McGlothlin
Associate Public Counsel

REDACTED VERSION

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

DIRECT TESTIMONY

OF

KIMBERLY H. DISMUKES

ON BEHALF OF THE CITIZENS

OF THE STATE OF FLORIDA

DOCUMENT NO. DATE

07895-11 10/26/11
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EXHIBITS

Schedule 1	Qualifications Appendix
Schedule 2	Southern Company Organizational Chart
Schedule 3	Test Year Transactions with Affiliated Companies
Schedule 4	Charges from SCS to Affiliates 2005 - 2010
Schedule 5	Company Fixed Percentage Allocation Factors
Schedule 6	Company Statistics for Developing Fixed Percentage Allocations
Schedule 7	Recommended Financial Allocation Factor
Schedule 8	Recommended Fixed Percentage Allocation Factors
Schedule 9	Adjustment for Recommended Allocation Factors
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Schedule 11	Gulf Power Nonregulated Services
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Schedule 13	Recommended Disallowances for SCS Work Orders Schedule 13

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DIRECT TESTIMONY

OF

Kimberly H. Dismukes

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 110138-EI

Q. WHAT IS YOUR NAME AND ADDRESS?

A. Kimberly H. Dismukes, 5800 One Perkins Place Drive, Suite 5F, Baton Rouge, Louisiana
70808.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am a partner in the firm of Acadian Consulting Group, LLC which specializes in the field of public utility regulation. I have been retained by the Office of the Public Counsel (“OPC”) on behalf of the Citizens of the State of Florida to analyze the application of Gulf Power Company (“Gulf Power” or “Company”) to increase its rates and charges.

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1 **Q. DO YOU HAVE A SCHEDULE THAT DESCRIBES YOUR QUALIFICATIONS**
2 **IN REGULATION?**

3 A. Yes. Schedule KHD-1, was prepared for this purpose.
4

5 **Q. DO YOU HAVE SCHEDULES IN SUPPORT OF YOUR TESTIMONY?**

6 A. Yes. Schedules KHD-2 through KHD-13 were prepared for this purpose.
7

8 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

9 A. My testimony is organized into five sections. In the first section, I give a brief
10 background of the instant proceeding. In the second section, I discuss the importance of
11 monitoring affiliate transactions. In the third section, I address the relationships between
12 Gulf Power and its affiliates. In the fourth section, I address the allocation of costs from
13 Southern Company Services (“SCS”), the service company that provides service to the
14 Company as well as its sister companies. In section five, I address other affiliate
15 transaction adjustments to test year expenses and investments.

16 **I. Background**

17 **Q. WOULD YOU PLEASE PROVIDE SOME BACKGROUND TO THIS**
18 **PROCEEDING?**

19 A. Yes. Gulf Power is a wholly-owned subsidiary of The Southern Company (“Southern
20 Company”). The Company is headquartered in Pensacola, Florida, and has provided
21 electric utility service since 1926. Currently, Gulf Power serves more than 431,000 retail

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1 customers across eight counties in Northwest Florida through the generation,
2 transmission, distribution, and sale of electric energy and energy-related services.

3
4 **Q. HOW LONG HAS IT BEEN SINCE GULF POWER'S LAST RATE CASE?**

5 A. It has been slightly more than nine years since the Company's last rate case. The base
6 rate portions of the Company's current rates and charges were established by Order No.
7 PSC-02-0787-FOF-EI, issued June 10, 2002, in Docket No. 010949-EI, based on a
8 projected test year and 13-month average rate base ending May 31, 2003.

9
10 **II. Affiliate Transactions: Importance of Review**

11 **Q. WHY IS IT IMPORTANT TO CLOSELY EXAMINE AFFILIATE**
12 **TRANSACTIONS?**

13 A. In a situation involving the provision of services between affiliated companies, the
14 associated transactions and costs do not represent arms-length dealings. Cost allocation
15 techniques and methods of charging affiliates should be reviewed and analyzed
16 frequently to ensure that the company's regulated operations are not subsidizing the
17 nonregulated operations. Because of the relationship between Gulf Power and the
18 affiliates which contribute to expenses included on the books of the Company, the arms-
19 length bargaining of a normal competitive environment is not present in their
20 transactions. Although each of the affiliated companies is supposedly separate,
21 relationships between Gulf Power and its affiliates are still close – they all belong to one
22 corporate family, Southern Company. In the absence of regulation, there is no assurance
23 that affiliate transactions and allocations will not translate into unnecessarily high charges

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1 for Gulf Power's customers. Even when the methodologies for cost allocation and pricing
2 have been explicitly stated, close scrutiny of affiliate relationships is still warranted.
3 Regardless of whether or not Southern Company, the holding company, explicitly
4 establishes a methodology for the allocation and distribution of affiliate costs, there is an
5 incentive to allocate or shift costs to regulated companies so that the nonregulated
6 companies can reap the benefits with higher profits for shareholders.

7
8 **Q. DOES THE COMMISSION HAVE ANY GUIDELINES WHICH CONTROL THE**
9 **PRICING ARRANGEMENTS BETWEEN UTILITIES AND THEIR**
10 **AFFILIATES?**

11 A. Yes. The Commission's Rules set forth the criteria to be followed by electric utilities
12 when transacting with affiliates. Rule 25-6.1351, Florida Administrative Code (F.A.C.),
13 details the Commission's policy. It excludes affiliate transactions related to the purchase
14 of fuel and related transportation services that are subject to the Commission's review in
15 cost recovery proceedings. Subsection (3) of the rule provides specific details about the
16 pricing between affiliates and the regulated utility.¹ It states that purchases from the
17 utility by the affiliate must be at the higher of fully allocated cost or market price.² The
18 rule further states that purchases from the affiliate must be at the lower of fully allocated
19 cost or market price.³ Finally, the rule states that assets transferred from the affiliate to
20 the utility must be transferred at the lower of cost or market, and assets transferred from
21 the utility to the affiliate must be transferred at the higher of cost or market.⁴

¹ Rule 25-6.1351 (3), F.A.C.

² Rule 25-6.1351 (3)(b), F.A.C.

³ Rule 25-6.1351 (3)(c), F.A.C.

⁴ Rule 25-6.1351 (3)(d), F.A.C.

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1 **Q. HAS THE COMMISSION ADDRESSED AFFILIATE TRANSACTIONS IN ANY**
2 **ORDERS?**

3 A. Yes. The Commission has expressed its opinion on affiliate transactions and the
4 precedent that should be followed when examining affiliate transactions. Although a
5 transaction between related parties is not *per se* unreasonable, by their very nature
6 transactions between related parties require closer scrutiny. It is always the utility's
7 burden to prove that its costs are reasonable.⁵ This burden is even greater when the
8 transaction is between related parties. In GTE Florida, Inc. v. Deason, the Court
9 established that the standard to use in evaluating affiliate transactions is whether those
10 transactions exceed the going market rate or are otherwise inherently unfair.⁶

11

12 **Q. DOES NARUC HAVE GUIDELINES RELATING TO COST ALLOCATIONS**
13 **AND AFFILIATE TRANSACTIONS?**

14 A. Yes. The National Association of Regulatory Utility Commissioners (“NARUC”)
15 adopted the “NARUC Guidelines for Cost Allocations and Affiliate Transactions”
16 (“Guidelines”) addressing electric and gas operations on July 12, 1999. In a letter to the
17 Securities Exchange Commission, NARUC explained that these Guidelines were
18 intended to provide guidance to jurisdictional regulatory authorities, regulated utilities,
19 and their affiliates in the development of procedures and recording of transactions for
20 services and products between a regulated entity and affiliates.⁷

⁵ Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982).

⁶ GTE Florida, Inc. v. Deason, 642 So. 2d 545, 548 (Fla. 1994).

⁷ National Association of Regulatory Utility Commissioners (“NARUC”) comment letter regarding the Securities and Exchange Commission’s (“SEC”) notice of proposed rulemaking on Foreign Utility Companies published at 66 Fed. Reg. 9,247 (February 7, 2001). April 9, 2001, p. 3. (hereinafter “NARUC SEC letter”) available at <http://www.sec.gov/rules/proposed/s70501/ramsay1.htm>.

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1 The prevailing premise of NARUC’s Guidelines is that allocation methods should not
2 result in subsidization of nonregulated services or products by regulated entities. When it
3 comes to allocating costs, the Guidelines state that all direct and allocated costs between
4 regulated and nonregulated services and products should be traceable on the books of the
5 applicable regulated utility to the applicable Uniform System of Accounts. NARUC’s
6 Guidelines also state the primary cost driver of common costs, or a relevant proxy in
7 absence thereof, should be identified and used to allocate costs. In addition indirect costs
8 of each business unit, including the allocated costs of shared services, should be spread to
9 the services or products to which they relate using relevant cost allocators.⁸

10
11 NARUC’s Guidelines further discuss pricing affiliate transactions, which are based on
12 two assumptions:

13 First, affiliate transactions raise the concern of self-dealing where market
14 forces do not necessarily drive prices. Second, utilities have a natural
15 business incentive to shift costs from non-regulated competitive operations
16 to regulated monopoly operations since recovery is more certain with
17 captive ratepayers.⁹ . . .

18 The Guidelines state that products and services provided by the regulated utility to
19 nonregulated affiliates should be priced at the higher of cost or market while products and
20 services provided by the nonregulated affiliate to the regulated utility should be priced at
21 the lower of cost or market. For all affiliate transactions, an audit trail should exist, and
22 state regulators should have complete access to all affiliate records necessary to ensure

⁸NARUC SEC letter at 3, 5.

⁹ NARUC SEC letter at 6.

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1 that cost allocations and affiliate transactions are conducted in accordance with the
2 Guidelines.¹⁰

3
4 **Q. WOULD YOU PLEASE COMMENT ON THE COMPANY'S STATEMENT IN**
5 **SCS' "COST ACCOUNTABILITY AND COST CONTROL MANUAL" THAT**
6 **THE FACTORS USED TO ALLOCATE COSTS BETWEEN GULF POWER AND**
7 **ITS AFFILIATES WERE APPROVED BY THE SECURITIES AND EXCHANGE**
8 **COMMISSION ("SEC")?**

9 A. Yes. Under the Public Utility Holding Company Act of 1935, the SEC had authority to
10 approve the allocation of costs between affiliated utility companies. However, this act
11 was repealed with the enactment of the Energy Policy Act of 2005, and the authority now
12 rests with the Federal Energy Regulatory Commission ("FERC") and state regulators.¹¹

13
14 **III. Gulf Power Affiliates**

15 **Q. WOULD YOU PLEASE DESCRIBE GULF POWER'S AFFILIATES?**

16 A. Southern Company, the parent company of Gulf Power, is a publicly traded holding
17 company with both regulated and nonregulated subsidiaries operating in four states.
18 Schedule KHD-2 of my exhibit contains an organizational chart of Southern Company
19 and its affiliates. Its regulated utilities serve over four million customers and include
20 Alabama Power, Georgia Power, Gulf Power, and Mississippi Power. In addition to its
21 regulated subsidiaries, Southern Company owns several nonregulated subsidiaries:

¹⁰ NARUC SEC letter at 6.

¹¹ Energy Policy Act of 2005, Sec. 1263 and 1267.

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- 1 • Southern Power Company (“Southern Power”) – constructs, acquires, owns, and
2 manages generation assets and sells electricity in the wholesale market;
- 3 • SouthernLINC Wireless – provides digital wireless communications for use by
4 Southern Company and its subsidiary companies and markets these services to the
5 public and also provides wholesale fiber optic solutions to telecommunication
6 providers in the Southeast;
- 7 • Southern Nuclear – operates and provides services to Alabama Power’s and
8 Georgia Power’s nuclear plants and is currently developing new nuclear
9 generation at Plant Vogtle.
- 10 • Southern Electric Generating Company (“SEGCO”) – is equally owned by
11 Alabama Power and Georgia Power. SEGCO owns electric generating units with
12 a total rated capacity of 1,020 megawatts, as well as associated transmission
13 facilities.¹²
- 14 • Southern Company Services (“SCS”) – the system service company that provides,
15 at cost, specialized services to Southern Company and its subsidiaries;
- 16 • Southern Holdings – an intermediate holding subsidiary for Southern Company’s
17 investments in leveraged leases; and
- 18 • Southern Renewable Energy – formed in January 2010 to construct, acquire, own,
19 and manage renewable generation assets.¹³
- 20
- 21

¹² Southern Company 2010 10-K, p II-162.

¹³ Southern Company 2010 10-K, p. I-1.

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1 **Q. HAVE THE SOUTHERN COMPANY NONREGULATED ACTIVITIES**
2 **INCREASED IN RECENT YEARS?**

3 A. Yes. Southern Renewable Energy was formed in January 2010 to construct, acquire, own,
4 and manage renewable generation assets.¹⁴ In its 2010 Form 10-K Southern Company
5 stated, “These efforts to invest in and develop new business opportunities offer potential
6 returns exceeding those of rate-regulated operations. However, these activities also
7 involve a higher degree of risk.”¹⁵

8

9 **Q. ARE THERE TRANSACTIONS BETWEEN GULF POWER AND ITS**
10 **NONREGULATED AFFILIATES?**

11 A. Yes. Gulf Power contracts with SCS for a variety of managerial and professional
12 services. In addition, it receives mail payment processing services from Alabama Power
13 and shares plant costs with Georgia Power Company for Plant Scherer Unit 3, which is
14 currently excluded from Gulf Power’s rate base, and Mississippi Power Company for
15 Plant Daniel. Southern Nuclear provides siting services while SouthernLINC Wireless
16 provides wireless and telecommunications services, and Southern Management provides
17 financial services. Gulf Power provides various services to affiliates as well, including
18 office space, information technology, and power sales.

19

20 As shown on Schedule KHD-3, during the projected test year Gulf Power’s transactions
21 with its affiliates totaled approximately \$155 million. During the test year, nearly \$81
22 million in charges from its affiliates are included in the test year Operations and

¹⁴ Southern Company 2010 10-K, p. I-1.

¹⁵ Southern Company 2010 10-K, p. I-3.

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1 Maintenance (“O&M”) and Administrative and General (“A&G”) expenses. Thus, of the
2 total O&M and A&G expenses included in the test year of approximately \$283 million,
3 28.6 percent of the costs are charged from its affiliates. In addition, of the total
4 administrative and general expenses included in the test year of \$77 million, 73.2 percent,
5 or \$56 million are charged from SCS.

6
7 **Q. HOW HAVE CHARGES FROM SCS CHANGED OVER THE LAST SIX**
8 **YEARS?**

9 A. Schedule KHD-4 provides the charges from SCS to the Southern Company subsidiaries
10 for the years 2005 to 2010. As shown on this schedule, the charges from SCS to the
11 various Southern Company subsidiaries have increased by \$513 million or 57% since
12 2005. In contrast, charges from SCS to Gulf Power have increased by \$44 million or
13 82% over the same time period. It is interesting to note that SCS’ total billings have been
14 increasing. This is partly driven by the fact that the billings to the utility operating
15 companies have been increasing while the amounts billed to the nonregulated companies
16 have been decreasing.

17
18 **IV. Southern Company Services Allocation of Costs**

19 **Q. HOW ARE COSTS FROM SCS ASSIGNED TO GULF POWER AND ITS**
20 **AFFILIATES?**

21 A. Costs are attributed to affiliates of SCS under three methods: direct assignment, fixed
22 percentage distributions, and direct accumulative distributions.¹⁶ Expenses that are assigned
23 on fixed percentage distributions relate to costs that are incurred for the benefit of two or

¹⁶ Response to OPC Document Request 34 and Supplemental Response to OPC Document Request 34.

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1 more affiliates. Examples include most administrative and general expenses, which is
2 comprised of certain legal expenses, general accounting functions, human resource
3 functions, and executive management, and miscellaneous expenses.
4

5 **Q. WHAT IS THE DIRECT ASSIGNMENT METHOD?**

6 A. Costs which are directly assigned from SCS are those that are incurred solely for the benefit
7 of one company. An example of a direct charge could be legal fees incurred in connection
8 with a legal matter specific to Gulf Power.
9

10 **Q. WOULD YOU EXPLAIN THE DIRECT ACCUMULATIVE DISTRIBUTION**
11 **METHODOLOGY?**

12 A. Yes. Direct accumulative distributions are based on work order specific allocation
13 assumptions that are used when there is no established fixed percentage allocator that could
14 be used. The Company gave the example of using the number of software seats as a method
15 to allocate costs of acquiring and deploying a particular software program. During the test
16 year \$5.2 million of expenses were allocated to the Company using this methodology.¹⁷
17

18 **Q. WOULD YOU DESCRIBE THE FIXED PERCENTAGE DISTRIBUTION**
19 **METHODOLOGY?**

20 A. Expenses that are assigned on fixed percentage distributions relate to costs that are incurred
21 for the benefit of two or more affiliates. Examples include many administrative and general
22 expenses, comprising certain legal expenses, general accounting functions, human resource
23 functions, executive management, and miscellaneous expenses. During the test year, \$40

¹⁷ Response to OPC Document Request 34 and Supplemental Response to OPC Document Request 34.

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1 million was charged to the Company using this allocation methodology.¹⁸

2
3 **Q. WHAT ALLOCATION FACTORS DID GULF POWER USE DURING THE TEST**
4 **YEAR?**

5 A. The allocation factors used during the test year are shown on Schedule KHD-5. As shown,
6 these factors are made up of various statistics, including kilowatt hours (kWh), customers,
7 employees, plant capacity (kW), gas burned (MMBTU), insurance premiums, billed labor,
8 and a financial factor which consists of an equal weighting of fixed assets, operating
9 expenses, and operating revenue.

10
11 **Q. ARE THERE PROBLEMS WITH THE ALLOCATION FACTORS?**

12 A. Yes. There are several problems with the allocation factors. The problems range from
13 failing to incorporate the significant benefits the nonregulated companies receive from their
14 association with the regulated operating companies to using stale data for the allocation
15 factors.

16
17 **Q. WOULD YOU DISCUSS THE BENEFITS THE NONRELATED AFFILIATES**
18 **RECEIVE FROM THEIR ASSOCIATION WITH REGULATED ELECTRIC**
19 **COMPANIES?**

20 A. Yes. However, first the background on the formation of Southern Company and Southern
21 Power is instructive in this analysis, and it demonstrates that the regulated utilities were the
22 foundation for Southern Power and the formation of the service company.

23

¹⁸ Response to OPC Document Request 34 and Supplemental Response to OPC Document Request 34.

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1 **Q. CAN YOU PLEASE BRIEFLY DESCRIBE THE HISTORY OF SOUTHERN**
2 **COMPANY?**

3 A. Yes. The genesis of Southern Company began in the mid-1920s when Alabama Power,
4 Georgia Power, Gulf Power, and Mississippi Power became an interconnected system under
5 a holding company known as Southeastern Power & Light. The presumption was that this
6 integration would enable the companies to provide more reliable service, give them a source
7 of capital and construction funds, and allow them to share expert personnel. In 1930,
8 Southeastern Power & Light merged into an eleven-company system called the
9 Commonwealth & Southern Corporation. This corporation was dissolved in the late 1940s
10 because not all of the companies met the requirement of having integrated operations or
11 interconnected transmission lines.

12
13 **Q. WHEN DID SOUTHERN COMPANY OFFICIALLY FORM?**

14 A. Southern Company was formed on November 9, 1945, as a holding company for Alabama
15 Power, Georgia Power, Gulf Power, and Mississippi Power. In 1949, Southern Company
16 purchased all of the service company's common stock, and the personnel of the holding
17 company became employees of Southern Company Services. Southern Company then
18 began trading on the New York Stock Exchange as SO.

19
20 **Q. WHEN DID SOUTHERN COMPANY BEGIN DIVERSIFYING ITS**
21 **OPERATIONS?**

22 A. In 1981, it formed an unregulated subsidiary, Southern Energy, Inc., which began official
23 operations in January 1982 and grew to serve ten countries on four continents. In January of

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1 2001, Southern Company spun off Southern Energy into a separate corporation named
2 Mirant Corporation.

3
4 **Q. HOW ELSE HAS SOUTHERN COMPANY EXPANDED OVER THE YEARS?**

5 A. In 1985 Southern Company formed Southern Company Energy Solutions to research,
6 develop, and invest in new energy-related business opportunities. In 1988, Savannah
7 Electric joined the system as Southern Company's fifth operating company and was merged
8 with Georgia Power on July 1, 2006. Another subsidiary, Southern Nuclear, was formed in
9 1991 to serve the system's nuclear power plants. Southern Communications Services was
10 formed in 1996 to provide digital wireless communications services to the system. They
11 also marketed these services to the public as SouthernLINC. Southern Telecom was formed
12 as a telecommunications subsidiary in 1997.

13
14 **Q. HOW DID SOUTHERN COMPANY ADDRESS THE WHOLESALE MARKET?**

15 A. In January 2001, Southern Company formed Southern Power to own, manage, and finance
16 wholesale generating assets in the Southeast for the purpose of targeting wholesale
17 customers. On its website, Southern Company describes Southern Power as "our higher-
18 growth competitive wholesale generation business"¹⁹

19
20 **Q. WHAT ARE SOME OF THE BENEFITS THE NONREGULATED AFFILIATES
21 RECEIVE FROM THEIR ASSOCIATION WITH THE REGULATED
22 OPERATING COMPANIES?**

23 A. The nonregulated companies receive significant benefits of being related to the regulated

¹⁹ <http://investor.southerncompany.com/about.cfm>.

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1 operating companies. These benefits include the operating companies' reputation,
2 goodwill, and corporate image; being associated with large, financially strong, well-
3 entrenched electric companies; and using the personnel of the service company. All of
4 these benefits are attained because of the regulated operations companies which were the
5 foundation of Southern Company before it ventured into the nonregulated arena.
6 However, at no cost to themselves, the nonregulated affiliates obtain these significant
7 intangible benefits for being associated with the regulated utility operations.

8
9 **Q. ARE THERE OTHER BENEFITS THAT HAVE RECENTLY BEEN**
10 **ADDRESSED BY FITCH RATINGS ("FITCH")?**

11 A. Yes. Southern Company's high credit ratings stem in major part to the stable cash flows
12 and financial support provided by the four regulated utility operating companies:
13 Alabama Power, Georgia Power, Gulf Power, and Mississippi Power. Fitch cited this as
14 one reason why it affirmed its stable outlook for Southern Company and each of its
15 operating subsidiaries.²⁰ Fitch specifically stated:

16 Fitch's ratings of Southern recognize the financial support provided by
17 solid utility operating subsidiaries in the form of dividends for the
18 payment of corporate expenses, debt-service, and for other business
19 matters and relatively modest parent debt leverage. The four utilities
20 derive predictable cash flows from regulated businesses and have limited
21 commodity price risks due to the ability to recover fuel through separate
22 cost trackers. There are also periodic cost adjustment mechanisms for
23 other costs such as environmental spending and construction work in
24 process financing costs that limit regulatory lag. Southern's ratings also
25 reflect strong liquidity, financial flexibility, and ready access to the capital
26 markets.²¹

²⁰ Fitch Ratings, "Fitch Affirms Southern Co. and Subsidiaries' Ratings; Outlook Stable," August 30, 2011.

²¹ Fitch Ratings, "Fitch Affirms Southern Co. and Subsidiaries' Ratings; Outlook Stable," August 30, 2011.

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1 **Q. LET'S TURN TO THE NEXT PROBLEM WITH THE ALLOCATION FACTORS**
2 **USED TO ALLOCATE COSTS TO THE COMPANY. ARE THE ALLOCATION**
3 **FACTORS CURRENT RELATIVE TO THE PROJECTED TEST YEAR?**

4 A. No. Gulf Power used factors based upon 2009 data to allocate projected 2012 expenses.
5 Thus, the data upon which the allocation factors are based are three years behind the dollar
6 values being allocated.²² If the relationships between the affiliates and the Company are
7 expected to remain constant, then using older allocation factors might be acceptable.
8 However, as demonstrated on Schedule KHD-6, the relationships are not always constant
9 and can vary from year to year including the formation of new affiliates, which require a
10 rebalancing of allocations among the affiliate relationships. Given the magnitude of the
11 dollars that are being allocated, a minor change in the allocation factors can have a
12 meaningful impact. For example, if the financial allocator, which is used to allocate a
13 number of common administrative and general expenses, was modified for Gulf Power by
14 one percent, this could translate into a reduction in test year expenses of \$1 million.

15
16 **Q. HAVE THERE BEEN ANY NEW AFFILIATES ADDED TO THE SOUTHERN**
17 **COMPANY FAMILY THAT HAVE NOT RECEIVED ANY SCS ALLOCATIONS?**

18 A. Yes. Southern Renewable Energy was formed in 2010 to construct, acquire, own and
19 manage renewable generation.²³ On March 12, 2010, a 30 MW solar photovoltaic plant was
20 purchased by Southern Renewable Energy and on November 25, 2010, the plant began
21 commercial operation. Not only are the SCS overhead costs not allocated to Southern
22 Renewable Energy, but other costs allocated on the basis of MWs were not assigned to this

²² Company Corrected Supplemental Response to OPC Document Request 34.

²³ Southern Company, 2010 10-K, p. I-1.

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1 company for the projected test year. Both of these factors overstate the costs included in the
2 Company's projected 2012 test year expenses because the Company used 2009 data to
3 allocate projected 2012 test year expenses.
4

5 **Q. IS THERE A PROBLEM WITH THE FINANCIAL FACTOR USED TO**
6 **ALLOCATE COSTS?**

7 A. Yes. As described above, the Company used a "financial" factor to allocate many
8 administrative and general expenses. This factor consists of the average of net fixed assets,
9 operating expenses, and operating revenue.²⁴ I have concerns that given the differences
10 between the nonregulated companies and the regulated electric companies, including
11 revenue in the allocation factor will overstate the allocations to regulated companies and
12 understate the allocations to the nonregulated companies.
13

14 **Q. CAN YOU GIVE AN EXAMPLE OF HOW USING THIS COULD BIAS THE**
15 **ALLOCATION FACTORS?**

16 A. Yes. For example, the revenue per kWh of Gulf Power in 2010 was 9.88 cents, yet
17 Southern Power's revenue per kWh was 4.72 cents. Southern Power sells its power at the
18 wholesale level and therefore its revenue per kWh is lower than the other operating
19 companies. Thus the lower relative level of revenue may not be indicative of the benefits or
20 the level of service provided by SCS to Southern Power.
21
22

²⁴ Southern Company Services Cost Accountability and Control Manual, 2011 Edition, p. 11; Response to OPC Document Request 31.

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1 **Q. WHAT ARE THE OTHER PROBLEMS WITH USING A REVENUE**
2 **ALLOCATION FACTOR?**

3 A. Including a revenue allocation factor tends to under allocate costs to new nonregulated
4 companies. Generally, new companies that are in the start-up phase of operations produce
5 little revenue relative to the level of effort and management activities focused on these new
6 ventures. Similarly, a revenue allocator will tend to over allocate costs to companies that are
7 more capital intensive because they need to generate more revenue to produce the same
8 return on investment as a less capital intensive company.

9

10 Moreover, using a revenue allocator will automatically increase the allocation of SCS
11 expenses to Gulf Power (and its sister operating companies) with the implementation of a
12 rate increase, despite the fact that there has been no change in Gulf Power's operations or
13 the effort required by SCS to provide services to Gulf Power. There is no logic to this
14 result, and it clearly demonstrates that the use of a revenue component in the allocation
15 factor is inappropriate.

16

17 Allocation factors should be based upon cost-causative relationships to the extent possible
18 and also recognize the benefits received from the service provided.²⁵

19

20 **Q. DO YOU HAVE A SCHEDULE THAT EXAMINES THE COMPONENTS OF THE**
21 **FINANCIAL ALLOCATOR?**

22 A. Yes. Schedule KHD-7 sets forth the three different factors that make up the financial
23 allocator. As depicted on this schedule, the factors for use in 2011, which were also used for

²⁵ Accounting for Public Utilities, LexisNexis, 19-11.

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1 the 2012 projected test year, are based upon 2009 data. This schedule shows some
2 interesting relationships. For example, while Southern Company has \$18.5 million in assets,
3 it has only \$.207 million in operating expenses and \$0 in operating revenue.

4
5 An examination of the relationship between the operating companies and the unregulated
6 companies tends to show that their operating expense percentages are greater than the net
7 plant percentages; yet when examining the same statistics for Southern Power, its operating
8 expense percentages are much less than the net plant percentages.

9
10 **Q. ARE THERE ANY PROBLEMS WITH THE EXPENSE FACTORS USED FOR**
11 **THE FINANCIAL FACTOR?**

12 A. Yes. Although I do not have the components that make up the expenses included in the
13 factor, it appears that the expense portion of the factor includes fuel and purchased power
14 expenses. Fuel and purchased power should not be included in the expense portion of the
15 factor because this factor is used to allocate primarily overhead costs and the administrative
16 and general functions performed by SCS. Including these expenses over allocates costs to
17 the regulated operating companies and under allocates the costs to the nonregulated
18 companies.

19
20 **Q. HOW DO YOU RECOMMEND THAT THE PROBLEMS IDENTIFIED ABOVE**
21 **BE CORRECTED?**

22 A. I recommend that the Commission make several adjustments to the allocation factors. First,
23 the Commission should update the data used in the allocation factors, where possible, with

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1 2010 data. The factors that I was able to update with 2010 data include: Financial Factor,
2 Sales for Resale, Customer, Employee, Employee (Generation), Employee (Transmission),
3 Employee (East), Employee (West), and Capitalization.

4
5 **Q. WHAT IS THE NEXT CHANGE TO THE ALLOCATION FACTORS THAT YOU**
6 **RECOMMEND?**

7 A. I recommend that the Commission adjust the financial factor to remove revenue from the
8 composite factor consisting of revenue, net fixed assets, and operating expenses. Including
9 revenue in the allocation factor over allocates costs to the regulated companies and under
10 allocates cost to the nonregulated companies. Revenues are not a good benchmark for
11 allocating overhead-type costs. As explained earlier, a revenue allocator will automatically
12 increase the allocation of SCS expenses to Gulf Power (and its sister operating companies)
13 with the implementation of a rate increase, despite the fact that there has been no change in
14 Gulf Power's operations or the effort required by SCS to provide services to Gulf Power.

15
16 I also recommend that the Commission exclude fuel and purchased power from the expense
17 portion of the factor. Including fuel and purchased power will again over allocate costs to
18 the regulated electric companies and under allocate costs to nonregulated companies.

19
20 **Q. ARE YOU AWARE OF ANY INSTANCES WHERE AN AFFILIATE HAS NOT**
21 **BEEN ALLOCATED COSTS FROM SCS?**

22 A. Yes. Southern Renewable Energy was a recently formed unregulated affiliate, and to date
23 no costs have been allocated to it from SCS. Thus I believe it is equitable to assess a two

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1 percent compensation payment, to be discussed later, to help offset the fact that Southern
2 Renewable Energy was not allocated any of these costs.

3
4 **Q. ARE YOU AWARE OF ANY AUTHORITATIVE SOURCES THAT RECOGNIZE**
5 **THE IMPORTANCE OF BENEFITS IN DISTRIBUTING COMMON COSTS?**

6 A. Yes. The Cost Accounting Standards Board (CASB) issues several cost account standards
7 that relate to cost allocations and the allocation of costs to affiliates. The principles outlined
8 by the CASB were succinctly summarized in the publication Accounting for Public
9 Utilities:

- 10 (1) Expenses are to be directly assigned to the maximum extent
11 possible;
12 (2) Centralized corporate functions or management staff costs should
13 be accumulated into homogenous cost pools;
14 (3) Such cost pools should be allocated using representative bases that
15 reflect cost causation or benefits, where identifiable; and
16 (4) Where direct causal relationship or benefits cannot be determined
17 or a direct relevant allocation base cannot be identified, cost pools
18 may be allocated on some other reasonable basis that reflects the
19 benefits of the services received.²⁶

20
21 **Q. DO YOU HAVE A RECOMMENDATION THAT WILL BALANCE THE**
22 **BENEFITS RECEIVED BY THE NONREGULATED COMPANIES FROM THEIR**
23 **ASSOCIATION WITH THE REGULATED OPERATING COMPANIES?**

24 A. Yes. I recommend that the Commission assess a two percent compensation payment on the
25 revenue earned by the nonregulated companies. This revenue should be allocated to the
26 regulated companies on the basis of the amount of revenues earned by the nonregulated

²⁶ Accounting for Public Utilities, LexisNexis, 19-11.

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1 companies. This two percent compensation payment allocated from the nonregulated
2 companies to the regulated operating companies will compensate the regulated operating
3 companies for the significant intangible benefits that the regulated operating companies
4 developed over the years and have provided to the nonregulated companies at no cost
5 simply by their close affiliation and association.

6
7 **Q. HAS THE COMMISSION IMPOSED A COMPENSATION PAYMENT IN**
8 **PRIOR CASES?**

9 A. Yes. the Commission imposed such a compensation payment on United Telephone
10 Company of Florida's ("UTF") long distance subsidiary United Telephone Long
11 Distance, Inc. ("UTLD") to ensure customers were compensated for the intangible
12 benefits it receives by the use of the parent company's name, logo, and reputation. In
13 upholding the Commission's decision to impose a compensation payment (which the
14 Supreme Court equated to a royalty), the Supreme Court quoted the following from the
15 Commission's order:

16 We [the Commission] find it is in the public interest to require UTLD to
17 compensate UTF for the many intangible benefits it receives, including,
18 but not limited to the following: the use of the United name; the use of the
19 United logo; reliance on the United reputation; immediate access to
20 financing; and the ability to capitalize, through contractual arrangements,
21 on a trained, skilled workforce.

22
23 UTLD's relationship to UTF avoids all the start-up costs a fledgling
24 competitor faces when it enters the long distance market. UTF is
25 essentially a one-stop-shopping center for all of UTLD's technical,
26 personnel, administrative, informational and financial needs. We find it
27 unfair to allow UTLD to rely on these benefits without compensating
28 UTF.


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1 Accordingly, the compensatory fee reflects our belief that these benefits
2 were established and are being maintained by the monopoly company,
3 UTF, at ratepayers' expense. The actual fee to be collected shall equal
4 2.8% of the difference between net revenues (gross revenues minus
5 uncollectibles) and originating and terminating access charges. However,
6 in no event shall the fee exceed, on an after tax basis, 17.5% of UTLD's
7 net operating income to be computed without the fee....

8
9 Finally, we recognize that in the future additional services will be
10 provided by the unregulated entity. The result will be a vast pool of
11 resources developed and maintained at the expense of the monopoly's
12 ratepayers but used increasingly by unregulated operations. Therefore, by
13 our action in this docket, we announce our intention to require payments
14 to regulated utilities for intangible benefits provided to nonregulated
15 affiliates.²⁷

16 The Supreme Court found the compensation payment imposed by the Commission was
17 supported by competent, substantial evidence; authorized by statute; and constitutionally
18 permissible.²⁸

19
20 **Q. WHAT IS THE INCREASE IN REVENUE TO THE COMPANY'S REGULATED**
21 **OPERATION WITH THE IMPOSITION OF A TWO PERCENT**
22 **COMPENSATION PAYMENT?**

23 A. A two percent compensation payment assessed against the nonregulated revenue to
24  would
25 result in an increase to the Company's test year revenue of \$1.5 million.

26
27
28

²⁷ United Telephone Long Distance, Inc. v Katie Nichols et al., 546 So. 2d 717, 719 (Fla. 1989).²⁷

²⁸ Id. at 720.

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1 **Q. LET'S DISCUSS THE ALLOCATION FACTORS THAT YOU RECOMMEND**
2 **FOR THE ALLOCATION OF SCS EXPENSES. DO YOU HAVE A SCHEDULE**
3 **THAT SHOWS YOUR RECOMMENDED ALLOCATION FACTORS?**

4 A. Yes. Schedule KHD-8 depicts the changes to the allocation factors that I recommend. My
5 recommended changes both increase and decrease factors for Gulf Power and the other
6 operating companies.

7

8 **Q. WHAT IS THE RESULT OF YOUR RECOMMENDED CHANGES TO THE SCS**
9 **ALLOCATION FACTORS?**

10 A. Schedule KHD-9 shows the impact by FERC account for my recommended changes in the
11 allocation factors. As shown, in total, my recommended allocation factor changes reduce
12 the expenses to the Company by \$832,284.

13

14 **V. Nonregulated Services and Products**

15 **Q. LET'S TURN TO THE NEXT SECTION OF YOUR TESTIMONY. DOES THE**
16 **COMPANY PROVIDE NONREGULATED SERVICES AND PRODUCTS?**

17 A. Yes. The Company offers several products and services that are not regulated nor tariffed
18 by the Commission. The revenues and costs for these products and services appear to be
19 recorded below-the-line for ratemaking purposes. Similar to situations with nonregulated
20 affiliates, because these profits are recorded below-the-line for ratemaking purposes,
21 there is an incentive to shift costs to the regulated operations which will yield higher
22 profits for Gulf Power and its parent company. Like the provision of goods and services
23 between regulated and nonregulated affiliates, the Commission should ensure that the

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1 regulated operations of Gulf Power do not subsidize the nonregulated operations.

2
3 **Q. DOES THE COMMISSION HAVE ANY RULES GOVERNING THE COSTS**
4 **CHARGED BETWEEN REGULATED AND NONREGULATED OPERATIONS**
5 **OF ELECTRIC UTILITIES?**

6 A. Yes. According to the Commission's Cost Allocation and Affiliate Transactions Rule,
7 25-6.1351(1), F.A.C., the "purpose of this rule is to establish cost allocation requirements
8 to ensure proper accounting for affiliate transactions and *utility nonregulated activities* so
9 that these transactions and activities are not subsidized by utility ratepayers." (emphasis
10 added). Utility nonregulated activities should be covered by this rule, and the
11 Commission can utilize the same principles embodied in subsection (3) of Rule 25-
12 6.1351, F.A.C., as guidelines for examining the relationship between the Company's
13 regulated and nonregulated operations, thus, ensuring that the regulated operations do not
14 subsidize the nonregulated operations.

15
16 **Q. DOES THE COMPANY'S COST ACCOUNTABILITY AND CONTROL**
17 **MANUAL EXPLAIN HOW THE NONREGULATED COSTS AND REVENUES**
18 **ARE ACCOUNTED FOR RATEMAKING OR ACCOUNTING PURPOSES?**

19 A. No. There is no discussion in the manual about how the costs associated with providing
20 these services or products are treated for ratemaking or accounting purposes.

21
22 **Q. WOULD YOU DESCRIBE THE NONREGULATED SERVICES AND**
23 **PRODUCTS THAT ARE OFFERED BY THE COMPANY?**

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1 A. Yes. The Company offers three different products and services that are not regulated by
2 the Commission: Premium Surge, Commercial Surge, and AllConnect. Gulf Power
3 describes Premium Surge as a

4 ... residential program that provides the installation and service of
5 warranted surge protection equipment on a customer's electric meter,
6 telephone and coaxial cable or Satellite TV service entrances, backed by
7 the device manufacturer. The warranty limit is \$50,000 per occurrence up
8 to \$5,000 per appliance. Fees associated with this product include: \$24.99
9 Install fee; \$9.99 monthly service fee (1 meter, 2 phone lines, 1 coaxial
10 cable); \$1.50 per additional phone or coaxial line. Installation and service
11 is provided through a third party contractor.²⁹
12
13

14 **Q. HOW WOULD YOU DESCRIBE COMMERCIAL SURGE?**

15 A. Commercial Surge is a commercial program like the residential program that offers the
16 installation and service of surge protection equipment on a customer's electric service
17 entrance. The warranty limit is \$10,000 per occurrence. The cost of the product includes
18 a \$50.00 installation fee; a single phase protection fee of 14.99 per month per installed
19 device; and a three-phase protection fee of \$19.99 per month per installed device. The
20 Company provides a 10 percent discount for customers with three or more meters.
21 Installation and service is provided through third party contractors.
22

23 **Q. WHAT IS THE ALLCONNECT PROGRAM?**

24 A. AllConnect is a service designed to allow consumers to select their electricity, local
25 telephone, long distance, cable, home security, and newspaper providers and arrange
26 hook-ups at the time they initiate service with Gulf Power. The Company's customer

²⁹ Company Response to OPC Interrogatory 65.

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1 service representatives offer this option to the customer upon completion of their phone
2 contact for electric service. The script used by the customer service representatives is
3 shown on Schedule KHD-10. With the customer's permission, they are connected to an
4 AllConnect customer service representative who assists the Gulf customer with the hook-
5 up and initiation of other utilities and services for their home. In return for this referral,
6 AllConnect shares 20 percent of all revenues generated from the customer initiating
7 additional utility or media hook-ups through AllConnect. Gulf does not charge customers
8 for this service.³⁰ This revenue, however, is booked below-the-line despite the fact that
9 the Company incurs little costs associated with earning this revenue, and this revenue
10 could not be earned if it were not for the regulated operations.

11
12 **Q. DO YOU HAVE ANY CONCERNS ABOUT THE COMPANY'S**
13 **NONREGULATED OPERATIONS AND HOW ITS COSTS ARE ACCOUNTED**
14 **FOR RATEMAKING OR ACCOUNTING PURPOSES?**

15 A. I have several concerns. First, there are substantial benefits to the Company's
16 nonregulated operations being associated with the regulated company. These benefits
17 include the use of Gulf Power's name, logo, reputation, goodwill, and corporate image;
18 being associated with a large, financially strong, well-entrenched electric company; use
19 of the personnel; and use of Gulf Power's facilities and website. All of these benefits
20 were developed by the regulated operations. However, the nonregulated operations obtain
21 these significant intangible benefits for being associated with the regulated utility
22 operations at no cost.

³⁰ Company Response to OPC Document Request 131.

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1 **Q. HAVE YOU EXAMINED ANY DATA WHICH INDICATES THAT GULF**
2 **POWER'S NONREGULATED OPERATIONS ARE UNDER ALLOCATED**
3 **COSTS?**

4 A. Yes. I examined the return on net investment earned by the Company's nonregulated
5 operations as a gauge of whether or not the costs have been properly assigned or
6 allocated. To the extent the return on investments appears abnormal, the Commission
7 should be concerned about the attribution of costs between the Company's regulated and
8 nonregulated operations.

9

10 **Q. WHAT RETURN ON INVESTMENT DID THE COMPANY'S NONREGULATED**
11 **OPERATIONS EARN?**

12 A. As shown on Schedule KHD-11, based upon the data supplied by the Company for
13 revenues, expenses, and net investment of the nonregulated operations, this segment of
14 Gulf Power earned a return of 21.6 percent in 2009, 24.2 percent for 2010, and 28.9
15 percent for the projected test year of 2012. Such high returns on investment are abnormal
16 and strongly suggest that the costs attributed to the nonregulated operations are seriously
17 understated.

18

19 **Q. ARE COSTS ASSIGNED TO THESE PRODUCTS AND SERVICES?**

20 A. Yes. The Company's response to Citizen's Interrogatory 65 indicates that there are direct
21 costs associated with the provision of these nonregulated services and products; however,
22 no overhead costs are allocated or assigned to the Premium Surge and Commercial Surge

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1 protection products.³¹ Regarding the AllConnect service, the Company's response
2 specifically indicated that "[d]irect labor expenses for Gulf's personnel are charged
3 through Gulf's payroll system."³²
4

5 **Q. ARE THE CUSTOMERS THAT PURCHASE THE NONREGULATED**
6 **SERVICES AND PRODUCTS THE SAME CUSTOMERS TO WHOM THE**
7 **COMPANY PROVIDES ELECTRIC SERVICE?**

8 A. Yes. All customers that purchase the three nonregulated products and services are Gulf
9 Power ratepayers. There is not one non-ratepayer who purchases these products and
10 services from or through Gulf Power. The ability of the Company to earn an excessive
11 rate of return from these nonregulated products and services is a function of the regulated
12 electric operations and not some extraordinary effort of the Company's nonregulated
13 operations. Without the close association with and good will of the regulated electric
14 utility, Gulf Power could not offer these nonregulated products and services.
15

16 **Q. HOW CAN THE COMMISSION ENSURE THAT THE REGULATED**
17 **OPERATIONS DO NOT SUBSIDIZE THE NONREGULATED OPERATIONS?**

18 A. There are at least three options the Commission should consider. First, it could require
19 the Company to properly allocate all overhead costs to the nonregulated operations;
20 however, this fails to consider the significant benefits the nonregulated operations gain
21 from the regulated operations. In addition to allocating costs to the nonregulated
22 affiliates, the Commission should assess a compensation payment for the intangible

³¹ Company Response to OPC Interrogatory 254.

³² Company Response to OPC Interrogatory 65.

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1 benefits the nonregulated operations receive from their association with the regulated
2 electric company. Clearly, there are no overhead costs assigned or allocated to provision
3 of this service. Thus a compensation payment similar to the one set forth in the United
4 Telephone case discussed earlier could be assessed.

5
6 **Q. WHAT IS THE SECOND METHOD THE COMMISSION CAN USE?**

7 A. The Commission could determine a reasonable rate of return that should be achieved by
8 the nonregulated operations. Anything in excess of this return should be returned to
9 ratepayers.

10
11 **Q. WHAT IS THE THIRD OPTION?**

12 A. The Commission could move the revenues, expenses, and investments above-the-line for
13 purposes of establishing rates in this proceeding.

14
15 **Q. WHAT IS YOUR RECOMMENDATION?**

16 A. I recommend that the Commission choose the third option that I have offered and
17 essentially treat these revenues, expenses, and investments above-the-line for rate setting
18 purposes. The Company has failed to demonstrate that costs have been properly allocated
19 to these nonregulated operations. In addition, the Company has not shown that it has been
20 compensated for the use of its reputation, goodwill, logo, and trained personnel.

21
22 To implement this recommendation, I developed an adjustment to test year revenue by
23 using the return on rate base recommended by Dr. Woolridge of 5.45 percent. The

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1 difference between the allowed net operating income and the achieved net operating
2 income, grossed up for income taxes, is the amount of revenue that should be moved
3 above-the-line for rate setting purposes. As shown on Exhibit KHD-12, I recommend an
4 adjustment to test year revenue of \$.572 million.

5
6 In addition, I recommend that the Commission order the Company to conduct a thorough
7 examination of these operations and develop cost allocation procedures that can be used
8 to allocate costs to these nonregulated operations. These procedures can then be
9 examined and audited as part of the Company's next rate proceeding. However, until the
10 Company properly accounts for these costs, the Commission should treat all amounts
11 above-the-line for ratemaking purposes.

12
13 **Q. IF THE COMMISSION DOES NOT ADOPT YOUR PRIMARY**
14 **RECOMMENDATION, DO YOU HAVE AN ALTERNATIVE**
15 **RECOMMENDATION?**

16 **A.** Yes. I recommend that the Commission require that the nonregulated operations provide
17 the Company a compensation payment of at least two percent of annual revenue. This is
18 much lower than the high-end of the compensation payment of 17 percent ordered by the
19 Commission in the United Telephone case just discussed which set a maximum of 17
20 percent of net operating income.

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1 **VI. Other Affiliate Adjustments**

2 **Q. DO YOU HAVE ANY OTHER AFFILIATE ADJUSTMENTS?**

3 A. Yes. I have several adjustments that relate to SCS Work Orders charged to Gulf Power
4 which are shown on Schedule KHD-13.

5
6 **Q. WOULD YOU PLEASE ADDRESS YOUR FIRST ADJUSTMENT?**

7 A. Yes. In response to Citizens' Interrogatory 229, the Company provided some specific
8 details concerning work orders charged to the Company by SCS. Several of these work
9 orders, in my opinion, should not be charged to Gulf Power. For example, the 2012 test
10 year includes \$294,765 to support SouthernLINC (a nonregulated affiliate). According
11 to Southern Company's Form 10-K, "SouthernLINC Wireless provides digital wireless
12 communications for use by Southern Company and its subsidiary companies and markets
13 these services to the public and also provides wholesale fiber optic solutions to
14 telecommunication providers in the Southeast."³³ In addition, SouthernLINC was
15 primarily responsible for a decrease in non-electric operating revenues in 2009 and 2010,
16 and Southern Company attributed the decreased revenues of \$19 million in 2010 and \$25
17 million in 2009 to "to lower average revenue per subscriber and fewer subscribers due to
18 increased competition in the industry."³⁴ SouthernLINC's website shows that its
19 regional wireless coverage map coincides with the service territories of Southern
20 Company's regulated utilities.³⁵

21

³³ Southern Company, Form 10-K, p. I-1.

³⁴ Southern Company, Form 10-K, p. II-19.

³⁵ SouthernLINC regional coverage map, available at <http://www.southernlinc.com/coverage.aspx>.

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1 According to the response to Citizens' Interrogatory 229, all affiliates are responsible for
2 the total SouthernLINC charges that are not able to be recovered through commercial
3 revenues³⁶ The Company's response indicates that in 2012, the charges to Gulf Power are
4 projected to increase because of the "larger than anticipated drop in commercial customer
5 revenue, thus the total SouthernLINC bill to each affiliate increased."³⁷ SouthernLINC is
6 an unregulated affiliate, and its losses should not be subsidized by Gulf Power's
7 ratepayers. Therefore, I recommend that the Commission remove \$294,765 from the test
8 year associated with the projected increase in 2012 test year expenses, \$79,141 of which
9 is related to capital.

10
11 **Q. WOULD YOU PLEASE DISCUSS YOUR NEXT ADJUSTMENT?**

12 A. Yes. The next adjustment shown on Schedule KHD-13 relates to Work Order 466909.
13 According to Gulf, the Work Order relates to a system-wide project to investigate an
14 asset management system to keep track of distribution assets, i.e., poles, switches,
15 reclosers, etc. The Company proposes to increase the dollars associated with this Work
16 Order by \$344,204 or 587 percent. This increase in cost was booked to FERC Account
17 588, Miscellaneous Distribution Expenses. The description of the Work Order suggests
18 that the proposed increase in expenditures should be offset by cost savings, which do not
19 appear to be included in the test year. In addition, the Company has not provided any
20 information regarding the cost effectiveness of the proposed costs. Moreover, the
21 abbreviated description suggests that the costs could be capitalized as opposed to

³⁶ Company Response to OPC Interrogatory 229.

³⁷ Company Response to OPC Interrogatory 229.

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1 expensed. Based upon the Company's failure to justify the increase in costs for this
2 Work Order, I recommend that the costs be disallowed, for an adjustment of \$387,596.

3
4 **Q. WHAT IS YOUR NEXT ADJUSTMENT?**

5 A. My next adjustment relates to Work Order 46C805 for Wireless Systems. According to
6 the Company, after the conversion to Enterprise Solutions, it became necessary for billing
7 from the Georgia Power Company ("GPC") Oakbrook Warehouse to flow through the
8 SCS Work Order system and then get billed to the individual operating companies. This
9 Work Order amounted to \$2.2 million charged to Gulf Power. According to the
10 Company's response to Citizens' Interrogatory 229, the "dollars in this Work Order are
11 for capital equipment required for such projects as Converge Networks."³⁸ Gulf also
12 states that these costs should be offset with a reduction of direct bill materials from GPC.
13 The Company has provided no documentation or other evidence that the savings that will
14 offset these capital dollars have been reflected in the test year. In the absence of such a
15 showing, I recommend that \$387,596 be removed from the test year.

16
17 **Q. WHAT IS YOUR NEXT GROUP OF ADJUSTMENTS?**

18 A. The Citizens requested that the Company provide additional supporting documentation
19 for selected Work Orders included in the test year. The Company was unable to provide
20 several of the requested Work Orders, which show the purpose of the Work Order, the
21 method used to allocate costs, and the client company. I recommend that the Commission
22 disallow all of the expenses associated with these Work Orders since the Company was
23 unable to provide the Work Orders demonstrating the need, the method used to allocate

³⁸ Response to OPC Interrogatory 229.

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1 the costs, and the company(ies) the costs should be charged to. As shown on Schedule
2 KHD-13, the Work Orders are: 46EZBL, 46IDMU, 46LRBL, 47VSES, 47VSTB,
3 47VSTH, 47VSZ1, and 47VSZ5. These Work Orders total \$190,945. Without supporting
4 documentation for the need of these services, the expenses should be removed from test
5 year expenses, which results in an adjustment of \$186,780.

6
7 **Q. WHY DO YOU RECOMMEND THAT \$116,841 BE DISALLOWED FOR THE**
8 **WORK ORDER ACCOUNTING – COMPTROLLER?**

9 A. According to the description, Work Order 471701 (Accounting-Comptroller) relates to
10 the accumulation of costs associated with a Securities and Exchange Commission inquiry
11 of the Southern Electric System that was initiated in 1989. It is not clear what service is
12 being provided to Gulf and its customers as a result of the Work Order or if the
13 description remains valid today. In the absence of supporting documentation showing
14 that the costs booked to this Work Order are beneficial to Gulf Power and its customers I
15 recommend that the cost in the amount of \$116,841 be removed from the test year
16 expenses.

17
18 **Q. WORK ORDER 473401 STATES THAT IT RELATES TO SOUTHERN**
19 **COMPANY HUMAN RESOURCES MANAGEMENT. WHY DO YOU**
20 **RECOMMEND THAT THIS COST NOT BE RECOVERED FROM**
21 **CUSTOMERS?**

22 A. The description for the increase in Work Order 473401 relative to 2011 indicates that it
23 relates to consulting funds for an outside benefits review. The Company's reason for the

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1 budget increase relative to 2011 suggests that this benefits review does not occur on an
2 annual basis. Therefore, I recommend that this expense be amortized over two years and
3 that \$18,067 be removed from the test year.
4

5 **Q. ARE YOU MAKING THE SAME RECOMMENDATION CONCERNING THE**
6 **WORK ORDER RELATED TO THE CUSTOMER SUMMIT WORK ORDER**
7 **49SWCS?**

8 A. Yes. In response to Citizens' Interrogatory 229, the Company explained that the reason
9 for the increase in Work Order 49SWCS from the 2011 budget to the 2012 budget was
10 due to the fact that the customer summit is only held every other year. Therefore, I
11 recommend that \$20,831 be removed from the test year to reflect a two-year amortization
12 of this expense.
13

14 **Q. WHAT IS YOUR RECOMMENDATION REGARDING WORK ORDERS**
15 **4Q51RC (SCGEN IT: SUPPORT OF RAILCAR MAINTENANCE) AND 4QPA01**
16 **(PAS CENTRAL SYSTEM INTEGRITY)?**

17 A. For both of these work orders, the Company explained that the increase in the expense
18 amount from the 2011 budget to the 2012 budget was due to moving a formerly
19 capitalized item for Work Order 4Q51RC and a formerly CWIP classified Work Order
20 4QPA01 to expense. The Company has failed to demonstrate these costs should be
21 expensed as opposed to capitalized. It has not provided any evidence that the costs are
22 recurring in nature and should be included in test year expenses. Therefore, I recommend

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1 that the Commission reject these proposed reclassifications and reduce test year expenses
2 by \$20,102 and \$102,411, respectively for these two items.

3
4 **Q. YOUR SCHEDULE KHD-12 CONTAINS DISALLOWANCES FOR PUBLIC**
5 **RELATIONS EXPENSES IN THE AMOUNT OF \$17,482 ASSOCIATED WITH**
6 **WORK ORDER 474401. DOES THE COMMISSION TYPICALLY ALLOW**
7 **THESE TYPES OF EXPENSES?**

8 A. No. The Commission has typically disallowed expenses that are public relations oriented,
9 finding that they benefit stockholders, not customers. When discussing the inclusion of
10 membership dues and contributions in a utility's test year expenses that are public
11 relations oriented, the Commission found:

12 We acknowledge that some benefits may be accrued as a result of these
13 expenses. However, we agree with OPC that costs related to contributions
14 and membership dues, which are public relations oriented, should be
15 disallowed. These costs serve to improve the image of the company,
16 resulting in a direct benefit to the utility's shareholders, not to the
17 customers. This treatment has been consistently applied by the
18 Commission, as evidenced by Orders Nos. PSC-93-0301-FOF-WS at 19-
19 20 and PSC 96-1320-FOF-WS at 151-153, which Orders were officially
20 recognized in this proceeding.³⁹

21 In a water and wastewater case involving Southern States Utilities, Inc., the Commission
22 made several findings on what was appropriate to charge customers as it related to public
23 relations-related expenses.

24 Mr. Ludsen disagreed with OPC that a public relations retainer is
25 generally not a proper charge for rate case expense. Although he did not
26 know specifics about the charge, Mr. Ludsen stated that the uniform rate
27 investigation benefitted this case because of broader customer input. Mr.

³⁹ Florida Public Service Commission, United Water Florida Inc., Docket No. 960451-WS PSC-97-0618-FOF-WS, May 30, 1997.

REDACTED VERSION

1 Ludsen did not think that SSU was trying to enhance its image, but instead
2 trying to inform customers through brochures about the issues in the case.

3 When asked about legislative charges from the Messer Vickers law firm,
4 Mr. Ludsen could not explain to what those related. He agreed, in general,
5 that legislative expenses should not be charged to customers. Specifically,
6 Mr. Ludsen agreed that charges from Landers and Parsons for preparing
7 testimony for a Senate hearing should be removed.

8 Mr. Ludsen's response to why open houses with customers, in addition to
9 the Commission hearings, should be charged to customers was that it was
10 a benefit to the case. If it benefitted the case, then it benefitted the
11 customers. He did admit that those open houses were not required by the
12 Commission.

13 ...

14 We believe that if SSU sees a need to inform its customers or the press
15 about the issues in the case beyond what our rules require, then those
16 expenditures must be borne by SSU, not the customers. Accordingly, all
17 charges related to telemarketing, public relations, uniform rate bill inserts,
18 mailings and door hangers, cellular telephone bills and bus transportation
19 shall be removed. Mr. Ludsen was unable to justify why a banquet or
20 lunch was necessary and reasonable; accordingly, this amount shall be
21 removed. As agreed to by Mr. Ludsen, any legislative or lobbying charges
22 shall also be removed.⁴⁰

23 Furthermore, the Commission ordered that image-enhancing advertising expenses be
24 removed in Gulf Power's last rate case:

25 We find that the ads in Part C of Exhibit 22 are purely image enhancing.
26 Gulf does not refute this. For this reason the cost of the ads shall not be
27 included in base rates, and Gulf shall not be allowed to recover the
28 advertising expense of \$539,000 (\$550,000 system).⁴¹

29 Based upon past precedent, the Commission should continue its policy and remove these
30 expenses from the test year.

⁴⁰ Florida Public Service Commission, Southern States Utilities, Inc. Docket No. 950495-WS; Order No. PSC-96-1320-FOF-WS, October 30, 1996.

⁴¹ Florida Public Service Commission, Gulf Power Company. Docket No. 010949-EI; Order No. PSC-02-0787-FOF-IE, June 10, 2002.

REDACTED VERSION

1 **Q. WHAT IS YOUR RECOMMENDATION ABOUT WORK ORDER 471501**
2 **(INVESTOR-RELATIONS-GENERAL)?**

3 A. I recommend that the Commission move this item below-the-line for ratemaking
4 purposes. This expense is for the benefit of stockholders, not ratepayers. The
5 Commission has removed costs related to shareholder costs in prior rate cases. In Order
6 No. PSC-96-1320-FOF-WS, the Commission found that:

7 Through the ROE leverage formula, we have allowed recovery of costs
8 associated with being a publicly traded utility. Specifically, in the
9 calculation of the appropriate cost of equity, we recognized an additional
10 25 basis points to the otherwise determined cost of equity to provide for
11 these costs. To ask SSU's ratepayers to pay 25 basis points on ROE in
12 addition to the amount requested by SSU would be duplicative. We also
13 question whether the benefits SSU receives from MP&L are worth
14 \$208,776 to the ratepayers in Florida. Consequently, we shall disallow all
15 of the utility's requested shareholder services expenses of \$208,776.⁴²

16 I recommend that the Commission continue its practice and remove these expenses, in the
17 amount of \$96,851 from the test year.

18

19 **Q. WOULD YOU ADDRESS WORK ORDERS 473ECO AND 473ECS?**

20 A. Yes. These two Work Orders are related to Chief Operating Officer legal expenses and
21 External Affairs legal matters. It is not clear that the costs charged to these two accounts
22 benefit ratepayers. Therefore, unless the Company is able to demonstrate that these
23 expenses are beneficial to ratepayers, I recommend that they be excluded from test year
24 expenses. As shown on Schedule KHD-12 they amount to \$33,690.

25

⁴² Florida Public Service Commission, Southern States Utilities, Inc. Docket No. 950495-WS; Order No. PSC-96-1320-FOF-WS, October 30, 1996.

REDACTED VERSION

1 **Q. WHAT IS YOUR RECOMMENDATION CONCERNING WORK ORDER 486030**
2 **RELATED TO AIRCRAFT?**

3 A. The increase in expenses for Work Order 486030 from the test year relate to an
4 unexplained increase in aircraft expenses and amount to a 97 percent increase over the
5 2011 amount. I recommend that the increase over the budgeted 2011 amount be removed
6 from test year expenses. The adjustment to test year expenses is \$101,859. In addition,
7 there is outstanding discovery on aircraft lease expenses that were being negotiated
8 between OPC and the Company at the time of the filing of my testimony. Depending on
9 the timing of these negotiations and the additional information supplied by the Company,
10 it may be necessary to supplement my testimony on these expenses.

11

12 **Q. WHAT IS THE TOTAL AMOUNT OF ADJUSTMENT THAT YOU**
13 **RECOMMEND CONCERNING THE WORK ORDERS JUST DISCUSSED?**

14 A. As shown on Schedule KHD-13 the adjustments reduce total company test year capital
15 by \$.467 million and expenses by \$1.3 million.

16

17 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

18 A. Yes, it does.

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Company Statistics for Developing Fixed Percentage Allocations	Schedule 6
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1 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

2 A. I graduated from Florida State University with a Bachelor of Science degree in
3 Finance in March, 1979. I received an M.B.A. degree with a specialization in
4 Finance from Florida State University in April, 1984.

5 **Q. WOULD YOU PLEASE DESCRIBE YOUR EMPLOYMENT HISTORY IN THE**
6 **FIELD OF PUBLIC UTILITY REGULATION?**

7 A. In March of 1979 I joined Ben Johnson Associates, Inc., a consulting firm
8 specializing in the field of public utility regulation. While at Ben Johnson
9 Associates, I held the following positions: Research Analyst from March 1979
10 until May 1980; Senior Research Analyst from June 1980 until May 1981;
11 Research Consultant from June 1981 until May 1983; Senior Research
12 Consultant from June 1983 until May 1985; and Vice President from June 1985
13 until April 1992. In May 1992, I joined the Florida Public Counsel's Office, as a
14 Legislative Analyst III. In July 1994 I was promoted to a Senior Legislative
15 Analyst. In July 1995 I started my own consulting practice, Acadian Consulting
16 Group, which specializes in the field of public utility regulation. I am the Managing
17 Partner and Senior Research Consultant for Acadian Consulting Group.

18 **Q. WOULD YOU PLEASE DESCRIBE THE TYPES OF WORK THAT YOU HAVE**
19 **PERFORMED IN THE FIELD OF PUBLIC UTILITY REGULATION?**

20 A. Yes. My experience has ranged from analyzing specific issues in a rate
21 proceeding to managing the work effort of a large staff in rate proceedings and

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1 other administrative dockets. I have prepared testimony, interrogatories and
2 production of documents, assisted with the preparation of cross-examination, and
3 assisted counsel with the preparation of briefs. Since 1979, I have been actively
4 involved in more than 200 regulatory proceedings throughout the United States.

5
6 I have analyzed cost of capital and rate of return issues, revenue requirement
7 issues, public policy issues, market restructuring issues, and rate design issues,
8 conservation mechanisms, decoupling and lost revenue, class cost of service
9 studies, involving telephone, electric, gas, water and wastewater, and railroad
10 companies. I have also examined performance measurements, performance
11 incentive plans, and the prices for unbundled network elements related to
12 telecommunications companies. In addition, I have audited the purchased gas
13 and fuel adjustment clauses of several gas companies.

14 **Q. PLEASE DESCRIBE NATURAL GAS PROCEEDINGS IN WHICH YOU HAVE**
15 **BEEN INVOLVED?**

16 A. Below is a summary of the natural gas proceedings in which I have provided
17 expert testimony. I have also been involved in many other proceedings where I
18 did not provide expert testimony, but analyzed substantive matters and provided
19 recommendations.

20 Audit Report and Expert Testimony: Docket No. U-27196, Sub-Docket A
21 (Settled 2007). Before the Louisiana Public Service Commission. In Re:
22 Commission Audit of the Purchased Gas Adjustment Filings of
23 CenterPoint Energy-Arkla. On behalf of the Louisiana Public Service

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- 1 Commission. Issues: cost recovery, purchased gas adjustment clause,
2 affiliate transactions, gas procurement practices, forecasting, natural gas
3 markets, and conformance with PSC regulations.
- 4 Audit Report: Docket No. U-26721 (Settled 2007). Before the Louisiana
5 Public Service Commission. In Re: Commission Audit of Purchased Gas
6 Adjustment Filings of Reliant Energy-Entex Pursuant to Commission
7 General Order Dated March 24, 1999. On behalf of the Louisiana Public
8 Service Commission. Issues: cost recovery, purchased gas adjustment
9 clause, affiliate transactions, gas procurement practices, forecasting,
10 natural gas markets, and conformance with PSC regulations.
- 11 Expert Report: In Re: Evangeline Gas Company, (January 2005). On
12 behalf of Evangeline Gas Company. Issues: purchased gas adjustment
13 clause, accounting for gas costs, and gas recovery mechanisms.
- 14 Expert Testimony: Docket No. U-25117 (2002). Before the Louisiana
15 Public Service Commission. In Re: Commission Audit of Purchased Gas
16 Adjustment Filings of Louisiana Gas Service Company pursuant to
17 Commission General Order Dated March 24, 1999 (Paragraph VI(A)). On
18 behalf of the Louisiana Public Service Commission. Issues: cost recovery,
19 fuel adjustment clause, affiliate transactions, gas procurement practices,
20 forecasting, natural gas markets, and conformance with PSC regulations.
- 21 Expert Testimony: Docket No.U-23812 (2000). Before the Louisiana
22 Public Service Commission. In Re: An Investigation into the Allegation
23 Filed by the Plaintiffs Against the Defendants in Case No. 532-085 in the
24 24th Judicial District Court. (The Rhodes Company Inc. et al versus
25 Citizens Utilities Company (Citizens), LGS Natural Gas Company (LGS
26 Natural), LGS Intrastate Inc., (LGS) and Louisiana Gas Service Company
27 (LGS). On behalf of the Louisiana Public Service Commission. Issues:
28 cost recovery, fuel adjustment clause, affiliate transactions.
- 29 Expert Testimony: Cause Number U-86-100 (1987). Before the
30 Washington Utilities and Transportation Commission. In Re: Washington
31 Utilities and Transportation Commission vs. Cascade Natural Gas
32 Corporation. On behalf of the Washington Utilities and Transportation
33 Commission. Issues: class of service and cost allocation.
- 34 Expert Testimony (1986). In Re: Southern Union Gas Company's 1985
35 Rate Request. Before the Public Utility Regulation Board of El Paso. On
36 behalf of the Public Utility Regulation Board of El Paso. Issues: revenue

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1 requirement, affiliate transaction, cost allocations, and class cost of
2 service study.

3 Expert Testimony (1985). In Re: Southern Union Gas Company's Rate
4 Request. Before the Public Utility Regulation Board of El Paso. On behalf
5 of the Public Utility Regulation Board of El Paso. Issues: accounting
6 issues, affiliate transactions, cost allocations, revenue issues, and class
7 cost of service issues.

8 **Q. WERE YOU INVOLVED IN PROCEEDINGS RELATED TO ELECTRIC**
9 **COMPANIES?**

10 A. Yes. Below is a list of electric proceedings in which I provided expert testimony. I
11 have also been involved in many other proceedings where I did not provide
12 expert testimony, but analyzed significant issues.

13 Expert Testimony: Docket No. 080677-EI (2009). Before the Florida Public
14 Service Commission. In Re: Petition for Increase in Rates by Florida
15 Power & Light Company. On behalf of the Florida Office of Public
16 Counsel. Issues: ratemaking treatment of acquisition premiums, affiliate
17 transactions, cost allocations between regulated and unregulated
18 affiliates, and projected billing determinants.

19 Expert Testimony: Docket No. 090079-EI (2009). Before the Florida
20 Public Service Commission. In Re: Petition for increase in rates by
21 Progress Energy Florida, Inc. On behalf of the Florida Office of Public
22 Counsel. Issues: ratemaking treatment of affiliate transactions, cost
23 allocations between regulated and unregulated affiliates, and the
24 treatment of revenue recorded below-the-line for ratemaking purposes.

25 Expert Testimony: Docket No. 050045-EI. (2005). Before the Florida
26 Public Service Commission. In Re: Petition for Rate Increase by Florida
27 Power & Light Company. On behalf of the Florida Office of Public
28 Counsel. Issues: revenue requirement issues and affiliate transactions.

29 Expert Testimony: Docket No. 04-035-42 (2005). Before the Utah Public
30 Service Commission. In Re: In the Matter of the Application of PacifiCorp
31 for Approval of its Proposed Electric Service Schedules and Electric
32 Service Regulations. On behalf of the Utah Committee of Consumer
33 Services. Issues: affiliate transactions issues including: relationships with

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1 coal affiliates, relationships between regulated and nonregulated affiliates,
2 cost allocation methods for allocating costs between affiliated companies;
3 examination of common officers and directors of affiliated companies;
4 examination of time records of employees that exception time report;
5 direct assignment versus cost allocation methodologies; the
6 Massachusetts Formula for cost allocations; and assessment of cost
7 allocation manuals, policies, and documentation.

8 Expert Testimony: Docket Number 000824-EI (2002). Before the Florida
9 Public Service Commission. In Re: Review of Florida Power Corporation's
10 Earnings, Including Effects Of Proposed Acquisition of Florida Power
11 Corporation By Carolina Power & Light. On behalf of the Florida Office of
12 the Public Counsel. Issues: accounting, merger and acquisition including
13 synergy savings and merger costs, affiliate transactions, ratemaking
14 treatment of acquisition premiums and cost allocations between regulated
15 and unregulated affiliates.

16 Expert Testimony: Docket No. 001148-EI (2002). Before the Florida Public
17 Service Commission. In Re: Review of the Retail Rates of Florida Power &
18 Light Company. On behalf of the Florida Office of Public Counsel. Issues:
19 accounting, affiliate transactions and cost allocations between regulated
20 and unregulated affiliates.

21 Expert Testimony: Docket No. 010949-EI (2001). Before the Florida
22 Public Service Commission. In Re: Gulf Power Company Request for a
23 Rate Increase. On behalf of the Florida Office of Public Counsel. Issues:
24 accounting and affiliate transactions.

25 Expert Testimony: Docket No. 000808-EI (2001). Before the Florida Public
26 Service Commission. In Re: Gulf Power Company; Smith Wetlands
27 Mitigation Plan. On behalf of the Office of the Public Counsel. Issues:
28 Wetlands Mitigation Plan.

29 Expert Report: (1995). Before the Public Utilities Commission of Nevada.
30 In Re: Preliminary Analysis of Proposed Merger between Washington
31 Water Power Company and Sierra Pacific Power Company. On behalf of
32 the Public Utilities Commission of Nevada. Issues: accounting, financial,
33 and merger.

34 Expert Testimony: Case Number EM-91-213 (1995). Before the Missouri
35 Public Service Commission. In Re: Application of the Kansas Power and
36 Light Company and KCA Corporation for Approval of the Acquisition of All
37 Classes of the Capital Stock of Kansas Gas and Electric Company, to

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- 1 Merge with Kansas Gas and Electric Company, to Issue Stock and Incur
2 Debt Obligations. On behalf of the Missouri Public Counsel. Issues:
3 accounting issues, financial issues, financial cost modeling, and merger
4 issues.
- 5 Expert Testimony: Docket Number 930987-EI (1993). Before the Florida
6 Public Service Commission. In Re: Investigation into Currently Authorized
7 Return on Equity of Tampa Electric Company. On behalf of the Florida
8 Office of the Public Counsel. Issues: authorized return on equity,
9 accounting, and financial issues.
- 10 Expert Testimony: Docket Numbers 5640, 6350, 7460, 8363, 9945 (1992).
11 Before the Texas Public Utility Commission. In Re: Application of El Paso
12 Electric Company for Authority to Change Rates. On behalf of the City of
13 El Paso. Issues: accounting issues, prudence, class cost of service
14 studies, and cost allocations.
- 15 Expert Testimony: Docket No. 9165 (1990). Before the Texas Public Utility
16 Commission. In Re: Application for a Rate Increase Filed by El Paso
17 Electric Company. On behalf of the City of El Paso. Issues: class cost of
18 service studies; affiliate transactions; excess capacity; off-system sales;
19 financial integrity; rate moderation; demand versus energy factors;
20 customer factors, administrative and general allocations, and the
21 allocation of taxes; coincident peak and non-coincident peak
22 methodologies; and asset and expense functionalization and
23 categorization.
- 24 Expert Testimony: Docket No. 6668 (1989). Before the Public Utility
25 Commission of Texas. In Re: Inquiry of the Public Utility Commission of
26 Texas into the Prudence and Efficiency of the Planning and Management
27 of the Construction of the South Texas Nuclear Project. On behalf of the
28 Texas Cities. Issues: prudence of the South Texas Nuclear Project.
- 29 Expert Testimony: Docket Number 635 (1987). Before the Texas Public
30 Utility Commission. In Re: The Application of the El Paso Electric
31 Company for a Rate Increase in Certain Municipalities in the State of
32 Texas. On behalf of City of El Paso. Issues: accounting issues, cost
33 allocations, revenue requirement, and class cost of service.
- 34 Expert Testimony: Docket No. 5640 (1984). Before the Texas Public Utility
35 Commission. In Re: Application of Texas Utilities Electric Company for a
36 Rate Increase. On behalf of Texas Cities. Issues: financial and
37 accounting matters.

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1 Expert Testimony: Docket No. 83-07-15 (1983). Before the State of
2 Connecticut Department of Utility Control. In Re: Application of the
3 Connecticut Light and Power Company for an Increase in Rates and
4 Revenues. On behalf of Connecticut Office of Consumer Counsel. Issues:
5 financial and accounting matters.

6 **Q. HAVE YOU BEEN INVOLVED IN PROCEEDINGS REGARDING THE**
7 **TELECOMMUNICATIONS INDUSTRY?**

8 A. Yes. Below is a list of proceedings I participated in regarding the
9 telecommunications I provided expert testimony or expert report. I have also
10 been involved in many other proceedings where I did not provide expert
11 testimony, but analyzed important issues.

12 Recommendation: Docket No. R-30347 (2008). Before the Louisiana
13 Public Service Commission. In re: AT&T Louisiana Ex Parte, Petition for
14 Modification of Rules and Regulations Necessary to Achieve Regulatory
15 Parity and Modernization. On behalf of the Louisiana Public Service
16 Commission. Issues: deregulation, TSLIRC pricing requirements, and
17 service quality measures.

18 Expert Testimony: Docket No. 06-11016 (Settled 2007). Before the Public
19 Utilities Commission of Nevada. In Re: Application of Central Telephone
20 Company d/b/a Embarq for Authority to Adjust Wholesale Prices for
21 Unbundled Network Elements. On behalf of the Public Utilities
22 Commission of Nevada. Issues: TELRIC non-recurring rates for UNEs,
23 rate banding, labor costs, loop conditioning, and recurring monthly UNE
24 costs.

25 Expert Assistance and Recommendation: Docket No. U-22252-Subdocket
26 C (1998-2007) Before the Louisiana Public Service Commission. In Re:
27 BellSouth Telecommunications, Inc. Service Quality Performance
28 Measurements. On behalf of the Louisiana Public Service Commission.
29 Issues: workshops, performance measurements, retail analogs and
30 benchmarks, statistical testing for parity performance, and incentives.

31 Expert Assistance: Docket No. 04-2004 (2004). Before the Public Utilities
32 Commission of Nevada. In Re: Petition of Verizon California Inc., d/b/a
33 Verizon Nevada, for Review and Approval of its Carrier-to-Carrier

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- 1 Performance Assurance Plan. On behalf of the Bureau of Consumer
2 Protection of Nevada. Issues: performance measurements plan and
3 incentive plan.
- 4 Expert Testimony: Docket No. 05-2012 (2004). Before the Public Utilities
5 Commission of Nevada. In Re: Application of Nevada Bell Telephone
6 Company, d/b/a SBC Nevada, to Reclassify Business Subscriber Access
7 Services which are Currently Classified as a Basic Service to Competitive
8 Services in its Reno and Carson City Exchanges Only. On behalf of the
9 Bureau of Consumer Protection. Issues: competitive classification and
10 market study.
- 11 Expert Testimony: Docket No. 03-1022 (2004). Before the Public Utilities
12 Commission of Nevada. In Re: Investigation to Determine the Amount and
13 Treatment of the Proceeds from the Sale of the Telephone Directory
14 Business of Sprint Corporation and its Affiliates Including Sprint-Nevada.
15 On behalf of the Bureau of Consumer Protection of Nevada. Issues: gain
16 on sale.
- 17 Expert Assistance: Docket No. 03-1036 (2003). Before the Public Utilities
18 Commission of Nevada. In Re: Filing of Nevada Bell Telephone Company
19 for review and approval of its 2003 Performance Measurements Plan and
20 2003 Performance Incentives Plan. On behalf of the Bureau of Consumer
21 Protection of Nevada. Issues: performance measurements plan and
22 incentive plan.
- 23 Expert Assistance: Docket No. 03-1041 (2003). Before the Public Utilities
24 Commission of Nevada. In Re: Filing of Sprint of Nevada for Review and
25 Approval of its 2003 Performance Measurements Plan and 2003
26 Performance Incentives Plan. On behalf of Bureau of Consumer
27 Protection of Nevada. Issues: performance measurements plan, incentive
28 plan, and competitive local exchange companies.
- 29 Expert Testimony: Docket No. 01-12047 and 01-9029 (2002). Before the
30 Public Utilities Commission of Nevada. In Re: Sprint of Nevada to
31 Continue Participating in the Plan of Alternative Rate Regulation, Including
32 a Request to Increase Basic Local Rates. On behalf of the Bureau of
33 Consumer Protection of Nevada. Issues: revenue requirement, directory
34 revenues, affiliate transactions, revenue projection, and proforma
35 adjustments.
- 36 Expert Assistance: Docket No. 01-2039 (2002). Before the Public Utilities
37 Commission of Nevada. In Re: The Filing of GTE Nevada for Approval of

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1 its Plan for the Reporting and Auditing of Performance Measures and a
2 Plan for Establishing Performance Incentives. On behalf of the Bureau of
3 Consumer Protection of Nevada. Issues: performance measurements plan
4 and incentive plan.

5 Expert Testimony: Docket No. 99-12033 and Docket No. 00-4001 (2001).
6 Before the Public Utilities Commission of Nevada. In Re: Filing by Nevada
7 Bell of Unbundled Network Element (UNE) Nonrecurring Cost Study
8 Pursuant to the Order issued in Docket No. 98-6004; In Re Petition of
9 Nevada Bell for Review and Approval of its Cost Study and Proposed
10 Rates for Conditioning Digital Subscriber Line (DSL) Loops. On behalf of
11 the Public Utilities Commission of Nevada. Issues: TELRIC nonrecurring
12 costs for unbundled loops, ports, ordering, switching; labor rates; and cost
13 recovery for recurring operations support systems.

14 Expert Testimony: Docket No. 01-3001 and 01-1049 (2001). Before the
15 Public Utilities Commission of Nevada. In Re: Petition of Central
16 Telephone Company – Nevada, d/b/a Sprint of Nevada, and Sprint
17 Communications Company L.P. for Review and Approval of Proposed
18 Revised Performance Measures; In Re: Petition of Central Telephone
19 Company – Nevada, d/b/a Sprint of Nevada, and Sprint Communications
20 Company L.P. for Review of Performance Measurement Penalties Plan.
21 On behalf of the Bureau of Consumer Protection of Nevada. Issues:
22 performance measurements plan and incentive plan.

23 Expert Assistance: Docket No. 01-1048 (2001). Before the Public Utilities
24 Commission of Nevada. In Re: The Filing of Nevada Bell Telephone
25 Company for Approval of its Plan for the Reporting and Auditing of
26 Performance Measures and a Plan for Establishing Performance
27 Incentives. On behalf of the Bureau of Consumer Protection of Nevada.
28 Issues: performance measurements plan and incentive plan.

29 Audit Report and Expert Testimony: Docket No. 01-009-01 and 01-009-02
30 (2001). Before the California Public Utilities Commission. In Re: Audit of
31 GTE California's Affiliate Transactions. On behalf of the California Office
32 of Ratepayer Advocate. Issues: historical analysis, pricing of services
33 between affiliates, the standards by which affiliate transactions should be
34 examined, the allocation of costs between the regulated and nonregulated
35 operations, asset transfers between affiliates, shared asset allocation
36 methodology, royalty fee, marketing affiliate pricing, cost allocation
37 manual, lease arrangements between affiliates, gain on sale of affiliates,
38 affiliate rules and regulations, and Part 64 and 36 cost allocations.

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1 Expert Testimony: Docket No. U-24714, Subdocket A (2001). Before the
2 Louisiana Public Service Commission. In Re: Final Deaveraging of
3 BellSouth Telecommunications, Inc., UNE Rates Pursuant to FCC CC 96-
4 45 9th Report and Order on 18th Order on Reconsideration Released
5 11/2/99 to be Established and Submitted for the December Louisiana
6 Public Service Commission Business and Executive Session. On behalf of
7 the Louisiana Public Service Commission. Issues: TELRIC costing
8 principles; developing the costs and prices of unbundled network elements
9 using TELRIC costing model; depreciation rates, fill factors, cost of capital,
10 shared and common costs, structure sharing percentages, cable costs,
11 plant specific and plant nonspecific expenses, switching costs; unbundled
12 network element recurring and non-recurring costs and prices; costs and
13 prices for operational support systems; and deaveraged rates.

14 Expert Testimony: Docket No. 99-12033 (2000). Before the Public Utilities
15 Commission of Nevada. In Re: Filing by Nevada Bell of its Unbundled
16 Network Element (UNE) Nonrecurring Cost Study pursuant to the Order
17 Issued in Docket No. 98-6004. On behalf of the Public Utilities
18 Commission of Nevada. Issues: TELRIC nonrecurring costs for unbundled
19 loops, ports, ordering, switching, labor rates, and cost recovery for
20 recurring operations support systems.

21 Expert Testimony: Docket No. 99-2024 (1999). Before the Public Utilities
22 Commission of Nevada. In Re: Sprint of Nevada Request for Continued
23 Regulation Under the Plan of Alternative Regulation. On behalf of the
24 Public Utilities Commission of Nevada. Issues: on-site audit, accounting
25 issues, affiliate transactions, review of parent company charges for
26 applicability to rates of regulated utility, taxes, revenue issues, rate base
27 issues, and used and useful issues.

28 Comments and Reply Comments: Docket No. 97-9022 (1999). Before the
29 Public Utilities Commission of Nevada. In Re: Commission Investigation
30 into Procedures and Methods Necessary to Determine Whether
31 Interconnection, Unbundled Access, and Resale Services Provided by
32 Incumbent Local Exchange Carriers are at Least Equal in Quality to that
33 Provided by the Local Exchange Carrier to Itself or to any Subsidiary,
34 Affiliate, or Any Other Party. On behalf of the Public Utilities Commission
35 of Nevada. Issues: collaborative workshops developing performance
36 measurements, retail analogs and benchmarks, statistical testing for parity
37 performance, and incentives for ensuring nondiscriminatory access to
38 Nevada Bell's operations support systems.

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1 Expert Testimony: Docket Nos. TT97050360, TT97010016, TO97100792,
2 TO92121070 (1999). Before the New Jersey Board of Public Utilities. In
3 Re: Petition of Bell Atlantic - New Jersey for an Order Finding That
4 Petitioner BA-NJ's Pay Phone Operations are not Subsidized by
5 Exchange or Exchange Access Services; Filing By the New Jersey Pay
6 Phone Association for Board Approval of Certain Competitive Payphone
7 Issues; Petition of Bell Atlantic - New Jersey to Discontinue Limited Inter
8 Lata Dialing Features in Customer Provided Pay Phone Service Tariff and
9 to Decrease Rates for the Line Side Supervision Feature in the CPPTS
10 Tariff; the Filing by Bell Atlantic - New Jersey, Inc. Tariff Revision. On
11 behalf of the New Jersey Payphone Association. Issues: TSLRIC and
12 TELRIC costing principles, TELRIC costing model, unbundled network
13 elements, depreciation rates, fill factors, cost of capital, shared and
14 common costs, alternative cross-subsidy study, and rates.

15 Expert Testimony: Docket Nos. TT97050360, TT97010016, TO97100792,
16 TO92121070 (1998). Before the New Jersey Board of Public Utilities. In
17 Re: Petition of Bell Atlantic - New Jersey for an Order Finding That
18 Petitioner BA-NJ's Pay Phone Operations Are Not Subsidized by
19 Exchange or Exchange Access Services; Filing By the New Jersey Pay
20 Phone Association for Board Approval of Certain Competitive Payphone
21 Issues; Petition of Bell Atlantic - New Jersey to Discontinue Limited Inter
22 Lata Dialing Features in Customer Provided Pay Phone Service Tariff and
23 to Decrease Rates for the Line Side Supervision Feature in the CPPTS
24 Tariff; the Filing by Bell Atlantic - New Jersey, Inc. Tariff Revision. On
25 behalf of the New Jersey Payphone Association. Issues: TSLRIC and
26 TELRIC costing principles, unbundled network elements, depreciation
27 rates, fill factors, cost of capital, shared and common costs, alternative
28 cross-subsidy study, and rates.

29 Expert Testimony: Docket No. 98-6005 (1998). Before the Public Utilities
30 Commission of Nevada. In Re: Filing of Central Telephone Company -
31 Nevada d/b/a Sprint of Nevada's Unbundled Network Element Cost Study.
32 On behalf of the Public Utilities Commission of Nevada. Issues: TELRIC
33 nonrecurring costs for unbundled loops, ports, ordering, switching; labor
34 rates; and cost recovery.

35 Expert Testimony: Docket No. 98-6004 (1998). Before the Public Utilities
36 Commission of Nevada. In Re: Nevada Bell Telephone Company's
37 Unbundled Network Element Cost Study. On behalf of the Public Utilities
38 Commission of Nevada. Issues: TELRIC nonrecurring costs for unbundled
39 loops, ports, ordering, switching; labor rates; and cost recovery.

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1 Recommendation: Docket No. U-20883, Subdocket A (1997). Before the
2 Louisiana Public Service Commission. In Re: Submission of the Louisiana
3 Public Service Commission's Forward-Looking Cost Study to the FCC for
4 Purposes of Calculating Federal Universal Service Support Pursuant to
5 LPSC Order No. U-20883. On behalf of the Louisiana Public Service
6 Commission. Issues: TSLRIC and TELRIC costing principles; Hatfield
7 universal service costing model; depreciation rates, fill factors, cost of
8 capital, shared and common costs, structure sharing percentages, cable
9 costs, plant specific and plant nonspecific expenses, and switching costs;
10 customer location issues; revenue benchmarks for determining universal
11 service requirements; analysis of UNE prices relative to USF costs; wire
12 center versus census group disaggregation; and universal service support.

13 Expert Testimony: Docket No. U-22022 (1996). Before the Louisiana
14 Public Service Commission. In Re: Review and Consideration of
15 BellSouth's TSLRIC and LRIC Cost Studies Submitted per Sections 901.C
16 and 1001.E of the LPSC Local Competition Regulations in Order to
17 Determine the Cost of Interconnection Services and Unbundled Network
18 Elements to Establish Reasonable, Non-Discriminatory, Cost-Based
19 Tariffed Rates. On behalf of the Louisiana Public Service Commission.
20 Issues: TSLRIC and TELRIC costing principles; TELRIC costing model for
21 developing the costs and prices of unbundled network elements;
22 depreciation rates, fill factors, cost of capital, shared and common costs,
23 structure sharing percentages, cable costs, plant specific and plant
24 nonspecific expenses, switching costs, unbundled network element
25 recurring costs; non-recurring costs and prices for unbundled network
26 elements; and operational support systems.

27 Surveys and Data Analysis: Before the New Jersey Board of Public
28 Utilities. In Re: In the Matter of the Regulation of Operator Service
29 Providers and Public Pay Telephone Service. On behalf of the New Jersey
30 Payphone Association. Issues: appropriate price caps for operator
31 assisted payphone calls.

32 Expert Testimony: Docket No. 6095 (1995). Before the Public Utility
33 Commission of Texas. In Re: Petition of AT&T Communications of the
34 Southwest, Inc., for Authority to Change Rates. On behalf of Texas Cities.
35 Issues: accounting issues, affiliate transactions, and cost allocations.

36 Expert Testimony: Docket No. 920260-TL (1993). Before the Florida
37 Public Service Commission. In Re: Comprehensive Review of the
38 Revenue Requirements and Rate Stabilization Plan of Southern Bell
39 Telephone and Telegraph Company. On behalf of the Florida Office of

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- 1 Public Counsel. Issues: accounting issues, cost allocations between
2 regulated and nonregulated operations, affiliate transactions, charges from
3 parent company, asset transfers, cost allocation manuals, FCC's affiliate
4 transactions rules, employee transfers, affiliate lease arrangements,
5 cross-subsidies, and royalty fees.
- 6 Expert Testimony: Docket No. 3987-U (1992). Before the Georgia Public
7 Service Commission. In Re: Investigation into Cross-Subsidy Matters
8 Relating to Southern Bell Telephone and Telegraph Company. On behalf
9 of the Georgia Office of Consumer Counsel. Issues: accounting issues,
10 cost allocations between regulated and nonregulated operations, affiliate
11 transactions, charges from parent company, asset transfers, review of
12 cost allocation manuals, review of compliance with FCC's affiliate
13 transactions rules, employee transfers, affiliate lease arrangements,
14 cross-subsidies, royalty fees, and an extensive examination of audits of
15 affiliate transactions and cost allocations between regulated and
16 nonregulated operations.
- 17 Expert Testimony: Docket No. 890190-TL (1991). Before the Florida
18 Public Service Commission. In Re: Petition of the Citizens of Florida to
19 Investigate Southern Bell's Cost Allocation Procedures. On behalf of the
20 Florida Office of Public Counsel. Issues: accounting issues, cost
21 allocations between regulated and nonregulated operations, affiliate
22 transactions, charges from parent company, review of cost allocation
23 manuals, review of compliance with FCC's affiliate transactions rules,
24 cross-subsidies, and royalty fees.
- 25 Expert Testimony: Docket No. 6200 (1985). Before the Public Utility
26 Commission of Texas. In Re: Petition of Southwestern Bell Telephone
27 Company for Authority to Change Rates - Rate Design Phase. On behalf
28 of Texas Cities. Issues: accounting issues, affiliate transactions, and cost
29 allocations.
- 30 Expert Testimony: Docket No. E-1051-84-100 (1985). Before the Arizona
31 Corporation Commission. In Re: Application of the Mountain States
32 Telephone and Telegraph Company for a Hearing to Determine the
33 Earnings and Fair Value of the Company, to Fix a Just and Reasonable
34 Rate of Return, and to Approve Rate Schedules. On behalf of the Arizona
35 Corporation Commission. Issues: accounting issues.
- 36 Expert Testimony: Docket Number 5540 (1984). Before the Public Utility
37 Commission of Texas. In Re: The Application of American Telephone and
38 Telegraph Communications of the Southwest for a Rate Increase. On

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1 behalf of Texas Cities. Issues: accounting issues, affiliate transactions,
2 and cost allocations.

3 **Q. WHAT EXPERIENCE DO YOU HAVE IN WATER AND WASTEWATER**
4 **PROCEEDINGS?**

5 A. Below is a list of proceedings in which I provided expert testimony. I have also
6 been involved many proceedings where I did not present expert testimony, but I
7 analyzed issues and provided recommendations.

8 Expert Testimony: Docket No. 100330-WS (2011). Before the Florida
9 Public Service Commission. In re: Application for Increase in Water and
10 Wastewater Rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake,
11 Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole,
12 Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.
13 On behalf of the Florida Office of Public Counsel. Issues: affiliate
14 transactions, quality of service, bad debt expense, revenue and billing
15 determinants, and rate case expense.

16 Expert Testimony: Docket No. 10-00189 (2011). Before the Tennessee
17 Regulatory Authority on behalf of the City of Chattanooga. In re: In the
18 Matter of the Petition of Tennessee American Water Company for a
19 General Rate Increase. Issues: affiliate transactions, service company
20 charges, benchmarking study, and comparative analysis of comparable
21 water utilities.

22 Expert Testimony: Docket No. 080121-WS (2008). Before the Florida
23 Public Service Commission. In re: Application for Increase in Water and
24 Wastewater Rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee,
25 Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter,
26 Volusia, and Washington Counties by Aqua Utilities Florida, Inc. On behalf
27 of the Florida Office of Public Counsel. Issues: accounting issues,
28 negative acquisition adjustment, affiliate transactions, proforma
29 adjustments, working capital, rate base evaluation, capital additions to
30 plant, CWIP, expenses, and revenue requirement.

31 Expert Testimony: Docket No. 070293-SU (2007). Before the Florida
32 Public Service Commission. In Re: Application for Increase in Wastewater
33 Rates in Monroe County by KW Resort Utilities, Corp. On behalf of the
34 Florida Office of the Public Counsel. Issues: revenue requirements,

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1 affiliate transactions, revenue and consumption, working capital, rate
2 base, expenses, and rate case expense.

3 Expert Testimony: Docket No. 06-004 (2007). Before the Bay County
4 Regulatory Authority (Florida). In Re: Application for a Rate Increase by
5 Bayside Utility Services, Inc. On behalf of the Bay County Regulatory
6 Authority. Issues: revenue requirements, projected test year, affiliate
7 transactions, projected revenue and consumption, working capital, rate
8 base evaluation, expense projections, and rate case expense.

9 Expert Testimony: Docket No. 060368-WS (2007). Before the Florida
10 Public Service Commission. In Re: Application for Increase in Water and
11 Wastewater Rates in Alachua, Brevard, Highlands, Lake, Lee, Marion,
12 Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia,
13 and Washington Counties by Aqua Utilities Florida, Inc. On behalf of the
14 Florida Office of the Public Counsel. Issues: revenue requirement,
15 projected test year, affiliate transactions, acquisition adjustments,
16 projected revenue and consumption, working capital, rate base evaluation,
17 capital additions to plant, CWIP, expense projections, and rate case
18 expense.

19 Expert Testimony: Docket No. 04-0007-0011-0001 (2004). Before the St.
20 John's County Water and Sewer Authority. In Re: Intercoastal Utilities
21 Overearnings Application for a Rate Increase. On behalf of the Office of
22 the Public Counsel. Issues: accounting issues, revenue issues, affiliate
23 transactions, and the prudence of costs associated with the addition of a
24 water treatment plant to rate base.

25 Expert Testimony: Docket No. 020071-WS (2003). Before the Florida
26 Public Service Commission. In Re: Application for Rate Increase in
27 Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc.
28 of Florida. On behalf of the Florida Office of the Public Counsel. Issues:
29 gain on sale, rate case expense, affiliate transactions, and revenue
30 requirement issues.

31 Expert Testimony: Docket No. 992015-WU (2002). Before the Florida
32 Public Service Commission. In Re: Application for Limited Proceeding to
33 Recover Costs of Water System Improvements in Marion County by
34 Sunshine Utilities of Florida. On behalf of the Florida Office of Public
35 Counsel. Issues: accounting issues and affiliate transactions issues.

36 Expert Testimony: Docket No. 2001-0007-0023 (2001). Before the St.
37 John's Water and Sewer Authority. In Re: Intercoastal Utilities

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- 1 Overearnings Investigation and Rate Case. On behalf of the Florida Office
2 of the Public Counsel. Issues: accounting issues, revenue issues, affiliate
3 transactions, lease rates between affiliated companies, cost allocations,
4 rate base issues, and used and useful issues.
- 5 Expert Testimony: Docket No. 980744-WS (2001). Before the Florida
6 Public Service Commission. In Re: Investigation into the Ratemaking
7 Consideration of Gain on Sale from Sale of Facilities of Florida Water
8 Services Corporation to Orange County. On behalf of the Florida Office of
9 the Public Counsel. Issues: gain on sale.
- 10 Expert Testimony: Docket No. 990080-WS (2000). Before the Florida
11 Public Service Commission. In Re: Complaint and Request for Hearing by
12 Linda J. McKenna and 54 Petitioners Regarding Unfair Rates and
13 Charges of Shrangri-La by the Lake Utilities, Inc. in Lake County. On
14 behalf of the Florida Office of the Public Counsel. Issues: revenue
15 requirement.
- 16 Expert Testimony: Docket No. 950387-SU (1998). Before the Florida
17 Public Service Commission. In Re: Florida Cities North Fort Myers
18 Division - Remand to the Florida Public Service Commission. On behalf of
19 the Florida Office of Public Counsel. Issues: used and useful.
- 20 Expert Testimony: Docket No. 960234-WS (1997). Before the Florida
21 Public Service Commission. In Re: Gulf Utility, Inc. Application for a Rate
22 Increase. On behalf of the Office of the Public Counsel. Issues: accounting
23 issues, revenue issues, affiliate transactions, officers' salaries and
24 compensation, lease rates between affiliated companies, cost allocations,
25 rate base issues, reuse issues, and used and useful issues.
- 26 Expert Testimony: Docket No. 950615-SU (1996). Before the Florida
27 Public Service Commission. In Re: Application for Approval of Reuse
28 Project Plan and Increase in Wastewater Rates in Pasco County by the
29 Aloha Utilities, Inc. On behalf of the Florida Office of the Public Counsel.
30 Issues: the reuse project plans and alternative ways to collect funds to pay
31 for the reuse project.
- 32 Expert Testimony: Docket No. 951056-WS (1996). Before the Florida
33 Public Service Commission. In Re: Palm Coast Utility Corporation
34 Application for a Rate Increase. On behalf of the Office of the Public
35 Counsel. Issues: accounting issues, affiliate transactions, cost allocation,
36 salaries and wages, revenue issues, rate base issues, and used and
37 useful issues.

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- 1 Expert Testimony: Docket No. 950387-SU (1996). Before the Florida
2 Public Service Commission. In Re: Application for a Rate Increase in Lee
3 County by Florida Cities Water Company (North Fort Meyers Division). On
4 behalf of the Florida Office of Public Counsel. Issues: revenue
5 requirement.
- 6 Expert Testimony: Docket No. 951258-WS (1996). Before the Florida
7 Public Service Commission. In Re: Application for a Rate Increase in
8 Brevard County by Florida Cities Water Company (Barefoot Bay Division).
9 On behalf of the Florida Office of Public Counsel. Issues: revenue
10 requirement.
- 11 Expert Testimony: Docket Number 950495-WS (1996). Before the Florida
12 Public Service Commission. In Re: Southern States Utilities, Inc.,
13 Application for a Rate Increase. On behalf of the Office of the Public
14 Counsel. Issues: accounting issues, affiliate transactions, cost allocations,
15 salaries and wages, revenue issues, gain on sale, rate base issues,
16 conservation rates, conservation expenditures, taxes, asset purchases,
17 acquisition adjustments, and revenue requirements.
- 18 Expert Testimony: Docket No. 940963-SU (1994). Before the Florida
19 Public Service Commission. In Re: Application of North Fort Myers Utility,
20 Inc. for Extension of Wastewater Service in Lee County, Florida, to Serve
21 Tamiami Village Utility, Inc. and for a Limited Proceeding to Impose its
22 Current Wastewater Rates, Charges, Classifications, Rules and
23 Regulations, and Service Availability Policies to Customers in Such
24 Service Area. On behalf of the Office of Public Counsel. Issues: revenue
25 requirement.
- 26 Expert Testimony: Docket No. 930724-SU (1994). Before the Florida
27 Public Service Commission. In Re: Application of North Fort Myers Utility,
28 Inc., for Extension of Wastewater Service in Lee County, Florida, to Serve
29 Lazy Days Mobile Village and for a Limited Proceeding to Impose its
30 Current Wastewater Rates, Charges, Classifications, Rules and
31 Regulations, and Service Availability Policies to Sun-Up South Inc.'s,
32 Customers. On behalf of the Office of Public Counsel. Issues: revenue
33 requirement.
- 34 Expert Testimony: Docket No. 930379-SU (1994). Before the Florida
35 Public Service Commission. In Re: Application for Limited Proceedings for
36 Approval of Current Service Rates, Charges, Rules and Regulations, and
37 Service Availability Policies for Customers of Lake Arrowhead Village, Inc.

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- 1 in Lee County by North Fort Myers Utility, Inc. On behalf of the Office of
2 Public Counsel. Issues: revenue requirement.
- 3 Expert Testimony: Docket No. 930256-WS (1994). Before the Florida
4 Public Service Commission. In Re: Application for a Rate Increase in
5 Seminole County by Sanlando Utilities Corporation. On behalf of the
6 Office of Public Counsel. Issues: revenue requirement.
- 7 Expert Testimony: Docket No. 940109-WS (1994). Before the Florida
8 Public Service Commission. In Re: Petition for Interim and Permanent
9 Rate Increase in Franklin County, Florida by St. George Island Utility
10 Company, Ltd. On behalf of the Office of the Public Counsel. Issues:
11 accounting issues, revenue issues, affiliate transactions, officers' salaries
12 and compensation, lease rates between affiliated companies, cost
13 allocations, and rate base issues
- 14 Expert Testimony: Docket No. 920808-SU (1993). Before the Florida
15 Public Service Commission. In Re: Application for a Rate Increase for the
16 South Fort Myers Division of Florida Cities Water Company in Lee County.
17 On behalf of the Office of the Public Counsel. Issues: accounting issues,
18 affiliate transactions, parent company charges, taxes, revenue issues, rate
19 base issues, and used and useful issues.
- 20 Expert Testimony: Docket No. 920148-WS (1993). Before the Florida
21 Public Service Commission. In Re: Application for a Rate Increase in
22 Pasco County by Jasmine Lakes Utilities Corporation. On behalf of the
23 Florida Office of the Public Counsel. Issues: accounting issues, revenue
24 issues, affiliate transactions, officers' salaries and compensation, cost
25 allocations, and rate base issues.
- 26 Expert Testimony: Docket No. 920655-WS (1993). Before the Florida
27 Public Service Commission. In Re: Application of Southern States
28 Utilities, Inc. for Increased Water and Wastewater Rates in Collier County
29 (Marco Island Utilities). On behalf of the Florida Office of the Public
30 Counsel. Issues: accounting issues, revenue issues, affiliate transactions,
31 gain on sale, prudence of construction costs of a reverse osmosis plant,
32 cost allocations, and rate base issues.
- 33 Expert Testimony: Docket Number 920199-WS (1992). Before the Florida
34 Public Service Commission. In Re: Application for a Rate Increase by
35 Southern States Utilities, Inc., Marco Shores Utilities, Spring Hill Utilities,
36 and by Deltona Lakes Utilities Corporation. On behalf of the Office of the
37 Public Counsel. Issues: accounting issues, revenue issues, affiliate

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1 transactions, officers' salaries and compensation, lease rates between
2 affiliated companies, gain on sale, cost allocations, rate base issues,
3 reuse issues, and used and useful issues.

4 Expert Testimony: Docket No. 911188-WS (1992). Before the Florida
5 Public Service Commission. In Re: Application for Increased Water and
6 Wastewater Rates in Lee County by Lehigh Utilities Corporation. On
7 behalf of the Office of the Public Counsel. Issues: accounting issues,
8 revenue issues, affiliate transactions, officers' salaries and compensation,
9 lease rates between affiliated companies, cost allocations, rate base
10 issues, gain on sale, reuse issues, and used and useful issues.

11 Expert Testimony: Docket No. 910637-WS (1992). Before the Florida
12 Public Service Commission. In Re: Application for a Rate Increase in
13 Pasco County by Mad Hatter Utility, Inc. On behalf of the Office of the
14 Public Counsel. Issues: accounting issues, revenue issues, loss on
15 abandoned facilities, affiliate transactions, salaries and compensation,
16 cost allocations, and rate base issues.

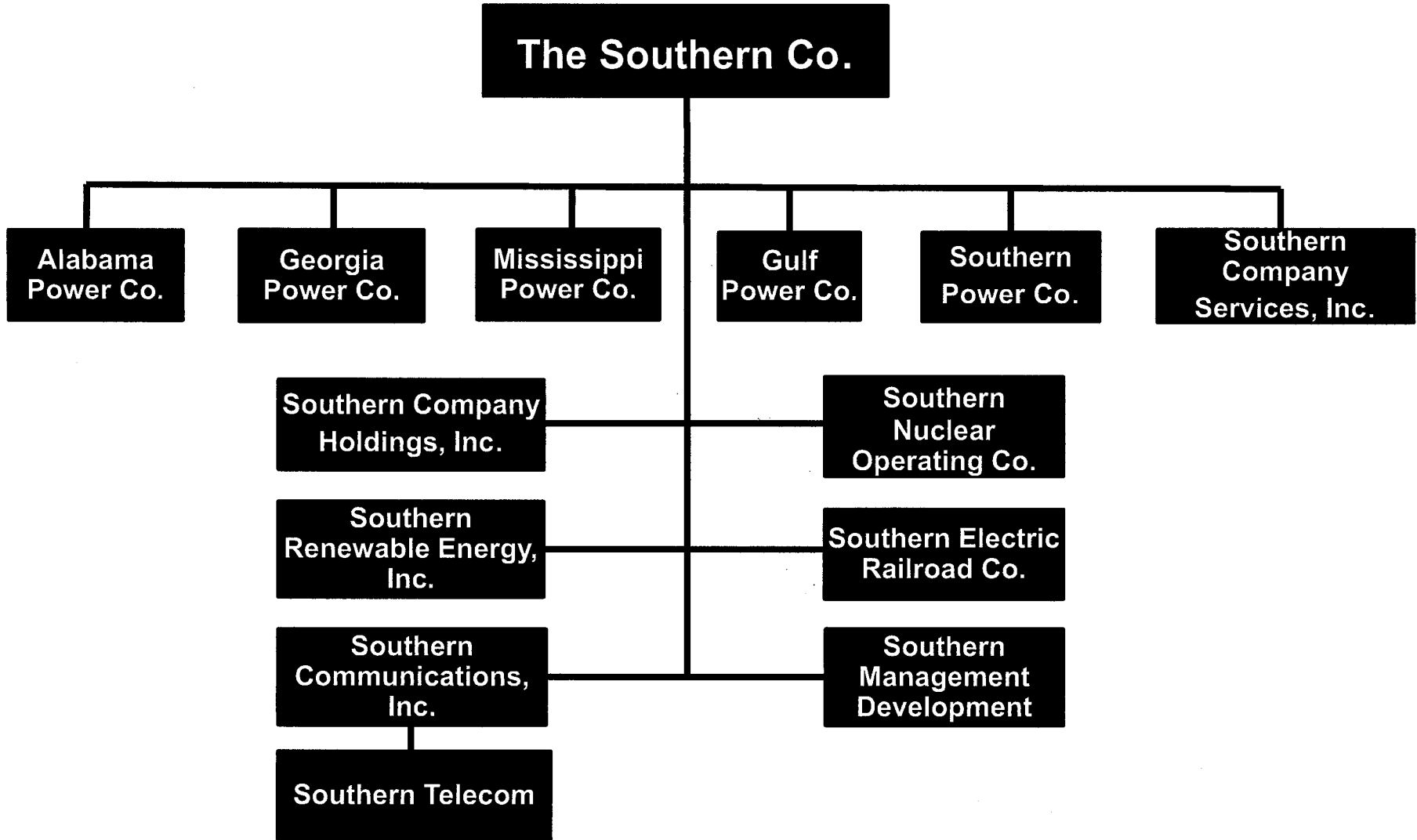
17 Expert Testimony: Before the Florida Department of Administrative
18 Hearings. In Re: DOHA Rule Challenge, Rule No. 25-30.431. On behalf of
19 the Florida Public Service Commission. Issues: CIAC.

20 **Q. HAVE YOU PUBLISHED ANY ARTICLES IN THE FIELD OF PUBLIC UTILITY**
21 **REGULATION?**

22 A. Yes, I have published two articles: "Affiliate Transactions: What the Rules Don't
23 Say," Public Utilities Fortnightly, August 1, 1994 and "Electric M&A: A
24 Regulator's Guide," Public Utilities Fortnightly, January 1, 1996.

Southern Company Organizational Chart

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Test Year Transactions with Affiliated Companies

Name of Company Or Related Party	Relation to Utility	Type of Service Provided or Received	Effective Contract Date	Charge or Credit During Year \$000	Account	Amount Included in Test Year	Allocation Method Used to Allocate Charges Between Companies
Alabama Power Company	Associated Company	Trans. Facility Services		\$ 416	555	\$ 416	Cost
Georgia Power Company	Associated Company	Plant Scherer Unit 3	03/01/84	\$ 11,684	Various	\$ 11,684	Per Contract
Mississippi Power Company	Associated Company	Plant Daniel	06/01/81	\$ 24,594	Various	\$ 24,594	Cost
		Trans. Facility Services	04/20/81	164	567	164	Cost
				\$ 24,758		\$ 24,758	
Southern Company Services	Service Company	Service Agreement	01/01/84	\$ 58,249	Various	\$ 58,249	Cost
		Interchange - Purchases	05/01/07	67,617	Various	67,617	Cost
		Interchange - Sales	05/01/07	(38,574)	Various	(38,574)	Cost
		Unit Power Sales	Various	(103,737)	Various	(103,737)	Cost
				\$ (16,445)		\$ (16,445)	
Southern Company	Parent Company	Common Stock Dividends	n/a	\$ 118,800	238	\$ 118,800	Earnings
Southern Power	Associated Company	Purchased Power Agreement	10/19/06	\$ 15,650	Various	\$ 15,650	Per Contract
TOTAL Transactions with Affiliated Companies				\$ 154,863		\$ 154,863	

Note: The amounts shown above are the significant amounts included in Gulf's financial forecast that could be specifically identified as transactions to be made with an affiliate. The affiliated transactions shown are not all-inclusive. Gulf's budgeting process does not include the identification of specific vendors (affiliated or non-affiliated) that will be utilized in company transactions.

Source: Company MFR Schedule C-30.

**Charges from SCS to Affiliates
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Name of Associate Company	Total Amount Billed											
	Year Ended 12/31/2005	Year Ended 12/31/2005 Percent of Total	Year Ended 12/31/2006	Year Ended 12/31/2006 Percent of Total	Year Ended 12/31/2007	Year Ended 12/31/2007 Percent of Total	Year Ended 12/31/2008	Year Ended 12/31/2008 Percent of Total	Year Ended 12/31/2009	Year Ended 12/31/2009 Percent of Total	Year Ended 12/31/2010	Year Ended 12/31/2010 Percent of Total
The Southern Company	\$ 62,991,000	7%	\$ 66,335,830	7%	\$ 66,688,480	6%	\$ 63,868,442	5%	\$ 54,563,114	4%	\$ 57,517,759	4%
Alabama Power Company	246,407,000	27%	265,651,876	27%	299,351,915	26%	321,198,576	24%	325,118,897	25%	371,378,656	26%
Georgia Power Company	330,281,000	37%	378,062,549	38%	442,215,459	38%	489,357,069	36%	506,375,031	40%	552,297,636	39%
Gulf Power Company	54,283,000	6%	59,303,309	6%	73,075,162	6%	86,368,106	6%	87,318,103	7%	98,767,519	7%
Mississippi Power Company	51,582,000	6%	55,249,922	6%	71,791,879	6%	87,051,850	6%	83,965,944	7%	125,114,133	9%
Savannah Electric & Power Company	17,862,000	2%	8,162,497	1%	-	0%	-	0%	-	0%	-	0%
Southern Communications Services, Inc.	14,960,000	2%	16,658,347	2%	17,220,317	1%	16,713,705	1%	14,947,707	1%	16,372,098	1%
Southern Company Energy Solutions, LLC	1,393,000	0%	1,718,317	0%	651,449	0%	255,284	0%	-	0%	-	0%
Southern Company Gas, LLC	12,983,000	1%	2,465,458	0%	(2,568)	0%	-	0%	-	0%	-	0%
Southern Company Holdings, Inc.	1,685,000	0%	1,732,203	0%	1,976,156	0%	1,632,021	0%	1,621,488	0%	1,317,296	0%
Southern Company Rail Services	513,000	0%	1,553,968	0%	-	0%	-	0%	-	0%	-	0%
Southern Electric Generating Company	4,662,000	1%	5,013,256	1%	7,083,251	1%	10,492,574	1%	9,151,632	1%	11,895,692	1%
Southern Electric Railroad Company	434,000	0%	480,931	0%	639,655	0%	463,851	0%	470,884	0%	680,683	0%
Southern Management Development, Inc.	552,000	0%	827,255	0%	876,236	0%	819,814	0%	570,332	0%	139,350	0%
Southern Nuclear Operating Company, Inc.	43,081,000	5%	46,472,818	5%	54,616,844	5%	60,520,619	4%	58,525,104	5%	72,139,881	5%
Southern Power Company	51,895,000	6%	77,825,084	8%	125,417,716	11%	207,446,088	15%	132,963,983	10%	104,056,291	7%
Southern Telecom, Inc.	1,188,000	0%	1,046,409	0%	878,525	0%	828,371	0%	788,717	0%	708,386	0%
Southern Renewable Energy, Inc.	-	0%	-	0%	-	0%	-	0%	-	0%	1,162,957	0%
SE Finance Capital Corporation II	3,127,000	0%	2,896,854	0%	5,383,043	0%	8,817,965	1%	2,239,819	0%	1,624,740	0%
Alabama Synfuel Energy	375,000	0%	319,457	0%	204,030	0%	62,930	0%	-	0%	-	0%
Energy Related Activities	2,028,000	0%	2,450,592	0%	1,023,569	0%	(11,756)	0%	-	0%	-	0%
Synfuel Services	52,000	0%	40,750	0%	30,198	0%	16,994	0%	-	0%	-	0%
SOCO Electrotechnologies	11,000	0%	25,657	0%	14,325	0%	9,887	0%	8,631	0%	7,772	0%
Southern Company Capital Funding	29,000	0%	26,816	0%	36,243	0%	8,837	0%	4,652	0%	2,130	0%
TOTAL	\$ 902,374,000	100%	\$ 994,320,155	100%	\$ 1,169,171,884	100%	\$ 1,355,921,227	100%	\$ 1,278,634,038	100%	\$ 1,415,182,979	100%

Company Fixed Percentage Allocation Factors

	Load Thousands of KWH			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	34%	34%	35%	35%
Georgia Power	43%	44%	44%	44%
Gulf Power	7%	7%	7%	7%
Mississippi Power	7%	7%	7%	7%
SEGCO				
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company	9%	9%	8%	7%
	100%	100%	100%	100%

Company Fixed Percentage Allocation Factors

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	Transmission Usage Thousands of KWH			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	34%	35%	35%	36%
Georgia Power	52%	52%	52%	52%
Gulf Power	6%	6%	6%	6%
Mississippi Power	7%	7%	7%	6%
SEGCO				
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company				
	100%	100%	100%	100%

Company Fixed Percentage Allocation Factors

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	Sales for Resale Thousands of KWH			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	37%	33%	30%	33%
Georgia Power	14%	22%	25%	28%
Gulf Power	5%	6%	8%	8%
Mississippi Power	10%	11%	10%	10%
SEGCO				
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company	35%	28%	28%	21%
	100%	100%	100%	100%

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	Customer Year-End Customers			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	33%	33%	33%	33%
Georgia Power	53%	53%	53%	53%
Gulf Power	10%	10%	10%	10%
Mississippi Power	4%	4%	4%	4%
SEGCO				
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company				
	100%	100%	100%	100%

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	Employee Year-End Employees			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	27%	27%	26%	26%
Georgia Power	33%	33%	35%	36%
Gulf Power	5%	5%	5%	5%
Mississippi Power	5%	5%	5%	5%
SEGCO				
Southern Nuclear	14%	13%	12%	12%
Southern Communications	1%	1%	2%	2%
Southern Company Services	15%	15%	15%	14%
Southern Holdings, Inc.				
Southern Telecom				0%
Southern Railroad				
Southern Power Company				
	100%	100%	100%	100%

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	Employee (Generation) Year-End Employees			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	24%	24%	25%	26%
Georgia Power	34%	36%	36%	39%
Gulf Power	5%	5%	5%	6%
Mississippi Power	6%	7%	7%	7%
SEGCO				
Southern Nuclear				
Southern Communications				
Southern Company Services	30%	28%	27%	23%
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company				
	100%	100%	100%	100%

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	Employee (Transmission) Year-End Employees			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	37%	36%	36%	36%
Georgia Power	48%	49%	49%	49%
Gulf Power	4%	3%	4%	3%
Mississippi Power	4%	4%	4%	4%
SEGCO				
Southern Nuclear				
Southern Communications				
Southern Company Services	8%	8%	8%	8%
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company				
	100%	100%	100%	100%

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	Employee (East) Year-End Employees			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power				
Georgia Power	80%	80%	78%	79%
Gulf Power				
Mississippi Power				
SEGCO				
Southern Nuclear				
Southern Communications		2%	2%	2%
Southern Company Services	18%	18%	19%	19%
Southern Holdings, Inc.				
Southern Telecom				0%
Southern Railroad				
Southern Power Company				
	98%	100%	100%	100%

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	Employee (West) Year-End Employees			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	51%	52%	51%	51%
Georgia Power				
Gulf Power				
Mississippi Power				
SEGCO				
Southern Nuclear	42%	41%	39%	39%
Southern Communications	3%	3%	3%	3%
Southern Company Services	5%	5%	6%	7%
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company				
	100%	100%	100%	100%

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	Financial Average Percentages			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company	10.19%	9.47%	9.41%	9.36%
Alabama Power	26.70%	27.14%	26.72%	26.94%
Georgia Power	37.29%	36.84%	37.08%	37.56%
Gulf Power	6.34%	6.09%	6.09%	6.21%
Mississippi Power	5.11%	5.17%	5.13%	5.01%
SEGCO	0.79%	1.03%	1.00%	0.97%
Southern Nuclear	2.45%	2.20%	2.31%	2.26%
Southern Communications	0.72%	0.73%	0.85%	0.91%
Southern Company Services	5.51%	5.27%	5.13%	4.66%
Southern Holdings, Inc.	0.39%	0.61%	1.42%	1.68%
Southern Telecom	0.00%	0.00%	0.00%	0.05%
Southern Railroad	0.00%	0.00%	0.00%	0.00%
Southern Power Company	4.51%	5.45%	4.86%	4.39%
	100.00%	100.00%	100.00%	100.00%

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	Coal Generation Thousands of KWH			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	32%	30%	29%	30%
Georgia Power	54%	53%	53%	52%
Gulf Power	7%	8%	8%	9%
Mississippi Power	5%	6%	6%	6%
SEGCO	2%	3%	4%	3%
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company				
	100%	100%	100%	100%

Company Fixed Percentage Allocation Factors

	Gas Burned Millions of BTU			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	28%	33%	34%	36%
Georgia Power	39%	38%	43%	44%
Gulf Power	9%	7%	7%	8%
Mississippi Power	13%	11%	11%	12%
SEGCO				
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company	11%	11%	4%	1%
	100%	100%	100%	100%

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	Fossil Hydro Capacity Nameplate Capacity (KW)			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	25%	25%	26%	26%
Georgia Power	40%	40%	41%	41%
Gulf Power	6%	6%	6%	6%
Mississippi Power	7%	7%	8%	8%
SEGCO	2%	2%	2%	2%
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company	19%	18%	17%	17%
	100%	100%	100%	100%

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	Fossil Capacity Nameplate Capacity (KW)			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	22%	23%	23%	23%
Georgia Power	40%	41%	41%	41%
Gulf Power	7%	7%	7%	7%
Mississippi Power	8%	8%	8%	8%
SEGCO	3%	3%	3%	3%
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company	20%	20%	18%	18%
	100%	100%	100%	100%

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	Coal Capacity Nameplate Capacity (KW)			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	27%	28%	28%	28%
Georgia Power	52%	53%	53%	53%
Gulf Power	8%	9%	9%	9%
Mississippi Power	8%	6%	6%	6%
SEGCO	4%	4%	4%	4%
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company				
	100%	100%	100%	100%

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	Insurance Premium Premiums			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	26%	26%	28%	30%
Georgia Power	43%	40%	39%	43%
Gulf Power	9%	10%	10%	8%
Mississippi Power	9%	10%	10%	7%
SEGCO	1%	1%	2%	2%
Southern Nuclear	2%	2%	2%	1%
Southern Communications	1%	1%	1%	1%
Southern Company Services	5%	5%	5%	3%
Southern Holdings, Inc.	0%	0%	0%	0%
Southern Telecom				0%
Southern Railroad				
Southern Power Company	5%	6%	5%	5%
	100%	100%	100%	100%

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	Salary Billed Labor			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company	5%	6%	6%	6%
Alabama Power	28%	28%	28%	28%
Georgia Power	41%	40%	40%	38%
Gulf Power	8%	7%	7%	6%
Mississippi Power	7%	7%	6%	6%
SEGCO	1%	1%	1%	0%
Southern Nuclear	5%	4%	5%	5%
Southern Communications	1%	1%	1%	1%
Southern Company Services				
Southern Holdings, Inc.	0%	1%	1%	1%
Southern Telecom				0%
Southern Railroad	0%	0%	0%	0%
Southern Power Company	4%	5%	6%	10%
	100%	100%	100%	100%

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	IT Divisional Salary Billed Labor			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company	0%	0%	0%	0%
Alabama Power	19%	20%	21%	22%
Georgia Power	26%	28%	30%	32%
Gulf Power	5%	5%	5%	6%
Mississippi Power	5%	5%	5%	5%
SEGCO	0%	0%	0%	0%
Southern Nuclear	10%	11%	12%	12%
Southern Communications	3%	1%	1%	1%
Southern Company Services	31%	30%	25%	21%
Southern Holdings, Inc.	0%	0%	0%	0%
Southern Telecom				0%
Southern Railroad	0%	0%	0%	0%
Southern Power Company	0%	0%	1%	1%
	100%	100%	100%	100%

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	Capitalization Thousands			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company	11%	11%	11%	11%
Alabama Power	30%	31%	31%	30%
Georgia Power	41%	40%	40%	38%
Gulf Power	6%	5%	5%	5%
Mississippi Power	3%	3%	3%	3%
SEGCO	1%	0%	1%	0%
Southern Nuclear	0%	0%	0%	0%
Southern Communications	0%	0%	0%	0%
Southern Company Services	0%	0%	0%	0%
Southern Holdings, Inc.	1%	2%	2%	4%
Southern Telecom				0%
Southern Railroad				
Southern Power Company	7%	7%	7%	8%
	100%	100%	100%	100%

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	Network PC Number of Network PCs			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	21%	22%	21%	21%
Georgia Power	30%	31%	32%	32%
Gulf Power	4%	4%	5%	5%
Mississippi Power	5%	5%	5%	5%
SEGCO				
Southern Nuclear	14%	12%	12%	12%
Southern Communications	2%	2%	2%	2%
Southern Company Services	25%	24%	23%	22%
Southern Holdings, Inc.				
Southern Telecom				0%
Southern Railroad				
Southern Power Company				
	100%	100%	100%	100%

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	System Air Availability Cost Number of Executives			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company	7%	7%	6%	6%
Alabama Power	12%	14%	14%	15%
Georgia Power	19%	19%	18%	18%
Gulf Power	9%	9%	8%	8%
Mississippi Power	9%	7%	8%	8%
SEGCO			0%	0%
Southern Nuclear	7%	7%	9%	9%
Southern Communications	2%	2%	2%	2%
Southern Company Services	30%	31%	31%	30%
Southern Holdings, Inc.			0%	0%
Southern Telecom			0%	0%
Southern Railroad			0%	0%
Southern Power Company	5%	5%	5%	5%
	100%	100%	100%	100%

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	Carbon Emissions Short Tons			
	2009 Stats Used for 2011	2008 Stats Used for 2010	Used for 2009	2006 Stats Used for 2008
	Allocations	Allocations	Allocations	Allocations
	Percent of Total	Percent of Total	Percent of Total	Percent of Total
Southern Company				
Alabama Power	31%	31%	32%	
Georgia Power	49%	48%	48%	
Gulf Power	4%	6%	6%	
Mississippi Power	8%	8%	8%	
SEGCO	2%	3%	3%	
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company	5%	3%	3%	
	100%	100%	100%	

Source: Company's Response to OPC Document Request 34.

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**Company Statistics for Developing
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	Load			
	Thousands of KWH			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	68,022,867	73,453,848	75,436,618	75,044,595
Georgia Power	87,318,991	93,856,071	95,699,455	94,032,297
Gulf Power	13,371,796	14,187,571	14,322,379	14,274,100
Mississippi Power	14,702,454	14,709,768	14,918,775	13,892,392
SEGCO			-	-
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services			-	-
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company	18,327,731	18,328,100	18,173,349	14,667,793
	201,743,839	214,535,358	218,550,576	211,911,177

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	Transmission Usage			
	Thousands of KWH			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	68,514,682	74,133,930	76,045,022	74,246,697
Georgia Power	104,001,617	108,036,277	112,812,513	107,689,398
Gulf Power	12,354,015	13,130,588	13,151,560	13,071,916
Mississippi Power	13,782,323	14,040,767	14,107,368	13,525,813
SEGCO			-	-
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services			-	-
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company			-	-
	198,652,637	209,341,562	216,116,463	208,533,824

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	Sales for Resale			
	Thousands of KWH			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	20,789,826	20,460,090	19,010,653	21,123,572
Georgia Power	7,711,386	13,450,900	15,769,872	17,808,758
Gulf Power	2,684,062	3,687,997	5,111,466	5,016,900
Mississippi Power	5,490,978	6,503,738	6,212,318	6,303,923
SEGCO			-	-
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services			-	-
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company	19,807,154	16,975,733	17,751,595	13,586,968
	56,483,406	61,078,458	63,855,904	63,840,121

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	Customer Year-End Customers			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	1,434,468	1,437,846	1,431,334	1,415,935
Georgia Power	2,353,818	2,349,242	2,333,045	2,305,676
Gulf Power	428,154	427,929	427,663	418,892
Mississippi Power	185,215	186,570	184,803	181,285
SEGCO			-	-
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services			-	-
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company			-	-
	4,401,655	4,401,587	4,376,845	4,321,788

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	Employee Year-End Employees			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	6,806	6,949	6,980	6,796
Georgia Power	8,459	8,571	9,270	9,278
Gulf Power	1,350	1,330	1,324	1,321
Mississippi Power	1,278	1,308	1,299	1,270
SEGCO			-	-
Southern Nuclear	3,466	3,325	3,267	3,216
Southern Communications	351	385	476	461
Southern Company Services	3,941	3,951	4,125	3,737
Southern Holdings, Inc.			-	-
Southern Telecom			-	8
Southern Railroad			-	-
Southern Power Company			-	-
	25,651	25,819	26,741	26,087

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	Employee (Generation)			
	Year-End Employees			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	1,627	1,765	1,749	1,650
Georgia Power	2,257	2,626	2,575	2,461
Gulf Power	352	354	351	354
Mississippi Power	432	478	481	447
SEGCO			-	-
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services	1,986	2,002	1,918	1,479
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company			-	-
	6,654	7,225	7,074	6,391

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	Employee (Transmission) Year-End Employees			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
	Southern Company		-	-
Alabama Power	919	940	933	908
Georgia Power	1,202	1,293	1,261	1,250
Gulf Power	92	92	91	86
Mississippi Power	99	98	96	96
SEGCO			-	-
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services	196	215	206	196
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company			-	-
	2,508	2,638	2,587	2,536

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	Employee (East) Year-End Employees			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power			-	-
Georgia Power	5,000	5,231	5,434	5,567
Gulf Power			-	-
Mississippi Power			-	-
SEGCO			-	-
Southern Nuclear			-	-
Southern Communications	121	125	164	165
Southern Company Services	1,144	1,184	1,347	1,327
Southern Holdings, Inc.			-	-
Southern Telecom			-	8
Southern Railroad			-	-
Southern Power Company			-	-
	6,265	6,540	6,945	7,067

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	Employee (West) Year-End Employees			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
	Southern Company		-	-
Alabama Power	4,260	4,244	4,298	4,238
Georgia Power			-	-
Gulf Power			-	-
Mississippi Power			-	-
SEGCO			-	-
Southern Nuclear	3,466	3,325	3,267	3,216
Southern Communications	219	247	286	264
Southern Company Services	382	388	534	583
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company			-	-
	8,327	8,204	8,385	8,301

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	Financial Average Percentages			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
	Southern Company	10.19%	9.47%	9.41%
Alabama Power	26.70%	27.14%	26.72%	26.94%
Georgia Power	37.29%	36.84%	37.08%	37.56%
Gulf Power	6.34%	6.09%	6.09%	6.21%
Mississippi Power	5.11%	5.17%	5.13%	5.01%
SEGCO	0.79%	1.03%	1.00%	0.97%
Southern Nuclear	2.45%	2.20%	2.31%	2.26%
Southern Communications	0.72%	0.73%	0.85%	0.91%
Southern Company Services	5.51%	5.27%	5.13%	4.66%
Southern Holdings, Inc.	0.39%	0.61%	1.42%	1.68%
Southern Telecom	0.00%	0.00%	0.00%	0.05%
Southern Railroad	0.00%	0.00%	0.00%	0.00%
Southern Power Company	4.51%	5.45%	4.86%	4.39%
	100.00%	100.00%	100.00%	100.00%

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	Coal Generation			
	Thousands of KWH			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	40,905,223	47,260,806	49,271,326	49,584,427
Georgia Power	69,202,685	85,054,774	90,003,799	86,062,446
Gulf Power	8,870,957	12,334,047	14,281,576	14,216,294
Mississippi Power	6,200,815	9,629,677	9,724,486	10,063,681
SEGCO	2,908,673	5,480,390	5,924,683	5,605,257
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services			-	-
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company			-	-
	128,088,353	159,759,694	169,205,870	165,532,105

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	Gas Burned Millions of BTU			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	86,591,680	77,197,084	81,957,331	68,934,747
Georgia Power	120,159,608	89,785,856	101,848,208	84,216,916
Gulf Power	29,048,669	17,476,056	17,277,959	15,335,031
Mississippi Power	41,121,306	26,992,974	25,936,546	23,334,851
SEGCO			-	-
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services			-	-
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company	32,720,117	24,967,856	10,551,085	1,463,181
	309,641,380	236,419,826	237,571,129	193,284,726

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	Fossil Hydro Capacity			
	Nameplate Capacity (KW)			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	10,609,399	10,609,399	10,609,399	10,609,399
Georgia Power	16,916,353	16,916,353	16,916,353	16,916,353
Gulf Power	2,659,400	2,659,400	2,659,400	2,659,400
Mississippi Power	3,155,976	3,155,976	3,155,976	3,155,976
SEGCO	1,019,680	1,019,680	1,019,680	1,019,680
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services			-	-
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company	8,111,101	7,786,061	7,126,601	6,963,700
	42,471,909	42,146,869	41,487,409	41,324,508

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	Fossil Capacity Nameplate Capacity (KW)			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	8,941,320	8,941,320	8,941,320	8,941,320
Georgia Power	16,041,273	16,041,273	16,041,273	16,041,273
Gulf Power	2,659,400	2,659,400	2,659,400	2,659,400
Mississippi Power	3,155,976	3,155,976	3,155,976	3,155,976
SEGCO	1,019,680	1,019,680	1,019,680	1,019,680
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services			-	-
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company	8,111,101	7,786,061	7,126,601	6,963,700
	<u>39,928,750</u>	<u>39,603,710</u>	<u>38,944,250</u>	<u>38,781,349</u>

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	Coal Capacity Nameplate Capacity (KW)			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
	Southern Company		-	-
Alabama Power	6,686,250	6,686,250	6,686,250	6,686,250
Georgia Power	12,721,453	12,605,317	12,605,317	12,605,317
Gulf Power	2,059,500	2,059,500	2,059,500	2,059,500
Mississippi Power	1,859,500	1,450,000	1,450,000	1,450,000
SEGCO	1,019,680	1,019,680	1,019,680	1,000,000
Southern Nuclear			-	-
Southern Communications			-	-
Southern Company Services			-	-
Southern Holdings, Inc.			-	-
Southern Telecom			-	-
Southern Railroad			-	-
Southern Power Company			-	-
	24,346,383	23,820,747	23,820,747	23,801,067

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	Insurance Premium Premiums			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company		-	-	-
Alabama Power	\$ 13,292,407	\$ 11,697,891	\$ 12,490,650	\$ 19,006,020
Georgia Power	22,468,867	18,163,000	17,737,556	26,662,163
Gulf Power	4,838,003	4,619,489	4,444,314	4,707,520
Mississippi Power	4,567,742	4,379,427	4,346,706	4,617,848
SEGCO	465,290	498,613	713,236	977,494
Southern Nuclear	891,983	845,266	864,744	831,709
Southern Communications	267,084	308,551	340,946	316,751
Southern Company Services	2,515,376	2,194,543	2,196,896	2,074,247
Southern Holdings, Inc.	2,465	(431)	5,135	7,281
Southern Telecom			-	23,850
Southern Railroad			-	-
Southern Power Company	2,752,292	2,490,257	2,189,462	3,417,372
	\$ 52,061,509	\$ 45,196,606	\$ 45,329,645	\$ 62,642,255

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	Salary Billed Labor			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
	Southern Company	13,383,704	19,774,203	18,340,223
Alabama Power	83,091,644	99,161,836	93,698,695	88,965,706
Georgia Power	122,032,621	143,535,095	131,198,218	122,599,233
Gulf Power	22,836,500	24,768,113	22,342,365	19,543,455
Mississippi Power	20,424,085	25,215,187	21,076,707	18,508,716
SEGCO	2,128,123	3,107,428	2,070,600	1,372,113
Southern Nuclear	14,253,412	15,740,539	14,993,750	14,637,869
Southern Communications	3,094,278	2,283,480	2,565,373	2,554,449
Southern Company Services			-	-
Southern Holdings, Inc.	1,322,931	2,152,292	2,601,018	3,194,963
Southern Telecom			-	397,566
Southern Railroad	59,505	88,530	98,890	117,184
Southern Power Company	13,274,208	19,095,102	20,909,315	32,357,672
	295,901,011	354,921,805	329,895,155	323,075,278

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	IT Divisional Salary Billed Labor			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company	11,145	15,493	28,296	43,690
Alabama Power	14,594,565	14,439,497	14,624,300	14,767,562
Georgia Power	19,827,819	20,088,733	21,030,686	21,295,477
Gulf Power	3,464,812	3,659,199	3,549,503	3,682,917
Mississippi Power	3,441,046	3,588,792	3,624,001	3,395,798
SEGCO	924	3,946	9,368	9,845
Southern Nuclear	7,791,540	8,106,824	8,112,459	7,920,621
Southern Communications	2,638,358	854,240	949,684	954,052
Southern Company Services	23,658,694	21,686,263	17,069,002	13,984,586
Southern Holdings, Inc.	125	(24)	559	1,050
Southern Telecom			-	186,676
Southern Railroad	5,169	8,593	12,727	19,413
Southern Power Company	35,570	41,557	403,367	333,851
	75,469,767	72,493,113	69,413,952	66,595,538

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	Capitalization Thousands			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company	\$ 4,339,258	\$ 4,039,541	\$ 3,729,312	\$ 3,611,067
Alabama Power	12,061,674	11,385,405	10,346,343	9,551,152
Georgia Power	16,486,698	14,754,982	13,520,137	12,220,299
Gulf Power	2,311,534	1,917,594	1,613,928	1,504,454
Mississippi Power	1,186,112	1,107,215	939,655	952,612
SEGCO	215,152	170,185	170,709	148,310
Southern Nuclear	93,159	82,669	72,408	75,448
Southern Communications	120,973	132,570	150,751	149,514
Southern Company Services	80,935	71,302	87,332	35,144
Southern Holdings, Inc.	505,962	583,650	728,794	1,283,600
Southern Telecom			-	8,174
Southern Railroad			-	-
Southern Power Company	2,611,676	2,435,714	2,424,734	2,447,310
	\$ 40,013,133	\$ 36,680,827	\$ 33,784,103	\$ 31,987,084

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	Network PC Number of Network PCs			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
	Southern Company			-
Alabama Power	5,884	5,858	5,629	5,513
Georgia Power	8,452	8,399	8,502	8,311
Gulf Power	1,246	1,179	1,231	1,186
Mississippi Power	1,363	1,329	1,264	1,260
SEGCO			-	-
Southern Nuclear	3,828	3,390	3,147	3,200
Southern Communications	473	504	596	584
Southern Company Services	7,078	6,470	5,934	5,774
Southern Holdings, Inc.			-	-
Southern Telecom			-	16
Southern Railroad			-	-
Southern Power Company			-	-
	28,324	27,129	26,303	25,844

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	System Air Availability Cost Number of Executives			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company	4	4	4	4
Alabama Power	7	8	9	10
Georgia Power	11	11	12	12
Gulf Power	5	5	5	5
Mississippi Power	5	4	5	5
SEGCO			0	0
Southern Nuclear	4	4	6	6
Southern Communications	1	1	1	1
Southern Company Services	17	18	20	20
Southern Holdings, Inc.			0	0
Southern Telecom			0	0
Southern Railroad			0	0
Southern Power Company	3	3	3	3
	57	58	65	66

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	Carbon Emissions Short Tons			
	2009 Stats Used for 2011 Allocations	2008 Stats Used for 2010 Allocations	2007 Stats Used for 2009 Allocations	2006 Stats Used for 2008 Allocation
Southern Company				
Alabama Power	49,025,497	56,678,355	60,036,544	
Georgia Power	76,220,446	87,937,833	90,266,707	
Gulf Power	6,928,701	10,203,698	11,008,020	
Mississippi Power	12,621,401	15,376,048	15,391,407	
SEGCO	3,218,437	6,277,119	6,368,552	
Southern Nuclear				
Southern Communications				
Southern Company Services				
Southern Holdings, Inc.				
Southern Telecom				
Southern Railroad				
Southern Power Company	7,922,103	6,264,515	6,223,342	
	155,936,585	182,737,568	189,294,572	-

Recommended Financial Allocation Factor

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Company	Net Fixed Assets	Percentage Net Fixed Assets	Operating Expenses	Percentage Operating Expenses	Operating Revenues	Percentage Operating Revenues	Average Percentage Excluding Revenue
Southern Company	\$ 18,499,502	29.14%	\$ [REDACTED]	3.41%	\$ [REDACTED]	[REDACTED]	16.28%
Alabama Power	14,552,000	22.92%	1,525,778	25.11%	[REDACTED]	[REDACTED]	24.02%
Georgia Power	21,034,000	33.14%	1,547,026	25.46%	[REDACTED]	[REDACTED]	29.30%
Gulf Power	2,791,409	4.40%	327,256	5.39%	1,302,229	6.97%	4.89%
Mississippi Power	1,701,403	2.68%	280,800	4.62%	[REDACTED]	[REDACTED]	3.65%
SEGCO	211,910	0.33%	70,292	1.16%	[REDACTED]	[REDACTED]	0.75%
Southern Nuclear	11,441	0.02%	[REDACTED]	9.06%	[REDACTED]	[REDACTED]	4.54%
Southern Communications (includes Southern Telecom)	183,889	0.29%	[REDACTED]	2.11%	[REDACTED]	[REDACTED]	1.20%
Southern Company Services	142,023	0.22%	[REDACTED]	21.04%	[REDACTED]	[REDACTED]	10.63%
Southern Holdings, Inc.	544,633	0.86%	[REDACTED]	0.14%	[REDACTED]	[REDACTED]	0.50%
Southern Telecom (see Southern Communications)		0.00%	[REDACTED]	0.00%	[REDACTED]	[REDACTED]	0.00%
Southern Railroad	0	0.00%	[REDACTED]	0.00%	[REDACTED]	[REDACTED]	0.00%
Southern Power Company	3,806,130	6.00%	151,791	2.50%	[REDACTED]	[REDACTED]	4.25%
TOTAL	\$ 63,478,341	100.00%	\$ 6,075,488	100.00%	\$ 18,670,732	100.00%	100.01%

Source: Company's Response to OPC Document Request 34 (a) Supplement.

Recommended Fixed Percentage Allocation Factors

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	Load	
	Thousands of KWH	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	68,022,867	33.72%
Georgia Power	87,318,991	43.28%
Gulf Power	13,371,796	6.63%
Mississippi Power	14,702,454	7.29%
SEGCO		
Southern Nuclear		
Southern Communications		
Southern Company Services		
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company	18,327,731	9.08%
	<hr/>	<hr/>
	201,743,839	100.00%

Recommended Fixed Percentage Allocation Factors

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	Transmission Usage Thousands of KWH	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	68,514,682	34.49%
Georgia Power	104,001,617	52.35%
Gulf Power	12,354,015	6.22%
Mississippi Power	13,782,323	6.94%
SEGCO		
Southern Nuclear		
Southern Communications		
Southern Company Services		
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	198,652,637	100.00%

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	Sales for Resale Thousands of KWH	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	14,729,000	27.61%
Georgia Power	5,662,000	10.61%
Gulf Power	4,111,962	7.71%
Mississippi Power	5,058,664	9.48%
SEGCO		
Southern Nuclear		
Southern Communications		
Southern Company Services		
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company	23,779,804	44.58%
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	53,341,430	100.00%

Recommended Fixed Percentage Allocation Factors

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	Customer	
	Year-End Customers	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	1,439,016	32.58%
Georgia Power	2,361,355	53.46%
Gulf Power	430,658	9.75%
Mississippi Power	185,756	4.21%
SEGCO		
Southern Nuclear		
Southern Communications		
Southern Company Services		
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	4,416,785	100.00%

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	Employee	
	Year-End Employee	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	6,552	25.26%
Georgia Power	8,330	32.11%
Gulf Power	1,330	5.13%
Mississippi Power	1,280	4.93%
SEGCO		
Southern Nuclear	3,676	14.17%
Southern Communications	307	1.18%
Southern Company Services	4,465	17.21%
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	25,940	100.00%

Recommended Fixed Percentage Allocation Factors

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	Employee (Generation) Year-End Employees	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	1,566	22.97%
Georgia Power	2,223	32.60%
Gulf Power	347	5.09%
Mississippi Power	433	6.35%
SEGCO		
Southern Nuclear		
Southern Communications		
Southern Company Services	2,250	33.00%
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	<hr/>	<hr/>
	6,818	100.00%

Recommended Fixed Percentage Allocation Factors

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	Employee (Transmission) Year-End Employees	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	885	35.67%
Georgia Power	1,184	47.72%
Gulf Power	91	3.65%
Mississippi Power	99	4.00%
SEGCO		
Southern Nuclear		
Southern Communications		
Southern Company Services	222	8.95%
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	2,480	100.00%

Recommended Fixed Percentage Allocation Factors

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	Employee (East)	
	Year-End Employees	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power		
Georgia Power	4,924	77.84%
Gulf Power		
Mississippi Power		
SEGCO		
Southern Nuclear		
Southern Communications	106	1.67%
Southern Company Services	1,296	20.49%
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	6,326	100.00%

Recommended Fixed Percentage Allocation Factors

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	Employee (West) Year-End Employees	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	4,101	48.81%
Georgia Power		
Gulf Power		
Mississippi Power		
SEGCO		
Southern Nuclear	3,676	43.75%
Southern Communications	192	2.28%
Southern Company Services	433	5.15%
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	8,401	100.00%

Recommended Fixed Percentage Allocation Factors

	Financial	
	Average Percentages	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company	16.28%	16.28%
Alabama Power	24.02%	24.02%
Georgia Power	29.30%	29.30%
Gulf Power	4.89%	4.89%
Mississippi Power	3.65%	3.65%
SEGCO	0.75%	0.75%
Southern Nuclear	4.54%	4.54%
Southern Communications	1.20%	1.20%
Southern Company Services	10.63%	10.63%
Southern Holdings, Inc.	0.50%	0.50%
Southern Telecom	0.00%	0.00%
Southern Railroad	0.00%	0.00%
Southern Power Company	4.25%	4.25%
	100.01%	100.01%

Recommended Fixed Percentage Allocation Factors

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	Coal Generation Thousands of KWH	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
	Southern Company	
Alabama Power	40,905,223	31.94%
Georgia Power	69,202,685	54.03%
Gulf Power	8,870,957	6.93%
Mississippi Power	6,200,815	4.84%
SEGCO	2,908,673	2.27%
Southern Nuclear		
Southern Communications		
Southern Company Services		
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	128,088,353	100.00%

Recommended Fixed Percentage Allocation Factors

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	Gas Burned Millions of BTU	
	2009 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	86,591,680	27.97%
Georgia Power	120,159,608	38.81%
Gulf Power	29,048,669	9.38%
Mississippi Power	41,121,306	13.28%
SEGCO		
Southern Nuclear		
Southern Communications		
Southern Company Services		
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company	32,720,117	10.57%
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	309,641,380	100.00%

Recommended Fixed Percentage Allocation Factors

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	Fossil Hydro Capacity Nameplate Capacity (KW)	
	2009 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
	Southern Company	
Alabama Power	10,609,399	24.98%
Georgia Power	16,916,353	39.83%
Gulf Power	2,659,400	6.26%
Mississippi Power	3,155,976	7.43%
SEGCO	1,019,680	2.40%
Southern Nuclear		
Southern Communications		
Southern Company Services		
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company	8,111,101	19.10%
	42,471,909	100.00%

Recommended Fixed Percentage Allocation Factors

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	Fossil Capacity	
	Nameplate Capacity (KW)	
	2009 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	8,941,320	22.39%
Georgia Power	16,041,273	40.17%
Gulf Power	2,659,400	6.66%
Mississippi Power	3,155,976	7.90%
SEGCO	1,019,680	2.55%
Southern Nuclear		
Southern Communications		
Southern Company Services		
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company	8,111,101	20.31%
	<hr/>	
	39,928,750	100.00%

Recommended Fixed Percentage Allocation Factors

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	Coal Capacity Nameplate Capacity (KW)	
	2009 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	6,686,250	27.46%
Georgia Power	12,721,453	52.25%
Gulf Power	2,059,500	8.46%
Mississippi Power	1,859,500	7.64%
SEGCO	1,019,680	4.19%
Southern Nuclear		
Southern Communications		
Southern Company Services		
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	24,346,383	100.00%

Recommended Fixed Percentage Allocation Factors

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	Insurance Premium Premiums	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	\$ 13,292,407	25.53%
Georgia Power	22,468,867	43.16%
Gulf Power	4,838,003	9.29%
Mississippi Power	4,567,742	8.77%
SEGCO	465,290	0.89%
Southern Nuclear	891,983	1.71%
Southern Communications	267,084	0.51%
Southern Company Services	2,515,376	4.83%
Southern Holdings, Inc.	2,465	0.00%
Southern Telecom		
Southern Railroad		
Southern Power Company	2,752,292	5.29%
	<u>\$ 52,061,509</u>	<u>100.00%</u>

Recommended Fixed Percentage Allocation Factors

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	Salary Billed Labor	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company	13,383,704	4.52%
Alabama Power	83,091,644	28.08%
Georgia Power	122,032,621	41.24%
Gulf Power	22,836,500	7.72%
Mississippi Power	20,424,085	6.90%
SEGCO	2,128,123	0.72%
Southern Nuclear	14,253,412	4.82%
Southern Communications	3,094,278	1.05%
Southern Company Services		
Southern Holdings, Inc.	1,322,931	0.45%
Southern Telecom		
Southern Railroad	59,505	0.02%
Southern Power Company	13,274,208	4.49%
	<hr/>	
	295,901,011	100.00%

Recommended Fixed Percentage Allocation Factors

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	IT Divisional Salary Billed Labor	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company	11,145	0.01%
Alabama Power	14,594,565	19.34%
Georgia Power	19,827,819	26.27%
Gulf Power	3,464,812	4.59%
Mississippi Power	3,441,046	4.56%
SEGCO	924	0.00%
Southern Nuclear	7,791,540	10.32%
Southern Communications	2,638,358	3.50%
Southern Company Services	23,658,694	31.35%
Southern Holdings, Inc.	125	0.00%
Southern Telecom		
Southern Railroad	5,169	0.01%
Southern Power Company	35,570	0.05%
	<u>75,469,767</u>	<u>100.00%</u>

Recommended Fixed Percentage Allocation Factors

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	Capitalization Thousands	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company	\$ 4,703,354	11.04%
Alabama Power	12,265,000	28.78%
Georgia Power	17,884,000	41.96%
Gulf Power	2,490,615	5.84%
Mississippi Power	1,488,617	3.49%
SEGCO	248,573	0.58%
Southern Nuclear	102,015	0.24%
Southern Communications	106,703	0.25%
Southern Company Services	90,568	0.21%
Southern Holdings, Inc.	505,962	1.19%
Southern Telecom		
Southern Railroad		
Southern Power Company	2,733,849	6.41%
	<hr/>	
	\$ 42,619,255	100.00%

Recommended Fixed Percentage Allocation Factors

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	Network PC	
	Number of Network PCs	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	5,884	20.77%
Georgia Power	8,452	29.84%
Gulf Power	1,246	4.40%
Mississippi Power	1,363	4.81%
SEGCO		
Southern Nuclear	3,828	13.52%
Southern Communications	473	1.67%
Southern Company Services	7,078	24.99%
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	28,324	100.00%

Recommended Fixed Percentage Allocation Factors

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	System Air Availability Cost	
	Number of Executives	
	2010 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company	4	7.02%
Alabama Power	7	12.28%
Georgia Power	11	19.30%
Gulf Power	5	8.77%
Mississippi Power	5	8.77%
SEGCO		
Southern Nuclear	4	7.02%
Southern Communications	1	1.75%
Southern Company Services	17	29.82%
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company	3	5.26%
	57	100.00%

Recommended Fixed Percentage Allocation Factors

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	Carbon Emissions Short Ton	
	2009 Stats used for 2012 Allocations	Used for 2012 Allocations Percent of Total
Southern Company		
Alabama Power	49,025,497	33.12%
Georgia Power	76,220,446	51.50%
Gulf Power	6,928,701	4.68%
Mississippi Power	12,621,401	8.53%
SEGCO	3,218,437	2.17%
Southern Nuclear		
Southern Communications		
Southern Company Services		
Southern Holdings, Inc.		
Southern Telecom		
Southern Railroad		
Southern Power Company		
	148,014,482	100.00%

Source: Company's Response to OPC Document Request 34 and Southern Company 2010 10-K.

REDACTED VERSION

Adjustment to SCS Charges for Recommended Allocation Factors

Docket No. 110138-EI
 Kimberly H. Dismukes
 Schedule KHD-9
 Page 1 of 1

FERC Account	FERC Description	Parent Amount	Company Amount	Recommended Amount	Difference	Jurisdictional Allocation	Amount
500	Stm-Oper Eng & Supv	\$ 34,136,384	\$ 2,460,930	\$ 2,461,365	\$ 435	0.9663	\$ 420
505	Stm-Electric Expenses	254,774	16,968	16,968	-	0.9666	-
546	Opg-Oper Eng & Supv	2,077,181	92,495	92,495	-	0.9662	-
551	Opg-Maint Eng & Supv	963,871	62,652	62,652	-	0.9662	-
506	Stm-Misc Steam Power Expenses	40,120,642	2,793,311	2,708,400	(84,911)	0.9662	(82,042)
510	Stm-Maint Eng & Supv	5,089,467	309,791	309,791	-	0.9661	-
908	Cs&I-Customer Assistance	16,421,040	1,351,251	1,352,805	1,554	1.0000	1,554
566	Tms-Misc Tms Exp	3,072,696	199,486	199,486	-	0.9668	-
556	Ops-Purch Pwr-Sys & Load Disp	34,702,949	2,177,902	2,275,553	97,652	0.9663	94,363
581	Dstr-Load Dispatch	6,306,422	324,896	324,896	-	1.0000	-
501	Stm-Fuel-Other	12,446,216	853,343	853,194	(149)	0.9682	(145)
547	Opg-Fuel	4,187,123	392,752	392,752	-	0.9682	-
930	Misc Gnrl-R&D	7,345	487	487	-	0.9800	-
506	Stm-Misc Stm Pwr-Air Qlty Ctrl	10,830,117	715,859	715,859	-	0.9662	-
506	Stm-Misc Stm Pwr-Wtr Qlty Ctrl	703,794	54,474	54,474	-	0.9662	-
903	Cust Accts-Cust Record/Collect	143,228,417	8,571,349	8,572,302	952	0.9998	952
923	Outside Svc-Scs	238,008,489	14,286,214	13,239,306	(1,046,908)	0.9800	(1,025,956)
586	Dstr-Oper-Meter Expenses	7,017,640	592,112	593,236	1,124	1.0000	1,124
588	Dstr-Misc Dstr Exp	17,884,651	1,542,524	1,544,336	1,812	0.9990	1,810
561	Tms-Load Disp-Monitor&Oper	3,251,924	205,794	205,794	-	0.9662	-
580	Dstr-Oper Eng & Supv	3,569,849	241,036	241,496	459	0.9989	459
907	Cust Service & Info Exp-Supv	3,039,591	252,384	252,642	259	1.0000	259
560	Tms-Oper Eng & Supv	8,126,608	525,085	525,085	-	0.9667	-
587	Dstr-Customer Installation Exp	32,000	3,018	3,018	-	1.0000	-
569	Tms-Maint Of Pc Software	4,674,909	303,372	303,372	-	0.9674	-
590	Dstr-Maint Eng & Supv	3,060,307	14,064	14,064	-	0.9983	-
595	Dstr-Maint Of Line Transformer	1,052,511	2,589	2,589	-	1.0000	-
557	Ops-Purch Pwr-Other	35,157,717	2,460,752	2,643,069	182,317	0.9662	176,157
930	Misc General Expenses	102,306	6,865	5,597	(1,268)	0.9800	(1,242)
930	Misc Gnrl-Drctr	1,474,269	5,649	5,649	-	0.9800	-
561	Tms-Load Dispatch-Reliab	9,593,021	596,686	596,686	-	0.9662	-
561	Tms-Load Disp-Tms Svc&Sched	1,371,043	85,279	85,279	-	0.9662	-
561	Tms-Sched, Syst Ctl Disp Svs	24,092	1,499	1,499	-	0.9662	-
569	Tms-Maint Of Pc Hardware	2,104,402	130,894	130,894	-	0.9674	-
562	Tms-Gen Interconnect Study	470,414	29,260	29,260	-	0.9662	-
562	Tms-Reliab,Plnng,&Std Devel	2,523,832	156,982	156,982	-	0.9662	-
562	Tms-Tms Svc Studies	544,453	33,865	33,865	-	0.9662	-
512	Ecrs-Stm-Maint Boiler-Scrubber	343,762	24,545	24,545	-	0.9679	-
568	Tms-Maint Eng & Supv	20,187	1,964	1,968	4	0.9669	4
Totals		\$ 657,996,415	\$ 41,880,375	\$ 41,033,706	\$ (846,668)		\$ (832,284)

Source: Company's Response to OPC Document Request 4, 6, and 34.

AllConnect Script

AllConnect Script:

As a value to our customers, we can transfer you to an independent service to assist you in getting other services such as local phone, cable, and internet connected. If you are interested, I can transfer you and your customer account information to this service. Would you like me to make that transfer?

Information that is transferred to AllConnect:

- ⇒ Account number
- ⇒ Name
- ⇒ Service Address
- ⇒ Home phone number
- ⇒ Alternate phone number
- ⇒ Employer
- ⇒ CSR user ID

**Gulf Power Nonregulated Services
Income and Investment**

Docket No. 110138-EI
Kimberly H. Dismukes
Schedule KHD-11
Page 1 of 1

	2009	2010	2012
Revenues			
AllConnect	\$ 21,221	\$ 22,458	\$ 23,347
Commercial Surge	85,688	97,729	113,392
Premium Surge	1,124,207	1,172,555	1,161,589
Total Non-Regulated Revenue	\$ 1,231,117	\$ 1,292,742	\$ 1,298,328
Expenses			
GTA-Labor Accr/Rev-New Products	\$ (1,629)	\$ (980)	\$ -
GTA-PDP Products & Services	1,823	1,533	-
GTA-PPP-Products And Services	4,824	2,988	11,400
GTA-Stock Options-Products & Services	93	1,536	-
Non-ECCR-New Prod & Svcs-Labor Expense	68,179	81,534	63,605
Non-ECCR-New Prod & Svcs-Meals, Travel, Incidentals	-	-	-
Non-ECCR-New Prod & Svcs-1-800 Toll Charges & Local Access	1,366	1,566	-
Non-ECCR-New Prod & Svcs-Css Expenses	8,787	9,077	11,583
Non-ECCR-New Prod & Svcs-Marketing And Enrollment Expense	40,807	41,599	48,520
Non-ECCR-New Prod & Svcs-Incentives Expense Related To Train	2,108	2,370	2,000
Non-ECCR-New Prod & Svcs-Installation Expense	10,862	9,190	5,607
Non-ECCR-New Prod & Svcs-Misc. & General Expense	9,135	7,807	27,729
Non-ECCR-New Prod & Svcs-Depreciation Expense	324,051	350,012	331,757
Non-ECCR-New Prod & Svcs-Inventory And Receivable Interest	41	-	-
Non-ECCR-New Prod & Svcs-Service Call And Removal Expense	74,398	78,279	75,876
Non-ECCR-New Prod & Svcs-Customer Damage Claims Expense	7,793	3,283	15,078
Total New Products & Services Expense	\$ 552,637	\$ 589,795	\$ 593,155
Estimate Taxes @ 38.58%	\$ 261,758	\$ 271,197	\$ 272,056
Net Operating Income	\$ 416,722	\$ 431,750	\$ 433,117
Plant			
Premium Surge			
Gross Plant Balance	\$ 3,200,325	\$ 3,388,446	\$ 3,796,481
Accumulated Depreciation	\$ 1,375,107	\$ 1,701,759	\$ 2,373,874
Net Plant Balance	\$ 1,826,053	\$ 1,690,197	\$ 1,422,607
Commercial Surge			
Gross Plant Balance	\$ 156,606	\$ 168,405	\$ 186,053
Accumulated Depreciation	\$ 58,262	\$ 74,353	\$ 109,103
Net Plant Balance	\$ 99,663	\$ 95,497	\$ 76,950
Total Gross Plant Balance	\$ 3,356,931	\$ 3,556,851	\$ 3,982,534
Total Accumulated Depreciation	\$ 1,433,369	\$ 1,776,112	\$ 2,482,977
Total Net Plant Balance	\$ 1,925,716	\$ 1,785,694	\$ 1,499,557
Return on Investment	21.6%	24.2%	28.9%

Source: Company's Response to OPC Interrogatory 65.

REDACTED VERSION

**Recommended Revenue Adjustment for
Nonregulated Services Provided by Gulf Power**

Docket No. 110138-EI
Kimberly H. Dismukes
Schedule KHD-12
Page 1 of 1

	Test Year 2012
Revenues	
AllConnect	\$ 23,347
Commercial Surge	113,392
Premium Surge	1,161,589
Total Non-Regulated Revenue	1,298,328
Expenses	
GTA-Labor Accr/Rev-New Products	\$ -
GTA-PDP Products & Services	-
GTA-PPP-Products And Services	11,400
GTA-Stock Options-Products & Services	-
Non-ECCR-New Prod & Svcs-Labor Expense	63,605
Non-ECCR-New Prod & Svcs-Meals, Travel, Incidentals	-
Non-ECCR-New Prod & Svcs-1-800 Toll Charges & Local Access	-
Non-ECCR-New Prod & Svcs-Css Expenses	11,583
Non-ECCR-New Prod & Svcs-Marketing And Enrollment Expense	48,520
Non-ECCR-New Prod & Svcs-Incentives Expense Related To Train	2,000
Non-ECCR-New Prod & Svcs-Installation Expense	5,607
Non-ECCR-New Prod & Svcs-Misc. & General Expense	27,729
Non-ECCR-New Prod & Svcs-Depreciation Expense	331,757
Non-ECCR-New Prod & Svcs-Inventory And Receivable Interest	-
Non-ECCR-New Prod & Svcs-Service Call And Removal Expense	75,876
Non-ECCR-New Prod & Svcs-Customer Damage Claims Expense	15,078
Total New Products & Services Expense	\$ 593,155
Net Operating Income Before Taxes	\$ 705,173
Estimated State and Federal Taxes	272,020
Net Operating Income	\$ 433,152
Total Net Plant Balance	\$ 1,499,557
Return on Investment	28.9%
Reasonable Return on Investment	5.45%
Allowable Net Operating Income	\$ 81,757
Adjustment to Regulated Net Operating Income	\$ 351,395
Revenue Conversion Factor	1.62800
Recommended Adjustment	\$ 572,072

Source: Company's Response to OPC Interrogatory 65; Company's MFR Schedules C-4, C-22, C-44, and D-1.

REDACTED VERSION

**Recommended SCS Work Order –
Specific Disallowances**

Docket No. 110138-EI
Kimberly H. Dismukes
Schedule KHD-13
Page 1 of 1

Billing Work Order	BWO Description	FERC Account	2011 Budget	2012 Budget	Test Year Amount	Disallowance	Change in Factor	Adjusted Disallowance	Jurisdictional Allocation	Jurisdictional Disallowance
48LC01	Southern System LINC Charges	various	\$ 2,800,012	\$ 3,099,998	\$ (299,986)	\$ (299,986)	0.00000	\$ (299,986)	0.9826	\$ (294,765)
466909	Power Delivery Syst-Program Maintenance	588	58,658	402,862	(344,204)	(344,204)	0.00000	(344,205)	0.9990	(343,847)
46C805	PE 4305 Wireless Systems	308	1,830,708	2,231,854	(401,146)	(401,146)	0.00000	(401,146)	0.9662	(387,596)
46EZBL	EGain Support	907	19,601	20,614	(20,614)	(20,614)	0.00020	(20,618)	1.0000	(20,618)
46IDMU	LDV Mainframe Usage	908	1,309	1,464	(1,464)	(1,464)	0.00000	(1,464)	1.0000	(1,464)
46LRBL	Rate Expert Base Support	908	18,456	19,395	(19,395)	(19,395)	0.00020	(19,399)	1.0000	(19,399)
47VSES	Dynamic Energy Exchange Service	923	24,626	70,184	(70,184)	(70,184)	-0.01519	(69,118)	0.9800	(67,735)
47VSTB	Brainware SCM Support	506	1,200	1,380	(1,380)	(1,380)	-0.01519	(1,359)	0.9662	(1,313)
47VSTH	ESS Help Desk Support	923	-	24,459	(24,459)	(24,459)	0.00000	(24,459)	0.9800	(23,969)
47VSZ1	3rd Party Applications/Shared Support Services-Sc	923	12,010	6,575	(6,575)	(6,575)	-0.01519	(6,475)	0.9800	(6,346)
47VSZ5	ESS Procure-To-Pay	923	40,082	46,874	(46,874)	(46,874)	0.00000	(46,874)	0.9800	(45,936)
471701	Accounting - Comptroller	923	63,209	121,066	(121,066)	(121,066)	-0.01519	(119,227)	0.9800	(116,841)
473401	Southern Company Human Resources Management	923	100,875	141,367	(36,920)	(18,460)	-0.00133	(18,435)	0.9800	(18,067)
49SWCS	Customer Summit	557	4,415	44,868	(40,453)	(20,227)	0.06590	(21,559)	0.9662	(20,831)
4Q51RC	SCGen IT: Support of Railcar Maintenance	501	10,889	27,973	(20,762)	(20,762)	0.00000	(20,762)	0.9682	(20,102)
4QPA01	PAS Central System Integrity	923	33,056	137,558	(104,502)	(104,502)	0.00000	(104,502)	0.9800	(102,411)
474401	Public Relations	923	17,441	17,863	(17,863)	(17,863)	-0.00133	(17,839)	0.9800	(17,482)
471501	Investor Relations-General	923	97,777	99,955	(99,955)	(99,955)	-0.01126	(98,829)	0.9800	(96,851)
473ECO	Chief Operating Officer - Legal	500	1,613	1,660	(1,660)	(1,660)	0.00000	(1,660)	0.9663	(1,604)
473ECS	External Affairs - Consulting Legal Matters	500	32,239	33,206	(33,206)	(33,206)	0.00000	(33,206)	0.9663	(32,086)
486030	Sys Air Availability - N30pc	923	106,555	210,494	(103,939)	(103,939)	0.00000	(103,939)	0.9800	(101,859)
Total			\$ 5,274,731	\$ 6,761,669	\$ (1,816,607)	\$ (1,777,921)		\$ (1,775,064)		\$ (1,741,121)
Capitalized										
46C805	PE 4305 Wireless Systems	308	\$ 1,830,708	\$ 2,231,854	\$ (401,146)	\$ (401,146)	0.00000	\$ (401,146)	0.9662	\$ (387,596)
48LC01	Southern System LINC Charges	308								(79,141)
Expensed										
All Other Work Orders			\$ 3,444,023	\$ 4,529,815	\$ (1,415,461)	\$ (1,376,775)		\$ (1,373,918)		\$ (1,274,384)

Source: Company's Response to OPC Document Requests 34 and 108; OPC Interrogatory 229.