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Subject: e-filing (Dkt. No. 110138-EI)
Attachments: 110138.Prel List of Issues & Positions.sversion.docx

Electronic Filing

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b. Docket No. 110138-EI

In re: Petition for increase in rates by Gulf Power Company.

c. Document being filed on behalf of Office of Public Counsel

d. There are a total of 21 pages.

e. The document attached for electronic filing is the Preliminary List of Issues an Positions of the Office of Public Counsel.
(See attached file: 110138.Prel List of Issues & Positions.sersion.dox)

Thank you for your attention and cooperation to this request.

Brenda S. Roberts
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In re: Petition for increase in rates by Gulf Power Company.	DOCKET NO.: 110138-EI FILED: November 3, 2011

PRELIMINARY LIST OF ISSUES AND POSITIONS OF THE OFFICE OF PUBLIC COUNSEL

The Office of Public Counsel (OPC) hereby submits its preliminary list of issues and positions.OPC reserves the right to amend or revise the issues and the positions stated herein.

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?

OPC: No. Section 366.93 explicitly provides that the extraordinary, advance cost recovery for eligible nuclear projects applies to a utility that has received a determination of need for its nuclear project. Gulf has no determination of need, and has not submitted a petition seeking one.

Test Period and Forecasting

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

OPC: No position.

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

OPC: No position.

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

OPC: No position.

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

OPC: No position.

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

OPC: No position.

Quality of Service

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

OPC: No position.

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?

OPC: Yes. OPC generally favors placing capitalized items in rate base as opposed to allowing the utility to continue to recover associated costs through a cost recovery clause.

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?

OPC: Yes, the investment and costs associated with the turbine upgrade project should be considered in this base rate proceeding. To quantify the revenue requirements associated with the turbine upgrades, the investment and expenses should be reflected in the construction of the representative, projected test year in the standard and conventional manner. Once Gulf Power's overall revenue requirements have been determined, base rates should be developed that prospectively provide Gulf Power the opportunity to earn a fair return on its rate base. Pursuant to the stipulation approved by the Commission on November 1, 2011, OPC witness Donna Ramas will sponsor testimony quantifying the impact of moving the turbine upgrade to base rates on overall revenue requirements.

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

OPC: No position.

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

OPC: No position.

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

OPC: The projected test year incentive compensation should not be capitalized to rate base and should instead be funded by shareholders. Incentive compensation provides no benefit to the ratepayers and constitutes nothing more than added compensation to employees, especially in light of today's economic climate. Plant in service should be reduced by $1,217,206. Similarly, depreciation expense and accumulated depreciation should be reduced by $42,967.

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

OPC: No. Any monies that were received through a grant should be excluded from Plant in Service.

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

OPC: Gulf Power's requested amount should be reduced by $7.5 million.

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

OPC: To ensure that grants related to SGIG projects are removed from rate base, the test year request should be reduced by $2,970,000.

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

OPC: No. Disallow $401,146.

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

OPC: No. Disallow $299,986.

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)

OPC: No. Plant in service should be reduced by $19,049,000 to reflect a jurisdictional balance of $2,593,024,000.

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

OPC: 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?

OPC: 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)

OPC: No. Adjustments are appropriate to reduce accumulated depreciation by $524,000 to reflect a jurisdictional balance of $1,179,299,000.

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?

OPC: No. Gulf has made no showing that the CWIP is needed to maintain its financial integrity. The requested balance of CWIP should be removed from rate base.

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

OPC: No position.

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?

OPC: No, Gulf's request is not supported by any studies or other information which would justify the cost-effectiveness for the inclusion of such a significant increase in PHFU in rate base and recovered from ratepayers. Additionally, Gulf has not shown that the purchase of the site is reasonable and prudent investment that will be used for utility purposes in the reasonably near future and should not be allowed to accrue any AFUDC carrying costs on the Escambia 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)

OPC: No. PHFU should be reduced by \$26,751,000 to reflect a jurisdictional balance of \$5,482,000.

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

OPC: No position.

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?

OPC: Yes. Gulf's requested increase in the annual accrual is excessive and not justified based on the historical charges to the reserve and the storm standards established for Florida electric utilities, and the storm hardening measures implemented after 2005. The storm study reflects the storm accrual the Company wanted to collect in rates and also included extraordinary storm repairs costs which historically have been recovered by surcharge mechanisms and were not intended to be covered by the storm reserve. The annual storm accrual should be reduced to \$600,000, which reflects a decrease to O&M expense of \$6.2 million (\$5,962,113 jurisdictional), which will allow an eight-year historical average annual storm costs, excluding the extraordinary storm costs recovered through a surcharge. That level of a reserve is sufficient to cover storm costs that are likely to occur based on recent history, and is a level that was previously determined by the Commission to be within a specific target range. As shown on Exhibit HWS-1, Schedule C-1, Page 2 of 2, charging the most recent eight year average of

$575,000 (excluding surcharge recovered storms) against the reserve while accruing $600,000 per year results in a December 31, 2016 reserve balance of $31,239,925.

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

OPC: No. The Commission has consistently disallowed the inclusion of unamortized rate case expense in working capital. This long standing Commission policy was recently reaffirmed in Commission Order No. PSC-10-0131-FOF-EI, involving Progress Energy Florida. Working capital should be reduced by $2,450,000.

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?

OPC: Consistent with Commission practice, clause over-recoveries are included (as a reduction) and under-recoveries are excluded from working capital. Over-recoveries represent funds the Company owes customers that if excluded from working capital, customers would be providing interest the Company returned in the clause. In the clause, under-recoveries are collected from customers at the commercial paper rate. If clause under-recoveries are included in base rates, the company would receive a double return on the under-recovery.

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)

OPC: No. Working capital should be reduced by $2,450,000 to reflect a balance of $148,159,000.

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)

OPC: No. The appropriate rate base should be $1,567,366,000.

Cost of Capital

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

OPC: The appropriate amount of accumulated deferred income taxes should be $240,433,000, which reflects a pro rata reduction to Gulf's requested balance of $257,098,000. Additionally, if a federal act is signed into law increasing the bonus depreciation provisions for 2012 from 50% to 100% prior to the completion of hearings in this case, the impacts should be reflected in this case.

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

OPC: Gulf's requested balance of ITCs should be reduced by $190,000 related to OPC's recommended adjustments to rate base to reflect a reconciled balance of 2,739,000. The appropriate cost rate is 5.45%.

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

OPC: The appropriate cost rate for preferred stock is 6.40%.

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

OPC: The appropriate cost rate for short-term debt is 0.35%.

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

OPC: The appropriate cost rate for long-term debt is 4.98%.

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

OPC: The appropriate ROE is 9.25%.

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

OPC: The appropriate weighted average cost of capital is 5.89%.

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?

OPC: No. At no cost to themselves, the affiliates derive benefits from Gulf Power's reputation, goodwill, corporate image, financial strength.

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?

OPC: Yes.

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

OPC: Yes. Either the revenues and expenses of non-regulated activities should be considered "above the line," or the non-regulated activities should pay compensation of two percent of associated annual revenue.

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)

OPC: No. The appropriate amount of operating revenues is $484,019,000 (jurisdictional).

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

OPC: No position.

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

OPC: No position.

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

OPC: No position.

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

OPC: No position.

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

OPC: No position, except as affected by OPC's position on Issue 41.

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

OPC: Yes, in the manner detailed in OPC witness Kimberly Dismukes' testimony.

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

OPC: Yes. Because Southern Renewable Energy was formed in 2010 and the allocations provided by Gulf date from 2009, neither Southern Company Services overhead nor costs allocated on the basis of megawatts have been allocated to Southern Renewable Energy. The omission means costs allocated to Gulf Power are overstated.

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

OPC: Yes. Southern Power Company should be assessed a 2 percent compensation payment.

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

OPC: Yes. The revised factors sponsored by Ms. Dismukes should be adopted. The impact is to reduce expenses by $832,284.

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

OPC: Yes. The operating companies should not subsidize SouthernLINC's losses. The Commission should remove $294,765 from the test year expenses.

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

OPC: Yes. Gulf has failed to justify including these costs. The amount of '$387,596 should be disallowed.

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

OPC: Yes. Because Gulf has not demonstrated that the savings to be achieved by this measure have been included, the Commission should disallow $387,596.

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?

OPC: No. Because Gulf Power did not justify including the costs of these work orders, the Commission should reduce test year costs by $186,780.

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

OPC: Yes. The Company failed to supply supporting documentation. Test year expenses should be reduced by $1116,841.

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

OPC: Yes. The cost of the review should be amortized over two years. The corresponding adjustment is a reduction of $18,067 to test year expenses.

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?

OPC: Yes. Amortizing this expense over two years results in an adjustment of $20,831.

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

OPC: Yes. There is no evidence that these items should be expensed rather than capitalized, and also no evidence they are recurring in nature. Test year expenses should be reduced by $20,102 and $102,401, respectively.

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

OPC: Yes. These types of expenses benefit stockholders, not customers. Test year expenses should be reduced by $17,482.

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

OPC: Yes. Gulf Power failed to demonstrate that such expenses benefit customers. Test year expenses should be reduced by $33,690.

Issue 62: Should operating expenses be adjusted to remove aircraft expenses in Work Order ~~No. 473ECO and 473ECS~~ 486030 charged by SCS?

OPC: Yes. The amount of increase beyond 2011 levels should be disallowed. The adjustment is $101,859.

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

OPC: No position pending review of responses to discovery.

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

OPC: Yes. Test year operating expenses should be reduced by $96,851 to remove the costs of shareholder services.

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

OPC: Yes. Such expenses should be borne by stockholders. The appropriate adjustment is a reduction of $17,482.

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

OPC: No. The appropriate adjustment is a reduction of $362,309.

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

OPC: No. Gulf neither explained nor supported this item. The appropriate adjustment is $50,340.

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

OPC: No. Gulf's executives earn enough in compensation to pay for their own financial planning. Gulf removed only a portion of such costs from the test period. The additional adjustment is a reduction of $48,000.

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

OPC: No position.

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

OPC: No. Gulf unrealistically assumes a full complement of employees throughout the entire test period. Gulf's proposed payroll expense should be reduced to reflect the typical position vacancy rate. The appropriate adjustment is a reduction of $3,195,627.

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

OPC: The projected test year incentive compensation expense should be disallowed and should instead be funded by shareholders. Incentive compensation provides no benefit to the ratepayers and constitutes nothing more than added compensation to employees, especially in light of today's economic climate. Gulf's adjusted test year expenses should be reduced by $12,623,632.

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

OPC: Yes, consistent with OPC's positions on separate issues.

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

OPC: Yes.

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)

OPC: Yes. See OPC's positions on individual issues.

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

OPC: No position.

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

OPC: See OPC's position on Issue 27.

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

OPC: Yes. Consistent with recent Commission decisions, D&O liability insurance should be reduced by $59,384 or 50% of the identified 2012 projected test year expense ($58,196 jurisdictional). This expense protects shareholders from the decisions they made when they hired the Company's Board of Directors and the Board of Directors in turn hired the officers of the Company. The question is whether this cost that the Company has elected to incur as a business expense is for the benefit of shareholders and/or ratepayers. The benefit of this insurance clearly inures primarily to shareholders. Ratepayers are not the parties who initiate litigation that is associated with decisions made by the officers and directors of the Company. Generally, the one initiating any suit is a shareholder. However, I am aware that, in the PEF docket, the Commission determined that the customer and the shareholder both benefit, and decided that there should be a sharing of the cost associated with that benefit.

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

OPC: See OPC's position on Issue 76.

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

OPC: Yes, Gulf's projected $4.918 million for distribution tree trimming in 2012 should be reduced by $386,834 (jurisdictional). Gulf has been allowed to recover a total of $4.7 million from its last rate case Docket No. 010949-EI and the Storm Hardening Docket No. 060198-EI. Subsequent to the storm hardening docket, Gulf has averaged $4.3 million. Limiting maintenance in previous years, for whatever reason, is no justification for passing the catch up costs on to ratepayers. Gulf's increase in projected spending increase for the rate case should not be approved and an adjustment is required to reflect the level of spending the Company is actually performing in its attempt to comply with the Storm Hardening Requirements approved by the Commission in Docket No. 060198-EI.

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

OPC: Yes. Gulf's request for $1,100,000 should be reduced by $371,701 (jurisdictional). The Commission allowed $734,000 for pole line inspection program in Gulf's last rate case, yet the Company has failed to expend the allowed level in rates in six of the last seven years. Even though Gulf's 7-year historical average for pole inspections was $530,147, OPC recommends that the 2010 level of $690,037 be escalated to 2012 dollars, resulting in an expense of $728,299. Gulf has not supported its requested expense increase for pole inspections and it is not appropriate to collect funds from ratepayers for maintenance that is not being performed. The Company must show that it will spend as much or more than what has been allowed in rates to justify an increase to be included in future rates.

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

OPC: Yes. Pole line inspection expense should be reduced by $371,701.

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?

OPC: No position.

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

OPC: No position.

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

OPC: The appropriate amount of production plant O&M expense is $99,212,245, which is $11,675,270 less than the Company's requested $110,887,515. The appropriate jurisdictional adjustment is a reduction of $11,291,492. Gulf's projected 2012 expense is 19.38% higher than the 2010 expense and significantly higher than the historical 5-year average. Further, Gulf stated that it has not deferred any maintenance and the explanations to support the increase are inadequate.

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

OPC: No position.

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

OPC: No position.

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

OPC: No position.

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

OPC: Yes. Gulf Power's proposed level is unreasonably high, due to excessively high estimates of meal and travel expenses. The appropriate adjustment is a reduction of $102,273.

Issue 89: Should an adjustment be made to uncollectible expense for the 2012 projected test year? (OPC's Issue 15)

OPC: Yes. Gulf Power's projected 2012 level should be replaced by a historical four year average level of bad debt expense. This results in a reduction in the amount of $346,000.

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)

OPC: No. The appropriate amount is $246,132,000.

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

OPC: No position.

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)

OPC: No. The appropriate amount is $94,656,000, which reflects a reduction to Gulf's requested balance of $524,000.

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

OPC: The appropriate amount of taxes other than income should be $27,977,000. This reflects a reduction to Gulf's requested balance of $786,000 for OPC's recommended salary adjustment.

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

OPC: Yes, the appropriate adjustment is a reduction to income tax expense of $2,126,000 (or $1,766,000 on a jurisdictional basis).

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

OPC: The appropriate amount of test year income tax expense before any revenue increase should be as follows:

Federal & State Income Taxes	($50,989,000)
Deferred Federal Income Taxes	$77,058,000
Deferred State Income Taxes	$5,112,000

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)

OPC: No, the appropriate total operating expenses should be $398,992,000 (jurisdictional).

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)

OPC: No, the appropriate net operating income is $85,027,000.

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?

OPC: The appropriate net operating income multiplier should be 1.634173. This reflects the OPC's recommended adjustment to replace the Company's proposed bad debt rate of 0.3321% with a more appropriate rate of 0.3056%.

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

OPC: No, the appropriate revenue increase should be $11,812,000.

Cost of Service and Rate Design

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

OPC: No position.

<u>Issue 101</u>: 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?

OPC: No position.

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

OPC: No position.

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

OPC: No position.

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

OPC: No position.

<u>Issue 105</u>: 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?

OPC: No position.

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

OPC: No position.

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

OPC: No position.

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

OPC: No position.

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

OPC: No position.

Issue 110: What are the appropriate demand charges?

OPC: No position.

Issue 111: What are the appropriate energy charges?

OPC: No position.

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

OPC: No position.

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

OPC: No position.

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

OPC: No position.

Issue 115: What are the appropriate transformer ownership discounts?

OPC: No position.

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

OPC: No position.

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?

OPC: No position.

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?

OPC: Yes.

Issue 119: Should this docket be closed?

OPC: No position.

J.R. Kelly
Public Counsel

s/ Joseph A. McGlothlin
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CERTIFICATE OF SERVICE
DOCKET NO. 110138-EI

I HEREBY CERTIFY that a copy of the foregoing **PRELIMINARY LIST OF ISSUES AND POSITIONS OF THE OFFICE OF PUBLIC COUNSEL** has been furnished by electronic mail to the following parties on this 3rd day of November, 2011 to the following:

Caroline Klancke, Esquire
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