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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 30 pages.

e. The document attached for electronic filing is the Prehearing Statement of the Office of Public Counsel.
(See attached file: 110138.prehearing statement.FINAL.sversion.docx)

Thank you for your attention and cooperation to this request.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in rates by Gulf Power Company.	DOCKET NO.: 110138-EI FILED: November 14, 2011

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel, pursuant to the Order Establishing Procedure in this docket, Order No. PSC-11-0307-PCO-EI, issued March 29, 2011, hereby submit this Prehearing Statement.

APPEARANCES:

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On behalf of the Citizens of the State of Florida

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On behalf of the Citizens of the State of Florida

1. **WITNESSES:**

The Citizens intend to call the following witnesses, who will address the issues indicated:

NAME	ISSUES
Donna Ramas	8, 9, 12-15, 18, 21, 22, 28, 30-33, 42, 66-75, 88-99
Helmuth W. Schultz, III,	24, 25, 27, 76-80, 84, 86
Kimberly H. Dismukes	10, 16, 17, 39-41, 47-49,

	51-53, 55-65
J. Randall Woolridge	34-38, 94

2. **EXHIBITS:**

Through Donna Ramas, Helmuth W. Schultz, III, Kimberly H. Dismukes and J. Randall Woolridge, the Citizens intend to introduce the following exhibits, which can be identified on a composite basis for each witness:

Witness	Exhibits	Title	Schedule
D. Ramas	DR-1	Donna Ramas Schedules	
D. Ramas	DR-1	Revenue Requirement	A
D. Ramas	DR-1	Net Operating Income Multiplier	A-1
D. Ramas	DR-1	Adjusted Rate Base	B-1
D. Ramas	DR-1	Transmission Capital Expenditures	B-2
D. Ramas	DR-1	Distribution Capital Expenditures - SGIG Projects	B-3
D. Ramas	DR-1	Adjusted Net Operating Income	C-1
D. Ramas	DR-1	Uncollectible Expense	C-2
D. Ramas	DR-1	Payroll Expense	C-3
D. Ramas	DR-1	Incentive Compensation Expense	C-4
D. Ramas	DR-1	Payroll Tax Expense	C-5
D. Ramas	DR-1	Rate Case Expense	C-6
D. Ramas	DR-1	Income Tax Expense	C-7
D. Ramas	DR-1	Interest Synchronization Adjustment	C-8
D. Ramas	DR-1	Cost of Capital	D
D. Ramas	DR-2	Qualifications of Donna Ramas	
Helmuth W. Schultz, III	HWS-1	H.W. Schultz, III Schedules	
Helmuth W. Schultz, III	HWS-1	Storm Reserve Analysis	C-1
Helmuth W. Schultz, III	HWS-1	Distribution Vegetative management - Tree Trimming	C-2
Helmuth W. Schultz, III	HWS-1	Pole Line Inspection Expense	C-3
Helmuth W. Schultz, III	HWS-1	Fossil Plant Maintenance	C-4
Helmuth W. Schultz, III	HWS-2	Qualifications of Helmuth W. Schultz, III	
Kimberly H. Dismukes	KHD-1	Kimberly H. Dismukes Qualifications Appendix	1
Kimberly H. Dismukes	KHD-2	Southern Company Organizational Chart	2
Kimberly H. Dismukes	KHD-3	Test Year Transactions with Affiliated Companies	3
Kimberly H. Dismukes	KHD-4	Charges from SCS to Affiliates 2005 – 2010	4
Kimberly H. Dismukes	KHD-5	Company Fixed Percentage Allocation Factors	5

Kimberly H. Dismukes	KHD-6	Company Statistics for Developing Fixed Percentage Allocations	6
Kimberly H. Dismukes	KHD-7	Recommended Financial Allocation Factor	7
Kimberly H. Dismukes	KHD-8	Recommended Fixed Percentage Allocation Factors	8
Kimberly H. Dismukes	KHD-9	Adjustment for Recommended Allocation Factors	9
Kimberly H. Dismukes	KHD-10	AllConnect Script	10
Kimberly H. Dismukes	KHD-11	Gulf Power Nonregulated Services	11
Kimberly H. Dismukes	KHD-12	Recommended Revenue Adjustment for Nonregulated Services Provided by Gulf Power	12
Kimberly H. Dismukes	KHD-13	Recommended Disallowances for SCS Work Orders	13
J. Randall Woolridge	JRW-1	Resume of J. Randall Woolridge	
J. Randall Woolridge	JRW-2	Weighted Average Cost of Capital	
J. Randall Woolridge	JRW-3	Interest Rates and Spreads	
J. Randall Woolridge	JRW-4	Summary Financial Statistics for Proxy Group	
J. Randall Woolridge	JRW-5	Capital Structure Ratios and Debt Cost Rate	
J. Randall Woolridge	JRW-6	Roe V. Market-To-Book Ratio	
J. Randall Woolridge	JRW-7	Utility Bonds and Proxy Group Averages	
J. Randall Woolridge	JRW-8	Industry Average Betas	
J. Randall Woolridge	JRW-9	Three-Stage DCF Model	
J. Randall Woolridge	JRW-11	CAPM Study	
J. Randall Woolridge	JRW-12	Summary of Gulf Power's Proposed Cost of Capital	
J. Randall Woolridge	JRW-13	Summary of Dr. Vander Weide's Results	
J. Randall Woolridge	JRW-14	DCF Growth Rate Analysis	
J. Randall Woolridge	JRW-15	GDP and S&P 500 Growth Rates	

3. STATEMENT OF BASIC POSITION

As modified by the stipulation to move certain Plant Crist turbine upgrades from the environmental cost recovery clause to base rates, in this proceeding Gulf Power is requesting to increase its base rates by $101,608,000 annually. (Under Gulf Power's proposal, it would credit $3,512,000 back to customers during 2012 by adjusting the ECRC factor downward. The credit would discontinue January 1, 2013.) Under Florida's regulatory framework, the Commission should develop base rates that will generate revenues sufficient to provide Gulf Power an opportunity to recover its reasonable operating expenses and a fair return on its investment in plant. The application of this standard to Gulf Power's petition and testimony establishes that Gulf Power overreaches in its request. For example, the 11.7% return on equity capital that Gulf seeks is plainly excessive. A return on equity of 9.25% is appropriate and fair under prevailing conditions in the capital markets. The cost rates that Gulf assumes for debt and preferred stock are also unrealistically high. Needed adjustments to Gulf's proposed costs of capital alone have the effect of reducing Gulf's requested annual increase by approximately $33 million.

Further, close scrutiny reveals that Gulf Power included levels of plant and expenses in its proposed test year that are unjustified. For example, Gulf asks the Commission to increase rate base by some $27 million now on the grounds a 4,000 acre parcel of property it is acquiring will "preserve a nuclear option" for Gulf. Because it has not sought, much less received, a "determination of need" for a nuclear unit, Gulf's attempt to invoke Section 366.93, F.S. (the statute that authorizes recovery of certain costs of nuclear units in advance of the in-service date) is entirely misplaced. Gulf's request that Gulf's retail customers shoulder now the full cost of property designated for what is at best a highly speculative future undertaking should be denied.

Gulf's request to have retail customers bear the cost of approximately $12.4 million of incentive compensation should be denied, because the incentives are based primarily on criteria that benefit shareholders, not customers. Gulf's request to increase the annual accrual for the storm damage reserve from $3.5 million to $6.8 million is also overstated. As OPC's witnesses will develop, certain other plant balances and expense levels in Gulf's projected test year are skewed in the direction of excessive costs.

An examination of Gulf's transactions with affiliated companies, as well as a review of Gulf's own non-regulated activities, indicates that some $2 million of additional revenues should be imputed to avoid having Gulf's retail customers subsidize activities that do not relate to the electric service they receive.

OPC is sponsoring the testimony of four expert witnesses who support these and other adjustments to Gulf's submission. The precise individual adjustments are identified in response to specific issues within this Prehearing Statement. Accepting all of OPC's adjustments would have the effect of reducing Gulf's $101,608,000 request by $85,387,000 to $16,221,000.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

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. (Ramas)**

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 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. (Ramas)**

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. See OPC's positions on Issues 16 and 17 (Dismukes)**

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. The structure of Gulf's incentive compensation plans focuses on shareholder benefits and should be funded by the shareholders, who are the beneficiaries when the plan goals are achieved. The costs should not be funded by the ratepayers, especially in light of today's economic climate. Plant in service should be reduced by $1,217,206. (Ramas)**

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

OPC: **No, it is not be appropriate to charge the full cost of the project and**

incorporate those costs in rate base charged to customers. Like CIAC, any monies that were received through a grant should be excluded from Plant in Service. If any of the projects included in plant in service in Gulf's filing are being funded through the SGIG grant, the portion funded through the grant should be removed from rate base. The benefit of the SGIG grant funding should be flowed to the ratepayers, and ratepayers should not be paying a return on investments that are being reimbursed in part to Gulf Power by the Department of Energy. (Ramas)

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

OPC: **The amount of transmission capital additions incorporated in its filing, excluding SGIG projects, are substantially higher than historic expenditure levels. Gulf budgeted for 2011 that the infrastructure replacement projects in the transmission area will be $15,948,000, which is more than double the average historic level from 2003 through 2010 of $7.3 million. This average is higher than normal operating conditions, given the fact that several hurricanes impacted Gulf's service territory, resulting in a higher level of transmission replacement projects during that period. The budgeted 2011 and 2012 transmission infrastructure replacement projects should be replaced with the average historical actual amount. This results in an $8,695,699 reduction to budgeted 2011 transmission capital additions and a $2.4 million increase in the 2012 level, for a net decrease to plant of $7,502,049. (Ramas)**

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

OPC: **Gulf's budgeted capital additions include $1,980,000 in both 2011 and 2012 for distribution plant additions associated with the Smart Grid Investment Grant program projects. If any of the average test year plant balances include amounts that are being funded by the DOE grant program, the portion funded by the DOE should be removed and not be included in Gulf's rate base. (Ramas)**

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

OPC: **No. Work Order 46C805 for Wireless Systems related to capital equipment purchases that were incurred after the conversion to Enterprise Solutions. Subsequent to the conversion, it became necessary for billing from the Georgia Power ("GPC") to flow through the SCS Work Order system and then get billed to the individual operating companies. This Work Order amounted to $2.2 million charged to Gulf, and was for capital equipment which should be offset with a reduction of direct bill materials from GPC.**

The Company has provided no documentation or other evidence that the savings that will offset these capital dollars have been reflected in the test year. In the absence of such a showing, $401,146 ($387,596 jurisdictional) should be removed from the test year. (Dismukes)

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

OPC: **No. Southern charges all affiliates for the total SouthernLINC charges that are not able to be recovered through commercial revenues and in 2012, the charges to Gulf Power are projected to increase because of the "larger than anticipated drop in commercial customer revenue." SouthernLINC is an unregulated affiliate, and its losses should not be subsidized by Gulf Power's ratepayers. The Commission should remove $79,141 from the test year capital additions related to the expense reduction recommended in Issue 52. (Dismukes)**

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. Gulf Power's supplemental testimony to include the Crist turbine upgrades in base rates effectively increases is requested plant in service to $2,673,816,000. Plant in service should be reduced by $41,033,000 to reflect a jurisdictional balance of $2,632,783,000. (Ramas)**

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. Gulf's supplemental filing to include the Crist turbine upgrades in this case increases jurisdictional accumulated depreciation from $1,179,823,000 to $1,182,934,000. Adjustments are appropriate to reduce the updated**

accumulated depreciation amount by $1,964,000 to reflect a jurisdictional balance of $1,180,970,000. On a total company basis, Accumulated depreciation should be reduced by $193,220 for transmission and $42,967 for incentive compensation plant related adjustments. The $3,111,000 increase to accumulated depreciation in Gulf's supplemental filing should be reduced by $1,687,000 to $1,424,000. (Ramas)

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 completely from rate base. (Ramas)**

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. (Schultz)**

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. (Schultz)**

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 repair 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. (Schultz)**

__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. (Ramas)**

__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. (Ramas)**

<u>**Issue 31**</u>: 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. Gulf's supplemental filing to include the Crist turbine upgrades increases rate base by $58,757,000 to $1,734,761,000. The appropriate rate base should be $1,605,454,000. (Ramas)**

<u>Cost of Capital</u>

<u>**Issue 32**</u>: 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. Also, if the Commission grants Gulf's request to annualize the impacts of the Crist Units 6 and 7 turbine upgrades in rate base, which the OPC recommends against, then the resulting impact of those projects on deferred income taxes should also be annualized. (Ramas)**

<u>**Issue 33**</u>: 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%. (Ramas)**

<u>**Issue 34**</u>: 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%, based on the 2011 Gulf projected rate. The 2012 senior capital cost rates were developed by Gulf in September of 2010 and are based on projected short-term and long-term interest rates that are well in excess of the interest rates in the market today. (Woolridge)**

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% based on the 2011 Gulf projected rate. The 2012 senior capital cost rates were developed by Gulf in September of 2010 and are based on projected short-term and long-term interest rates that are well in excess of the interest rates in the market today. (Woolridge)**

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% based on the 2011 Gulf projected rate, with an adjustment to reflect the actual yield on bonds issued in May 2011 at 5.75%, instead of the estimated yield of 6.50% for a projected bond issue in April 2011. The projected 2012 senior capital cost rates were developed by Gulf in September of 2010 and are based on projected short-term and long-term interest rates that are well in excess of the interest rates in the market today. (Woolridge)**

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

OPC: **Based on OPC expert witness Dr. Woolridge's analyses, in which he employed the Discounted Cash Flow Model ("DCF") and the Capital Asset Pricing Model ("CAPM"), the appropriate ROE for Gulf Power is 9.25%. Gulf Power's request of 11.7% is overstated for reasons developed in Dr. Woolridge's testimony. (Woolridge)**

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: **Using Gulf's proposed capital structure ratios, and after adjustments for the rates for short-term and long-term debt, preferred stock and the appropriate ROE, the appropriate weighted average cost of capital is 5.89%. (Woolridge)**

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. The non-regulated companies receive significant intangible benefits that**

the regulated operating companies developed over the years and have provided to the non-regulated companies at no cost simply by their close affiliation and association. An adjustment should be made to compensate the regulated operating companies as discussed in Issue 40. (Dismukes)

<u>Issue 40</u>: 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. The Commission should assess a 2% compensation payment on the revenue earned by the non-regulated companies, which should be allocated to the regulated companies on the basis of the amount of revenues earned by the non-regulated companies. A 2% compensation payment assessed against the non-regulated revenue of several affiliates would result in an increase to Gulf's test year revenue of $1.5 million. (Dismukes)**

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

OPC: **Yes. Gulf is able to earn an excessive rate of return from non-regulated products and services (Premium Surge, Commercial Surge, and AllConnect) all of which stem from the regulated electric operations, without an extraordinary effort from Gulf's non-regulated operations. These non-utility operations could not be offered without the close association with and good will of Gulf's regulated electric utility. Revenues of $572,000 should be moved above-the-line because Gulf has failed to demonstrate that Gulf has been compensated for the use of its reputation, goodwill, logo, and trained personnel. Alternatively, the Commission could require that the non-regulated operations provide Gulf a compensation payment of at least 2% of annual revenue. OPC also recommends that Gulf should be ordered to conduct a thorough examination of these operations and develop appropriate cost allocation procedures for non-regulated operations, which can then be examined/audited by the Commission in Gulf's next rate proceeding. (Dismukes)**

<u>Issue 42</u>: 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). This reflects an increase to test year revenues of $2,110,000 for the 2% compensation payment on the revenue earned by the non-regulated companies and the imputed revenue for non-regulated services and products. (Dismukes)**

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. See OPC's positions on Issue 39-41 and 48-68. (Dismukes)**

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

OPC: **Yes. See OPC's positions on Issues 49-68. (Dismukes)**

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 and it should be assessed a 2 percent compensation payment analogous to that described in Issue 41. (Dismukes)**

Issue 50: **DROPPED**

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

OPC: **Yes. Allocation factors should be based upon cost-causative relationships to the extent possible and also recognize the benefits received from the service provided. Gulf used a "financial" factor to allocate many affiliate administrative and general expenses, which overstates allocations to regulated companies and understates allocations to non-regulated companies. One example of bias compares the revenues per kWh for Gulf compared to those of Southern Power, which sells its power at the lower wholesale level and may not be indicative of the benefits or the level of service provided by SCS to Southern Power. Additionally, including a revenue allocation factor tends to under allocate costs to new non-regulated companies. New start-up companies produce little revenue relative to the level of effort and management activities focused on these new ventures, while revenue allocators tend to over allocate costs to capital-intensive companies because they need to generate more revenue to produce the same return on investment than less capital-intensive companies. On the expense side, the factor apparently includes fuel and purchased power expenses, which over allocates costs to the regulated operating companies. OPC recommends that the financial factor be adjusted to remove the revenue component in the factor and the fuel and purchased power from the expense component of the factor. The impact is to reduce expenses by $832,284. (Dismukes)**

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

OPC: **Yes. Southern charges all affiliates for the total SouthernLINC charges that are not able to be recovered through commercial revenues. In 2012, the charges to Gulf Power are projected to increase because of the "larger than anticipated drop in commercial customer revenue." SouthernLINC is an unregulated affiliate. Its losses should not be subsidized by Gulf Power's ratepayers. The Commission should remove $294,765 from the test year expenses. See also OPC's position on the capital component in Issue 17. (Dismukes)**

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. The expenditures in this work order, relating to a system-wide system to keep track of distribution assets, were increased by 587%. Gulf suggested**

they would be offset by cost savings. The cost savings apparently were not been included in the test year, and the costs were capitalized instead of expensed. Gulf has failed to justify including these costs. The appropriate expense reduction is $343,807. (Dismukes)

<u>Issue 54</u>: **DROPPED**

<u>Issue 55</u>: 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. Gulf was unable to provide several of the requested Work Orders, which show the purpose of the work order, the method used to allocate costs, and the client company. (Dismukes)**

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

OPC: **Yes. Looking at this accounting-comptroller work order, it is not clear what service is being provided to Gulf and its customers or if the description remains valid today. In the absence of supporting documentation showing that the costs booked benefit Gulf and its customers, test year expenses should be reduced by $116,841. (Dismukes)**

<u>Issue 57</u>: 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?

OPC: **Yes. This 2011 work order relates to consulting funds for an outside benefits review which apparently was increased because it did not occur annually. Because the review will not reoccur annually, the cost should be amortized over two years. The corresponding adjustment is a reduction of $18,067 to test year expenses. (Dismukes)**

<u>Issue 58</u>: 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. (Dismukes)**

__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 $102,411, respectively. (Dismukes)**

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

OPC: **Yes. The Commission typically disallows expenses that are public relations oriented and image-enhancing, finding that they benefit stockholders, not customers. Gulf Power failed to demonstrate that such expenses benefit customers. Based on past Commission precedent, test year expenses should be reduced by $17,482. (Dismukes)**

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

OPC: **Yes. These work orders relate to Chief Operating Officer legal expenses and External Affairs legal matters. Gulf has not demonstrated that the costs charged to these two accounts benefit ratepayers. Test year expenses should be reduced by $33,690. (Dismukes)**

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

OPC: **Yes. The increase in expenses for Work Order 486030 from the test year relate to an unexplained increase in aircraft expenses and amount to a 97 percent increase over the 2011 amount. The $101,859 increase over the budgeted 2011 amount should be removed from test year expenses. (Dismukes)**

__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. (Dismukes)**

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

OPC: **Yes. Consistent with prior Commission practice, test year operating expenses should be reduced by $96,851 to remove the costs of shareholder services, which benefits stockholder, not ratepayers. (Dismukes)**

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

OPC: **Yes. Consistent with OPC's position on Issue 60, public relations and image-enhancing advertising expenses should be borne by stockholders. The appropriate adjustment is a reduction of $17,482. (Dismukes)**

<u>Issue 66</u>: Should interest on deferred compensation be included in operating expenses?

OPC: **No. Gulf has projected interest expense with an estimated 2012 prime rate of 6.78% on deferred compensation presumably for executives or senior level employees. Gulf has not documented or justified why interest is being paid, how the deferred compensation amounts resulted, or why such a high rate of interest should be passed on to Gulf's ratepayers. Test year expenses should be reduced by $362,309 ($355,059 jurisdictional). (Ramas)**

<u>Issue 67</u>: Should SCS Early Retirement Costs be included in operating expenses?

OPC: **No. Gulf neither explained nor supported what the "SCS Early Retirement" accrual was for or why it should be passed on to Gulf's ratepayers. Test year expenses should be reduced by $50,340. (Ramas)**

<u>Issue 68</u>: Should Executive Financial Planning Expenses be included in operating expenses?

OPC: **No. Gulf removed $13,000 from test year expenses for management financial planning, consistent with the Commission's treatment in Gulf's last rate case. Gulf's response to OPC Interrogatory 184(c), states that the test year includes $61,452 for amounts paid to financial planning vendors for the executive financial planning services. Gulf's executives receive adequate compensation to provide for their own financial planning consultants, and ratepayers should not be required to fund any of these costs in rates. Test year expenses should be reduced by $48,000 of executive financial planning costs remaining in the 2012 test year. (Ramas)**

<u>Issue 69</u>: Are Gulf's proposed increases to average salaries for Gulf appropriate?

OPC: **No. See OPC's position on Issue 70. (Ramas)**

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

OPC: **No. Gulf projected 159 additional employees (a 12% increase) between year ended December 31, 2010 and the January 1, 2012 beginning of the test year. This results in a projected 2012 base payroll costs increase of $4,387,786. Overall O&M expenses, after removal of clauses, were increased by $6,120,261 related to the new employees once the related bonuses and employee benefits are also considered. Gulf assumed a zero employee vacancy rate for the entire 2012 test year. Since its last rate case, in the past nine years Gulf's vacancy rate has consistently been below budget and ranged from 5.08% to 6.10%. For the 6-month period ended June 30, 2011, Gulf's average employee complement was 9.81% below budget. As of June 30, 2011, Gulf had increased its number of employees by 33 but was still 124 employees below budget. It is unrealistic and unreasonable to assume that Gulf will fill 100% of its budgeted employee positions by January 2012 or that Gulf will maintain a 0% vacancy factor throughout the entire test year. Gulf's employee increase should be reduced by 91 positions, allowing 68 additional positions, or 42.8% of its request which results in 1,398 employees in the test year. Gulf's expenses should be reduced by $3,195,627, which removes the base payroll, medical and other group insurance costs, and employee savings plan costs. (Ramas)**

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

OPC: **Gulf incentive compensation programs result in a requested expense of $12,623,632 (included in the adjusted test year O&M expenses) plus $3,245,884 in capital costs. The Stock Option Expense, Performance Share Program, and Performance Dividend Program focus on shareholder return goals and are provided to upper level employees only. The Performance Pay Program (PPP) is available to most employees and is weighted 2/3 on Southern and Gulf earnings and 1/3 on operational goals, which are far outweighed by Southern Company's financial goals. The target awards range from 5% to 12.5% of base pay bargaining unit employees and lower level employees. Upper level employees receive 25% to 60% awards, depending on the pay grade, but no PPP awards are given unless Southern's earnings exceed the prior year's dividends. The large emphasis on earnings shifts the focus of the plan to areas that benefit shareholders and could be detrimental to the customer service provided. Consistent with prior Commission practice, the test year incentive compensation expense should be disallowed and should instead be funded by shareholders. Gulf's adjusted test year expenses should be reduced by $12,623,632. Further, if any of the charges from SCS or other affiliates that are incorporated in Gulf's test year expenses include costs associated with the PPP, the various stock option plans or other incentive compensation plans, those costs should also be removed and not passed on to Gulf's ratepayers. (Ramas)**

__Issue 72__: What is the appropriate allowance for employee benefit expense?

OPC: **OPC's recommended adjustments to employee benefits have been incorporated into our positions on Issues 66, 67, 68, 70 and 71. (Ramas)**

__Issue 73__: What is the appropriate amount of Other Post Employment Benefits Expense for the 2012 projected test year?

OPC: **OPC does not take issue with the amount of Other Post Employment Benefits Expense incorporated in Gulf's filing at this time. (Ramas)**

__Issue 74__: What is the appropriate amount of Gulf's requested level of Salaries and Employee Benefits for the 2012 projected test year? (Fallout Issue)

OPC: **See OPC's positions on issues 68 through 73. (Ramas)**

__Issue 75__: What is the appropriate amount of Pension Expense for the 2012 projected test year?

OPC: **OPC does not take issue with the amount of Pension Expense incorporated in Gulf's filing at this time. (Ramas)**

__Issue 76__: What is the appropriate amount of the accrual for storm damage for the 2012 projected test year?

OPC: **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 repair 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. See OPC's position on Issue 27. (Schultz)**

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

OPC: **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. (Schultz)**

Issue 78: What is the appropriate amount of the accrual for the Injuries & Damages reserve for the 2012 projected test year?

OPC: **See OPC's position on Issues 27 and 76. OPC takes no position on items within this category other than storm damage. (Schultz)**

Issue 79: What is the appropriate amount of Gulf's tree trimming expense for the 2012 projected test year?

OPC: **Gulf's projected $4.918 million for distribution tree trimming in 2012 should be reduced by $386,834 (jurisdictional) to reflect a level of $4,531,320. Subsequent to Docket No. 060198-EI (the storm hardening docket), Gulf has averaged $4.3 million of tree trimming expense. Limiting maintenance in previous years, for whatever reason, is no justification for passing the catch up costs on to ratepayers on a continuing basis. Gulf's increase in projected spending increase for the rate case should not be approved. 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. (Schultz)**

Issue 80: What is the appropriate amount of Gulf's pole inspection expense for the 2012 projected test year?

OPC: **Gulf's request for $1,100,000 should be reduced by $371,701 (jurisdictional) to reflect a level of $728,299. The Commission allowed $734,000 for distribution 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. (Schultz)**

Issue 81: What is the appropriate amount of Gulf's transmission inspection expense for the 2012 projected test year?

OPC: **No position.**

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: Are there any productivity improvements that should be reflected as an adjustment to Gulf's proposed O&M expenses? If so, what is the appropriate amount of such adjustment?

OPC: **No position.**

Issue 84: What is the appropriate amount of production plant O&M 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. (Schultz)**

Issue 85: What is the appropriate amount of Gulf's transmission O&M expense?

OPC: **No position.**

Issue 86: What is the appropriate amount of Gulf's distribution O&M expense?

OPC: **See OPC's positions on Issue 79 and 80. (Schultz)**

Issue 87: What is the appropriate amount of Gulf's office supplies and expenses for the 2012 projected test year?

OPC: **No position.**

Issue 88: What is the appropriate amount of Rate Case Expense for the 2012 projected test year?

OPC: **Gulf Power's proposed level is unreasonably high, due to excessively high estimates of numbers of people and days of travel for meals and hotel expenses, which should be reduced by $102,273. Other adjustments are necessary to remove expenses from SCS of $99,000 for Information Technology, Human Resources and Accounting functions that are already performed in-house at Gulf, and $222,000 for Cost of Service Study assistance in addition to outside consultant charges. Gulf has not shown that the SCS costs are incremental to costs already projected to be allocated or charged to Gulf from SCS during the test year. Finally, $59,000 of projected overtime labor should be removed as labor costs should already be provided for in Gulf's 2012 budget incorporated in the filing. In total, Gulf's projected rate case costs should be decreased by $482,273 to $2,317,727. The 4-year annual amortization is $579,432, which is a $120,568 reduction to test year expenses. (Ramas)**

Issue 89: What is the appropriate amount of uncollectible expense for the 2012 projected test year?

OPC: **The appropriate amount of uncollectible expense is $3,997,000. Gulf's projected 2012 projected bad debt factor of 0.3321% is not consistent with its historical bad debt rate, which averaged 0.3056% for 2007-2010. This 4-year average is higher than the 2010 rate realized by Gulf of 0.2937%, the year of the Gulf oil spill. Gulf has provided no information in its filing or testimony regarding how the factor was determined or the assumptions used. This unsupported projection should be replaced with a historical 4-year average of bad debt expense, resulting in a reduction of $346,000. The bad debt factor should also be adjusted to calculate the NOI multiplier. (Ramas)**

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. After OPC's recommended adjustments, the appropriate amount is $246,132,000. (Ramas)**

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

OPC: **In its supplemental filing to include the Crist turbine upgrade projects, Gulf increased its depreciation expense request by $2,161,000 ($2,237,000 system). On a jurisdictional basis, depreciation expense should be reduced by $187,000 for transmission and $42,967 for incentive compensation plant-**

related adjustments. The requested increase in depreciation expense for the Christ turbine upgrades should be reduced by $1,227,000 from $2,161,000 to $934,000. See Issue 92. (Ramas)

<u>Issue 92</u>: 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. In its supplemental filing to include the Crist turbine upgrade projects, Gulf increased its depreciation expense request by $2,161,000 ($2,237,000 system). The appropriate amount is $95,885,000, which reflects a reduction to Gulf's updated requested balance of $1,456,000. On a jurisdictional basis, depreciation expense should be reduced by $187,000 for transmission and $42,967 for incentive compensation plant-related adjustments. The requested increase in depreciation expense for the Christ turbine upgrades should be reduced by $1,227,000 from $2,161,000 to $934,000. (Ramas)**

<u>Issue 93</u>: 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 incentive compensation adjustment. (Ramas)**

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

OPC: **Yes. Gulf has not overcome the rebuttable presumption required by the rule, and thus has failed to show that the parent's investment in Gulf is not made in the same ratios as exists in the Southern's capital structure. The fact that no adjustment was made in the last rate case provides no support to Gulf, because the issue was not addressed. The argument that for years Gulf sent more dividends to Southern Company than the amount of equity that Southern invested in Gulf also does not provide an exception, because it is impossible to "trace dollars." As shown on MFR Schedule D-2, the capital structure of Southern Company, after the elimination of subsidiary debt, has debt outstanding on an ongoing basis. Therefore, in the absence of an all equity capital structure at the parent level, a PDA is appropriate for Gulf Power. Gulf's calculation of the adjustment is consistent with the rule and should be made as a $2,126,000 reduction to income tax expense ($1,766,000 on a jurisdictional basis). (Woolridge, Ramas)**

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

OPC: **Based on OPC's recommended adjustments, the appropriate amount of test year income tax expense before any revenue increase should be as follows: (Ramas)**

Federal & State Income Taxes	**($51,762,000)**
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. Gulf's supplemental filing increases its requested operating expenses by $816,000 to $421,770,000, after OPC's recommended adjustments, the appropriate total operating expenses should be $399,448,000 (jurisdictional). (Ramas)**

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. Gulf's supplemental filing increases its projected Net Operating Income by $816,000 to $61,771,000. After OPC's recommended adjustments, the appropriate net operating income is $84,571,000. (Ramas)**

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%. (Ramas)**

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. Gulf's Supplemental filing increases the amount of annual operating revenue increase from $93,504,000 to $101,618,000. OPC's recommended adjustments, including OPC's recommended impacts associated with the Crist turbine upgrades, results in the appropriate revenue increase of $16,221,000. (Ramas)**

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.**

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?

OPC: **No position.**

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

OPC: **No position.**

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?

OPC: **No position.**

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?

OPC: **No position.**

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?

OPC: **No position.**

Issue 106: 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.**

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

OPC: **No position.**

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

OPC: **No position.**

<u>Issue 110</u>: What are the appropriate demand charges?

OPC: **No position.**

<u>Issue 111</u>: What are the appropriate energy charges?

OPC: **No position.**

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

OPC: **No position.**

<u>Issue 113</u>: 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 are 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: **Yes. Gulf should be required to refund, with interest, the difference between the Commission approved $38.5 million interim increase and the $16.2 OPC recommended final increase.**

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.**

5. STIPULATED ISSUES:

None at this time.

6. **<u>PENDING MOTIONS</u>:**

None.

7. **<u>STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:</u>**

None.

8. **<u>OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT</u>:**

None at this time.

9. **<u>STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE</u>:**

There are no requirements of the Order Establishing Procedure with which the Office of Public Counsel cannot comply.

Dated this 14th day of November, 2011

J.R. Kelly
Public Counsel

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and foregoing **PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL** has been furnished by electronic mail and U.S. Mail on this 14th day of November, 2011, to the following:

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