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Subject: Docket No. 110138-EI
Attachments: 11.3.11 FIPUG Preliminary Issues FINAL.pdf

In accordance with the electronic filing procedures of the Florida Public Service Commission, the following filing is made:

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b. This filing is made in Docket No. 110138-EI.

c. The document is filed on behalf of FLORIDA INDUSTRIAL POWER USERS GROUP.

d. The total pages in the document are 15 pages.

e. The attached document is FLORIDA INDUSTRIAL POWER USERS GROUP'S PRELIMINARY STATEMENT OF ISSUES AND POSITIONS.

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08129 NOV-3 =

11/3/2011

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in Rates by
Gulf Power Company

DOCKET NO.: 110138-EI
FILED: November 3, 2011

**FLORIDA INDUSTRIAL POWER USERS GROUP'S
PRELIMINARY STATEMENT OF ISSUES AND POSITIONS**

The Florida Industrial Power Users Group (FIPUG) files the following preliminary statement of issues and positions consistent with the schedule for this docket. FIPUG reserves the right to add additional issues as needed.

Legal

Issue 1: Does Section 366.93, Florida Statutes, support Gulf's proposal to include the 4,000 acre Escambia Site and the costs of associated evaluations in Plant Held for Future Use as nuclear site selection costs?

FIPUG Position: No. Gulf's proposal to include the 4,000 acre Escambia site and the cost of associated evaluations in Plant Held for Future Use as a nuclear site does not meet the criteria in section 366.93, Florida Statutes.

Test Period and Forecasting

Issue 2: Is Gulf's projected test period of the 12 months ending December 31, 2012 appropriate?

FIPUG Position: No position at this time.

Issue 3: Are Gulf's forecasts of Customers, KWH, and KW by Rate Class and Revenue Class, for the 2012 projected test year appropriate?

FIPUG Position: No position at this time.

Issue 4: Are Gulf's estimated revenues from sales of electricity by rate class at present rates for the projected 2012 test year appropriate?

FIPUG Position: No position at this time.

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

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FPSC-COMMISSION CLERK

FIPUG Position: No position at this time.

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

FIPUG Position: No position at this time.

Quality of Service

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

FIPUG Position: No position at this time.

Rate Base

Issue 8: Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause be included in rate base for Gulf?

FIPUG Position: Yes. All capitalized items currently approved for recovery through the Environmental Cost Recovery Clause should be moved to rate base.

Issue 9: Should the Plant Crist Units 6 and 7 Turbine Upgrade Project be included in rate base and recovered through base rates, rather than through the Environmental Cost Recovery Clause? If so, what is the appropriate amount, if any, be included in rate base and recovered through base rates?

FIPUG Position: The Crist Units 6 and 7 Turbine Upgrade Project should be included in rate base and recovered through base rates rather than in the Environmental Cost Recovery Clause. Such recovery should be based on traditional ratemaking principles, including application of a 1/13th average.

Issue 10: Has Gulf made the appropriate adjustments to remove all non-utility activities from plant in service, accumulated depreciation and working capital?

FIPUG Position: No position at this time.

Issue 11: Should the capital cost of the Perdido renewable landfill gas facility 1 and 2 be permitted in Gulf's rate base?

FIPUG Position: No.

Issue 12: How much, if any, of Gulf's Incentive Compensation expenses should be included as a capitalized item in rate base?

FIPUG Position: No position at this time.

Issue 13: Should Smart Grid Investment Grant Program Projects be included in Plant in Service?

FIPUG Position: No position at this time.

Issue 14: What amount of Transmission Infrastructure Replacement Projects should be included in Transmission Plant in Service?

FIPUG Position: No position at this time.

Issue 15: What amount of Distribution Plant in Service should be included in rate base?

FIPUG Position: No position at this time.

Issue 16: Should the wireless systems that are the subject of Southern Company Services (SCS) work orders be included in rate base?

FIPUG Position: No.

Issue 17: Should the Southern LINC Charges that are the subjects of SCS work orders be included in rate base?

FIPUG Position: No position at this time.

Issue 18: Is Gulf's requested level of Plant in Service in the amount of \$2,612,073,000 (\$2,668,525,000 system) for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 19: What are the appropriate depreciation parameters and resulting depreciation rate for AMI Meters (Account 370)?

FIPUG Position: No position at this time.

Issue 20: Should a capital recovery schedule be established for non-AMI meters (Account 370)? If yes, what is the appropriate capital recovery schedule?

FIPUG Position: No position at this time.

Issue 21: Is Gulf's requested level of Accumulated Depreciation in the amount of \$1,179,823,000 (\$1,207,513,000 system) for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 22: Is Gulf's requested Construction Work in Progress in the amount of \$60,912,000 (\$62,617,000 system) for the 2012 projected test year appropriate?

FIPUG Position: No position at this time.

Issue 23: Should an adjustment be made to Plant Held for Future Use for the Caryville plant site?

FIPUG Position: Yes.

Issue 24: Should the North Escambia Nuclear County plant site and associated costs identified by Gulf be included in Plant Held for Future Use? If not, should Gulf be permitted to continue to accrue AFUDC on the site?

FIPUG Position: No, the North Escambia Nuclear County plant site and associated costs should not be included in Plant Held for Future Use and no AFUDC should accrue on the site.

Issue 25: Is Gulf's requested level of Property Held for Future Use in the amount of \$32,233,000 (\$33,352,000 system) for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 26: Should any adjustments be made to Gulf's fuel inventories?

FIPUG Position: No position at this time.

Issue 27: Should any adjustment be made to Gulf's requested storm damage reserve, annual accrual of \$6,539,091 (\$6,800,000 system), and target level range of \$52,000,000 to \$98,000,000?

FIPUG Position: Yes. The Commission should not approve any increase in Gulf's annual storm accrual.

Issue 28: Should unamortized rate case expense be included in Working Capital?

FIPUG Position: No position at this time.

Issue 29: Should the net over-recovery/under-recovery of fuel, capacity, conservation, and environmental cost recovery clause expenses be included in the calculation of the working capital allowance?

FIPUG Position: No position at this time.

Issue 30: Is Gulf's requested level of Working Capital in the amount of \$150,609,000 (\$155,044,000 system) for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 31: Is Gulf's requested rate base in the amount of \$1,676,004,000 (\$1,712,025,000 system) for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Cost of Capital

Issue 32: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

FIPUG Position: No position at this time.

Issue 33: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

FIPUG Position: No position at this time.

Issue 34: What is the appropriate cost rate for preferred stock for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 35: What is the appropriate cost rate for short-term debt for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 36: What is the appropriate cost rate for long-term debt for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 37: What is the appropriate return on equity (ROE) to use in establishing Gulf's revenue requirement?

FIPUG Position: No position at this time.

Issue 38: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

FIPUG Position: No position at this time.

Net Operating Income

Issue 39: Is Gulf compensated adequately by the non-regulated affiliates for the benefits they derive from their association with Gulf Power? If not, what measures should the Commission implement?

FIPUG Position: No position at this time.

Issue 40: Should an adjustment be made to increase operating revenues by \$1,500,000 for a 2 percent compensation payment from non-regulated companies?

FIPUG Position: No.

Issue 41: Should an adjustment be made to increase test year revenue for Gulf's non-utility activities?

FIPUG Position: No position at this time.

Issue 42: Is Gulf's projected level of Total Operating Revenues in the amount of \$481,909,000 (\$499,311,000 system) for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 43: Has Gulf made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause?

FIPUG Position: No position at this time.

Issue 44: Has Gulf made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause?

FIPUG Position: No position at this time.

Issue 45: Has Gulf made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?

FIPUG Position: No position at this time.

Issue 46: Has Gulf made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause?

FIPUG Position: No position at this time.

Issue 47: Has Gulf made the appropriate adjustments to remove all non-utility activities from net operating income?

FIPUG Position: No position at this time.

Issue 48: Should adjustments be made to the expenses allocated or charged to Gulf as a result of transactions with affiliates?

FIPUG Position: No position at this time.

Issue 49: Should adjustments be made to expenses to allocate SCS costs to Southern Renewable Energy?

FIPUG Position: No position at this time.

Issue 50: Should adjustments be made to expenses to allocate SCS costs to Southern Power Company?

FIPUG Position: No position at this time.

Issue 51: Should adjustments be made to the allocation factors used to allocate SCS costs to Gulf?

FIPUG Position: No position at this time.

Issue 52: Should the Commission remove costs from the 2012 test year for costs associated with SouthernLINC?

FIPUG Position: Yes.

Issue 53: Should the costs related to Work Order 466909, associated with a system-wide asset management system, be removed from operating expenses?

FIPUG Position: No position at this time.

Issue 54: Should the costs related to Work Order 46C805, associated with Wireless Systems, be removed from operating expenses?

FIPUG Position: No position at this time.

Issue 55: Did Gulf adequately document and justify the costs associated with Work Orders 46EZBL, 46IDMU, 46LRBL, 47VSES, 47VSTB, 47VSTH, 47VSZ1, and 47VSZ5? If not, should the costs related to these work orders be removed from operating expenses?

FIPUG Position: No position at this time.

Issue 56: Should the costs related to Work Order 471701, associated with a Securities and Exchange Commission inquiry, be removed from operating expenses?

FIPUG Position: No position at this time.

Issue 57: Should the Commission adjust operating expenses for the costs related to Work Order 473401, related to a benefit's review that does not appear to occur annually?

FIPUG Position: Yes.

Issue 58: Should the costs related to Work Order 49SWCS, related to a customer summit that is only held every other year, be removed from operating expenses?

FIPUG Position: Yes.

Issue 59: Should the costs related to Work Order 4Q51RC and a formerly CWIP classified Work Order 4QPA01, be removed from operating expenses?

FIPUG Position: No position at this time.

Issue 60: Should operating expenses be adjusted to remove public relations expenses charged by SCS?

FIPUG Position: Yes.

Issue 61: Should operating expenses be adjusted to remove legal expenses in Work Orders 473ECO and 473ECS charged by SCS?

FIPUG Position: No position at this time.

Issue 62: Should operating expenses be adjusted to remove aircraft expenses in Work Order 486030 charged by SCS?

FIPUG Position: Yes.

Issue 63: Should any adjustments be made to expenses related to use of corporate leased aircraft?

FIPUG Position: No position at this time.

Issue 64: Should operating expenses be adjusted to remove investor relations expenses related to Work Order 471501 charged by SCS?

FIPUG Position: No position at this time.

Issue 65: Should an adjustment be made to advertising expenses for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 66: Should interest on deferred compensation be included in operating expenses?

FIPUG Position: No.

Issue 67: Should SCS Early Retirement Costs be included in operating expenses?

FIPUG Position: No.

Issue 68: Should Executive Financial Planning Expenses be included in operating expenses?

FIPUG Position: No.

Issue 69: Are Gulf's proposed increases to average salaries for Gulf appropriate?

FIPUG Position: No.

Issue 70: Are Gulf's proposed increases in employee positions for Gulf appropriate?

FIPUG Position: No.

Issue 71: How much, if any, of Gulf's proposed Incentive Compensation expenses should be included in operating expenses?

FIPUG Position: No position at this time.

Issue 72: Should Gulf's proposed allowance for employee benefit expense be adjusted?

FIPUG Position: No position at this time.

Issue 73: Should an adjustment be made to Other Post Employment Benefits Expense for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 74: Should an adjustment be made to Gulf's requested level of Salaries and Employee Benefits for the 2012 projected test year? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 75: Should an adjustment be made to Pension Expense for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 76: Should an adjustment be made to the accrual for storm damage for the 2012 projected test year?

FIPUG Position: Yes. The accrual should not be increased.

Issue 77: Should an adjustment be made to remove Gulf's requested Director's & Officer's Liability Insurance expense?

FIPUG Position: Yes.

Issue 78: Should an adjustment be made to the accrual for the Injuries & Damages reserve for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 79: Should an adjustment be made to Gulf's tree trimming expense for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 80: Should an adjustment be made to Gulf's pole inspection expense for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 81: Should an adjustment be made to Gulf's transmission inspection expense for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 82: Should an adjustment be made to O&M expenses to normalize the number of scheduled outages Gulf has included in the 2012 projected test year?

FIPUG Position: Yes.

Issue 83: Should an adjustment be made to Gulf's proposed allowance for O&M expense to reflect productivity improvements, if any?

FIPUG Position: No position at this time.

Issue 84: What is the appropriate amount of production plant O&M expense?

FIPUG Position: No position at this time.

Issue 85: Should an adjustment be made to Gulf's transmission O&M expense?

FIPUG Position: No position at this time.

Issue 86: Should an adjustment be made to Gulf's distribution O&M expense?

FIPUG Position: No position at this time.

Issue 87: Should an adjustment be made to Gulf's office supplies and expenses for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 88: Should an adjustment be made to Rate Case Expense for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 89: Should an adjustment be made to uncollectible expense for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 90: Is Gulf's requested level of O&M Expense in the amount of \$282,731,000 (\$288,474,000 system) for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 91: What is the appropriate amount of depreciation and fossil dismantlement expense for the 2012 projected test year?

FIPUG Position: No position at this time.

Issue 92: Is Gulf's requested level of Depreciation and Amortization Expense in the amount of \$87,804,000 (\$89,613,000 system) for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 93: What is the appropriate amount of Taxes Other Than Income Taxes for the 2012 projected test year? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 94: Is it appropriate to make a parent debt adjustment per Rule 25-14.004, Florida Administrative Code?

FIPUG Position: Yes.

Issue 95: What is the appropriate amount of Income Tax expense for the 2012 projected test year? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 96: Is Gulf's requested level of Total Operating Expenses in the amount of \$420,954,000 (\$432,449,000 system) for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 97: Is Gulf's projected Net Operating Income in the amount of \$60,955,000 (\$66,862,000 system) for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Revenue Requirements

Issue 98: What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for Gulf?

FIPUG Position: No position at this time.

Issue 99: Is Gulf's requested annual operating revenue increase of \$93,504,000 for the 2012 projected test year appropriate? (Fallout Issue)

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Cost of Service and Rate Design

Issue 100: Should Gulf's proposal to eliminate the Interruptible Standby Service (ISS) rate schedule be approved?

FIPUG Position: No position at this time.

Issue 101: Should Gulf's proposal to modify the Residential Service Variable Pricing (RSVP) rate schedule to use the Energy Conservation Cost Recovery Clause to achieve the price differentials among the pricing tiers be approved?

FIPUG Position: No position at this time.

Issue 102: Should the minimum kW usage level to qualify for the GSD rate be increased from 20 kW to 25 kW?

FIPUG Position: No position at this time.

Issue 103: Should Gulf's new critical peak pricing option for customers taking service on the commercial time-of-use rates GSDT and LPT be approved?

FIPUG Position: No position at this time.

Issue 104: Should the minimum kW demand to qualify for the Real Time Pricing (RTP) rate schedule be reduced from 2,000 kW to 500 kW?

FIPUG Position: This is a fall out calculation after a decision on the substantive issues.

Issue 105: Should the minimum kW demand for new load to qualify for the Commercial/Industrial Service Rider (CISR) be reduced from 1,000 kW to 500 kW?

FIPUG Position: No position at this time.

Issue 106: What is the appropriate cost of service methodology to be used in designing Gulf's rates?

FIPUG Position: The appropriate cost of service methodology is the 12CP/1/13th methodology proposed by Gulf.

Issue 107: What is the appropriate treatment of distribution costs within the cost of service study?

FIPUG Position: Distribution costs should be treated according to the Minimum Distribution approach (MDA) proposed by Gulf.

Issue 108: If a revenue increase is granted, how should it be allocated among the customer classes?

FIPUG Position: A revenue increase, if any, should be allocated using the 12CP / 1/13th methodology incorporating MDA.

Issue 109: What are the appropriate customer charges and should Gulf's proposal to rename the customer charge "Base Charge" be approved?

FIPUG Position: No position at this time.

Issue 110: What are the appropriate demand charges?

FIPUG Position: No position at this time.

Issue 111: What are the appropriate energy charges?

FIPUG Position: No position at this time.

Issue 112: What are the appropriate charges for the outdoor service (OS) lighting rate schedules?

FIPUG Position: No position at this time.

Issue 113: Should Gulf's proposal to adjust annually existing lighting fixtures prices be approved?

FIPUG Position: No position at this time.

Issue 114: What are the appropriate charges under the Standby and Supplementary Service (SBS) rate schedule?

FIPUG Position: No position at this time.

Issue 115: What are the appropriate transformer ownership discounts?

FIPUG Position: No position at this time.

Issue 116: What is the appropriate minimum monthly bill demand charges under the PX and PXT rate schedules?

FIPUG Position: No position at this time.

Other Issues

Issue 117: Should any of the \$38,549,000 interim rate increase granted by Order No. PSC-11-0382-PCO-EI be refunded to the ratepayers?

FIPUG Position: No position at this time.

Issue 118: Should Gulf be required to file, within 60 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case?

FIPUG Position: No position at this time.

Issue 119: Should this docket be closed?

FIPUG Position: No position at this time.

s/ Vicki Gordon Kaufman_____

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida Industrial Power Users Group's Preliminary Statement of Issues and Positions has been furnished by Electronic Mail and United States Mail this 3rd day of November, 2011, to the following:

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