

Florida Public Service Commission

SPECIAL REPORT

JANUARY 2002 NO. 2

Application for an Increase in Rates for Gulf Power Company

On September 10, 2001, Gulf Power Company (Gulf or utility) petitioned the Florida Public Service Commission (PSC or Commission) for authority to increase its retail rates and charges to the extent necessary to generate additional annual revenues of approximately \$69.9 million. The utility specifically requested that the new rates become effective simultaneously with the date its Smith Unit 3 plant is placed in service. Gulf Power, a wholly-owned subsidiary of The Southern Company, provides electricity throughout Northwest Florida to more than 375,000 retail customers west of the Apalachicola River.

In its petition, Gulf requests new rates and charges based upon its projected "test year" operations during the period June 1, 2002 through May 31, 2003. According to the petition, the requested test year will more accurately depict the conditions Gulf Power will face during the first twelve months new rates will be in effect. A "test year" is a 12-month period used in rate making proceedings to compute current levels of investment and income in order to determine the amount of revenue that will be required to allow the utility the opportunity to earn a fair return on its investment. The PSC staff adjusts test year data to properly reflect conditions in the future period for which the rates are being fixed.

Gulf states that the need for an increase in revenues is primarily due to the addition of the Smith Unit 3 generating capacity and increased operating and maintenance expenses associated with providing reliable service. According to the utility, its present rates are insufficient to yield a fair rate of return once Smith Unit 3 is placed in service.

The PSC has scheduled two customer service hearings to provide customers the opportunity to comment on Gulf's rates and services. In accordance with Florida Statutes, the PSC will consider the utility's quality of service and other matters in this case.

PSC staff is scheduled to make a recommendation to the Commission on April 18, 2002. The Commissioners are expected to vote on this matter at the May 7, 2002 Agenda Conference.

CUSTOMER HEARINGS

DOCKET NO. 010949- E I

January 16, 2002

10:00 a.m. - 1:00 p.m. (CST)

Pensacola City Hall

City Council Chambers

180 Governmental Center

Pensacola, Florida

4:00 p.m. - 7:00 p.m. (CST)

Holiday Inn Select

Main Ballroom

2001 North Cove Boulevard

Panama City, Florida

PSC Staff & Reference Numbers

For legal information, contact:

Marlene Stern (850) 413-6230

For technical information, contact:

John Slemkewicz (850) 413-6420

For general information, contact:

Bridget Hoyle (850) 413-6111

Or call toll-free 1-800-342-3552

(1-800-511-0809 to fax)

E-Mail: contact@psc.state.fl.us

Internet Home Page: www.floridapsc.com

PSC COMMISSIONERS



Chairman Jaber

Chairman Jaber was appointed to the Florida Public Service Commission (PSC) by Governor Jeb Bush in February 2000 to complete a term ending in January 2001. She was reappointed by Governor Jeb Bush for a term ending in January 2005. Chairman Jaber serves on the National Association of Regulatory Utility Commissioners' Committee on Telecommunications and the Committee on Consumer Affairs. Chairman Jaber chairs the Federal-State Joint Conference on Advanced Services created by the Federal Communications Commission (FCC) to promote the rapid deployment of advanced services to all Americans. In July 2001, she was appointed to the Federal-State Joint Board on Universal Service created to promote the availability and access to quality telecommunications services at just, reasonable and affordable rates throughout the Nation. Chairman Jaber has served as co-chair of the e-Infrastructure Subcommittee for the Information Service Technology Development Task Force (ITFlorida.com) and is a current member of the Florida Research Consortium, the affiliate of ITFlorida.com created as a partnership between Florida's universities and technology sectors to focus on high-tech research and development and collaboration between researchers and Florida's high-tech entrepreneurs. Chairman Jaber is a court-certified mediator and a member of the Florida Bar. Chairman Jaber received a bachelor of arts degree in political science and business from Stetson University in DeLand, Florida, and received a juris doctorate from the Stetson University College of Law in St. Petersburg, Florida.



Commissioner Deason

Commissioner Deason was first appointed to the Commission by the Florida Public Service Commission Nominating Council in January 1991 for a term ending in January 1995. He was subsequently reappointed by the late Governor Lawton Chiles for a term ending in January 1999. Commissioner Deason was then reappointed by Governor Jeb Bush to his current term, which ends in January 2003. Commissioner Deason has served as Chairman of the Commission on two occasions, from January 1993 to January 1995, and from July 2000 to January 2001. Commissioner Deason is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves on NARUC's Board of Directors, its Finance and Technology Committee, and its Utility Association Oversight Committee. Prior to his appointment, he served as Chief Regulatory Analyst in the Office of Public Counsel. In that capacity, he was responsible for the coordination of accounting and financial analysis used by the Public Counsel in cases before the Public Service Commission, presented testimony as an expert witness, and consulted with the Public Counsel on technical issues and ratemaking policies concerning regulated utilities in the State of Florida. From 1981 to 1987, Commissioner Deason served as Executive Assistant to PSC Commissioner Gerald L. Gunter, during which time he reviewed and analyzed staff recommendations and advised the Commissioner on those recommendations and other pertinent policy determinations. From 1977 to 1981, he served as a Legislative Analyst with the Office of Public Counsel. He attended the U.S. Military Academy at West Point, and in 1975 received his bachelor of science degree in accounting, summa cum laude, from Florida State University. He also received his master of accounting degree from FSU in 1989.



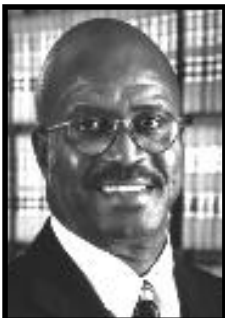
Commissioner Baez

Braulio L. Baez was appointed to the Florida Public Service Commission by Governor Jeb Bush on August 23, 2000, to complete a term ending January, 2002. He was then reappointed by the Governor to a four year term ending January, 2006. Prior to his appointment, Commissioner Baez was an attorney in Miami, Florida, with a statewide practice representing municipal and county governments in telecommunications, cable franchising and other regulatory matters. He was Executive Assistant to Commissioner Joe Garcia from 1994 to 1998. A native of South Florida, Commissioner Baez received his undergraduate degree from Florida International University in 1988, and his Juris Doctorate degree from Nova University, Shepard Broad Law Center, in 1993. Commissioner Baez serves on the National Association of Regulatory Utility Commissioners' Committees on Electricity and International Relations and is President of the Southeastern Association of Regulatory Utility Commissioners. He was appointed to the North American Electric Reliability Council, and is a member of the Florida Bar, American Bar Association, Federal Communications Bar Association, International Municipal Lawyers Association, and the National Association of Telecommunications Officers and Administrators. He is a past Director of the Hispanic Bar Association, 2nd Judicial District.



Commissioner Palecki

Commissioner Palecki was appointed to the Florida Public Service Commission by Governor Jeb Bush on November 20, 2000, to complete a term ending in January 2003. From 1995 until his appointment, Commissioner Palecki was Manager of Regulatory Affairs for NUI Corporation, where he practiced before the New York, Pennsylvania, Maryland, North Carolina and Florida Public Service Commissions. He also served as Secretary of the Associated Gas Distributors of Florida, and was on the Board of Directors of the Florida Natural Gas Association. From 1989 to 1995, Commissioner Palecki was an attorney for the Florida Public Service Commission, and was promoted to Chief of the Electric and Gas Bureau in the Legal Division in 1990. Prior to that, he was an attorney for the State Fire Marshal's Office, where he prosecuted arsons and fire-related murders statewide. He also worked with a major law firm, where he represented 23 insurance companies in over 100 arson and fraud cases. He became president of the Florida Advisory Committee on Arson Prevention, and was a founding partner of FireDogs, a company that pioneered the training and use of canines to "sniff" for evidence of arson at fire scenes. Commissioner Palecki also worked for the State Attorney's Office in Polk County, and for the Florida Attorney General's Office, where he argued and won over 300 criminal cases, including the U.S. Supreme Court case of *Tibbs v. State*, preserving Florida's right to retry defendants after appellate reversal of conviction. He serves on the National Association of Regulatory Utility Commissioners' Committee on Water. Commissioner Palecki is a 1976 graduate of the Stetson University College of Law. He is a member of the Florida Bar and is admitted to practice in several federal courts, including the U.S. Supreme Court.



Commissioner Bradley

Commissioner Bradley was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four year term beginning January 8, 2002. Prior to his appointment to the Commission, Commissioner Bradley served as a member of the Florida Legislature for seven years representing District 55 which includes Pinellas, Manatee and Hillsborough Counties. As a member of the Legislature, he served as the Vice Chairman of the Utilities and Telecommunications Committee and as the Chairman of the Select Committee on Energy Restructuring. Commissioner Bradley also served as the Chairman of the Business Development and International Trade Committee and Chairman of the Economic Development Council. As a legislator, Commissioner Bradley maintained a special interest in improving Florida's educational system and expanding business opportunities for all citizens. Commissioner Bradley earned his Bachelor of Science Degree from the University of Tampa and his Masters Degree from the University of Michigan. He served as an educator in Pinellas County for several years and he developed several private enterprises involving real estate and livestock.

Consumer Statements at PSC Hearings

The PSC is interested in what consumers have to say about the application for an increase in rates for Gulf Power Company. The main purpose of these hearings is to receive comments from the public.

Anyone may make a statement, and speaking is an effective way to let the Commission know how you feel about the case under review. Those consumers who wish to speak should arrive early. The hearings will begin as scheduled and continue until all the consumers have been heard.

At the beginning of the hearings, procedures will be set up to establish an order for comments. PSC staff will have sign-up sheets, and consumers will be called in the order of those sheets. PSC staff will be available to coordinate consumer comments and assist members of the public.

Any person who wishes to comment or provide information to the PSC staff may do so at the hearings, orally or in writing. Written comments also may be sent to the Commission at: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850. Your letter will be placed in the correspondence file of this docket (Docket No. 010949-EI). For your convenience, a comment form is attached to this Special Report. You may also call the Commission's toll-free number, **1-800-342-3552**, or dial **1-800-511-0809** to fax.

Any person who is unable to attend and who wishes to obtain a copy of the recommendation or the order may do so by writing to: Director, Division of the Commission Clerk and Administrative Services, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850.

Florida Public Service Commission *Bureau of* **Consumer Outreach**

2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 184
Tallahassee, Florida 32399-0850

The Public Service Commission's Bureau of Consumer Outreach provides a staff of information specialists who are available to answer questions from Florida consumers.

To reach a PSC consumer representative, please call the Bureau of Consumer Outreach during business hours at (850) 413-6100 or send a fax to 1-800-511-0809. See the PSC's Internet home page at www.floridapsc.com.

Typical Monthly Bills

Bill Under Present Rates

RATE CLASS	KWH	TOTAL
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RS	1,000	\$ 64.85
GS	1,500	\$ 119.65
GSD	11,000	\$ 503.40
LP	288,000	\$ 11,782.64
PX	6,500,000	\$ 235,733.15
PXT	1,600,000 ON 4,900,000 OFF	\$ 234,185.43

Approximate Bill Under Proposed Rates

RATE CLASS	KWH	TOTAL
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RS	1,000	\$ 76.83
GS	1,500	\$ 129.57
GSD	11,000	\$ 529.53
LP	288,000	\$ 12,258.30
PX	6,500,000	\$ 235,816.79
PXT	1,600,000 ON 4,900,000 OFF	\$ 234,162.44

STAMP

Florida Public Service Commission
Division of the Commission Clerk and Administrative Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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