

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

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**DATE:** October 2, 2013  
**TO:** All Parties of Record & Interested Persons  
**FROM:** Suzanne Brownless, Senior Attorney, Office of the General Counsel *SB*  
**RE:** Docket No. 130140-EI - Petition for rate increase by Gulf Power Company.

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Please note that an informal meeting between Commission staff and interested persons to the above-captioned docket has been scheduled for the following time and place:

Friday, October 11, 2013 at 10:00 a.m.  
Gerald Gunter Building, Room 362  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

The purpose of the meeting is to identify and discuss issues to be litigated in the rate case. Staff's preliminary issue list is attached for your review. In order to facilitate discussion, it would be greatly appreciated if you could e-mail your issues to all parties by close of business, Thursday, October 10, 2013. Attendance is not required; however, all interested parties are encouraged to attend.

Interested persons may participate telephonically in this meeting by dialing **1-888-670-3525**, Passcode **5317547583 then #**. If you have any questions about the meeting, please call Suzanne Brownless at 850-413-6218.

If settlement of the case or a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of cancellation will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Office of General Counsel at 850-413-6199.

SBr

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CLERK

**GULF POWER COMPANY  
DOCKET NO. 130140-EI  
PRELIMINARY ISSUES LIST**

**Test Period and Forecasting**

**Issue 1:** Is Gulf's projected test period of the 12 months ending December 31, 2014 appropriate?

**Issue 2:** Are Gulf's forecasts of Customers, KWH, and KW by Rate Class, for the 2014 projected test year appropriate?

**Issue 3:** Are Gulf's forecasts of billing determinants by rate class for the 2014 projected test year appropriate?

**Issue 4:** Are Gulf's estimated revenues from sales of electricity by rate class at present rates for the projected 2014 test year appropriate?

**Issue 5:** What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the test year budget?

**Issue 6:** Is Gulf's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

**Quality of Service**

**Issue 7:** Is the quality and reliability of electric service provided by Gulf adequate?

**Rate Base**

**Issue 8:** Should capital items currently approved or proposed for approval for recovery through the Environmental Cost Recovery Clause be included in rate base for Gulf?

**Issue 9:** Has the Company removed all non-utility activities from rate base?

**Issue 10:** Is Gulf's requested level of Plant in Service in the amount of \$2,944,168,000 (\$2,999,897,000 system) for the 2014 projected test year appropriate?

**Issue 11:** What adjustments, if any, should be made to Accumulated Depreciation as a result of the determinations made in Docket No. 130151-EI?

**Issue 12:** Is Gulf's requested level of Accumulated Depreciation in the amount of \$1,243,319,000 (\$1,268,049,000 system) for the 2014 projected test year appropriate?

**Issue 13:** Is Gulf's requested level of Construction Work in Progress in the amount of \$26,656,000 (\$27,290,000 system) for the 2014 projected test year appropriate?

**Issue 14:** Is Gulf's requested level of Property Held for Future Use in the amount of \$5,276,000 (\$5,435,000 system) for the 2014 projected test year appropriate?

**Issue 15:** Should any adjustments be made to Gulf's fuel inventories for the projected 2014 test year?

**Issue 16:** Is Gulf's requested level of Working Capital in the amount of \$151,120,000 (\$155,196,000 system) for the 2014 projected test year appropriate?

**Issue 17:** Is Gulf's requested rate base in the amount of \$1,883,901,000 (\$1,919,769 system) for the 2014 projected test year appropriate?

### **Cost of Capital**

**Issue 18:** What is the appropriate amount of accumulated deferred taxes to include in the capital structure for the 2014 projected test year?

**Issue 19:** What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the 2014 projected test year?

**Issue 20:** What is the appropriate cost rate for customer deposits for the 2014 projected test year?

**Issue 21:** What is the appropriate cost rate for short-term debt for the 2014 projected test year?

**Issue 22:** What is the appropriate cost rate for long-term debt for the 2014 projected test year?

**Issue 23:** What is the appropriate cost rate for preference stock for the 2014 projected test year?

**Issue 24:** What is the appropriate return on equity (ROE) to use in establishing Gulf's revenue requirement?

**Issue 25:** What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the 2014 projected test year?



### **Net Operating Income**

**Issue 26:** Is Gulf's projected level of Total Operating Revenues in the amount of \$528,651,000 (\$544,999,000 system) for the 2014 projected test year appropriate?

**Issue 27:** Has Gulf made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Cost Recovery Clause?

**Issue 28:** Has Gulf made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause?

**Issue 29:** Has Gulf made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?

**Issue 30:** Has Gulf made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause?

**Issue 31:** Should an adjustment be made to advertising expenses for the 2014 projected test year?

**Issue 32:** What is the appropriate amount of Gulf's tree trimming expense for the 2014 projected test year?

**Issue 33:** What is the appropriate amount of Gulf's pole inspection expense for the 2014 projected test year?

**Issue 34:** What is the appropriate amount of production plant O&M expense for the 2014 projected test year?

**Issue 35:** What is the appropriate amount of transmission O&M expense for the 2014 projected test year?

**Issue 36:** What is the appropriate amount of distribution O&M expense for the 2014 projected test year?

**Issue 37:** Should an adjustment be made to Gulf's requested level of Salaries and Employee Benefits for the 2014 projected test year?

**Issue 38:** Is Gulf's hiring lag adjustment appropriate and is any adjustment necessary?

**Issue 39:** Should an adjustment be made to Other Post Employment Benefits Expense for the 2014 projected test year?

**Issue 40:** Should an adjustment be made to Pension Expense for the 2014 projected test year?

**Issue 41:** Should an adjustment be made to Gulf's proposed \$8,860,586 (\$9,000,000 system) annual storm damage accrual for the 2014 projected test year?

**Issue 42:** Should an adjustment be made to the accrual for the Injuries & Damages reserve for the 2014 projected test year?

**Issue 43:** Should any adjustments be made to Directors and Officers Liability Insurance?

**Issue 44:** Should an adjustment be made to Rate Case Expense for the 2014 projected test year?

**Issue 45:** Should an adjustment be made to Bad Debt Expense for the 2014 projected test year?

**Issue 46:** What adjustments, if any, should be made to account for affiliated activities/transactions for the 2014 projected test year?

**Issue 47:** Is Gulf's requested level of O&M Expense in the amount of \$290,199,000 (\$296,916,000 system) for the 2014 projected test year appropriate?

**Issue 48:** What adjustments, if any, should be made to Depreciation Expense as a result of the determinations made in Docket No. 130151-EI?

**Issue 49:** What is the appropriate amount of depreciation and fossil dismantlement expense for the 2014 projected test year?

**Issue 50:** Should an adjustment be made to Taxes Other Than Income Taxes for the 2014 projected test year?

**Issue 51:** Is it appropriate to make a parent debt adjustment per Rule 25-14.004, Florida Administrative Code?

**Issue 52:** Should an adjustment be made to Income Tax expense for the 2014 projected test year?

**Issue 53:** Is Gulf's requested level of Total Operating Expenses in the amount of \$452,292,000 (\$463,445,000 system) for the 2014 projected test year appropriate?

**Issue 54:** Is Gulf's projected Net Operating Income in the amount of \$76,359 (\$81,554,000 system) for the 2014 projected test year appropriate?

### Revenue Requirements

**Issue 55:** What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for Gulf?

**Issue 56:** Is Gulf's requested annual operating revenue increase of \$74,393,000 for the 2014 projected test year appropriate?

### Cost of Service and Rate Design

**Issue 57:** What is the appropriate treatment of distribution costs within the cost of service study?

**Issue 58:** What is the appropriate Cost of Service Methodology?

**Issue 59:** How should any change in the revenue requirement approved by the Commission be allocated among the customer classes?

**Issue 60:** Is Gulf's proposal to restate the residential Base Charge as a daily amount rather than a monthly amount appropriate?

**Issue 61:** Should Gulf's proposed new experimental Small Business Incentive Rider (SBIR) be approved?

**Issue 62:** Should Gulf's proposed new experimental Large Business Incentive Rider (LBIR) be approved?

**Issue 63:** Is Gulf's proposed change in designation of revenues received under the Real Time Pricing (RTP) rate schedule appropriate?

**Issue 64:** Are Gulf's proposed modifications to Form 4 which contains the Lighting Pricing Methodology appropriate?

**Issue 65:** What are the appropriate service charges (Non-residential connection of initial and existing service, Restoration Charge, Premise Visit Charge)?

**Issue 66:** What are the appropriate base charges?

**Issue 67:** What are the appropriate demand charges?

**Issue 68:** What are the appropriate energy charges?

**Issue 69:** What are the appropriate Standby Charges?



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**Issue 68:** What are the appropriate energy charges?

**Issue 69:** What are the appropriate Standby Charges?

**Issue 70:** What are the appropriate lighting charges?

**Issue 71:** What are the appropriate transformer ownership credits?

**Issue 72:** How should the step increase in revenue requirement effective July 1, 2015, be allocated to the various rate classes?

**Issue 73:** What is the appropriate effective date for Gulf's revised rates and charges?

#### **Other Issues**

**Issue 74:** Should Gulf be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

**Issue 75:** Should this docket be closed?