

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 010949-EI  
DATED: JANUARY 24, 2002

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-01-2035-PCO-EI, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

Richard Durbin  
James E. Breman  
Edward Bass, II

b. All Known Exhibits

RD-1 - Customer Complaints

JEB-1 - Distribution Reliability Indices for 1997-2000

JEB-2 - Vegetation Management Cost of the National Electric Safety Code

JEB-3 - Photographs of Non-Compliance with the National Electric Safety Code

JEB-4 - Example of Distribution Reliability Incentive Program

EDB-1 - Staff Audit Report

Staff Composite Exhibit 1 - Cost of Capital: Gulf Power Company's responses to Staff's Interrogatories 95-107 and 192-201; Gulf Power Company's Responses to Staff's Requests for Production 38 and 45-48; and, Gulf Power Company's responses to the Office of Public Counsel's Request for Production 29.

Staff Composite Exhibit 2 - Cost of Service: Gulf Power Company's responses to Staff's Interrogatories 2, 3, 5, 7-18, 20-21, 23-24, 26-27, 31-35, 37, 39-42, 81, 83-89, 191, 205, 231-234, 239-241, 242-250, 258-272; Gulf Power Company's responses to Staff's Requests for Production 21-25, 49, 61-63.

Staff Composite Exhibit 3 - Taxes: Gulf Power Company's responses to Staff's Interrogatories 113-119, 124-176, 217-

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221, 251-257 and 263. Gulf Power Company's responses to the Office of Public Counsel's Interrogatory 42.

c. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

d. Staff's Position on the Issues

TEST PERIOD

ISSUE 1: Is Gulf's projected test period of the 12 months ending May 31, 2003 (May 2003 projected test year) appropriate? (L. Romig)

POSITION

STAFF: Yes.

ISSUE 2: Are Gulf's forecasts of Customers, KWH, and KW by Rate Class, for the May 2003 projected test year appropriate? (Stallcup)

POSITION

STAFF: No position at this time pending receipt and review of discovery.

QUALITY OF SERVICE

ISSUE 3: Should Gulf be required to establish a mechanism that would provide for a payment or credit to retail customers if frequent outages occur? (D. Lee, Matlock)

POSITION

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**STAFF:** Yes.

**ISSUE 4:** Should adjustments be made to Gulf's projected test year due to customer complaints? (Lowery)

**POSITION**

**STAFF:** No position at this time.

**ISSUE 5:** Is the quality of electric service provided by Gulf adequate? (D. Lee, Matlock, Lowery)

POSITION

STAFF: No position at this time pending receipt and review of discovery.

RATE BASE

ISSUE 6: Should an adjustment be made to production related additions included in Plant in Service? (Haff)

POSITION

STAFF: No position at this time pending receipt and review of discovery.

ISSUE 7: Should an adjustment be made to transmission and distribution related additions included in Plant in Service? (Haff, D. Lee)

POSITION

STAFF: No position at this time pending receipt and review of discovery.

ISSUE 8: Should an adjustment be made to general plant related additions included in Plant in Service? (Meeks)

POSITION

STAFF: No position at this time pending receipt and review of discovery.

ISSUE 9: Should the deferral of the return on the third floor of the corporate offices be allowed in rate base? (L. Romig)

POSITION

STAFF: No position at this time pending receipt and review of discovery.

ISSUE 10: Should an adjustment be made to Smith Unit 3? (Haff)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 11:** Is Gulf's decision to include Smith Unit 3 in rate base consistent with Gulf's proposal in Docket No. 010827-EI to transfer ownership of Smith Unit 3 to Southern Company and purchase the plant's output? (Haff)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 12:** What are the appropriate adjustments, if any, 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, Mills)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 13:** Should adjustments be made for the rate base effects of transactions with affiliated companies for Gulf? (L. Romig, Merta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 14:** Has the Company removed all non-utility activities from rate base? (Meeks, L. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

ISSUE 15: 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, Haff, Green, L. Romig)

**POSITION**

**STAFF**: The appropriate amount of plant in service can not be determined until any adjustments in related issues are determined.

ISSUE 16: What adjustments should be made to Accumulated Depreciation to reflect the Commission's decision in Docket No. 010789-EI? (Meeks)

**POSITION**

**STAFF**: No position pending a decision in Docket No. 010789.

ISSUE 17: 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)

**POSITION**

**STAFF**: The appropriate amount of accumulated depreciation can not be determined until any adjustments in related issues are determined.

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? (Haff, Meeks, Green, L. Romig)

**POSITION**

**STAFF**: No position at this time pending receipt and review of discovery.

ISSUE 19: Should an adjustment be made to Plant Held for Future Use for Gulf's inclusion of the Caryville site in rate base? (Haff)

**POSITION**

**STAFF**: No position at this time pending receipt and review of discovery.

ISSUE 20: 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? (Haff, L. Romig)

**POSITION**

**STAFF**: No position at this time pending receipt and review of discovery.

ISSUE 21: Should an adjustment be made to prepaid pension expense in its calculation of working capital? (Kaproth, Kyle)

**POSITION**

**STAFF**: No position at this time pending receipt and review of discovery.

ISSUE 22: Should an adjustment be made to rate base for unfunded Other Post-retirement Employee Benefit (OPEB) liability? (Kaproth, Kyle)

**POSITION**

**STAFF**: No position at this time pending receipt and review of discovery.

ISSUE 23: Should any adjustments be made to Gulf's fuel inventories? (Bohrmann, Matlock)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 24:** 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)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 25:** 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)

**POSITION**

**STAFF:** The appropriate amount of rate base can not be determined until any adjustments in related issues are determined.

**COST OF CAPITAL**

**ISSUE 26:** Has Gulf appropriately reflected Internal Revenue Service Notice 2001-82 in its projected May 2003 test year? (C. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 27:** What is the appropriate amount of accumulated deferred taxes to include in the capital structure? (C. Romig, Vendetti, McCaskill)



**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 28:** What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure? (C. Romig, Vendetti, McCaskill)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 29:** Have rate base and capital structure been reconciled appropriately? (D. Draper, Lester, C. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 30:** What is the appropriate cost rate for short-term debt for the May 2003 projected test year? (Lester)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 31:** What is the appropriate cost rate for long-term debt for the May 2003 projected test year? (Lester)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 32:** In setting Gulf's return on equity (ROE) for use in establishing Gulf's revenue requirements and Gulf's authorized range, should the Commission make an

adjustment to reflect Gulf's performance? (D. Lee, Matlock, Lester, Lowry)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 33:** What is the appropriate ROE to use in establishing Gulf's revenue requirement? (Lester)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 34:** What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure? (Lester)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 35:** What is the appropriate authorized range on ROE to be used by Gulf for regulatory purposes on a prospective basis? (D. Draper, Lester, Vendetti, McCaskill)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**NET OPERATING INCOME**

**ISSUE 36:** Is Gulf's projected 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)

**POSITION**

**STAFF:** The total amount of jurisdictional operating revenues can not be determined until outstanding discovery is received and reviewed.

**ISSUE 37:** What are the appropriate inflation factors for use in forecasting the test year budget? (Stallcup, Lester, L. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 38:** Should the commission accept Gulf Power's modified zero based budget as support for the requested increase? (L. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 39:** 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)

**POSITION**

**STAFF:** The total amount of jurisdictional O&M expense can not be determined until outstanding discovery is received and reviewed.

**ISSUE 40:** Should wholesale energy costs to Gulf Power be adjusted? (Bohrmann)

**POSITION**

**STAFF:** No position at this time.

ISSUE 41: Has Gulf made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause? (Bohrmann, L. Romig, C. Romig)

**POSITION**

**STAFF**: Yes.

ISSUE 42: Has Gulf made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause? (Haff, L. Romig, C. Romig)

**POSITION**

**STAFF**: No position at this time pending receipt and review of discovery.

ISSUE 43: Has Gulf made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause? (D. Lee, L. Romig, C. Romig)

**POSITION**

**STAFF**: Yes.

ISSUE 44: Has Gulf made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause? (D. Lee L. Romig, C. Romig)

**POSITION**

**STAFF**: Yes.

ISSUE 45: What are the appropriate adjustments, if any, 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, Mills)

POSITION

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 46:** Should an adjustment be made to advertising expenses for the May 2003 projected test year? (Kaproth, L. Romig)

POSITION

**STAFF:** Yes. Jurisdictional advertising expense should be reduced by \$539,000 to remove the projected image enhancement advertising expenses.

**ISSUE 47:** Has Gulf made the appropriate adjustments to remove lobbying expenses from the May 2003 projected test year? (L. Romig)

POSITION

**STAFF:** No. Jurisdictional O&M expenses should be reduced by \$22,401 to remove 15.57% of dues to the Edison Electric Institute, and 100% of dues to the Associated Industries of Florida less the Company's adjustment of \$5,296 for a net reduction of \$17,105 (\$17,105 System).

**ISSUE 48:** Should an accrual for incentive compensation be allowed? (Kaproth, L. Romig)

POSITION

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 49:** 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)

POSITION

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 50:** Should an adjustment be made to Other Post Employment Benefits Expense for the May 2003 projected test year? (Kyle, Kaproth, L. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 51:** Should an adjustment be made to Pension Expense for the May 2003 projected test year? (Kyle, L. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 52:** Should adjustments be made for the net operating income effects of transactions with affiliated companies for Gulf? (L. Romig, Merta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 53:** Should an adjustment be made to the accrual for storm damage for the May 2003 projected test year? (L. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 54:** Should an adjustment be made to the accrual for the Injuries & Damages reserve for the May 2003 projected test year? (L. Romig, Kaproth, Stern)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 55:** Should interest on tax deficiencies for the May 2003 projected test year be included above-the-line? (C. Romig, Vendetti, McCaskill)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 56:** Should an adjustment be made to Rate Case Expense for the May 2003 projected test year? (Kaproth, L. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 57:** Should an adjustment be made to marketing expenses for Gulf's marketing of high efficiency electric technologies for heating and water heating? (Haff)

**POSITION**

**STAFF:** Yes. Staff must receive and review outstanding discovery to determine the amount of the adjustment.

**ISSUE 58:** What is the appropriate amount of expense to include for planned outages? (Haff, Merta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 59:** What is the appropriate amount of expense to include for special projects? (Haff, Merta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 60:** Should an adjustment be made to Production Expenses for the May 2003 projected test year? (Haff, Merta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 61:** Should an adjustment be made to Transmission Expenses for the May 2003 projected test year? (Haff, Merta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 62:** Should an adjustment be made to cable inspection expense? (Matlock, D. Lee, Merta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 63:** Should an adjustment be made to substation maintenance expense? (Matlock, D. Lee, Merta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 64:** Should adjustments be made to tree trimming expense? (Matlock, D. Lee, Merta)



**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 65:** Should an adjustment be made to pole line inspection expense? (Matlock, D. Lee, Merta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 66:** Should an adjustment be made to street and outdoor light maintenance expense? (Matlock, D. Lee, Merta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 67:** Should an adjustment be made to Distribution Expenses for the May 2003 projected test year? (Matlock, D. Lee, Marta)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 68:** Should an adjustment be made to Bad Debt Expense for the May 2003 projected test year? (L. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 69:** Should an adjustment be made to Customer Accounts Expense for the May 2003 projected test year? (L. Romig, Kaproth)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 70:** If the deferral of the return on the third floor of the corporate offices is allowed in rate base, what amortization period should be used? (L. Romig)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 71:** What adjustments, if any, should be made to the depreciation expense and the fossil dismantlement accrual to reflect the Commission's decision in Docket No. 010789-EI? (Meeks)

**POSITION**

**STAFF:** No position at this time pending a decision in Docket No. 010789-EI.

**ISSUE 72:** What is the appropriate depreciation rate and dismantlement provision for Smith Unit 3? (Meeks)

**POSITION**

**STAFF:** No position at this time pending a decision in Docket No. 010789-EI, and receipt and review of discovery.

**ISSUE 73:** Should an adjustment be made to Depreciation Expense for the May 2003 projected test year? (Meeks)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

ISSUE 74: What adjustments, if any, should be made to the projected test year expenses to recognize implementation of FAS 143? (Meeks)

**POSITION**

**STAFF**: No position at this time pending receipt and review of discovery.

ISSUE 75: 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)

**POSITION**

**STAFF**: No position at this time pending receipt and review of discovery.

ISSUE 76: 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)

**POSITION**

**STAFF**: No position at this time pending receipt and review of discovery.

ISSUE 77: Should an adjustment be made to Taxes Other Than Income Taxes for the May 2003 projected test year? (C. Romig, Vendetti, McCaskill)

**POSITION**

**STAFF**: No position at this time pending receipt and review of discovery.

ISSUE 78: Should an adjustment be made to the consolidating tax adjustments for the May 2003 projected test year? (C. Romig, Vendetti, McCaskill)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 79:** Should an adjustment be made to Income Tax expense for the May 2003 projected test year? (C. Romig, Vendetti, McCaskill)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 80:** Is Gulf's projected Net Operating Income in the amount of \$61,378,000 (\$61,658,000 system) for the May 2003 projected test year appropriate? (L. Romig)

**POSITION**

**STAFF:** The appropriate amount of net operating income can not be determined until discovery on related issues is received and reviewed.

**REVENUE REQUIREMENTS**

**ISSUE 81:** 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)

**POSITION**

**STAFF:** The appropriate revenue expansion factor can not be determined until discovery on related issues is received and reviewed.

**ISSUE 82:** Is Gulf's requested annual operating revenue increase of \$69,867,000 for the May 2003 projected test year appropriate? (L. Romig)

**POSITION**

**STAFF:** The appropriate revenue increase for the May 31, 2003 projected test year can not be determined until discovery on related issues is received and reviewed.

**COST OF SERVICE AND RATE DESIGN**

**ISSUE 83:** Is Gulf's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate? (Wheeler)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 84:** Are Gulf's estimated revenues from sales of electricity by rate class at present rates for the projected 2003 test year appropriate? (E. Draper)

**POSITION**

**STAFF:** Yes.

**ISSUE 85:** 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)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 86:** What is the appropriate cost of service methodology to be used in designing Gulf's rates? (Wheeler)

**POSITION**

**STAFF:** The appropriate cost of service study is contained in Gulf's response to Staff Interrogatory No. 231, without use of the Minimum Distribution System method.

**ISSUE 87:** What is the appropriate treatment of distribution costs within the cost of service study? (Wheeler)

**POSITION**

**STAFF:** No distribution costs other than service drops and meters should be classified as customer related. The demand related costs should be allocated using a demand allocator, and the customer related costs should be allocated using a customer allocator.

**ISSUE 88:** If a revenue increase is granted, how should it be allocated among the customer classes? (Wheeler)

**POSITION**

**STAFF:** The increase should be spread to the rate classes in a manner that moves class rate of return indices as close to parity as reasonable, subject to the following constraints: (1) No class should receive an increase greater than 1.5 times the system average increase in total revenues; and, (2) No class should receive a decrease.

**ISSUE 89:** What are the appropriate demand charges? (E. Draper, Wheeler)

**POSITION**

**STAFF:** The demand charges should be based on the cost of service study as shown in Gulf's response to Staff Interrogatory No. 231, without the use of the Minimum Distribution System method, and should reflect the demand-related production, transmission, and distribution costs allocated to each class. The time-

of-use demand charges are addressed in the issue addressing the appropriate time-of-use rate design.

ISSUE 90: What are the appropriate energy charges? (Wheeler)

**POSITION**

**STAFF**: No position at this time.

ISSUE 91: What are the appropriate customer charges? (Hudson)

**POSITION**

**STAFF**: The customer charges should be set as close as reasonably practicable to the customer unit costs developed in the Commission-approved cost of service study.

ISSUE 92: What are the appropriate service charges? (Hudson)

**POSITION**

<u>Name</u>	<u>Present Charge</u>	<u>Staff Position Charge</u>
Connection of Initial Service	\$20.00	\$27.00
Connection of Existing Service	\$16.00	\$27.00
Restoration of Service	\$16.00	\$35.00
Restoration of Service After Hours	\$16.00	\$55.00
Restoration of Service at Pole	\$16.00	\$95.00
Premises Visit	\$ 6.00	\$20.00
Connection of Temporary Service	\$60.00	\$110.00
Investigation of Unauthorized Use	\$55.00	\$75.00
Returned Item Charge < \$50	\$20.00	\$25.00
Returned Item Charge > \$50 and < \$300	\$20.00	\$30.00
Returned Item Charge > \$300	\$20.00	\$40.00

ISSUE 93: What are the appropriate Street (OS-I) and Outdoor (OS-II) lighting rate schedule charges? (Springer)

**POSITION**

**STAFF:** The OS-I and OS-II energy charges should be set to recover the total non-fuel energy, demand and customer-related costs allocated to the classes in the Commission-approved cost of service study. The maintenance charges should be set to recover the total maintenance and associated A&G costs allocated to the classes in the cost of service study, as provided in Gulf's response to staff's interrogatory No. 9. The fixture, pole and other additional facilities charges should be set to recover the remaining revenue requirement for the OS-I and OS-II classes.

**ISSUE 94:** How should Gulf's time-of-use rates be designed? (E. Draper)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 95:** What are the appropriate charges under the Interruptible Standby Service (ISS) rate schedule? (E. Draper)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 96:** What are the appropriate charges under the Standby and Supplementary Service (SBS) rate schedule? (E. Draper)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 97:** What is the appropriate rate design for Gulf's Real Time Pricing (RTP) rate schedule? (E. Draper, Wheeler)



**POSITION**

**STAFF:** The RTP rate should be designed as approved in Order No. PSC-99-1768-FOF-EI, Order approving RTP rate as a permanent rate schedule, with one modification. The RTP hourly price includes a constant "D", which reflects the distribution revenue requirement for the customer classes that are eligible for the RTP rate. The current constant is .25 cents per kWh and is based on a 1994 cost-of-service study. The constant should be updated to reflect the distribution revenue requirement using the Cost of Service Study as shown in Gulf's response to Staff Interrogatory No. 231, without the use of the Minimum Distribution System.

**ISSUE 98:** What is the appropriate monthly charge under Gulf's Goodcents Surge Protection (GCSP) rate schedule? (Hudson)

**POSITION**

**STAFF:** \$3.45 per month.

**ISSUE 99:** What are the appropriate transformer ownership discounts? (Springer)

**POSITION**

**STAFF:** The distribution primary and transmission transformer ownership discounts should be calculated in the same manner they were calculated in Gulf's last rate case, using the cost of service study filed as attachment B to MFR Schedule E-1. The updated charges are contained in Gulf's responses to interrogatory Nos. 191 and 205.

**ISSUE 100:** What is the appropriate minimum monthly bill demand charge under the PX rate schedule? (Hudson)

**POSITION**

**STAFF:** The minimum monthly bill demand charge should be set using the methodology described in Gulf's response to interrogatory No. 233, as adjusted to reflect the final rates established for the PX rate.

**ISSUE 101:** What is the appropriate minimum monthly bill demand charge under the PXT rate schedule?  
(Hudson)

**POSITION**

**STAFF:** The minimum monthly bill demand charge should be set using the methodology described in Gulf's response to interrogatory No. 234, as adjusted to reflect the final rates established for the PXT rate.

**ISSUE 102:** How should any revenue shortfall resulting from rate migrations following the rate design be recovered? (Wheeler)

**POSITION**

**STAFF:** The revenue impact of customers transferring from one rate class to another due to a change in rate structure in the approved rates should be allocated to the two classes proportional to each class's approved revenues.

**ISSUE 103:** Should Gulf's GST and RST rate schedules be eliminated? (Hudson)

**POSITION**

**STAFF:** Yes. Because of the historically minimal participation in these optional rates, they should be eliminated.

**ISSUE 104:** Should Gulf's Supplemental Energy (SE) Rate Rider be eliminated? (E. Draper)

**POSITION**

**STAFF:** Yes. Gulf's Commercial/Industrial customers have other options, including Time of Use rates and the Real Time Pricing rate, that allow them to change their consumption in response to price signals. Gulf currently has no customers on the SE Rider.

**ISSUE 105:** 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-in-aid-of-construction to offset a portion of the additional cost of time-of-use metering. Is this appropriate? (Hudson)

**POSITION**

**STAFF:** Yes. The meters now installed for GSD and GSDT customers are identical, and thus there is no additional metering cost for GSDT.

**ISSUE 106:** 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)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

**ISSUE 107:** Should the proposed changes to Gulf's Standby and Supplementary Service Rate (SBS) be approved? (E. Draper)

**POSITION**

**STAFF:** Yes. Gulf has proposed to eliminate the SE Rider option available to SBS customers. Consistent with Gulf's proposed elimination of the SE Rider, the proposed changes to the SBS rate should be approved.

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ISSUE 108:           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)

**POSITION**

**STAFF:** The monthly fixed charge rate should reflect the Commission-approved midpoint ROE.

**ISSUE 109:** Are the proposed revisions to the estimated kilowatt hour consumption of Gulf's high pressure sodium and metal halide lighting fixtures appropriate? (Springer)

**POSITION**

**STAFF:** Yes. The revised estimates are based on engineering data provided by the lighting manufacturer, and are appropriate.

**ISSUE 110:** 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)

**POSITION**

**STAFF:** Yes. If a customer requests a change to different fixtures prior to the expiration of the initial contract term, they are billed for the removal cost of the old fixture and for any conversion and installation costs for the new fixtures.

**ISSUE 111:** Should the Street Lighting (OS-I) and Outdoor Lighting (OS-II) subparts of Gulf's Outdoor Service rate schedule be merged? (Springer)

**POSITION**

**STAFF:** Yes. There are no cost differences between the rate schedules, and the merging of the rates will simplify Gulf's tariff.

ISSUE 112: Should Gulf's proposed methodology for determining the price of new street and outdoor lighting offerings be approved? (Springer)

POSITION

STAFF: No position at this time pending receipt and review of discovery.

ISSUE 113: Should Gulf's proposed new FlatBill pilot program be approved? (Springer)

POSITION

STAFF: No position at this time pending receipt and review of discovery.

ISSUE 114: Should Gulf's proposed new Rate Schedule GSTOU be approved? (E. Draper)

POSITION

STAFF: No position at this time pending receipt and review of discovery.

ISSUE 115: 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)

POSITION

STAFF: Yes.

ISSUE 116: Is Gulf's GoodCents Select Program cost effective? (Haff)

POSITION

STAFF: No position at this time pending receipt and review of discovery.

ISSUE 117: What is the appropriate design and level of charges for the Residential Service Variable Pricing (RSVP) rate schedule? (Wheeler)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

ISSUE 118: Are Gulf's proposed changes to the P2 and P3 pricing periods under its RSVP rate schedule appropriate? (Wheeler)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

ISSUE 119: Are Gulf's proposed changes to the Participation Charge and Reinstallation Fee charged under Rate RSVP appropriate? (Wheeler)

**POSITION**

**STAFF:** No position at this time pending receipt and review of discovery.

ISSUE 120: Should Gulf's proposed changes to the applicability section of its Budget Billing optional rider be approved? (Wheeler)

**POSITION**

**STAFF:** Yes. The proposed addition of the RSVP, GSTOU, PX, PXT, and RTP rate schedules to the Budget Billing optional rider is appropriate.

**OTHER ISSUES**

ISSUE 121: 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)

**POSITION**

**STAFF:** Gulf cannot change its rates and charges until Smith Unit 3 goes into commercial operation or December 31, 2002, whichever comes first.

**ISSUE 122:** 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)

**POSITION**

**STAFF:** Yes.

e. Pending Motions

Staff has no pending motions at this time.

f. Pending Confidentiality Requests

Staff has no pending requests for confidentiality at this time.

g. Compliance with Order No. PSC-01-2035-PCO-EI

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.



STAFF'S PREHEARING STATEMENT  
DOCKET NO. 010949-EI  
PAGE 33

Respectfully submitted this 24<sup>th</sup> day of January,  
2002.

Marlene K. Stern

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 010949-EI

FILED: JANUARY 24, 2002

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of STAFF'S  
PREHEARING STATEMENT has been furnished by U.S. Mail this 24th day  
of January, 2002, to the following:

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