BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for rate increase by Gulf Power Company.	DOCKET NO. 010949-EI ORDER NO. PSC-02-0219-PHO-EI ISSUED: February 22, 2002

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on February 15, 2002, in Tallahassee, Florida, before Chairman Lila A. Jaber, as Prehearing Officer.

APPEARANCES:

JEFFREY A. STONE, Esquire, RUSSELL A. BADDERS, Esquire, and R. ANDREW KENT of Beggs & Lane, 700 Blount Building, 3 West Garden Street, Post Office Box 12950, Pensacola, Florida 32576-2950 and RICHARD D. MELSON, Esquire of Hopping Green & Sams, P.A. 123 South Calhoun Street, Post Office Box 6526, Tallahassee, Florida 32314
On behalf of Gulf Power Company.

ALLEN ERICKSON, Major, DOUGLAS A. SHROPSHIRE, Lieutenant Colonel, USAFR, c/o USAF Utility Litigation Team AFCESA/ULT, 139 Barnes Drive, Tyndall AFB, Florida 32403
On behalf of Federal Executive Agencies.

MICHAEL A. GROSS, Vice President, Regulatory Affairs & Regulatory Counsel, 246 E. 6th Avenue, Tallahassee, Florida 32303
On behalf of Florida Cable Telecommunications Association.

JOHN W. MCWHIRTER, JR., McWhirter Reeves McGlothlin Davidson Decker Kaufman Arnold & Steen , P.A., 400 North Tampa Street, Suite 2450, Tampa, Florida 33601-3350 and VICKI GORDON KAUFMAN and TIMOTHY J. PERRY, McWhirter Reeves McGlothlin Davidson Decker Kaufman Arnold & Steen, P.A., 117 South Gadsden Street, Tallahassee, Florida 32301
On behalf of the Florida Industrial Power Users Group.

STEPHEN C. BURGESS, Esquire, Deputy Public Counsel, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida.

MARLENE K. STERN, Esquire, and LAWRENCE D. HARRIS, Esquire, Esquire, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Commission.

PREHEARING ORDER

I. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case. Opening statements, if any, shall not exceed ten minutes per party.

II. CASE BACKGROUND

On July 6, 2001, Gulf Power Company filed notice of its intent to request a rate increase, pursuant to Rule 25-6.140, Florida Administrative Code. On September 10, 2001, Gulf filed its Petition for a rate increase. The matter has been set for hearing.

III. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 366.093, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 366.093, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

1. Any party intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.

2. In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

a) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.

b) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.

c) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary Staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

d) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.

e) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Commission Clerk and Administrative Service's confidential files.

IV. POST-HEARING PROCEDURES

Each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 75 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 75 words, it must be reduced to no more than 75 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, Florida Administrative Code, a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 50 pages, and shall be filed at the same time.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VI. ORDER OF WITNESSES

As a result of discussions at the prehearing conference, each witness whose name is preceded by an asterisk (*) has been excused from this hearing. The testimony of excused witnesses will be inserted into the record as though read, and all exhibits submitted with those witnesses' testimony shall be identified as shown in Section IX of this Prehearing Order and be admitted into the record.

Witness	Proffered By	Issues #
Direct		
T.J. Bowden	Gulf Power	34, 35 and 37
C.A. Benore	Gulf Power	35
R.M. Saxon	Gulf Power	8, 38, 39, 40, 41, 50, 51, 70, 71A, 71B and 94
R.L. McGee	Gulf Power	2, 38, 86 and 87

Witness	Proffered By	Issues #
R.G. Moore	Gulf Power	6, 10, 19, 20, 21, 24, 34, 37, 41, 60, 61 and 62
F.M. Fisher	Gulf Power	3, 5, 7, 8, 12, 19, 21, 34, 37, 41, 47, 64, 65, 66, 67, 68 and 69
M.W. Howell	Gulf Power	7, 19, 20, 21, 41, 42 and 63
M.D. Neyman	Gulf Power	41, 48, 59 and 118
R.J. McMillan	Gulf Power	14, 22, 23, 26, 28, 29, 30, 41, 42, 47, 50, 50A, 52, 53, 54, 55, 56, 57, 71B, 79, 80 and 81
R.R. Labrato	Gulf Power	1, 3, 9A, 9B, 10, 11, 12, 13, 15, 16, 17, 18, 19, 21, 25, 27, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 41, 43, 44, 45, 46, 49, 58, 70, 72, 73, 74, 75, 76, 77, 78, 79, 81, 82, 83, 84, 123 and 124
M.T. O'Sheasy	Gulf Power	85, 88, 89 and 101
J.I. Thompson	Gulf Power	78, 86, 90, 91, 92, 93, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 119, 120, 121 and 122
James A. Rothschild	OPC	
Kimberley H. Dismukes	OPC	
*Michael J. Majoros	OPC	

Witness	Proffered By	Issues #
Helmuth W. Schultz, III	OPC	
William M. Zaetz	OPC	
Richard Durbin	PSC Staff	5
James E. Breman	PSC Staff	3
Edward Bass, II	PSC Staff	8, 9, 20, 38, 40, 48 and 49
Rebuttal		
C.A. Benore	Gulf Power	35
D.S. Roff	Gulf Power	17, 18, 73, 74 and 75
R.D. Bell	Gulf Power	50, 51, and 52
T.S. Silva and S.C. Twery	Gulf Power	50, 51, 52 and 53
R.J. McMillan	Gulf Power	14, 42, 50, 54, 55
R.M. Saxon	Gulf Power	8 and 71
R.G. Moore	Gulf Power	24, 60, 61 and 62
J.T. Kilgore, Jr.	Gulf Power	4
F.M. Fisher	Gulf Power	3, 5, 7, 8,, 64, 65, 66, 67 and 68
M.W. Howell	Gulf Power	7
M.D. Neyman	Gulf Power	48
R.R. Labrato	Gulf Power	3, 9, 17, 18, 34, 37, 58, 72, 73, 74 and 75

VII. BASIC POSITIONS

GULF:

Gulf Power's basic position is that the Company's current rates and charges will not provide Gulf a reasonable opportunity to earn a fair and reasonable rate of return for the period June 2002 through May 2003 and beyond. Gulf filed this case seeking an annual increase in its rates and charges of approximately $69.9 million to begin on the commercial in-service date of Smith Unit 3, a 574 megawatt gas fired combined cycle generating plant currently under construction at Gulf's Smith Plant located outside of Panama City, Florida. The capital cost of this unit ($220.5 million) and the associated Operating and Maintenance (O & M) expenses are the major drivers behind this request for rate relief. The most reasonable period on which to base new rates and charges for Gulf is June 2002 through May 2003 which corresponds to the first 12 months following the anticipated commercial in-service date of Smith Unit 3. Since the anticipated commercial in-service date of Smith Unit 3 is on or before June 1, 2002, this period also corresponds with the first 12 months following the anticipated expiration of the stipulation and settlement approved by the Commission in Order No. PSC-99-2131-EI. As a result, the chosen test period appropriately corresponds to the first 12 months new rates resulting from this case will be in effect.

The Company's adjusted 13-month average jurisdictional rate base for the period June 1, 2002 through May 31, 2003 (the "May 2003 projected test year") is projected to be $1,198,502,000; and the jurisdictional net operating income is projected to be $61,378,000 using the rates currently in effect. These amounts do not include certain additional adjustments as detailed in the Company's positions on the issues listed below. The resulting adjusted jurisdictional rate of return on average rate base is projected to be 5.12%, while the return on common equity is projected to be 4.43% for the May 2003 projected test year (excluding the impact of those additional adjustments described above). Such a return is so low that it would severely jeopardize the Company's ability to finance future operations. The continued compulsory application of Gulf's present rates and charges after the commercial in-service date of Smith Unit 3 will result in the unlawful taking of the Company's property without just compensation, resulting in confiscation of the Company's property in violation of the guarantees of the state and federal constitutions.

The management and employees of Gulf have worked diligently to enable the Company to keep its rates low in spite of escalating costs, significant growth in customers to be served, and increased reliability requirements and other customer expectations caused by the widespread use of computers and other technology. The Company has succeeded in these efforts through a deliberate and intense effort to increase the productivity and efficiency of all programs and operations. The Company's success in this regard is demonstrated by the fact that the growth of Gulf's O & M expenses since the 1990 test year applied in Gulf's last rate case through the May 2003 projected test year in this case is less than the compound growth rate for customers and inflation. This has resulted in Gulf's projected O & M for the May 2003 projected test year being under the Commission's Benchmark by $3.7 million. Although Gulf is projected to serve a customer base that will have grown by approximately 32 percent since the 1990 test year, it will do so in the May 2003 projected test year with nearly 10 percent fewer employees than in the 1990 test year.

Despite these successful efforts on the part of Gulf's management and employees to control and reduce expenses, the addition of the Smith Unit 3 generating capacity and increased O & M expenses associated with continuing to provide reliable service to Gulf's customers make the filing of this request for rate relief necessary. Although the addition of Smith Unit 3 with the associated O & M expenses is the primary driver behind Gulf's need for rate relief in this case, there are other significant factors that have increased the cost of providing electric service since Gulf's last rate case, Docket No. 891345-EI. These other significant factors include: the addition since 1990 of more than (1) 100,000 new customers; (2) 1400 miles of new distribution lines; and (3) 90 miles of new transmission lines; the replacement and repair of an aging electrical infrastructure; and the increased O & M costs associated with aging generating plants.

As a provider of retail electric service to the people of Northwest Florida, Gulf is obligated by statute to provide such service in a reasonable, "sufficient, adequate, and efficient" manner. Gulf has a similar obligation to provide its shareholders with a reasonable and adequate return on their investment. Without the revenue increase requested, Gulf cannot meet its obligations to either constituency in the long run. If Gulf is rendered unable to meet its obligations to the customers and shareholders due to inadequate rates, both stakeholder groups will suffer. The customers will suffer from less reliable service and eventually higher costs of electricity, while the shareholders will suffer from an inadequate and confiscatory return on investment and will seek other places to invest their money. For these and other reasons detailed in the testimony and exhibits of Gulf's witnesses filed with its petition in this case, Gulf is respectfully requesting an increase in rates and charges that will produce an increase in total annual revenues of at least $69,867,000 before adjustments as detailed in the Company's positions on the issues listed below.

FEA:

FEA's basic position is preliminary and based on review of materials filed by the parties and on discovery filed to date. FEA believes several of the revenue requirement components that contribute to Gulf Power's requested $69.9 million rate increase are unreasonable. The revenue requirement components that are unreasonable include return on equity, depreciation rates, distribution operation and maintenance expenses, and non-fuel production operation and maintenance expenses. FEA further believes the Gulf Cost of Service and Rate Design Schedules with Minimum Distribution System Methodology is appropriate and consistent with the National Association of Regulatory Utility Commissioners guide book, Electric Utility Cost Allocation Manual.

FCTA:

The FCTA intervened in this docket to represent the interests of its members both with respect to their interests relating to pole rents and access, as well as their interests as power users and retail customers of Gulf Power. In its initial July 6, 2001 letter, indicating Gulf Power's intent to file a Petition for a retail base rate increase, Gulf Power alleged that from 1990 through mid-2003, numerous factors will have increased its cost of providing electric service. Among those factors, Gulf Power noted the costs incurred in establishing new distribution lines and maintaining its infrastructure. Such factors implicate the network of distribution poles that are essential for cable operators' pole attachments. Gulf Power's electricity rate case has involved a review of issues and accounts relevant to FCTA Members' pole attachment access rights pursuant to the Federal Telecommunications Act of 1996. However, as of the filing date for prehearing statements, the FCTA remains neutral as to the issues raised based upon the current record. The FCTA does not intend to raise any new issues not raised by the other parties or the Commission. Further, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a post-hearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

The Commission should set Gulf's revenue requirements at an appropriate level and adopt the cost of service methodology Gulf proposes.

OPC:

Gulf Power has overstated its revenue needs by at least $54,853,000. A wide array of adjustments must be made to Gulf's filing. The Citizens have recommended a number of adjustments and currently are waiting for discovery responses that may call for additional changes.

STAFF:

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.

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)

POSITIONS

GULF:

Yes. Gulf's new combined cycle unit at Plant Smith is expected to be in commercial operation on or before June 1, 2002. The chosen test year is representative of Gulf's expected future operations after Smith Unit 3 is in service and is the first full year that new rates will be in effect. (Labrato)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Agrees with OPC.

OPC:
No. The test year is entirely projected. It was therefore imperative that Gulf's filing provide the level of cohesive detail necessary for the parties to determine the basis and purported justification for each expenditure sought for recovery. Neither Gulf's filing, nor its subsequent discovery responses provide the level of cohesive detail necessary for the Commission to determine the propriety of the expenditures being sought, nor to properly compare the projected numbers to the relevant historical data. (Schultz)

STAFF:
No position at this time.

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

Stipulated.

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)

POSITIONS

GULF:
No. Gulf has demonstrated its commitment to providing reliable electric service and superior customer service. Such a mechanism could result in an electric utility focusing on one very narrow component of reliability and would be administratively burdensome. (Fisher, Labrato)

FEA:
Yes.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Yes.

OPC:
Yes.

STAFF:
Yes.

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

Stipulated.

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

Stipulated.

RATE BASE

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

POSITIONS

GULF:

No. The production related additions included in Plant in Service for Gulf's May 2003 projected test year are reasonable, prudent, and necessary and should be allowed. These amounts are necessary to construct and place into service Smith Unit 3 and to effectively maintain Gulf's existing fleet of generating units such that Gulf can continue to provide low cost, reliable generation to our customers. (Moore)

FEA:

Agree with OPC.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Agree with OPC.

OPC:

Yes. A number of budgeted items for production related items appear to be overstated. OPC is awaiting further information from Gulf to explain the items more fully. In addition, OPC recommends a reduction to depreciation expense for Smith Unit

3, a corresponding reduction should be made to accumulated depreciation. (Schultz, Majoros)

STAFF:

No. The production related additions included in Plant in Service for Gulf's May 2003 projected test year are reasonable, prudent, and necessary and should be allowed.

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

POSITIONS

GULF:

No. The transmission and distribution related additions included in Plant in Service for Gulf's May 2003 projected test year are reasonable, prudent, and necessary and should be allowed. These amounts are necessary to serve new customers, meet additional load growth from existing customers, and replace deteriorating facilities. (Fisher, Howell)

FEA:

Agree with OPC.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Agree with OPC.

OPC:

Yes. In its initial testimony, Gulf failed to provide a description of $162,822,000 of distribution transmission and general plant. Unless Gulf can justify the amounts and justify why it failed to provide adequate explanations in its initial filing, the Commission should disallow these items. (Schultz)

STAFF:
No position at this time.

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

POSITIONS

GULF:
No. The general plant additions included in Plant in Service for Gulf's May 2003 projected test year are reasonable, prudent, and necessary, and should be allowed. The majority of these expenditures are to provide for improvements to buildings and land as well as the purchase of automotive equipment including mechanized line and service trucks. (Fisher, Saxon)

FEA:
Agree with OPC.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:
Yes. OPC position in response to Issue 7 above also includes amounts associated with general plant. (Schultz)

STAFF:
No. The general plant additions included in Plant in Service for Gulf's May 2003 projected test year are reasonable, purdent and necessary and should be included.

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

POSITIONS

GULF:

Yes. In Gulf's last rate case, the Commission ordered the Company to remove the cost of the third floor from rate base, but has allowed the Company to earn a deferred return on the third floor investment in anticipation of future recovery. The third floor is fully utilized and, therefore, the investment as well as the deferred return should be included in rate base. Including the accumulated balance of the deferred return on the third floor in rate base and amortizing the balance over a period of 3 years is also consistent with the provision included in Gulf's revenue sharing plan, resulting from a stipulation approved by Order No. PSC-99-2131-S-EI. That approved stipulation allows Gulf the discretion to amortize up to $1 million per year to reduce the accumulated balance of the deferred return on the third floor. The balance of the deferred return as originally filed should be reduced in the amount of $693,000 jurisdictional ($855,000 system). This adjustment is necessary to take into account amortization of the deferred return that was booked during 2001 and the change in amortization for the May 2003 projected test year (as discussed in Issue 72). (Labrato)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

The Citizens believe that the third floor of Gulf's corporate office building has never been used and useful in the public service. It was being used as a storage area in 1989 when Gulf had 1,626 employees. In 2000, Gulf had only 1,319 employees, so the third floor had even less usefulness. Accordingly, it would be patently unfair for current customers to now begin paying the earnings from past years that were deferred because the third floor was not in use during those years. Working capital should be reduced by $2,893,000 and amortization expense reduced by $1,157,000. [Schultz]

STAFF:

No position at this time.

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

POSITIONS

GULF:

Yes. In Gulf's last rate case, the Commission ordered the Company to remove the cost of the third floor from rate base, but has allowed the Company to earn a deferred return on the third floor investment in anticipation of future recovery. The third floor is fully utilized and, therefore, the investment as well as the deferred return should be included in rate base. (Labrato)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

In 1989, the Commission refused to allow Gulf to charge its customers a return on the third floor because it was used for storage rather than office space. At that time Gulf employed 1,626 employees. In 2000, Gulf employed 1,319 employees. Gulf's customers should not be forced to pay for corporate office space that is not necessary. Plant should be reduced by $3,800,000 and accumulated depreciation by $338,000. [Schultz]

STAFF:

No position at this time.

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

Stipulated.

ISSUE 11: Issue deleted. Number retained for continuity.

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)

POSITIONS

GULF:

A $714,000 system ($683,000 jurisdictional) adjustment should be made to rate base for the May 2003 projected test year to reflect the impact of investments in additional security measures implemented in response to the threat of terrorist attacks since September 11, 2001. (Fisher, Labrato)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the

Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No position at this time.

STAFF:

Staff agrees with Gulf.

ISSUE 13: Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause be included in rate base for Gulf? (D. Lee)

POSITIONS

GULF:

No. The Company has filed its case assuming that the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause (ECRC) continue to be recovered through the ECRC. The ECRC factors approved by the Commission for 2002 were calculated consistent with this assumption. The impact on the customer is essentially the same whether the capital costs are recovered through base rates or through the ECRC. (Labrato)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Agree with OPC.

OPC:

Yes. The Citizens believe that capital items are more appropriately recoverable in base rates. Although they are allowed for recovery in the Environmental Cost Recovery Clause, Section 366.8255(5), Florida Statutes, suggests their incorporation into base rates during a rate case. [legal policy issue - no witness]

STAFF:

No.

ISSUE 14: Issue deleted. Number retained for continuity.

ISSUE 15: Has the Company removed all non-utility activities from rate base? (Meeks, L. Romig)

Stipulated.

ISSUE 16: 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)

POSITIONS

GULF:

No. The requested level of plant-in-service should be adjusted to reflect the investment associated with additional security measures as discussed in Issue 13. (Labrato)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:
No. It should be no higher than $1,962,784,000 ($2,011,213,000 system).

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

ISSUE 17: What adjustments should be made to Accumulated Depreciation to reflect the Commission's decision in Docket No. 010789-EI? (Meeks)

POSITIONS

GULF:
Subject to a final order in Docket No. 010789-EI, Depreciation and Dismantling Study by Gulf Power Company, the amount of accumulated depreciation will be based on the Commission's vote at the February 19, 2002 Agenda Conference on Staff's recommendation, dated February 7, 2002. If this item is deferred at that agenda conference, the amounts will be based on the amounts contained in Staff's recommendation. If the final order in Docket No. 010789-EI results in amounts that are lower than those utilized for the purposes of the rate case, the difference between the final approved amounts and the amounts used in the rate case will be held subject to refund, including interest. If practical, base rates will be subsequently adjusted to reflect the final approved amounts for depreciation and dismantling, whether lower or higher than those utilized in the rate case. An adjustment to Gulf's September 10, 2001 filing in this case must be made to conform accumulated depreciation to this position. This adjustment will be shown on Mr. Labrato's revised rebuttal testimony Exhibit RRL-2, Schedule 3, which will be submitted subsequent to Commission action on February 19, 2002. (Labrato, Roff)

FEA:
No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

The Commission should use the last final depreciation rates. It would be inappropriate to use non-final PAA rates.

OPC:

No position at this time.

STAFF:

Subject to a final order in Docket No. 010789-EI, Depreciation and Dismantling Study by Gulf Power Company, the amount of accumulated depreciation and depreciation expense will be based on the Commission's vote at the February 19, 2002 Agenda Conference on Staff's recommendation, dated February 7, 2002. If this item is deferred at that agenda conference, the amounts will be based on the amounts contained in Staff's recommendation. If the final order in Docket No. 010789-EI results in amounts that are lower than those utilized for the purposes of the rate case, the difference between the final approved amounts and the amounts used in the rate case will be held subject to refund, including interest. If practical, base rates will be subsequently adjusted to reflect the final approved amounts, whether lower or higher than those utilized in the rate case.

ISSUE 18: 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, L. Romig)

POSITIONS

GULF:

No. The requested level of accumulated depreciation should be adjusted to reflect Gulf's recommended adjustments related to additional security measures and Gulf's 2001 Depreciation Study. (Labrato, Roff)

FEA:
Adopts the position of OPC.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts the position of OPC.

OPC:
No. It should be $850,891,000 ($872,945,000 system).

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

ISSUE 19: 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)

Stipulated.

ISSUE 20: Should an adjustment be made to Plant Held for Future Use for Gulf's inclusion of the Caryville site in rate base? (Haff)

Stipulated.

ISSUE 21: 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)

Stipulated.

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

Stipulated

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

Stipulated.

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

POSITIONS

GULF:

No. Gulf's request for working capital related to fuel inventories is prudent and designed to achieve an optimum fuel inventory level that balances the cost of replacement fuel and/or energy against the carrying cost of inventory. Any adjustment that would lower inventories beyond the level Gulf has requested would result in higher fuel cost. The amount Gulf is requesting is reasonable and in the best interest of our customers. The requested fuel inventories in this case are consistent with the methodology applied by the Commission in Gulf's last rate case. In that case, the Commission allowed coal inventory of 90 days projected burn or the amount of projected inventory at each plant, whichever is less. Gulf's requested coal inventory for the May 2003 projected test year of 695,829 tons ($26.8 million) is less than the amount previously allowed of 784,887 tons ($37.0 million). (Moore)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Yes. The actual amount of coal inventory actually maintained during Gulf's historic base year was 476,481 tons. For the rate case, however, Gulf is asking for 695,289 tons plus in-transit amounts. The Citizens believe the historic amount during a year that was not contemplated for ratesetting is a far more credible indication than Gulf's projection. The Citizens recommend the 476,481 tons, plus 76,223 additional tons for Plant Smith, plus a reasonable amount for in-transit. Gulf's requested coal inventory should be reduced by $8,130,346. [Schultz]

STAFF:

No position at this time.

ISSUE 25: 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)

POSITIONS

GULF:

No. The requested level of working capital should be reduced to reflect the Company's recommended adjustment to amortization of the deferred return on the third floor. (Labrato)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

No. It should be reduced to $56,512,000 ($58,319,000 system)

STAFF:

No.

ISSUE 26: Issue deleted. Number retained for continuity.

ISSUE 27: 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)

POSITIONS

GULF:

No. The requested rate base should be revised to reflect the Company's recommended adjustments to the deferred return on the third floor of Gulf's office building in Pensacola, additional security measures, and revised depreciation rates. (Labrato)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the

Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:
No. It should be no higher than $1,187,320,000 ($1,216,112,000 system).

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

COST OF CAPITAL

ISSUE 28: Issue deleted. Number retained for continuity.

ISSUE 29: What is the appropriate amount of accumulated deferred taxes to include in the capital structure? (C. Romig, Vendetti, McCaskill)

POSITIONS

GULF:
The appropriate amount of accumulated deferred taxes is $121,471,000 jurisdictional ($124,457,000 system) for purposes of calculating the weighted average cost of capital. (Labrato, McMillan)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position.

OPC:
The Citizens do not take issue with Gulf's accumulated deferred taxes as a proportionate amount of Gulf's capital structure. The actual dollar amount however, is dependent on the Commission's adjustments to rate base. [Schultz]

STAFF:
No position at this time.

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)

POSITIONS

GULF:
The appropriate amount of unamortized investment tax credits is $16,584,000 jurisdictional ($16,992,000 system) and the appropriate cost rate is 9.48% for purposes of calculating the weighted average cost of capital. The investment tax credit cost rate has been revised from 9.70% as originally filed to reflect the changes in amounts and rates of the long-term debt and preferred stock sources of capital. (Labrato, McMillan)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:

The Citizens do not take issue with Gulf's investment tax credits as a proportionate amount of the capital structure. The dollar amount will depend on Commission adjustments to rate base. The cost rate will depend on the allowed ROE. [Schultz]

STAFF:

No position at this time.

ISSUE 31: Have rate base and capital structure been reconciled appropriately? (D. Draper, Lester, C. Romig)

POSITIONS

GULF:

Yes. The reconciliation of rate base and capital structure for the current filing is presented in MFR Schedule D-12a. (Labrato)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

The Citizens do not take issue with Gulf's method of reconciliation. The actual reconciled amounts of capital sources, however, will depend on the rate base allowed. [Schultz]

STAFF:

No position at this time.

ISSUE 32: What is the appropriate cost rate for short-term debt for the May 2003 projected test year? (Lester)

Stipulated.

ISSUE 33: What is the appropriate cost rate for long-term debt for the May 2003 projected test year? (Lester)

Stipulated.

ISSUE 34: 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)

POSITIONS

GULF:

Yes. Gulf Power Company has demonstrated through the testimony of several witnesses in this case, including customer testimony at Gulf's service hearings, that it has provided high quality service to its customers at low rates with excellent customer satisfaction ratings. In recognition of this achievement and to emphasize the importance to the Company of continuing a high level of performance in the areas of customer satisfaction, customer complaints, transmission and distribution reliability, and generating plant availability, the Commission should increase the return on equity for purposes of setting rates and expand the authorized return on equity range. Inasmuch as achieving a high level of performance in these areas is such a fundamental and vital element in providing electric service to customers, the Commission should increase the return on equity used for setting rates by a minimum of 50 to 100 basis points over the Company's cost of equity as determined by the Commission. The adjustment to the authorized range is discussed in Issue 37. (Bowden, Fisher, Labrato, Moore)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

No. As part of its regulatory bargain, Gulf is expected to provide high quality service at cost effective rates. It should not be rewarded for doing what it is required to do.

OPC:

The Citizens are not recommending a downward adjustment in this case. As to Gulf's suggestion that it receive a reward for meeting customer expectations, the Citizens agree with FIPUG. [Rothschild]

STAFF:

No. Staff witness Breman's testimony provides a model for an incentive mechanism that is designed to improve efficiency and performance. Gulf has not provided sufficient evidence to support its proposed adjustment.

ISSUE 35: What is the appropriate ROE to use in establishing Gulf's revenue requirement? (Lester)

POSITIONS

GULF:

The appropriate ROE to use in establishing Gulf's revenue requirements should be set at 13.0% plus an adjustment to reflect Gulf's performance. (Benore, Bowden, Labrato)

FEA:

In light of recent actual and projected inflation experience, returns currently paid on long term debt instruments, the relatively risk-free regulatory environment in which Gulf operates, as well as rates of return authorized by other state regulatory commissions in recent months, Gulf's requested return on equity is unreasonably high.

We support the position of the Public Counsel's witness, Mr. James A. Rothschild.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position. There should be no "performance reward".

OPC:

10.00%. (Rothschild)

STAFF:

No position at this time.

ISSUE 36: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure? (Lester)

POSITIONS

GULF:

Based on a 13.0% cost of equity, the appropriate weighted average cost of capital for Gulf is 8.35% for the May 2003 projected test year. Gulf believes that the ROE to be used for setting rates should include an adjustment to reflect Gulf's performance. The weighted average cost of capital has been revised from 8.64% as originally filed to 8.35%. The revised cost of capital reflects the actual amounts and rates of all permanent financing impacting the May 2003 projected test year, including senior notes and preferred securities, revised amounts and rates for short-term debt, and revised rates for variable rate pollution control bonds. (Labrato)

FEA:

We support the position of the Public Counsel's witness, Mr. James A. Rothschild.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Agree with OPC.

OPC:

7.07%. [Rothschild]

STAFF:

No position at this time.

ISSUE 37: 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)

POSITIONS

GULF:

The appropriate authorized range on ROE to be used by Gulf should have a spread of 150 basis points or more above and below the return on equity used for the purpose of setting rates (authorized range of 300 basis points). Gulf Power Company has demonstrated that it has provided high quality service to its customers at low rates with excellent customer satisfaction ratings through the testimony of several Company witnesses. Therefore, the Commission should allow a broader range than the traditional 100 basis points above and below the revenue set point (authorized range of 200 basis points) for regulatory purposes on a prospective basis. This will allow the Company an incentive for maintaining its high level of performance on such matters as customer satisfaction, history of customer complaints, transmission and distribution reliability, and generating unit availability. An expanded range provides the Company flexibility needed in the managing its business operations to maintain its favorable credit rating and attract investors for future growth. In addition, the expanded range could facilitate the implementation of sharing plans such as the one currently in place for Gulf Power. (Bowden, Fisher, Labrato, Moore)

FEA:
Adopts OPC's position.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:
9.50% to 10.50%. (Rothschild)

STAFF:
No position at this time.

NET OPERATING INCOME

ISSUE 38: 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)

Positions

Gulf:
No. Gulf's projected level of Total Operating Revenues for the May, 2003 projected test year should be reduced to reflect the impact of the Commission-approved change to the Purchased

Power and Capacity Cost Recovery Clause calculation as discussed in Issue 45. (Labrato, McGee, Saxon)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
No position at this time.

OPC:
No position at this time.

STAFF:
No. Operating Revenues should be reduced by $1,652,000 for capacity revenues that are embedded in base rates that are currently recoverable through the Capacity Cost Recovery Clause (Issue 45). Operating Revenues should also be reduced by $11,110,000 for Gross Receipts Taxes that are embedded in base rates, which are being unbundled and will be shown as a separate line item on the customer's bills. Therefore, Total Operating Revenues should be $359,985,000 for the May, 2003 projected test year.

ISSUE 39: What are the appropriate inflation factors for use in forecasting the test year budget? (Stallcup, Lester, L. Romig)

Stipulated.

ISSUE 40: Should the Commission accept Gulf Power's modified zero based budget as support for the requested increase? (L. Romig)

POSITIONS

GULF:

Yes. The modified zero based budget methodology used by Gulf is a proven and accurate method of budgeting to meet its resource management needs. This methodology gives the planning units the ability to build their budget program by program each year. The methodology was used to develop the budget for the May 2003 projected test year, which reasonably reflects expected future operations during the period that new rates will be in effect. (Saxon)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

No.

OPC:

No. Gulf's budgeting process has resulted in numerous illogical results, (see e.g., issues 64, 65, 66, 67, 68, 71A, 71B). Many account balances have been in a constant gradual growth pattern for years only to expand by an unprecedented increase in the projected test year. Any utility has the ability to "load up" the test year for setting rates, but the Commission must decide whether the projected activity will be the new norm. In other words, Gulf has the discretion to unilaterally decide to engage in the activity projected for the test year, but that fact alone does not make those activity levels representative of Gulf's ongoing future needs. [Schultz]

STAFF:

No position at this time.

ISSUE 41: 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)

POSITIONS

GULF:

No. The projected O & M Expense for the May 2003 projected test year should be adjusted to reflect the impact of specific adjustments proposed by the Company for operating expenses for the change in inflation factors, for additional anti-terrorism security measures and other increases related to the terrorist activity on September 11, 2001, lobbying expenses, and to correct the Company's operating expense adjustment related to industry association dues. Mr. Labrato's Exhibit RRL-1, Schedule 13, should be revised to disallow only 5% of the dues for area and economic development organizations rather than 5% of the dues for all organizations. Consistent with past Commission practice, 100 percent of dues for professional and industry organizations should be allowed. Therefore, the disallowance for industry association dues should be reduced by $12,994. (Fisher, Howell, Labrato, McMillan, Moore, Neyman, Saxon)

FEA:

We support the position of the Public Counsel's witness, Mr. Helmuth W. Schultz, III.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Agrees with OPC.

OPC:

No. It should be $159,402,000 ($162,840,000 system).

STAFF:
No position at this time.

ISSUE 42: Should an adjustment to Net Operating Income be made to remove wholesale related costs allocated to Gulf? (Bohrmann)

POSITIONS

GULF:
No. The wholesale related costs allocated to Gulf have been properly allocated and support the sale and purchase of energy and capacity for the benefit of Gulf's retail customers. The Southern Company Generation and Energy Marketing organization works to maximize the efficient utilization of system generating resources of all Southern operating companies, including Gulf, by making off-system sales when and where possible and by making wholesale energy purchases when this is more economic than utilizing system owned generation. The consolidation of this wholesale marketing function on a Southern system basis allows for greater efficiency and effectiveness than could be accomplished if Gulf and the other operating companies were to duplicate this activity at the individual operating company level. All the benefits of wholesale energy purchases and most of the benefits of wholesale energy sales on behalf of Gulf flow to the benefit of Gulf's retail customers through the fuel and purchased power cost recovery clause. (Howell, McMillan)

FEA:
We adopt the position of OPC.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
We adopt the position of OPC.

OPC:

Yes. During the test year SCS allocated $1,501,556 to Gulf for costs that are related to wholesale energy. It is improper for Gulf's retail customers to pay wholesale-related costs. Gulf has removed $304,000 for wholesale-related costs. The balance of these wholesale costs ($1,197,556) should be removed. [Dismukes]

STAFF:

No position at this time.

ISSUE 43: 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)

Stipulated.

ISSUE 44: 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)

Stipulated.

ISSUE 45: 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)

Stipulated.

ISSUE 46: 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)

Stipulated.

ISSUE 47: 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)

POSITIONS

GULF:
A $901,000 system ($845,000 jurisdictional) adjustment should be made to operating expenses for the May 2003 projected test year to reflect the impact of the costs of additional security measures implemented in response to the increased threat of terrorist attacks since September 11, 2001. This amount includes additional property insurance expenses of $623,000 due to an increase in Gulf's property insurance costs as a result of the terrorist events of September 11. (Fisher, McMillan)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position at this time.

STAFF:
No position at this time.

ISSUE 48: Should an adjustment be made to advertising expenses for the May 2003 projected test year? (Kaproth, L. Romig)

POSITIONS

GULF:

No. Gulf Power Company depends on advertising as one of the primary methods of communicating with our customers. This communication results in a greater awareness of the various products and services that are available to customers. This awareness affects beliefs and behaviors about programs that are beneficial to the customer. Belief in energy efficiency programs results in program participation. Advertising establishes credibility and loyalty, which are essential for the success of Gulf's energy conservation programs. Adjustments to the May 2003 projected test year advertising expenses would reduce the level of success of Gulf's demand side management and conservation programs. (Neyman)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Yes. Jurisdictional advertising expense should be reduced by $539,000 to remove image enhancing advertising expense. [Dismukes]

STAFF:

Yes. Jurisdictional advertising expense should be reduced by $539,000 (550,000 system) to remove the projected image enhancement advertising expenses.

ISSUE 49: Has Gulf made the appropriate adjustments to remove lobbying expenses from the May 2003 projected test year? (L. Romig)

Stipulated.

ISSUE 50: Should an accrual for incentive compensation be allowed? Kaproth, L. Romig)

POSITIONS

GULF:
Yes. The full accrual amount for the May 2003 projected test year should be allowed. Gulf's compensation philosophy links base and incentive compensation to provide base salaries at or near the median of an appropriate external comparator group and through incentive pay, up to top quartile pay for exceptional performance. Recent reviews of total cash compensation (base + incentive) indicate that Gulf Power is currently paying its employees "at market." (Bell, McMillan, Saxon, Silva, Twery)

FEA:
Adopts OPC's position.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:
No. Because Gulf did not submit any support for the incentive compensation, the accrual should be disallowed and expenses reduced by $4,917,000 (system). (Schultz)

STAFF:
No position at this time.

ISSUE 50A: Should an adjustment be made to employee relocation expense for the May 2003 projected test year? (L. Romig)

GULF:
No. The amount of employee relocation expense of $461,754 jurisdictional ($486,580 system) included in the May, 2003 test year is conservative. The test year budget is less than the 5-year historical average for this expense. (McMillan)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts Staff's position.

OPC:
Agree with Staff.

STAFF:
Yes. Jurisdictional expenses should be reduced by $15,832 ($16,683 system) on a four year average consistent with the calculation of the adjustment made in Gulf's last rate case.

ISSUE 51: 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)

POSITIONS

GULF:

No. The levels requested are necessary to maintain a competitive compensation and benefits package for Gulf Power employees. A competitive package is required to attract, retain, and motivate employees. Our surveys and analysis indicate that the requested levels are both reasonable and appropriate to maintain the competitiveness of our salaries and benefits. The positions reflected during the test year represent the employees that Gulf intends to have in the test year and beyond in order to accomplish its objectives. (Bell, Saxon, Silva, Twery)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Yes. Because Gulf has not justified the increased number of "Non-Smith" employees, payroll expense should be reduced by $701,420 (system) and benefits by $131,177. (Schultz)

STAFF:

No position at this time.

ISSUE 52: Should an adjustment be made to Other Post Employment Benefits Expense for the May 2003 projected test year? (Kyle, Kaproth, L. Romig)

Stipulated.

ISSUE 53: Should an adjustment be made to Pension Expense for the May 2003 projected test year? (Kyle, L. Romig)

POSITIONS

GULF:
No. The appropriate amount for pension expense is included in the May 2003 projected test year. (Bell, McMillan, Silva, Twery)

FEA:
Yes.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position at this time.

STAFF:
No position at this time.

ISSUE 54: Should adjustments be made for the net operating income effects of transactions with affiliated companies for Gulf? (L. Romig, Merta)

POSITIONS

GULF:
No. Gulf's projected O & M expenses related to affiliate transactions are conservative, and based upon the 2002 Southern Company System Budget. Gulf's May 2003 projected test year expenses are understated by $1.5 million. (McMillan)

FEA:
Adopts OPC's position.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:
Yes. The allocation factor for costs from SCS did not incorporate the disproportionately high growth of its non-regulated affiliates. As these non-regulated affiliates grow, their allocated portion of allocated costs should increase, causing Gulf's percentage to decrease. Gulf's allocated costs should be reduced by $1,419,674. [Dismukes]

STAFF:
No position at this time.

ISSUE 55: Should an adjustment be made to the accrual for property damage for the May 2003 projected test year? (L. Romig)

POSITIONS

GULF:
The appropriate amount for the property damage reserve accrual of $3,245,000 jurisdictional ($3,500,000 system) is included in the May 2003 projected test year. This is consistent with the Commission's decision in Order No. PSC-96-1334-FOF-EI approving a reserve target level of $25.1 million to $36 million based on a storm damage study filed as required by the Commission. (McMillan)

FEA:
Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Yes. In a 1995 docket, Gulf was authorized an accrual that was intended to make up for previous years' shortfalls, as well as to fund its ongoing liabilities. Since 1996, the average annual charge against the reserve has been $1,536,600. The reserve balance has now reached a healthy level ($8,731,000 as of 2000, and $16,488,000 for the test year at the current rates). There is no longer any need to charge the customers an amount to make up for past deficiencies. An annual accrual of $1,679,616 (the historical average adjusted for the 2000-2002 multiplier) will allow the reserve to continue meeting all obligations. [Schultz]

STAFF:

No.

ISSUE 56: Should an adjustment be made to the accrual for the Injuries & Damages reserve for the May 2003 projected test year? (L. Romig, Kaproth, Stern)

Stipulated.

ISSUE 57: Should interest on tax deficiencies for the May 2003 projected test year be included above-the-line? (C. Romig, Vendetti, McCaskill)

Stipulated.

ISSUE 58: Should an adjustment be made to Rate Case Expense for the May 2003 projected test year? (Kaproth, L. Romig)

POSITIONS

GULF:
No. The amount of rate case expense included in the May 2003 projected test year is reasonable and appropriate. The appropriate amortization period for rate case expense is four years, which is consistent with the amortization period approved by the Commission in Gulf's last rate case. (Labrato)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Yes.

OPC:
Yes. Two adjustments should be made: (1) a reduction to the projected legal costs; and, (2) an expansion of the four-year amortization period. The Citizens recommend an allowance of no more than $1,230,277, spread over a six-year amortization period. [Schultz]

STAFF:
No position at this time.

ISSUE 59: Should an adjustment be made to marketing expenses for Gulf's marketing of high efficiency electric technologies for heating and water heating? (Haff)

POSITIONS

GULF:
No. Gulf's marketing of high efficiency electric technologies for heating, water heating and other end uses is beneficial to

the participating customer, the Company, and to the general body of customers. In terms of high efficiency energy technologies, the Company provides information on competing equipment efficiencies (electric technologies versus electric technologies and electric technologies versus natural gas technologies when applicable). Gulf Power Company provides information on end-use technologies and efficiencies in all market segments in an effort to influence choices toward the most efficient and cost-effective technology. The Company's efforts are directed at reducing the customer's peak demand and annual energy consumption consistent with the customer's lifestyle and budget. Chapter 366.81, Florida Statutes, authorizes the FPSC "…to require each utility to develop plans and implement programs for increasing energy efficiency and conservation within its service area, subject to approval of the commission." The Company's programs related to marketing high efficiency electric technologies are directly aligned with the Legislative intent and findings in Chapter 366.81. Each of the Company's programs is designed and intended to reduce or control the growth in energy consumption and weather-sensitive peak demand. (Neyman)

FEA:

Yes.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Yes.

OPC:

No position at this time.

STAFF:

No. While Gulf's marketing of free energy-efficient electric water heaters appears to be nothing more than electricity competing with natural gas, Gulf's customers do benefit from acquisition of high-efficiency electric energy technologies. Allowing Gulf to recover these expenses in base rates is consistent with the Commission's long-standing policy not to allow cost recovery through the Energy Conservation Cost Recovery Clause.

ISSUE 60: Issue deleted. Number retained for continuity.

ISSUE 61: Issue deleted. Number retained for continuity.

ISSUE 62: Should an adjustment be made to Production Expenses for the May 2003 projected test year? (Haff, Merta)

POSITIONS

GULF:

No. The company's request of $74,522,000 jurisdictional ($77,202,000 system) for the May 2003 projected test year is the appropriate amount to effectively maintain and operate Gulf's generating fleet. In 1990, the Commission established rates under which Gulf has effectively served its customers with reliable low cost electricity. Through 1998, Gulf was able to maintain and operate the generating fleet through the prudent management of the limited resources available. Gulf's high customer satisfaction rating and low Equivalent Forced Outage Rate (EFOR) attest to the success of our strategy. The dollars requested are reasonable and necessary for Gulf to continue to efficiently and effectively serve its customers. The amounts requested for the May 2003 projected test year are representative of costs that will continue to be incurred in future years. (Moore)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the

Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Yes. Gulf separates its Production O&M expense into three major categories: (1) Baseline, (2) Planned Outage, and (3) Special Projects. As shown on HWS-6, the Baseline went from $38.5 M in 1996 to $41 M in 2000, but Gulf is projecting $50.6 M for the test year. Planned Outage went from $9.5 M in 1996 to $10.9 M in 2000, but Gulf is projecting $14 M for the test year. Special Projects went from $0.9 M to $1.4 M, but Gulf is projecting $2.7 M for the test year. Total Production O&M went from $48.9 M in 1996 to $53.4 M in 2000, but Gulf is projecting $67.3 M for the test year. These increases are not justified. If the 2000 amount is adjusted by Gulf's own compound multiplier, the test year result would be $56.2 M. The Citizens recommend the midpoint between $56.2 M and the test year benchmark of $65.1 M for a total of $60.6 M. This would reduce Gulf's projected test year by $10,251,700. [Schultz]

STAFF:

No position at this time.

ISSUE 63: Should an adjustment be made to Transmission Expenses for the May 2003 projected test year? (Haff, Merta)

Stipulated.

ISSUE 64: Should an adjustment be made to cable inspection expense? (Matlock, D. Lee, Merta)

POSITIONS

GULF:

No. Injecting a selected group of cables will reduce the likelihood of outages caused by premature failures. The recent changes in the manufacturer's warranty improve the economics of this process and have resulted in Gulf reinstating cable injection. (Fisher)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Gulf projects a test year expenditure of $166,099 for silicone injection to extend the life of underground cable. Asset life extension is probably more appropriately capitalized. Additionally, the average expense (inflated to current dollars) over the last 5 years is only $36,336, which reflects a more credible estimate of Gulf's ongoing future needs. Gulf's projection should be reduced by $129,763. [Schultz]

STAFF:

No position at this time.

ISSUE 65: Should an adjustment be made to substation maintenance expense? (Matlock, D. Lee, Merta)

POSITIONS

GULF:

No. To adhere to Gulf's substation maintenance program and to prevent failures of this aging equipment, the budgeted funds are needed to return six existing substation technicians that have been assigned to construction projects back to their normal maintenance activities. (Fisher)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Yes. The actual amount in 2000 was $893,320 (inflation adjusted), as compared to Gulf's Projection of $1,647,000. The five-year average (inflation adjusted) of $1,255,684 should be used as a more reasonable expectation of Gulf's ongoing future needs. Gulf's projection should be reduced by $391,316. [Schultz]

STAFF:

No position at this time.

ISSUE 66: Should adjustments be made to tree trimming expense? (Matlock, D. Lee, Merta)

POSITIONS

GULF:

No. This level of funding is necessary to allow Gulf to transition from the present spot trimming program to a more effective tree trim cycle and reduce tree related outages, which have escalated in recent years. (Fisher)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the

Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:
Yes. The inflation indexed five-year average is $2,743,625 and the indexed year 2000 actual amount was $1,787,080. Gulf's test year projection is $4,122,705. The inflation indexed five-year average is a more reasonable indicator of Gulf's ongoing future needs. Tree trimming should be reduced by $1,379,080. [Schultz]

STAFF:
No position at this time.

ISSUE 67: Should an adjustment be made to pole line inspection expense? (Matlock, D. Lee, Merta)

POSITIONS

GULF:
No. The level of expense budgeted for this program is necessary to maintain Gulf's aging pole plant to avoid more expensive repairs in the future. (Fisher)

FEA:
Adopts OPC's position.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:

Yes. Gulf did not expend any funds for this activity in either 1999 or 2000, and its five-year inflation adjusted average is $207,274. Gulf's test year projection of $734,000 is not a credible reflection of its year-to-year future needs. Gulf's projection should be reduced by $526,726. [Schultz]

STAFF:

No position at this time.

ISSUE 68: Should an adjustment be made to street and outdoor light maintenance expense? (Matlock, D. Lee, Merta)

POSITIONS

GULF:

No. The amount requested is appropriate due to the increase in the number of lighting facilities and the group relamping program. (Fisher)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Yes. The five-year average historical cost is $880,370 and in 2000 the actual amount was $967,403. Gulf has projected $1,438,000 for the test year. Based on historic activity, Gulf's projection is not a realistic estimate of its ongoing future needs in this area. A reduction of $320,143 should be made to reflect a more realistic expectation. [Schultz]

STAFF:
No position at this time.

ISSUE 69: Issue deleted. Number retained for continuity.

ISSUE 70: Should an adjustment be made to Bad Debt Expense for the May 2003 projected test year? (L. Romig)

Stipulated.

ISSUE 71A: Should an adjustment be made to Customer Accounts-Postage Expense for the May 2003 projected test year? (L. Romig, Kaproth)

POSITIONS

GULF:
No. The amount of Customer Accounts Expense of $16,659,000 jurisdictional ($16,662,000 system) included in Gulf's May, 2003 projected test year is reasonable, prudent, and necessary. An error was found in the breakdown of Customer Accounts Expense that did not affect the total Customer Accounts Expense in the test year. $489,000 that was budgeted in Postage should have been budgeted in Operations. The corrected May 2003 projected test year Postage amount of $1,157,000 compares favorably to the 2000 actual amount of $1,114,000. With this correction of an additional $489,000 included in Operations, the May 2003 projected test year amount for Operations is still under the 2000 actual amount. (Saxon)

FEA:
Adopts OPC's position.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Yes. Gulf has projected an amount that is 48% above the actual year 2000 amount. Gulf has not justified why its ongoing future postage needs should suddenly jump by such a magnitude in the year that is used for setting rates. OPC recommends that actual year 2000 expense be indexed forward to the test year. This would be a reduction of $427,975. [Schultz]

STAFF:

No position at this time.

ISSUE 71B: Should an adjustment be made to Customer Records Expense for the May 2003 projected test year? (L. Romig, Kaproth)

POSITIONS

GULF:

No. The amount of Customer Accounts Expense of $16,659,000 jurisdictional ($16,662,000 system) included in Gulf's May 2003 projected test year is reasonable, prudent, and necessary. A change in the allocation of corporate and district operation and maintenance facility expenses was made in 2001 to more accurately assign the expenses to the various business functions. This increased the Customer Accounts Expense by $658,000 over 2000 actual. Prior to 2001, the facility operation and maintenance expenses were budgeted and charged to Administrative and General expense. (McMillan, Saxon)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the

Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:
Yes. Gulf's actual customer records expense for 2000 was $2,388,827. Gulf has projected $3,102,769 for the test year, an increase of $763,942 or 33%. There is no reason to expect this account will suddenly jump by 33%, and remain there for ongoing purposes. The actual year 2000 amount should be indexed forward to the test year. Gulf's projection should be reduced by $546,261. [Schultz]

STAFF:
No position at this time.

ISSUE 72: 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)

POSITIONS

GULF:
The accumulated balance of the deferred return on the third floor should be amortized over a period of 3 years. This treatment is consistent with the provision included in Gulf's revenue sharing plan, resulting from a stipulation approved by the Commission in Order No. PSC-99-2131-S-EI, allowing Gulf the discretion to amortize up to $1 million per year to reduce the accumulated balance of the deferred return on the third floor. The amount of amortization of the deferred return in the May 2003 projected test year as originally filed should be reduced in the amount of $336,000 jurisdictional ($342,000 system) to take into account amortization booked during 2001. Also, see Issue 9 for the adjustment to the accumulated balance of the deferred return. (Labrato)

FEA:
Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

If the Commission requires current and future customers to pay for historic returns that were deferred because the third floor office space was not in use, it should spread that deferral over the remaining useful life of the building. (Schultz)

STAFF:

No position at this time.

ISSUE 73: 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)

POSITIONS

GULF:

Subject to a final order in Docket No. 010789-EI, Depreciation and Dismantling Study by Gulf Power Company, the amount of depreciation expense and dismantlement accrual will be based on the Commission's vote at the February 19, 2002 Agenda Conference on Staff's recommendation, dated February 7, 2002. If this item is deferred at that agenda conference, the amounts will be based on the amounts contained in Staff's recommendation. If the final order in Docket No. 010789-EI results in amounts that are lower than those utilized for the purposes of the rate case, the difference between the final approved amounts and the amounts used in the rate case will be held subject to refund, including interest. If practical, base rates will be subsequently adjusted to reflect the final approved amounts for depreciation and dismantling, whether lower or higher than those utilized in the rate case. An adjustment to Gulf's September 10, 2001 filing in this case must be made to conform depreciation expense and dismantlement accrual to this position. The calculation of this adjustment will be shown on Mr. Labrato's revised rebuttal testimony Exhibit RRL-2, Schedule 3, which will be submitted subsequent to Commission action on February 19, 2002. Also, see Issue 17 for the adjustment to accumulated depreciation. (Labrato, Roff)

FEA:
Adopts OPC's position.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:
If a Commission order becomes final in Docket No. 010789-EI before the agenda decision takes place in this docket, the effects of that final order may be imposed. A decision in this docket, however, cannot be based on a staff recommendation or a proposed action from another docket in which interested parties from this case have not participated. (Legal issue - no witness)

STAFF:
Subject to a final order in Docket No. 010789-EI, Depreciation and Dismantling Study by Gulf Power Company, the amount of accumulated depreciation and depreciation expense will be based on the Commission's vote at the February 19, 2002 Agenda Conference on Staff's recommendation, dated February 7, 2002. If this item is deferred at that agenda conference, the amounts will be based on the amounts contained in Staff's

recommendation. If the final order in Docket No. 010789-EI results in amounts that are lower than those utilized for the purposes of the rate case, the difference between the final approved amounts and the amounts used in the rate case will be held subject to refund, including interest. If practical, base rates will be subsequently adjusted to reflect the final approved amounts, whether lower or higher than those utilized in the rate case.

ISSUE 74: What is the appropriate depreciation rate and dismantlement provision for Smith Unit 3? (Meeks)

POSITIONS

GULF:

Subject to a final order in Docket No. 010789-EI, Depreciation and Dismantling Study by Gulf Power Company, the appropriate depreciation rate and dismantlement provision for Smith Unit 3 will be based on the Commission's vote at the February 19, 2002 Agenda Conference on Staff's recommendation, dated February 7, 2002. If this item is deferred at that agenda conference, the amounts will be based on the amounts contained in Staff's recommendation. If the final order in Docket No. 010789-EI results in amounts that are lower than those utilized for the purposes of the rate case, the difference between the final approved amounts and the amounts used in the rate case will be held subject to refund, including interest. If practical, base rates will be subsequently adjusted to reflect the final approved amounts for depreciation and dismantling, whether lower or higher than those utilized in the rate case. An adjustment to Gulf's September 10, 2001 filing in this case must be made to conform depreciation expense and dismantlement provision for Smith Unit 3 to this position. This adjustment for Smith Unit 3 will be included in the adjustment discussed in Issue 73. (Labrato, Roff)

FEA:

We support the position of the Public Counsel's witness, Mr. Michael J. Majoros, Jr.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

The Commission should use the last final depreciation rates. It would be inappropriate to use non-final PAA rates.

OPC:

If a Commission order becomes final in Docket No. 010789-EI before the agenda decision takes place in this docket, the effects of that final order may be imposed. A decision in this docket, however, cannot be based on a staff recommendation or a proposed action from another docket in which interested parties from this case have not participated. [Legal issue - no witness]

STAFF:

Subject to a final order in Docket No. 010789-EI, Depreciation and Dismantling Study by Gulf Power Company, the amount of accumulated depreciation and depreciation expense will be based on the Commission's vote at the February 19, 2002 Agenda Conference on Staff's recommendation, dated February 7, 2002. If this item is deferred at that agenda conference, the amounts will be based on the amounts contained in Staff's recommendation. If the final order in Docket No. 010789-EI results in amounts that are lower than those utilized for the purposes of the rate case, the difference between the final approved amounts and the amounts used in the rate case will be held subject to refund, including interest. If practical, base rates will be subsequently adjusted to reflect the final approved amounts, whether lower or higher than those utilized in the rate case.

ISSUE 75: Should an adjustment be made to Depreciation Expense for the May, 2003 projected test year? (Meeks)

POSITIONS

GULF:

Yes. Adjustments should be made to increase depreciation for additional anti-terrorism security measures, reduce amortization of the deferred return on the third floor of the corporate office, and to increase depreciation to reflect the Commission's decision at the agenda conference held on February 19, 2002, regarding new depreciation rates and fossil fuel dismantlement accrual in Docket No. 010789-EI. (Labrato, Roff)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Yes. Depreciation expense should be reduced by $4,324,000. (Majoros, Zaetz, Schultz)

STAFF:

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

ISSUE 76: Issue deleted. Number retained for continuity.

ISSUE 77: Issue deleted. Number retained for continuity.

ISSUE 78: 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)

POSITIONS

GULF:
Yes. Gulf's proposed base rates in its rate case filing reflect the removal of Gross Receipts tax as shown on MFR Schedules E-11, E-15, E-16a, E-16c and E-16d. (Labrato, Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position at this time.

STAFF:
Yes. Gross Receipts tax should be removed from base rates and shown as a separate line item.

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

POSITIONS

GULF:
Taxes Other Than Income Taxes should be reduced if the Commission chooses to remove gross receipts tax from operating revenues and expenses in the calculation of Net Operating Income, rather than removing gross receipts tax from total revenue requirements in the calculation of proposed base rates. (Labrato, McMillan)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No position at this time.

STAFF:

No position at this time.

ISSUE 80: Should an adjustment be made to the consolidating tax adjustments for the May 2003 projected test year? (C. Romig, Vendetti, McCaskill)

Stipulated.

ISSUE 81: Should an adjustment be made to Income Tax expense for the May 2003 projected test year? (C. Romig, Vendetti, McCaskill)

POSITIONS

GULF:

The appropriate amount for income tax expense was included in the May 2003 projected test year filing. Income tax expense should be adjusted to reflect the impact of adjustments proposed by the Company as set forth in other issues. (McMillan, Labrato)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

Yes. Adjustments need to be made to reflect the adjustments to various expense components. (Schultz)

STAFF:

No position at this time.

ISSUE 82: 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)

POSITIONS

GULF:

No. The projected net operating income for the May 2003 test year should be adjusted to reflect the impact of specific adjustments proposed by the Company for removal of capacity revenues and capacity expenses recoverable through the Purchased Power Capacity Cost Recovery Clause, to reduce O & M expense for the change in inflation factors, to correct the adjustment for industry association dues, for additional anti-terrorism security measures and other increases related to the terrorist activity on September 11, 2001, lobbying expenses, amortization of the deferred return on the third floor of the corporate office, and depreciation expense and fossil dismantlement accrual. The projected net operating income should also be adjusted if the Commission chooses to remove gross receipts tax from revenues and expenses in the calculation of net operating income as discussed in Issue 38. (Labrato)

FEA:
Adopts OPC's position.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
Adopts OPC's position.

OPC:
Yes. Adjustments need to be made to reflect the adjustments to various expense components. (Schultz)

STAFF:
No position at this time.

REVENUE REQUIREMENTS

ISSUE 83: 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)

Stipulated.

ISSUE 84: Is Gulf's requested annual operating revenue increase of $69,867,000 for the May 2003 projected test year appropriate? (L. Romig)

POSITIONS

GULF:
No. The requested increase should be adjusted to reflect the impact of adjustments proposed by the Company as set forth in other issues. (Labrato)

FEA:

Adopts OPC's position.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Adopts OPC's position.

OPC:

No. The increase is overstated by at least $54,853,000.

STAFF:

No position at this time.

COST OF SERVICE AND RATE DESIGN

Cost of Service and Rate design issues (Issues 85 - 122) are the subject of a proposed Stipulation Agreement between Gulf Power, FEA, and FIPUG, attached to this Order as Exhibit 1. OPC and FCTA do not oppose the Agreement. Should the Commission approve the Stipulation Agreement, Issues 85 - 122 would be resolved, and FEA and FIPUG would not seek to participate in cross examination of any witnesses as to Issues 1 - 84. FEA and FIPUG insist, however, that the Stipulation Agreement be approved in its entirety, and are not willing to stipulate to individual issues in the Cost of Service and Rate Design areas.

In the event that the Commission does not approve the Stipulation Agreement proposed by Gulf Power, FEA and FIPUG, Cost of Service and Rate Design issues (Issues 85 - 122) will remain in dispute. Staff has identified a number of issues, however, in which Gulf and Staff agree, and OPC, FEA, FIPUG, and FCTA have taken no position at this time. If the Commission does not approve the proposed Stipulation Agreement, these issues could be the subject of individual proposed stipulations which the Commission could approve. Those issues are: 85-87, 94, 96, 100, 102-122.

ISSUE 85: Is Gulf's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate? (Wheeler)

POSITIONS

GULF:
Yes. Wholesale allocations are predominantly based upon the 12 MCP methodology with some revenues and expenses allocated upon the energy allocator. These methods are based upon cost causation. This is consistent with Gulf's prior rate case and was approved by this Commission. It also has traditionally been FERC's preferred methodology. (O'Sheasy)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position at this time.

STAFF:
Agree with Gulf's position.

ISSUE 86: Are Gulf's estimated revenues from sales of electricity by rate class at present rates for the projected 2003 test year appropriate? (E. Draper)

POSITIONS

GULF:
Yes. Gulf's estimated revenues are appropriate. Gulf has accurately applied the appropriate tariffs to the billing determinants projected for the May 2003 test year. The resulting estimated revenues from sales of electricity by rate class at present rates for the May 2003 test year as filed in this docket are appropriate. (McGee, Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time, but reserves the right to take a position on this issue by the date of the prehearing conference.

OPC:
No position.

STAFF:
Agree with Gulf's position.

ISSUE 87: 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)

POSITIONS

GULF:
Yes, as reflected in the Cost of Service study attached to Mr. McGee's late filed deposition exhibit No. 2. (McGee)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
Agree with Gulf's position.

ISSUE 88: What is the appropriate cost of service methodology to be used in designing Gulf's rates? (Wheeler)

POSITIONS

GULF:
The appropriate methodology to be used in designing rates is that filed by Gulf in this proceeding as Attachment A to MFR Schedule E-1 and in the Exhibit MTO-1. This cost of service methodology was the approved method of the Commission in Gulf's previous rate case with one exception. The Minimum Distribution System (MDS) was used in the cost of service study to determine customer and demand related cost The MDS was used in order to adhere more closely to sound cost causative principles. (O'Sheasy)

FEA:
Minimum Distribution System Methodology (MDS) is the appropriate Cost of Service methodology for designing Gulf's rates. This is the only methodology sponsored by any witnesses on the record.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Agree with FEA.

OPC:

No 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 89: What is the appropriate treatment of distribution costs within the cost of service study? (Wheeler)

POSITIONS

GULF:

Where possible, direct assignments are appropriate. An example is the direct assignment of customer substations. For demand related distribution cost, NCP is appropriate. An example is the demand-related portion of Account 368 - line transformers allocated upon NCP. For customer related cost, the customer allocator is appropriate. An example of this is the customer-related portion of Account 364 - Poles and Fixtures allocated upon the average number of customers at levels 4 and 5. Note: Where cost must be divided into demand and customer component, the Minimum Distribution System (MDS) is appropriate in order to adhere more closely with sound cost causative principles. (O'Sheasy)

FEA:

The recommended MDS methodology classifies distribution costs as demand related, customer related or a combination of as stated by the National Association of Regulatory Utility

Commissioners advocate in its official guide book Electric Utility Cost Allocation Manual, January 1992, page 89.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Agree with FEA.

OPC:

No 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 90: If a revenue increase is granted, how should it be allocated among the customer classes? (Wheeler)

POSITIONS

GULF:

Based on Gulf's position on Issues 88 and 89, the increase should be spread among the rate classes as shown in MFR E-11 of Gulf's filing. This allocation assumes that the cost of service study using the Minimum Distribution System is used to determine customer and demand related costs. Gulf's proposed allocation spreads the requested increase 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 percentage increase in total; and, (2) No class should receive a decrease. (Thompson)

FEA:

The recommended MDS methodology classifies distribution costs as demand related, customer related or a combination of as stated by the National Association of Regulatory Utility Commissioners advocate in its official guide book Electric Utility Cost Allocation Manual, January 1992, page 89.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Agree with Gulf.

OPC:

No 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, based on the approved cost allocation methodology, subject to the following constrains: (1) no class should receive an increase greater than 1.5 times the system average percentage increase in total; and (2) no class should receive a decrease.

ISSUE 91: What are the appropriate demand charges? (E. Draper, Wheeler)

POSITIONS

GULF:

The appropriate demand charges based on Gulf's original filing are listed below. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by Gulf in other issues. (Thompson)

Rate Schedule	Monthly Demand Charge
GSD	$5.23
LP	$8.66
PX	$8.20
GSDT	$2.81 (On-Peak) $2.49 (Maximum)
LPT	$6.95 (On-Peak) $1.75 (Maximum)
PXT	$7.61 (On-Peak) $0.68 (Maximum)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

Demand charges should be based on the cost of service methodology prepared by Gulf, including use of the MDS methodology.

OPC:

No position.

STAFF:

The demand charges should be based on the Commission-approved cost of service study, 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 92: What are the appropriate energy charges? (Wheeler)

POSITIONS

GULF:

The appropriate energy charges based on Gulf's original filing are listed below. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by Gulf in other issues. (Thompson)

Rate Schedule	Energy Charge
RS	4.124¢/kWh
GS	5.257¢/kWh
GSD	1.271¢/kWh
LP	0.543¢/kWh
PX	0.303¢/kWh
RSVP	1.800¢/kWh-P_1 3.021¢/kWh-P_2 7.798¢/kWh-P_3 29.000¢/kWh-P_4
GSTOU	15.963¢/kWh (Summer On-Peak) 5.660¢/kWh (Summer Intermediate) 2.076¢/kWh (Summer Off-Peak) 3.086¢/kWh (Winter All-Hours)
GSDT	1.271¢/kWh
LPT	0.543¢/kWh
PXT	0.300¢/kWh

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the

Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
No position at this time.

ISSUE 93: What are the appropriate customer charges? (Hudson)

POSITIONS

GULF:
The appropriate customer charges based on Gulf's original filing are shown below. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by Gulf in other issues. (Thompson)

Rate Schedule	Monthly Customer Charge
RS, RSVP	$12.00
GS, OSIV	$15.00
GSD, GSDT, GSTOU	$40.00
LP, LPT	$226.00
PX, PXT	$566.38
RTP	$1,000.00

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the

Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No 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 94: What are the appropriate service charges? (Hudson)

POSITIONS

GULF:
The appropriate service charges are listed below: (Saxon)

Connection of Initial Service	$27.00
Connection of Existing Service	$27.00
Restoration of Service (after violation of rules	$35.00
Restoration of Service After Hours (after violation of rules)	$55.00
Restoration of Service at Pole (after violation of rules	$95.00
Premise Visit	$20.00
Connection of Temporary Service	$110.00
Investigation of Unauthorized Use	$75.00
Returned Item Charge $50	$25.00
Returned Item Charge > $50 and $300	$30.00
Returned Item Charge > $300	$40.00

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
Agree with Gulf's position.

ISSUE 95: What are the appropriate Street (OS-I) and Outdoor (OS-II) lighting rate schedule charges? (Springer)

POSITIONS

GULF:
The appropriate OS-I and OS-II charges are those shown in the tariffs filed by Gulf. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by Gulf in other issues. The proposed charges were developing using the same approach as Gulf has used in all street and outdoor lighting additions and modifications approved by the FPSC in recent years. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the

hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
No position at this time.

OPC:
No 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 96: How should Gulf's time-of-use rates be designed? (E. Draper)

POSITIONS

GULF:
Gulf's time-of-use rates should be designed using the Existing Time-of-Use Modification (ETM) method, as described in the response to Staff Interrogatory No. 21, for revising incumbent, or existing, commercial/industrial Time-of-Use Rates. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the

Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
No position at this time.

OPC:
No position.

STAFF:
Agree with Gulf's position.

ISSUE 97: What are the appropriate charges under the Interruptible Standby Service (ISS) rate schedule? (E. Draper)

POSITIONS

GULF:
Gulf proposes no change to this rate since no revenue increase is allocated to the rate. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
The resolution of this issue depends on the Commission vote in Issue 90.

ISSUE 98: What are the appropriate charges under the Standby and Supplementary Service (SBS) rate schedule? (E. Draper)

POSITIONS

GULF:

Gulf has proposed changes to the Standby and Supplementary rate schedule which simplify the rate by removing the Supplemental Energy (SE) option. The appropriate charges are listed below. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by Gulf in other issues. (Thompson)

Contract Demand	100 to 499kw	500 to 7,499 kw	7,500kw and above
Customer Charge	$248.20	$248.20	$591.01
Demand Charge			
Local Facilities Charge	$1.66	$1.23	$0.51
On-Peak	$2.41	$7.16	$7.61
Reservation Charge	$0.99	$0.99	$0.98
Daily Demand Charge	$0.46	$0.46	$0.46
Energy Charge (per kWh)	1.177¢	0.311¢	0.300¢

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No position.

STAFF:
The resolution of this issue depends on the Commission vote in Issue 90.

ISSUE 99: What is the appropriate rate design for Gulf's Real Time Pricing (RTP) rate schedule? (E. Draper, Wheeler)

POSITIONS

GULF:
Gulf proposes no change to this rate since no revenue increase is allocated to the rate. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
The resolution of this issue depends on the Commission vote in Issue 90.

ISSUE 100: What is the appropriate monthly charge under Gulf's Goodcents Surge Protection (GCSP) rate schedule? (Hudson)

POSITIONS

GULF:
A charge of $3.45 per month is proposed for Good Cents Surge Protection. This proposed charge is the same as the currently approved charge. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
No position at this time.

OPC:
No position.

STAFF:
$3.45 per month.

ISSUE 101: What are the appropriate transformer ownership discounts? (Springer)

POSITIONS

GULF:
The appropriate transformer ownership discounts are those filed by Gulf. Gulf proposed no changes from the present charges. These discounts were updated in Gulf's last rate case, and are still appropriate to recognize differences in service voltage levels. (O'Sheasy, Thompson)

FEA:
No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No 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 102: What is the appropriate minimum monthly bill demand charge under the PX rate schedule? (Hudson)

POSITIONS

GULF:

Agree with Staff's position. (Thompson)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No 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 103: What is the appropriate minimum monthly bill demand charge under the PXT rate schedule? (Hudson)

POSITIONS

GULF:
Agree with Staff's position. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No 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 104: How should any revenue shortfall resulting from rate migrations following the rate design be recovered? (Wheeler)

POSITIONS

GULF:

Gulf Power's proposed rates are designed recognizing that customers may migrate, or move, to different rates for which they are eligible but are not currently on. This occurs when rate changes make alternative rates more economical. Recognition of this migration should be handled by allowing consideration of such migrations in the rate design process, as Gulf has done. (Thompson)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No position.

STAFF:

Agree with Gulf's position.

ISSUE 105: Should Gulf's GST and RST rate schedules be eliminated? (Hudson)

POSITIONS

GULF:
Yes. Though these rates have been in place for over twenty years, there has never been any significant interest in these rate structures by our customers. There are better alternatives now available for the small number of customers that are currently on these rates such as rate RSVP for rate RST and rate GSTOU for rate GST. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

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

ISSUE 106: Should Gulf's Supplemental Energy (SE) Rate Rider be eliminated? (E. Draper)

POSITIONS

GULF:
Agree with Staff's position. (Thompson)

FEA:
No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No 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 107: 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)

POSITIONS

GULF:

Yes. The optional method of meter payment is not necessary since the proposed customer charge for rate GSDT is identical to that for rate GSD. These customer charges are the same because there is no longer additional cost to the Company associated with time-of-use metering for GSDT. (Thompson)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No position.

STAFF:

Agree with Gulf's position.

ISSUE 108: 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)

POSITIONS

GULF:

Yes. Gulf will eliminate its OS-IV rate schedule and transfer the customers served under the rate to an otherwise applicable rate no later than 24 months after the final order in Docket No. 010949-EI.

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
Yes. Gulf will eliminate its OS-IV rate schedule and transfer the customers served under the rate to an otherwise applicable rate no later than 24 months after the final order in this Docket, 010949-EI.

ISSUE 109: Should the proposed changes to Gulf's Standby and Supplementary Service Rate (SBS) be approved? (E. Draper)

POSITIONS

GULF:
Agree with Staff's position. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No 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.

ISSUE 110: 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)

POSITIONS

GULF:
Agree with Staff's position. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
The monthly fixed charge rate should be calculated based on the methodology shown in Gulf's response to Staff's Interrogatory No. 42, and should reflect the Commission-approved rate of return including the Commission-approved rate setting point ROE.

ISSUE 111: Are the proposed revisions to the estimated kilowatt hour consumption of Gulf's high pressure sodium and metal halide lighting fixtures appropriate? (Springer)

POSITIONS

GULF:
Yes. These revised KWH's are based on manufacturer's specifications for the equipment involved. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
Agree with Gulf's position.

ISSUE 112: 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)

POSITIONS

GULF:
Yes. This change allows greater flexibility to customers in choosing lighting offerings during the term of their contracts. This option has been requested by Gulf's customers. (Thompson)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No position.

STAFF:

Agree with Gulf's position.

ISSUE 113: Should the Street Lighting (OS-I) and Outdoor Lighting (OS-II) subparts of Gulf's Outdoor Service rate schedule be merged? (Springer)

POSITIONS

GULF:

Yes. Merging the subparts of OS-I and OS-II serves to simplify the tariff and avoid unnecessary complication for customers and employees. (Thompson)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No position.

STAFF:

Agree with Gulf's position.

ISSUE 114: Should Gulf's proposed methodology for determining the price of new street and outdoor lighting offerings be approved? (Springer)

POSITIONS

GULF:

Agree with Staff's position. (Thompson)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No position.

STAFF:

The proposed methodology should be approved if it is used to determine the monthly charges incorporating the Commission-approved rate of return including the rate setting point return on equity (ROE).

ISSUE 115: Should Gulf's proposed new FlatBill pilot program be approved? (Springer)

POSITIONS

GULF:
Agree with Staff's position. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
Yes, provided that: 1) the fuel and other cost recovery clauses revenues associated with Flatbill customers are credited to the clauses at the then-current tariffed adjustment clause rates, and based on the customer's actual metered kWh usage; and 2) any shortfall in base rate revenues between the customer's bill at standard rates and the Flatbill revenues will be absorbed by the company.

ISSUE 116: Should Gulf's proposed new Rate Schedule GSTOU be approved? (E. Draper)

POSITIONS

GULF:
Yes. This is an additional option for the GSD/GSDT customers with a different structure since it does not contain a

distinct demand charge. The rate is simpler for customers to understand and would allow customers to more effectively manage energy costs. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
Agree with Gulf's position.

ISSUE 117: 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)

POSITIONS

GULF:
Agree with Staff's position. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the

hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
Yes.

ISSUE 118: Is Gulf's GoodCents Select Program cost effective? (Haff)

POSITIONS

GULF:
Yes. The program incorporating the proposed changes to Gulf's Rate Schedule RSVP continues to be cost-effective. (Neyman)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
Agree with Gulf's position.

ISSUE 119: What is the appropriate design and level of charges for the Residential Service Variable Pricing (RSVP) rate schedule? (Wheeler)

POSITIONS

GULF:
This rate should be designed so that the RSVP charges are compatible with the RS rate schedule, enhance the GoodCents Select program, and are designed consistent with the currently approved charges, as described in response to Staff's Interrogatory No. 271. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
Agree with Gulf's position.

ISSUE 120: Are Gulf's proposed changes to the P2 and P3 pricing periods under its RSVP rate schedule appropriate? (Wheeler)

POSITIONS

GULF:
Yes. This change removes a disincentive for participation, and does so without negatively affecting conservation benefits. (Thompson)

FEA:
No position at this time.

FCTA:
The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:
FIPUG has no position at this time.

OPC:
No position.

STAFF:
Agree with Gulf's position.

ISSUE 121: Are Gulf's proposed changes to the Participation Charge and Reinstallation Fee charged under Rate RSVP appropriate? (Wheeler)

POSITIONS

GULF:
Yes. The proposed amounts represent updated costs of the equipment that is installed and maintained in participating households. (Thompson)

FEA:
No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

No position.

STAFF:

Agree with Gulf's position.

ISSUE 122: Should Gulf's proposed changes to the applicability section of its Budget Billing optional rider be approved? (Wheeler)

POSITIONS

GULF:

Agree with Staff's position. (Thompson)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:
No 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 123: What impact does the Stipulation approved in Order No. PSC-99-2131-S-EI have on the effective date of the rates approved in this Docket? (L. Romig)

Stipulated.

ISSUE 124: 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? (L. Romig)

Stipulated.

IX. EXHIBIT LIST

Witness	Proffered By	I.D. No.	Description
Direct			
C.A. Benore	Gulf Power	____________ (CAB-1)	Index of Schedules 1-11; Summary of Model Results; Illustrative Example - Model Results;

Witness	Proffered By	I.D. No.	Description
			Occupational and Educational Qualifications;
			Relative Performance - Electric Stocks; Regulated Returns versus S&P 500;
			Regulated Returns versus Standard DCF; Gulf Power Company's Comparable Companies;
			Standard and Transformed DCF Results; Equity Risk Premium Analysis; Capital Asset Pricing Model; Comparable Earnings Model; Flotation Costs.
R.M. Saxon	Gulf Power	________ (RMS-1)	Financial Planning Process; Test Year Construction Budget & Prior Period; Test Year O & M by function; Budget Process; Service Fees; O & M Benchmark Variance by Function Customer Accounts; MFR responsibility.

Witness	Proffered By	I.D. No.	Description
R.L. McGee	Gulf Power	______ (RMS-1)	Retail Customer Forecast; Retail Energy Sales Forecast; Peak Demand Forecast; Retail Base Revenue Forecast; Short-Term Retail Forecast Accuracy; Load Research Data Summary by Rate; MFR responsibility.
R.G. Moore	Gulf Power	______ (RGM-1)	Index to Schedules 1-11; Smith Unit 3 Construction Costs; Smith Unit 3 O & M; Smith Unit 3 Personnel Complement; Planned Outage Costs; Gulf's Generation & EFOR; O & M Benchmark Comparison; Production Steam Expense Summary; Generation Construction Budgets; MFR responsibility.

Witness	Proffered By	I.D. No.	Description
F.M. Fisher, Jr.	Gulf Power	(FMF-1)	Index to Schedules 1-5; Customer Value Survey - All Customer Classes; Customer Value Survey by Customer Classes; O & M Benchmark Variance; MFR responsibility.
M.W. Howell	Gulf Power	(MWH-1)	List of MFR's; O & M Benchmark Comparison.
M.D. Neyman	Gulf Power	(MDN-1)	Comparison of O & M Benchmark to Test Year; O & M Benchmark Variance; MFR responsibility.
R.J. McMillan	Gulf Power	(RJM-1)	Total Adjusted O & M Benchmark by Function; Benchmark Year Recoverable O & M by Function; 1990 SCS Charges Benchmark Functional Adjustment; Test Year Adjusted O & M; A & G - Other Benchmark Variance; MFR responsibility.

Witness	Proffered By	I.D. No.	Description
R.A. Labrato	Gulf Power	______ (RRL-1)	Residential Rate Comparison; Financial Model Flowchart; Balance Sheets; Income Statements; Utility Plant Balances; 13-Month Avg Rate Base; 13-Month Avg Working Capital; Net Operating Income; Fuel Clause Revenues and Expenses;

Witness	Proffered By	I.D. No.	Description
			Energy Conservation Cost Recovery Clause Revenues and Expenses; Purchased Power Capacity Cost Recovery Clause Revenues and Expenses; Environmental Cost Recovery Clause Revenues and Expenses; Industry Ass'n Dues; Deloitte & Touche Memo on Depreciable Life of Combined Cycle Unit; Taxes Other than Income Taxes; Income Tax Adjustment Interest Synchronization Adjustment; 13-Month Average Jurisdictional Cost of Capital; Calculation of Revenue Deficiency; Revenue Expansion Factor & NOI Multiplier; MFR responsibility ; in;; inter , As

Witness	Proffered By	I.D. No.	Description
			Interest Synchronization Adjustment; 13-Month Average Jurisdictional Cost of Capital; Calculation of Revenue Deficiency; Revenue Expansion Factor & Net Operating Income.
M.T. O'Sheasy	Gulf Power	________ (MTO-1)	Cost of Service Study; Minimum Distribution System; MFR responsibility.
J.I. Thompson	Gulf Power	________ (JIT-1)	Outdoor Service - Lighting Pricing Methodology; Gulf Power's FlatBill Pilot Program; MFR responsibility; Proposed Tariff Sheets.
Various	Gulf Power	________ (Gulf Power Comp-1)	Gulf Power Company's 9/10/2001 filing of schedules (Sections A through F) containing the information required by Rule 25-6.043(1)(a)(1), F.A.C.

Witness	Proffered By	I.D. No.	Description
			(Minimum Filing Requirements or "MFRs").
James A. Rothschild	OPC	_____ (JAR-1)	Gulf Power Overall Cost of Capital
		_____ (JAR-2)	Cost of Equity Summary
		_____ (JAR-3)	Comparative Companies Data
		_____ (JAR-4)	Comparative Companies Selected by Gulf
		_____ (JAR-5)	Comparative Companies Complex DCF Method
		_____ (JAR-6)	Comparative Companies Projected Dividends per share.
		_____ (JAR-7)	Comparative Companies Equity Ratio
		_____ (JAR-8)	Comparative Companies External Financing Rate
		_____ (JAR-9)	Inflation Risk Premium Method
		_____ (JAR-10)	Risk Premium/CAPM Method
Michael J. Majoros	OPC	_____ (MJM-1)	Gulf Response to Interrogatory 16

Witness	Proffered By	I.D. No.	Description
		______ (MJM-2)	Analysis Results
		______ (MJM-3)	Confidential Information Redacted
		______ (MJM-4)	National Study
		______ (MJM-5)	National Study
Helmuth W. Schultz, III	OPC	______ (HWS-1)	OPC's Recommended Adjustments
		______ (HWS-2)	Gulf Response to Citizens' POD Request 9
		______ (HWS-3)	2000 O&M Budget Deviation
		______ (HWS-4)	Budget Analysis
		______ (HWS-5)	O&M Analysis by FERC
		______ (HWS-6)	Production O&M Expenses Analysis
William M. Zaetz	OPC	______ (WMZ-1)	Combined Cycle Technology
		______ (WMZ-2)	Site Visit Pictures
		______ (WMZ-3)	Plant Wansley
		______ (WMZ-4)	Manufacturer's Catalog
		______ (WMZ-5)	Status of Retired Generating Units

Witness	Proffered By	I.D. No.	Description
Richard Durbin	PSC Staff	______ (RD-1)	Customer Complaints
James E. Breman	PSC Staff	______ (JEB-1)	Distribution Reliability ? ROR 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
Edward Bass, II	PSC Staff	______ (JEB-1)	Staff Audit Report
Staff Composite Exhibit 1 - Cost of Capital	PSC Staff	______ Staff (Comp-1)	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 7-9, 38 and 45-48.

Witness	Proffered By	I.D. No.	Description
Staff Composite Exhibit 2 - Cost of Service	PSC Staff	______ Staff (Comp-2)	Gulf Power Company's responses to Staff's Interrogatories 2, 5, 7, 9-17, 20, 21, 23-27, 32, 34, 35, 37, 39-42, 81, 83, 85-89, 191, 205, 231-234, 239-241; Gulf Power Company's responses to Staff's Requests for Production 21-25; Gulf Power Company's responses to Staff's Interrogatories 242-250, 258-272; Gulf Power Company's responses to Staff's Requests for Production 61-63.

Witness	Proffered By	I.D. No.	Description
Staff Composite Exhibit 3 - Taxes	PSC Staff	Staff (Comp-3)	Gulf Power Company's responses to Staff's Interrogatories 113-119, 124-161, 165-176, 217-221, 251-257 and 263; Gulf Power Company's responses to the Office of Public Counsel's Interrogatory 42.
Staff Composite Exhibit 4 - Smith Unit 3 Cost and Advertising	PSC Staff	Staff (Comp-4)	Gulf Power Company's responses to Staff's Interrogatories 76, 209, 211, 212, 214, 215, 269 and 270. letter dated February 1, 2002, from Susan Retinour to Michael Haff describing Gulf's Water Heating Conversion Program.

Witness	Proffered By	I.D. No.	Description
Staff Composite Exhibit 5 - Distribution	PSC Staff	_____ Staff (Comp-5)	Gulf Power Company's responses to OPC's Interrogatories 31-41; Gulf Power Company's responses to Staff's Requests for Production of Documents 31-35; Gulf Power Company's responses Staff's Interrogatories 118, 119, 109, 227, and 228. Gulf Power Company's Response to OPC Interrogatory 115.
Staff Composite Exhibit 6 - Depreciation	PSC Staff	_____ Staff (Comp-6)	Gulf Power Company's responses to Staff's Interrogatories 52-54, 56-65, 69, and 273-276; Gulf Power Company's responses to Staff's Requests for Production of Documents 27, 39, and 40; Gulf Power Company's responses to Office of the Public Counsel's

Witness	Proffered By	I.D. No.	Description
			Interrogatories 16, 17, 21, 91, 92, 94, 96, 98-100, and 102; Gulf Power Company's responses to Office of the Public Counsel's Request for Production of Documents 6, 7, 58, 60 (disc), 64, and 65.
Confidential	PSC Staff	Staff (Comp-7)	Gulf Power Company's responses to Staff's Interrogatories 235-238
	PSC Staff	Staff -1	Deposition transcript and exhibits of Mr. Labrato.
	PSC Staff	Staff -2	Deposition transcript and exhibits of Mr. Fisher. (Non-Confidential)
	PSC Staff	Staff - 3	Deposition Transcript and Exhibits of Mr. Benore.
	PSC Staff	Staff - 4	Deposition Transcript and Exhibits of Mr. Rothschild.

Witness	Proffered By	I.D. No.	Description
	PSC Staff	Staff - 5	Deposition Transcript and Exhibits of Mr. Majoros.
	PSC Staff	Staff - 6	Deposition Transcript and Exhibits of Mr. Zaetz.
	PSC Staff	Staff - 7	Deposition Transcript and Exhibits of Mr. Roff.
	PSC Staff	Staff - 8	Deposition transcript and exhibits of Mr. O'Sheasy
	PSC Staff	Staff - 9	Deposition transcript and exhibits of Mr. Thompson
	PSC Staff	Staff - 10	Deposition transcript and exhibits of Mr. McGee
Rebuttal			
C.A. Benore	Gulf Power	(CAB-2)	Analyses of Regulatory Return; Investor Expected Market Returns; Arithmetic S&P 500 Return;

Witness	Proffered By	I.D. No.	Description
			Equity Risk Premium; Summary of Test Results; Performance of Electric Stocks; Risk Indicators; Stock Prices;
			Projected First Year Dividend; Projected Growth Rate; Transformed DCF Test; Rep Yield for L-T Treasury Bonds;
D.S. Roff	Gulf Power	______ (DSR-1)	Academic Background and Experience; Testimony Experience; Comparison of Depreciation Rates; Retired Generating Units; Capacity Weighted Life Spans
R.M. Saxon	Gulf Power	______ (RMS-2)	General Plant Budget; Budget Year 2002 and 2003 FERC/Sub by Month; Analysis of OPC POD 9 and POD 4

Witness	Proffered By	I.D. No.	Description
R.G. Moore	Gulf Power	______ (RGM-2)	Index to Schedules 1-7; Production O & M Analysis; Planned Outage, Baseline/Special Project Analysis; Production O & M Expense Analysis 2002-06; Planned Outage, Baseline/Special Project Analysis 2002-06; 2001 Capital Budget vs. Actual; Revised Interrogatory No. 18
J.T. Kilgore, Jr.	Gulf Power	______ (JTK-1)	Weather Related Complaint Activity
F.M. Fisher	Gulf Power	______ (FMF-2)	Index to Schedules 1-6; Distribution Construction Budget; General Plant Budget; CEMI5
M.W. Howell	Gulf Power	______ (MWH-2)	Transmission Construction Budget

Witness	Proffered By	I.D. No.	Description
R.R. Labrato	Gulf Power	____________ (RRL-2)	Corporate Office Third Floor; Detail of Rate Case Expenses for Outside Consultants; Revised Depreciation and Dismantlement

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

Category One Stipulations

Those stipulations where all parties agree are set forth below:

1. The testimony and exhibits of OPC's witness, Michael J. Majoros, including his deposition testimony, be stipulated into evidence without cross examination by any party.

Category Two Stipulations

Those stipulations in which Gulf and Staff agree and in which FCTA, FEA, FIPUG, and OPC have no position:

2. Gulf shall 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 124)

Category Three Stipulations

Those stipulations in which Gulf, FEA, OPC and Staff agree and which FIPUG and FCTA have no position are set forth below:

3. The appropriate cost of short-term debt for the May 2003 projected test year is 4.61%. The short-term debt cost rate has been revised from 6.02% as originally filed based on the most recent forecast of short-term interest rates for the test year. (Issue 32)

4. The appropriate cost rate for long-term debt for the May 2003 projected test year is 6.44%. The long-term debt cost rate has been revised from 7.08% as originally filed to 6.44%. The Company has completed the issuance of all permanent financing impacting the May 2003 projected test year. Therefore, the long-term debt cost rate was revised to reflect the actual rates of senior notes issued. In addition, the cost rates for the Company's variable rate pollution control bonds were revised based on the most recent forecast of short-term interest rates for the test year. (Issue 33)

<u>Category Four Stipulations</u>

Those stipulations in which Gulf, FEA, FIPUG, and Staff agree, but which FCTA and OPC have no position or do not oppose are set forth below:

5. Based upon the Stipulation approved in Order No. PSC-99-2131-S-EI, the rates approved in this docket will be effective for bills rendered on or after (i) the commercial in-service date of Smith Unit 3 or (ii) 30 days after the date of the Commission's vote in this docket, whichever is later. (Issue 123)

<u>Category Five Stipulations</u>

Those stipulations where Gulf Power and Staff agree, and FEA, FCTA, FIPUG, and OPC have no position.

6. Gulf's forecasts of Customers, KWH, and KW by Rate Class, for the May 2003 projected test year are appropriate. (Issue 2)

7. No adjustments shall be made to Gulf's projected test year due to customer complaints. (Issue 4)

8. The quality of electric service provided by Gulf is adequate as evidenced by Gulf's complaint activity being low and its rankings across all service and reliability attributes in

customer surveys being consistently among the best in the industry. (Issue 5)

9. No adjustment shall be made to smith Unit 3. The $220,495,000 requested for the construction of Plant Smith Unit 3 is reasonable, prudent, and should be allowed. (Issue 10)

10. The company has removed from rate base all non-utility activities, including the investment, accumulated depreciation, and working capital amounts related to the Company's non-utility activities. (Issue 15)

11. The requested level of construction work in progress in the amount of $15,850,000 jurisdictional ($16,361,000 system) is appropriate for purposes of computing base rate revenue requirements. This amount properly reflects the construction expenditures and plant clearings that are expected in the May 2003 projected test year. (Issue 19)

12. No adjustment shall be made to Plant Held for Future Use for Gulf's inclusion of the Caryville site in rate base. While Gulf has allowed the Caryville site to be used for various non-utility activities in recent years, the site was certified by the Power Plant Siting Board in 1976 and continues to be viable for building coal-fired capacity in the future. It is anticipated that certifying new plant sites will become increasingly more difficult in the future. Caryville has been in Gulf's rate base as Plant Held for Future Use for well over 35 years. Inclusion of this site in rate base is still a prudent decision. (Issue 20)

13. The requested level of Property Held for Future Use in the amount of $3,065,000 ($3,164,000 system) is appropriate for purposes of computing base rate revenue requirements. (Issue 21)

14. No adjustment shall be made to prepaid pension expense. The projected balance of prepaid expense has been properly reflected in the calculation of working capital. (Issue 22)

15. No adjustment shall be made to rate base for unfunded Other Post-retirement Employee Benefit (OPEB) liability. The projected balance of Other Post-retirement Employee Benefits has been properly reflected in the calculation of working capital. (Issue 23)

16. The following inflation (C.P.I.) factors are appropriate for forecasting the May 2003 test year budget: 2.43% for 2002 and 2.40% for 2003. (Issue 39)

17. Gulf has made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause. As shown on Mr. Labrato's direct testimony Exhibit RRL-1, Schedule 8 and Schedule 9, the Company has removed from NOI the fuel revenues and expenses recoverable through the Fuel Clause for purposes of determining base rate revenue requirements. (Issue 43)

18. Gulf has made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause. As shown on Mr. Labrato's direct testimony Exhibit RRL-1, Schedule 8 and Schedule 10, the Company has removed from NOI the conservation revenues and expenses recoverable through the Energy Conservation Cost Recovery Clause for purposes of determining base rate revenue requirements. (Issue 44)

19. Gulf has not made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause. Gulf made adjustments to remove capacity revenues and expenses from NOI currently recoverable through the Capacity Cost Recovery Clause. Included in the adjustments are $1,652,000 in revenues currently embedded in base rates. Pursuant to Order No. PSC-01-2516-FOF-EI in Docket No. 010001-EI an adjustment should be made in this docket to Gulf's new base rate request. Accordingly, revenues shall be reduced by $1,652,000 to ensure that new base rates and the clause factors are calculated on a consistent basis. (Issue 45)

20. Gulf has made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause. As shown on Mr. Labrato's direct testimony Exhibit RRL-1, Schedule 8 and Schedule 12, the Company has removed from NOI the environmental revenues and expenses recoverable through the Environmental Cost Recovery Clause for purposes of determining base rate revenue requirements. (Issue 46)

21. Gulf has not made the appropriate adjustments to remove lobbying expenses from the May 2003 projected test year. As shown on Mr. Labrato's direct testimony Exhibit RRL-1, Schedule 8, page 3 of 3, adjustments 13 and 24 were made consistent with the Commission's direction in the last rate case to exclude lobbying expenses. However, an additional adjustment in the amount of $7,000 jurisdictional ($7,000 system) shall also be made to remove the industry association dues for Associated Industries of Florida, as noted in the Commission Staff's audit report Exception No. 2, since these dues relate to lobbying activities. (Issue 49)

22. The appropriate amount for other post employee benefits expense is included in the May 2003 projected test year, and no adjustment shall be made. (Issue 52)

23. No adjustment should be made to the accrual for the Injuries and Damages reserve for the May 2003 projected test year. The appropriate amount for the injuries and damages reserve accrual of $1,144,000 jurisdictional ($1,200,000 system) is included in the May 2003 projected test year. (Issue 56)

24. No interest on tax deficiencies for the May 2003 projected test year shall be included above-the-line, and the net operating income for the May 2003 projected test year does not include any interest on tax deficiencies. (Issue 57)

25. No adjustment shall be made to Transmission Expenses for the May, 2003 projected test year. The total requested transmission O&M expenses of $7,922,000 jurisdictional ($8,210,000 system) for the May 2003 projected test year are under the benchmark and are reasonable, prudent, and necessary in order for Gulf to provide a high level of reliability to its growing number of customers. (Issue 63)

26. No adjustment shall be made to Bad Debt Expense for the May, 2003 projected test year. The amount of bad debt expense of $1,544,000 jurisdictional ($1,544,000 system) included in the May 2003 projected test year is appropriate for purposes of determining base rate revenue requirements. (Issue 70)

27. No adjustment shall be made to the consolidating tax adjustments for the May 2003 projected test year. (Issue 80)

28. The appropriate revenue expansion factor for Gulf is 60.3110 and the appropriate net operating income multiplier is 1.658072. These factors are different from the factors included in the Company's original filing. The numerator of the bad debt rate calculation, as shown on MFR Schedule C-58, was found to be in error. A revised calculation of the revenue expansion factor and NOI multiplier was provided in response to Staff's Interrogatory No. 75. These factors also include the gross receipts tax rate of 1.5%. The gross receipts tax was removed from total revenue requirements in the calculation of proposed base rates, since the Company is proposing to remove the gross receipts tax from base rates and show it as a separate line item on the bill.

If the Commission were to choose to remove gross receipts tax from revenues and expenses in the calculation of NOI, then the appropriate revenue expansion factor for Gulf is 61.2323 and the appropriate net operating income multiplier is 1.633125, and it would no longer be necessary to remove gross receipts tax from total revenue requirements in the calculation of proposed base rates. (Issue 83)

XI. <u>PENDING MATTERS</u>

1. Proposed Stipulation Agreement between Gulf, FIPUG, and FEA, regarding Cost of Service and Rate Design, filed February 15, 2002.

2. Proposed Stipulation Agreement between Gulf, OPC, FIPUG, and FEA, regarding depreciation rates.

XII. <u>PENDING CONFIDENTIALITY MATTERS</u>

1. Gulf's Request for Confidential Classification for portions of the Rate Case Audit Report and related workpapers.

2. Gulf's Request for Confidential Classification of portions of the direct testimony of Helmuth W. Schultz, III, and portions of the direct testimony of Edward Bass, II.

3. Gulf's Request for Confidential Classification of its responses to Staff's Interrogatories 235-238.

It is therefore,

ORDERED by Chairman Lila A. Jaber, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Chairman Lila A. Jaber, as Prehearing Officer, this 22nd day of February, 2002.

LILA A. JABER
Chairman and Prehearing Officer

(S E A L)

MKS/LDH

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida

Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition of Gulf Power Company for an increase in its retail rates and charges.	Docket No. 010949-EI Date Filed: February 15, 2002

STIPULATION FOR PARTIAL SETTLEMENT

The Federal Executive Agencies ("FEA"), the Florida Industrial Power Users Group ("FIPUG"), and Gulf Power Company ("Gulf" or the "Company") (collectively the "Stipulating Parties"), pursuant to Order No. PSC-01-2035-PCO-EI and Section 120.57(4), Florida Statutes (2001), have entered into this Stipulation for Partial Settlement to effect an informal disposition and complete and binding resolution of the issues identified herein. In keeping with the Florida Public Service Commission's long-standing policy and practice of encouraging parties in contested proceedings to settle issues whenever possible, this Stipulation for Partial Settlement, upon approval by the Florida Public Service Commission ("Commission"), will allow the Stipulating Parties, the other intervenors and the Commission to avoid the time, expense and uncertainty associated with adversarial litigation regarding the issues identified herein. Accordingly, without prejudice to any party's position in any other proceeding before the Florida Public Service Commission or any other venue, present or future, the Stipulating Parties stipulate and agree as follows:

1. On July 6, 2001, Gulf filed notice of its intent to request a rate increase. On September 10, 2001, Gulf filed its petition, minimum filing requirements and testimony in support of the Company's request for a rate increase. The matter has been assigned Docket No. 010949-EI by the Commission and set for hearing before the full Commission during the week of February 25, 2002 through March 1, 2002.

2. FEA and FIPUG have intervened in Docket No. 010949-EI. Other intervenors include the Florida Cable Telecommunications Association ("FCTA") and the Office of Public Counsel ("OPC") on behalf of the Citizens of Florida. These parties shall hereafter be collectively referred to as "Intervenors." The Stipulating Parties have been authorized to represent to the Commission that FCTA and OPC, while not party to this Stipulation for Partial Settlement, do not oppose it.

3. On October 15, 2001, Chairman Lila A. Jaber, in her capacity as Commissioner and Prehearing Officer in Docket 010949-EI ("this Docket") issued Order No. PSC-01-2035-PCO-EI (the "Order") pursuant to Rule 25-106.211, Florida Administrative Code for the purpose of establishing a procedure to be followed in this Docket ". . . to effectuate discovery, prevent delay, and promote the just, speedy, and inexpensive determination of all aspects of the case." At page 7 of the Order, Chairman Jaber set forth certain controlling dates and stated:

> In addition to the above controlling dates, I note that staff has scheduled two meetings of the parties and staff to identify and clarify issues to be resolved in this proceeding. The first meeting has been scheduled for November 7, 2001, which is prior to the filing of intervenor and staff testimony. Staff has indicated that the Issue Statements of the parties will be filed on January 2, 2002, and a second issue identification meeting will be held January 14, 2002. These meetings should help clarify issues, eliminate duplicative issues and promote an efficient and effective hearing process. <u>Parties are encouraged to participate fully and use these opportunities to seek resolution of issues where feasible.</u> [Emphasis added]

In addition to the meetings described in the Order, the parties and staff met again on February 13, 2002 in a further effort to clarify and resolve issues where feasible in order to promote an efficient and effective hearing process in keeping with the spirit and intent of the Order. At the meeting on February 13, 2002, the parties's discussions were guided by a Draft Prehearing Order prepared by the Commission Staff from the prehearing statements filed by each of the parties. The Draft Prehearing Order includes a listing of 38 issues under the caption "Cost of Service and Rate Design" (Issues 85 through 122, inclusive).

4. Gulf witnesses pre-filed cost of service testimony and exhibits, including two cost of service studies. The difference between the two cost of service studies is that one uses the Minimum Distribution System methodology ("MDS") and the other does not use the MDS methodology. Gulf's pre-filed testimony and exhibits recommend the MDS cost of service study for the reasons set forth therein.

5. Gulf witnesses pre-filed rate design testimony and exhibits, including a recommended distribution of the revenue increase by rate class. The recommended distribution of the revenue increase by rate class moves class rate of return indices as close to parity as reasonable based on the MDS cost of service study with the following two general limiting guidelines:

a. No rate class should receive an increase greater than 1.5 times the overall average percentage increase.

b. No rate class should receive a decrease.

No other proposed distribution of revenue increase by rate class, other than that summarized above, is provided in Gulf's pre-filed testimony or exhibits or in any pre-filed testimony or exhibits of the Commission Staff or any other party.

6. The Intervenors and Staff have conducted extensive discovery and depositions on the issues in this proceeding including the 38 cost of service and rate design issues set forth in paragraph 3 above.

7. None of the Intervenors or the Commission Staff have pre-filed any testimony or exhibits that rebut the cost of service methodology or the revenue distribution testimony or exhibits of Gulf's witnesses described in paragraphs 4 and 5 above. The recommended MDS methodology classifies distribution costs as demand related, customer related or a combination thereof as stated by the National Association of Regulatory Utility Commissioners advocate in its official guide book "Electric Utility Cost Allocation Manual" (January 1992) at page 89.

8. In order to resolve Issue 90 as set forth in the Draft Prehearing Order, the Stipulating Parties agree that any revenue increase granted by the Commission in this Docket No. 010949-EI shall be allocated among the customer rate classes in accordance with the percentages contained in the last column of the tabulation that follows on the next page:

Customer Rate Class	Description	Revenue Increase at Proposed Gulf Rates ($000's)	Allocation of Revenue Increase
		(a)	(b)
RS/RST/RSVP	Residential Service	$55,312	79.2%
GS/GST	General Service – Non Demand	2,750	3.9%
GSD/GSDT	General Service – Demand	5,955	8.5%
LP/LPT	Large Power Service	3,450	4.9%
PX	Large High Load Factor Power	0	0.0%
RTP	Real Time Pricing	0	0.0%
SBS	Standby and Supplementary Service	0	0.0%
CISR/CSA	Commercial/Industrial Service Rider	0	0.0%
OS-I/II	Outdoor Service	2,200	3.2%
OS-III	Outdoor Service	200	0.3%
OS-IV	Outdoor Service	0	0.0%
	Total Jurisdictional	$69,867	100.0%

(a) Revenue increase by rate class as filed by Gulf in MFR, Schedule E-11. The PX, RTP and SBS rate classes were shown combined on line 5 as "Major Accounts."
(b) Percentage distribution of revenue increase determined from amounts in Column (a).

By comparison, 73.5% of the approved revenue increase made effective September 13, 1990 as a result of the Commission decision in Docket No. 891345-EI was allocated to Residential Service Customer Rate Classes.

9. As a consequence of stipulating the allocation of any revenue increase per paragraph 8 above, Issues 88 and 89 as set forth in the Draft Prehearing Order are rendered moot and no longer considered matters at issue in this Docket. As stated in the Draft Prehearing Order, there being no disagreement or any differing position between any party or the Commission Staff on Issues 85, 86, 100, 102, 103, 105, 106, 107, 109, 111, 112, 113, 114, 117, 118, and 122, these issues are included as part of the settlement reached in this Stipulation and are no longer considered matters at issue in this Docket. Staff's position is agreed to on Issues 86, 100, 102, 103, 105, 106, 107, 109, 111, 114, and 122. Gulf's position on Issues 85, 112, 113, 116, 117, and 118 is agreed to by each of the Stipulating Parties.[1]

10. For purposes of settlement, the Parties further agree that:

a. Issues 94, 95, 97, 98, 99, 101, and 110 are to be decided in favor of Staff's position as set forth in the Draft Prehearing Order.

b. Issues 87, 91, 92, 93, 96, 104, 108, 115, 116, 119, 120, and 121 are to be decided in favor of Gulf's position as set forth in the Draft Prehearing Order.[2]

11. As a result of the agreements in paragraphs 8, 9, and 10 above, all 38 cost of service and rate design issues are thus resolved by the Parties, for settlement purposes only in this Docket, and are no longer considered matters at issue in this Docket. In exchange for the resolution of all 38 cost of service and rate design issues as set forth in paragraphs 8, 9, and 10 above, the Stipulating Parties agree that FEA and FIPUG hereby withdraw all of their respective positions on the remaining issues identified in the Draft Prehearing Order, waive their right to

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[1] For Issues 91, 92, 93, 97, 98, and 119, the actual final charges are subject to the Commission's final decision on the requested revenue increase.
[2] See Note 1 above.

cross-examine witnesses testifying in this Docket and will forego filing a post hearing brief.

12. Furthermore, subject to the approval of the Florida Public Service Commission set forth in paragraph 13 below, all Stipulating Parties waive any right to request further administrative or judicial proceedings in regard to the establishment or implementation of this Stipulation for Partial Settlement. Such requests for further administrative or judicial proceedings shall include (but not be limited to): a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code; a motion for reconsideration of the decision in this matter in the form prescribed by Rule 25-22.060, Florida Administrative Code; or a notice of appeal to initiate judicial review by the Florida Supreme Court pursuant to Rule 9.110, Florida Rules of Appellate Procedure, in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

13. This Stipulation for Partial Settlement is contingent upon approval by the Commission in its entirety and without modification prior to the taking of any testimony at the hearing scheduled for February 25, 2002 through March 1, 2002. Upon approval by the Commission, this Stipulation for Partial Settlement will resolve all matters in this docket involving FEA and FIPUG pursuant to and in accordance with Section 120.57(4), Florida Statutes (2001). If this Stipulation for Partial Settlement is not accepted and approved by the Commission in its entirety without modification prior to the taking of any testimony at the hearing scheduled for February 25, 2002 through March 1, 2002, then this Stipulation for Partial Settlement shall be considered null and void and of no further force or effect.

14. To avoid the expenditure by the Stipulating Parties of time and resources in preparation for hearing on the issues that would be fully resolved by the Commission's approval of this Stipulation for Partial Settlement, the Stipulating Parties respectfully request that the Commission consider and take action on this Stipulation for Partial Settlement, if possible, at the agenda conference scheduled for February 19, 2002 or as soon thereafter as possible.

15. This Stipulation for Partial Settlement, dated as of February 15, 2002, may be executed in counterpart originals and a facsimile of an original signature shall be deemed an original.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The Stipulating Parties evidence their acceptance and agreement with the provisions of this Stipulation for Partial Settlement by the signatures of their respective counsel this 15th day of February, 2002.

Florida Industrial Power Users Group

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for rate increase by)
Gulf Power Company)
________________________________)

Docket No. 010949-EI

Certificate of Service

I HEREBY CERTIFY that a copy of the foregoing has been furnished this _____ day of February 2002 by U.S. Mail to the following:
or Hand Delivery

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