

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Gulf Power Company.

DOCKET NO. 160186-EI

In re: Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company.

DOCKET NO. 160170-EI

DATED: NOVEMBER 14, 2016

STAFF'S FOURTH SET OF INTERROGATORIES TO
GULF POWER COMPANY (NOS. 99-128)

The Staff of the Florida Public Service Commission, by and through its undersigned attorney, propounds the following interrogatories, pursuant to Rule 1.340, Florida Rules of Civil Procedure, to GULF POWER COMPANY (GULF). These interrogatories shall be answered under oath by you or your agent, who is qualified and who will be identified, with the answers being served as provided by the Rules of Civil Procedure, **and within the time period set out in Order No. PSC-16-0473-PCO-EI** issued October 20, 2016. As provided by Rule 1.340(a), Florida Rules of Civil Procedure, each interrogatory shall be answered separately and fully in writing under oath unless it is objected to. Each answer shall identify the name of the person making it and be signed by the person.

Give the name, address, and relationship to GULF of those persons providing the answers to each of the following interrogatories.

If an interrogatory contained herein asks for information that has already been provided or is in the process of being provided to the Commission through a Commission audit, please so state, indicating the date provided and the audit document/record request number.

Please provide all requested data electronically in MS Excel format with all formula intact.

DEFINITIONS

“You”, “Your”, “Company” or Gulf refers to Gulf Power Company, its employees and authorized agents.

“Document” refers to written matter of any kind, regardless of its form, and to information recorded on any storage medium, whether in electrical, optical or electromagnetic form, and capable of reduction to writing by the use of computer hardware and software.

“Identify” means:

- (a) With respect to a person, to state the person’s name, address, and business relationship (e.g., “employee”) to the Company;
- (b) With respect to a document, to state the nature of the document in sufficient detail for identification in a request for production, its date, its author, and to identify its custodian. If the information or document identified is recorded in electrical, optical or electromagnetic form, identification includes a description of the computer hardware or software required to reduce it to readable form.

INTERROGATORIES

Load Forecast

Please refer to the direct testimony and exhibits of Witness Park for the following questions.

99. Beginning on Page 9, Line 18, through Page 10, Line 3, Witness Park describes the roles played by field marketing managers and field employees in developing Gulf's short term customer forecasts. Please identify and describe the methods and procedures followed by Gulf's field managers and employees in producing its customer forecasts.

100. On Page 10, Lines 5-15, Witness Park discusses Gulf's customer forecasting procedures. Please provide a detailed (i.e., step-by-step) explanation of the methodology for customer forecasting discussed by Witness Park.

101. On Page 10, Lines 17-22, Witness Park discusses Gulf's customer projection methodology and states that "information gathered at the district level." Please identify and provide a detailed description of the "districts" referenced by Witness Park.

Please refer to the direct testimony of Witness Park, Page 30, Lines 1-2 and 24-25, and Exhibit JKP-1, Schedule 4, for the following questions.

102. In the residential regression model (sales) in Exhibit JKP-1, Schedule 4, please explain the reason the sign of the “Binary Variable for October 1998” is positive.

103. Please describe the impact of Hurricane Georges on Gulf's sustained customer interruptions and retail sales in October 1998.

Please refer to the direct testimony of Witness Park Page 26, Lines 22-25, and Page 27, Lines 1-4, for the following questions.

104. Please state the number of customers that are in each of the twenty-one bill groups used by Gulf.

105. For each of the twenty-one billing groups, please provide the start and end date of each billing cycle.

106. Please state whether or not Gulf weighed the CDH variable by the number of customers in each rate class to get an overall CDH. If no, please provide a detailed explanation why.
107. Referring to Exhibit JKP-1, Schedules 4, 5, and 6, please identify and describe Gulf's criteria and numerical thresholds for creating the binary variables found in each of the models.
108. On Page 16, Lines 2-4, Witness Park refers to a binary variable in the residential forecasting model, intended to address a model residual in October 1998. Witness Park refers to similar variables in his discussion of the small commercial forecasting model (Page 23, Lines 12-14), and of the large commercial forecasting model (Page 23, Line 25, and Page 24, Line 1). Please identify the model residuals that are represented by the binary variables for those months, and explain their effect on the behavior of the dependent variable of those models.

109. On Page 26, Lines 5-14, Witness Park discusses Gulf's procedure for calculating historical commercial weather. Please provide a detailed explanation of how Gulf corrects for missing values in hourly temperature data provided by the NOAA Pensacola weather station.

110. In Gulf MRF Schedule F-7, Pages 1-96, the historical data for the residential, small commercial, and large commercial models, show two columns of sales data for each of the three models, including output and input columns for the 'ResSales,' 'SmCommSales,' and 'LgCommSales.' variables. Exhibit JKP-1, Schedules 4, 5, and 6, do not show sales variable for any of the three models. Please provide a detailed explanation of what role(s) the input and output sales variables play in the development of Gulf's three (3) forecasting models.

111. On Page 18, Lines 16-20, Witness Park refers to the energy efficiency variable that appears in the residential forecasting model. Please identify the units Gulf's energy efficiency variable is measured, and provide a detailed explanation of how the energy efficiency variable is derived.

112. Please identify and explain the changes in Gulf's 2016 official sales forecasts (i.e., the residential, small commercial, and large commercial sales forecasts prepared in Fall of 2016) compared to Gulf's rate case forecast for each model's (i) price variable, (ii) income variable, and (iii) gross product variable. As part of your response, please indicate whether or not the price variables in Gulf's updated sales forecasts include the electricity price changes approved by the Commission on November 2, 2016, in Docket Nos. 160001-EI, 160002-EG, and 160007-EI. If no, please see *Staff's Request for Production No. 28*.
113. Please state whether or not Gulf's requested base rate changes, in part or in whole, are included in Gulf's input price forecasts appearing in MFR Schedule F-7, and explain the reasons why Gulf included or excluded the changes in the input price forecasts.
114. Please identify and describe the nomenclature Gulf uses to identify its short term load forecasts temporally (i.e., are unit forecasts prepared in 2016 of 2017 customers, energy, and demand referred to as its 2016 Forecasts, its 2017 Forecasts, etc.).

115. Please refer MFR Schedule E-14, Page 10, which indicates Gulf's proposed increase to its residential base charge from \$0.62 per day to \$1.58 per day, and Gulf's proposed reduction to its residential energy charge from 4.585 cents per day to 3.298 cents per day, for the following questions.
- a. Please state whether or not Gulf expects its proposed lower variable charge (i.e. energy charge) to stimulate residential energy sales, given that the incremental decline in the energy charge is 28 percent $((4.585 \text{ cents} - 3.298 \text{ cents}) \times 100) / 4.585 \text{ cents}$. Please explain.
 - b. If such a change in fixed and variable rates would be expected to stimulate residential energy sales, please state whether Gulf included such stimulus sales in its 2017 monthly forecast of residential energy sales appearing in MFR Schedule F-7, Page 12. Please explain.

O&M Expenses

Labor Costs

116. Labor Costs–Payroll. Please indicate whether the employee positions used in the Gulf's labor calculations for the test year are authorized or actually filled positions. If the positions are unfilled, please explain Gulf's basis for including the positions in its labor calculations.
117. Labor Costs–Incentives. Please provide a detailed list of goals and objectives that employees, who are eligible for incentive compensation, must achieve and/or perform (in addition to those necessary to meet the standards for base salary compensation) in order to receive incentive compensation.

118. Labor Costs–Incentives. Please provide a detailed explanation of how Gulf determines the achievements of a particular incentive compensation goal have been met as a result of the incentive compensation plan, as opposed to other reasons.
119. Labor Costs–Stock Based Compensation. Please list, by amount and account, all stock-based compensation expense that that Gulf has included in cost of service for the projected test year ended December 31, 2017, including but not limited to, executive stock options, performance share awards, accruals made pursuant to Statement of Financial Accounting Standards (SFAS) 123R, and any other stock based compensation awards that will result in such costs being charged to Gulf during the projected test year ended December 31, 2017. As part of your response, please include a description of each distinct stock-based compensation program that will result in charges to Gulf during the test year.
120. Labor Costs. Please explain and provide the derivation of the expense/capitalization ratio used by Gulf for the test year.

121. Labor Costs–Benefits. Please provide a description of each employee benefit program or plan and provide the costs associated with each plan, by year, for 2013, 2014, 2015, 2016 as of August 31st, and the projected test year 2017. In your response, please break down the costs between the amounts expensed, capitalized, and other.

122. Labor Costs–Benefits. Please provide the basis for Gulf's cost of each separate employee benefit (e.g., flat rate per employee, percentage of payroll, claims experience, etc.), and provide the most current known cost rate for each separate benefit as well as the cost rate used in projecting the test year costs incorporated in Gulf's filings in this proceeding.

123. Labor Costs–Pensions. Please provide the level of current accumulated pension plan overfunding, if any, and provide an explanation of how such amounts are treated for ratemaking purposes.

Materials and Supplies

124. Please provide the monthly level of materials and supplies inventory to date for 2013, 2014, 2015, 2016, and as projected for the test year ending December 31, 2017.

Budgeted and Forecasted O&M Expenses

Please refer to the direct testimony of Witness Mason, Pages 4-8, for the following questions.

125. Please provide what the dollar reduction would be for each Planning Unit, to the budgeted and forecasted amounts of the projected 2016 test year, if the 2016 inflation rate of 3.2 percent in the Budget Message would have been 3.1 percent. In your response, please include all assumptions, bases, and calculations used to derive the specific dollar reduction for each Planning Unit.
126. If Gulf's response to *Staff's Interrogatory No. 125* is no reduction, or unable to calculate the reduction, please provide a detailed explanation why there would be no reduction, or why Gulf is unable to calculate the reduction, given that fact that Gulf used the 2016 inflation rate of 3.2 percent in the Budget Message, and the outputs of the component budgets are inputted in Gulf's financial model to produce its forecasted O&M expenses. As part of your response, please explain how Commission staff can identify, evaluate, and analyze inflationary dollar values embedded in Gulf's budgeted and forecasted O&M expenses for the projected 2016 test year.

127. Please provide what the dollar reduction would be for each Planning Unit, to the budgeted and forecasted amounts of the projected 2017 test year, if the 2017 inflation rate of 3.7 percent in the Budget Message would have been 3.6 percent. In your response, please include all assumptions, bases, and calculations used to derive the specific dollar reduction for each Planning Unit.
128. If Gulf's response to *Staff's Interrogatory No. 127* is no reduction, or unable to calculate the reduction, please provide a detailed explanation why there would be no reduction, or why Gulf is unable to calculate the reduction, given that fact that the Company used the 2017 inflation rate of 3.7 percent in the Budget Message, and the outputs of the component budgets are inputted in Gulf's financial model to produce its forecasted O&M expenses. As part of your response, please explain how Commission staff can identify, evaluate, and analyze any inflationary dollar values that are embedded in the Company's budgeted and forecasted O&M expenses for the projected 2017 test year.

/s/ Kelley F. Corbari

KELLEY F. CORBARI

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AFFIDAVIT

STATE OF FLORIDA)

COUNTY OF _____)

I hereby certify that on this _____ day of _____, 2016, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared _____, who is personally known to me, and he/she acknowledged before me that he/she provided the answers to interrogatory number(s) _____ from STAFF'S FOURTH SET OF INTERROGATORIES TO GULF POWER COMPANY (NOS. 99-128) in Docket No. 160186-EI, and that the responses are true and correct based on his/her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this _____ day of _____, 2016.

Notary Public
State of Florida, at Large

My Commission Expires:

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Gulf Power Company.

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In re: Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company.

DOCKET NO. 160170-EI

DATED: NOVEMBER 14, 2016

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original and one correct copy of STAFF'S FOURTH SET OF INTERROGATORIES TO GULF POWER COMPANY (Nos. 99-128) has been served by electronic mail to **Jeffrey A. Stone** (jas@beggslane.com), **Russell A. Badders** (rab@beggslane.com), and **Steven R. Griffin** (srg@beggslane.com), Esquires, BEGGS & LANE, P.O. Box 12950, Pensacola, FL 32591, and that a true copy thereof has been furnished to the following by electronic mail this 14TH day of November, 2016:

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/s/ Kelley F. Corbari

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