

MEMORANDUM

January 4, 2002

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COMMISSION CLERK

TO: DIVISION OF THE COMMISSION CLERK AND ADMINISTRATIVE SERVICES

FROM: DIVISION OF LEGAL SERVICES (STERN) *MKS RUE*

RE: DOCKET NO. 010949-EI - REQUEST FOR RATE INCREASE BY GULF POWER COMPANY

Attached is STAFF'S PRELIMINARY LIST OF ISSUES and CERTIFICATE OF SERVICE to be issued in the above-referenced docket.

MKS  
Attachment  
cc: Division of  
I:010949issuelist.mks

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 010949-EI  
DATED: JANUARY 4, 2002

**STAFF'S PRELIMINARY LIST OF ISSUES**  
**GULF POWER COMPANY**

**TEST PERIOD**

- Issue 1 Is Gulf's projected test period of May 2003 appropriate?  
(L. Romig)
- Issue 2 Are Gulf's forecasts of Customers, KWH, and KW by Rate  
Class, for the May 2003 test year appropriate?  
(Stallcup)

**QUALITY OF SERVICE**

- Issue 3 ~~What adjustments, if any, are appropriate for  
distribution reliability and quality of service?  
(Breman, Durbin)~~
- ISSUE 4 Should Gulf be required to provide a refund to retail  
customers incurring frequent outages? (D. Lee, Matlock,  
Breman)
- Issue 5 Should adjustments be made to Gulf's projected test year  
due to customer complaints? (Lowery, Breman)
- Issue 6 Is the quality of electric service provided by Gulf  
adequate? (D. Lee, Matlock, Lowery, Breman)

**RATE BASE**

- Issue 7 Is Gulf's requested level of Plant in Service in the  
amount of \$1,966,492,000 (\$2,015,013,000 system) for the  
May 2003 projected test year appropriate? (Meeks,  
Futrell, Haff, Green, L. Romig)
- Issue 8 Should any adjustments be made to the headquarters  
building? (L. Romig)

DOCUMENT NUMBER-DATE

00134 JAN-4 8

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STAFF'S PRELIMINARY LIST OF ISSUES

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- Issue 9     Should an adjustment be made to Smith Unit 3? (Futrell, Haff)
- Issue 10    Should Gulf be required to issue a Request For Proposal (RFP) to sell Plant Smith Unit No. 3 and entering into a buyback purchase power agreement identical or similar to the Purchase Power Agreement (PPA)? (Futrell, Haff)
- Issue 11    What are the appropriate adjustments that should be made to Gulf's test year rate base to account for the additional security measures implemented in response to the increased threat of terrorist attacks since September 11, 2001? (McNulty, Breman, Mills)
- Issue 12    Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause be included in rate base for Gulf? (Breman, D. Lee, L. Romig)
- Issue 13    Should adjustments be made for the rate base effects of transactions with affiliated companies for Gulf? (L. Romig, Merta)
- Issue 14    Has the Company removed all non-utility activities from rate base? (Meeks, L. Romig)
- Issue 15    Should an adjustment be made to Gulf's investment in the Tallahassee office? (L. Romig)
- Issue 16    What adjustments should be made to the Accumulated Depreciation to reflect the Commission's decision in Docket No. 010789-EI? (Meeks)
- Issue 17    Has Gulf properly removed the capital investment and expenses in its appliance operation? (L. Romig)
- Issue 18    Is Gulf's requested level of Construction Work in Progress in the amount of \$15,850,000 (\$16,361,000 system) for the May 2003 projected test year appropriate? (Futrell, Haff, Meeks, Green, L. Romig)

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NEW ISSUE Should an adjustment be made to Plant Held for Future Use for Gulf's inclusion of the Caryville site in rate base? (Futrell, Haff)

Issue 19 Is Gulf's requested level of Property Held for Future Use in the amount of \$3,065,000 (\$3,164,000 system) for the May 2003 projected test year appropriate? (Futrell, L. Romig)

Issue 20 Is Gulf's requested level of Working Capital in the amount of \$67,194,000 (\$69,342,000 system) for the May 2003 projected test year appropriate? (Kaproth, L. Romig)

Issue 21 Should an adjustment be made to the working capital allowance to exclude temporary cash investments for Gulf? (Kaproth)

Issue 22 Should an adjustment be made to prepaid pension expense in its calculation of working capital? (Kaproth, Kyle)

Issue 23 Should an adjustment be made to rate base for unfunded Other Post-retirement Employee Benefit (OPEB) liability? (Kaproth)

Issue 24 Should any adjustments be made to Gulf's fuel inventories? (Bohrmann, Matlock)

Issue 25 What is the appropriate regulatory treatment for the balance sheet impacts from FAS 133 for Gulf? (Old Issue 31) (Brinkley)

Issue 26 Should an adjustment be made to the Property Insurance Reserve for the May 2003 projected test year? (L. Romig)

Issue 27 Is Gulf's requested level of Accumulated Depreciation in the amount of \$854,099,000 (\$876,236,000 system) for the May 2003 projected test year appropriate? (Meeks, Green, L. Romig)

Issue 28 Is Gulf's requested rate base in the amount of \$1,198,502,000 (\$1,227,644,000 system) for the May 2003 projected test year appropriate? (L. Romig)

COST OF CAPITAL

- Issue 29 What is the appropriate amount of accumulated deferred taxes to include in the capital structure? (C. Romig, Vendetti, McCaskill)
- Issue 30 What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure? (C. Romig, Vendetti, McCaskill)
- Issue 31 Have rate base and capital structure been reconciled appropriately? (D. Draper, Lester, C. Romig)
- Issue 32 What is the appropriate cost rate for common equity for Gulf? (Lester)
- NEW ISSUE What is the appropriate cost rate for long term debt for the projected test year? (Lester)
- Issue 33 What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure? (D. Draper, Lester, Vendetti, McCaskill)

NET OPERATING INCOME

- Issue 34 Is Gulf's requested level of Total Operating Revenues in the amount of \$372,714,000 (\$379,009,000 system) for the May 2003 projected test year appropriate? (Wheeler, Stallcup, L. Romig)
- Issue 35 Is Gulf's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate? (Wheeler)
- Issue 36 What are the appropriate inflation factors for use in forecasting the test year budget? (L. Romig, Lester)
- Issue 37 Is Gulf's requested level of O&M Expense in the amount of \$182,419,000 (\$186,354,000 system) for the May 2003 projected test year appropriate? (L. Romig)

- ~~Issue 38~~ ~~What is the appropriate treatment of environmental compliance costs for Gulf? (Breman)~~
- Issue 39 Has Gulf made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause? ~~Are adjustments removing fuel revenues and the related expenses recoverable through the Fuel Adjustment Clause appropriate for Gulf?~~ (Bohrmann, L. Romig, C. Romig)
- Issue 40 Has Gulf made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause? ~~Are adjustments removing conservation revenues and the related expenses recoverable through the Conservation Cost Recovery Clause appropriate for Gulf?~~ (Haff, Futrell, L. Romig, C. Romig)
- Issue 41 Has Gulf made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause? ~~Are adjustments removing capacity cost revenues and the related expenses recoverable through the Capacity Cost Recovery Clause appropriate for Gulf?~~ (D. Lee, L. Romig, C. Romig)
- Issue 42 Has Gulf made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause? ~~Are adjustments removing environmental revenues and the related expenses recoverable through the Environmental Cost Recovery Clause appropriate for Gulf?~~ (Breman, D. Lee L. Romig, C. Romig)
- Issue 43 What are the appropriate adjustments to Gulf's test year operating expenses to account for the additional security measures implemented in response to the increased threat of terrorist attacks since September 11, 2001? (McNulty, Breman, Mills)
- Issue 44 Should an adjustment be made to advertising expenses for the May 2003 test year? (Kaproth, L. Romig)

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- Issue 45 Should an adjustment be made to remove lobbying expenses from the May 2003 projected test year? (L. Romig)
- Issue 46 Should an adjustment be made to Industry Association Dues for the May 2003 projected test year? (L. Romig)
- Issue 47 Should an adjustment be made to the May 2003 projected test year for membership dues? (L. Romig)
- Issue 48 Should an adjustment be made to EEI dues for the May 2003 projected test year? (L. Romig)
- Issue 49 Is Gulf's assumed growth in salaries and wages appropriate? If not, what adjustment is necessary? (Kaproth, L. Romig)
- Issue 50 Should an adjustment be made to Gulf's requested level of Salaries and Employee Benefits for the May 2003 projected test year? (Kaproth, L. Romig)
- Issue 51 Should an adjustment be made to Other Post Employment Benefits Expense for the May 2003 projected test year?(Kaproth, L. Romig)
- Issue 52 Should an adjustment be made to Pension Expense for the May 2003 projected test year? (Kyle, L. Romig)
- Issue 53 Should Gulf be allowed to include as operating expense amortization of regulatory assets related to pension expense which was deferred in prior years? (Kyle)
- Issue 54 Should an adjustment be made to outside services expense for the May 2003 projected test year? (L. Romig, Kaproth)
- Issue 55 Should adjustments be made for the net operating income effects of transactions with affiliated companies for Gulf? (L. Romig, Merta)
- Issue 56 Should an adjustment be made to the accrual for storm damage for the May 2003 test year? (Breman, L. Romig)

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- Issue 57 Should an adjustment be made to the accrual for the Injuries & Damages reserve for the May 2003 test year? (L. Romig, Kaproth, Stern)
- Issue 58 Should interest on tax deficiencies for the May 2003 projected test year be included above-the-line? (C. Romig, Vendetti, McCaskill)
- Issue 59 Should an adjustment be made to Bad Debt Expense for the May 2003 projected test year? (L. Romig)
- Issue 60 Should an adjustment be made to Rate Case Expense for the May 2003 projected test year? (Kaproth, L. Romig)
- Issue 61 Should an adjustment be made to economic development expenses for the May 2003 projected test year? (Revell)
- NEW ISSUE Should an adjustment be made to marketing expenses for Gulf's marketing of high efficiency electric technologies for heating and water heating? (Futrell, Haff)
- Issue 62 Should an adjustment be made to Production Expenses for the May 2003 projected test year? (Futrell, Haff, Merta)
- Issue 63 Should an adjustment be made to Transmission Expenses for the May 2003 projected test year? (Futrell, Haff, Merta)
- Issue 64 Should an adjustment be made to Distribution Expenses for the May 2003 projected test year? (Matlock, D.Lee, Merta, Breman)
- Issue 65 Should an adjustment be made to Customer Accounts Expense for the May 2003 projected test year? (L. Romig, Kaproth)
- Issue 66 Should an adjustment be made to Customer Service and Informational Expenses for the May 2003 projected test year? (L. Romig, Futrell, Haff)
- Issue 67 Should an adjustment be made to Sales Expenses for the May 2003 projected test year? (Kaproth, L. Romig)



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- Issue 68 Should an adjustment be made to Administrative and General Expenses for the May 2003 projected test year? (L. Romig, Kaproth)
- Issue 69 What adjustments should be made to the depreciation expense and the fossil dismantlement accrual to reflect the Commission's decision in Docket No. 010789-EI? (Meeks)
- Issue 70 Should an adjustment be made to Depreciation Expense for the May 2003 projected test year? (Meeks)
- Issue 71 What adjustments, if any, should be made to the projected test year expenses to recognize implementation of FAS 143? (Meeks)
- Issue 72 What adjustments, if any, should be made to the projected test year expenses to recognize implementation of the AcSEC Statement of Position regarding accounting for certain costs and activities related to property, plant, and equipment? (Meeks)
- Issue 73 Should an adjustment be made to Taxes Other Than Income Taxes for the May 2003 projected test year? (C. Romig, Vendetti, McCaskill)
- Issue 74 Should the total amount of Gross Receipts tax be removed from base rates and shown as a separate line item on the bill? (C. Romig, Vendetti, McCaskill)
- Issue 75 Should an adjustment be made to Income Tax expense for the May 2003 projected test year? (C. Romig, Vendetti, McCaskill)
- Issue 76 Should an adjustment be made to the consolidating tax adjustments for the May 2003 projected test year? (C. Romig, Vendetti, McCaskill)
- Issue 77 Is Gulf's requested Net Operating Income in the amount of \$61,378,000 (\$61,658,000 system) for the May 2003 projected test year appropriate? (L. Romig)

**REVENUE REQUIREMENTS**

- Issue 78 What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for Gulf? (C. Romig, L. Romig)
- Issue 79 Is Gulf's requested annual operating revenue increase of \$69,867,000 for the May 2003 projected test year appropriate? (L. Romig)

**COST OF SERVICE AND RATE DESIGN**

- Issue 80 Are Gulf's estimated revenues from sales of electricity by rate class at present rates for the projected 2003 test year appropriate? (E. Draper)
- Issue 81 Is the method used by Gulf to develop its estimates by rate class of the 12 monthly coincident peak hour demands and the class non-coincident peak hour demands appropriate? (Wheeler)
- Issue 82 What is the appropriate cost of service methodology to be used in designing Gulf's rates? (Wheeler)
- Issue 83 What is the appropriate treatment of distribution costs within the cost of service study? (Wheeler)
- Issue 84 If a revenue increase is granted, how should it be allocated among the customer classes? (Wheeler)
- Issue 85 What are the appropriate demand charges? (E. Draper, Wheeler)
- Issue 86 What are the appropriate energy charges? (Wheeler)
- Issue 87 What are the appropriate customer charges? (Hudson)
- Issue 88 What are the appropriate service charges? (Hudson)
- Issue 89 What are the appropriate Street (OS-I) and Outdoor (OS-II) lighting rate schedule charges? (Springer)

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- Issue 90 How should Gulf's time-of-use rates be designed? (E. Draper)
- Issue 91 What is the appropriate design of the charges under the Interruptible Standby Service (ISS) rate schedule? (E. Draper)
- Issue 92 What is the appropriate design of the charges under the Standby and Supplementary Service (SBS) rate schedule? (E. Draper)
- Issue 93 What is the appropriate rate design for Gulf's Real Time Pricing (RTP) rate schedule? (E. Draper, Wheeler)
- Issue 94 What is the appropriate monthly charge under Gulf's Goodcents Surge Protection (GCSP) rate schedule? (Hudson)
- Issue 95 What are the appropriate transformer ownership discounts? (Springer)
- Issue 96 What is the appropriate minimum monthly bill demand charge under the PX rate schedule? (Hudson)
- Issue 97 What is the appropriate minimum monthly bill demand charge under the PXT rate schedule? (Hudson)
- Issue 98 If the Commission decides to recognize migrations between rate classes, how should the revenue shortfall, if any, be recovered? (Wheeler)
- Issue 99 Should Gulf's GS/GST rates be set equal to its RS/RST rates? (E. Draper)
- Issue 100 Should Gulf's GST and RST rate schedules be eliminated? (Hudson)
- Issue 101 Should Gulf's Supplemental Energy (SE) Rate Rider be eliminated? (E. Draper)
- Issue 102 Gulf proposes to eliminate the Optional Method of Meter Payment provision in its GSDT rate schedule that allows customers to make an initial payment as a contribution-

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in-aid-of-construction to offset a portion of the additional cost of time-of-use metering. Is this appropriate? (Hudson)

Issue 103 Should Gulf eliminate its OS-IV rate schedule and transfer the customers served under the rate to their otherwise applicable rate schedules, as required by order No. 23573 in Docket No. 891345-EI? (Springer)

Issue 104 Should the proposed changes to Gulf's Standby and Supplementary Service Rate (SBS) be approved? (E. Draper)

Issue 105 What is the appropriate monthly fixed charge carrying rate to be applied to the installed cost of OS-I and OS-II additional lighting facilities for which there is no tariffed monthly charge? (E. Draper)

Issue 106 Are the proposed revisions to the estimated kilowatt hour consumption of Gulf's high pressure sodium and metal halide lighting fixtures appropriate? (Springer)

Issue 107 Gulf has proposed to add a provision to its OS-I and OS-II lighting schedules that allows customers to change to different fixtures prior to the expiration of the initial lighting contract term. Is this provision appropriate? (Springer)

Issue 108 Should the Street Lighting (OS-I) and Outdoor Lighting (OS-II) subparts of Gulf's Outdoor Service rate schedule be merged? (Springer)

Issue 109 Should Gulf's proposed methodology for determining the price of new street and outdoor lighting offerings be approved? (Springer)

Issue 110 Should Gulf's proposed new FlatBill pilot program be approved? (Springer)

Issue 111 Should Gulf's proposed new Rate Schedule GSTOU be approved? (E. Draper)

- Issue 112 Is Gulf's proposed reduction in the contract term required under its Real Time Pricing (RTP) rate schedule from five years to one year appropriate? (Wheeler)
- Issue 113 What is the appropriate design and level of charges for the Residential Service Variable Pricing (RSVP) rate schedule? (Wheeler)
- Issue 114 Are Gulf's proposed changes to the P2 and P3 pricing periods under its RSVP rate schedule appropriate? (Wheeler)
- Issue 115 Are Gulf's proposed changes to the Participation Charge and Reinstallation Fee charged under Rate RSVP appropriate? Should Gulf's proposed change to its Rate RSVP that reduces the number of hours in the High (P3) pricing period be approved? (Wheeler)
- Issue 116 Should Gulf's proposed changes to the applicability section of its Budget Billing optional rider be approved? (Wheeler)

OTHER ISSUES

- Issue 117 How will this docket be affected if the provisions in the Stipulation approved in Order No. PSC-99-2131-S-EI are not achieved? (L. Romig)
- ~~ISSUE 118 Should (Gulf) be required to provide a refund to retail customers receiving frequent outages? (Breman, D. Lee, Matlock) Moved to pg.1~~
- Issue 119 Are Gulf's forecasted fuel prices for the May 2003 projected test year reasonable?
- Issue 120 Should Gulf be required to file, within 60 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? (L. Romig)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 010949-EI

FILED: JANUARY 4, 2002

CERTIFICATE OF SERVICE

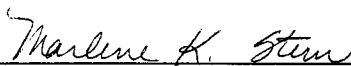
I HEREBY CERTIFY that a true and correct copy of Staff's Preliminary List of Issues has been served via U.S. MAIL upon Mr. Jeffery A. Stone, and Mr. Russell A. Badders, Beggs & Lane, P.O. Box 12950, Pensacola, Florida 32576-2950, on behalf of Gulf Power Company, and that a true and correct copy thereof has been furnished by U.S. Mail, this 4th day of January, 2002, to the following:

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