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GULF POWER
A SOUTHERN COMPANY

November 14, 2011

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Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 110138-EI

Dear Ms. Cole:

Enclosed are an original and seven copies of the Prehearing Statement of Gulf Power Company to be filed in the above referenced docket. Also, enclosed is a CD containing the Prehearing Statement of Gulf Power in Microsoft Word as prepared on a Windows XP operating system.

Sincerely,

Susan Ritenour (RWD)

COM ____
APA 1 mm
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GCL 1
RAD 1
SRC 1
ADM ____
OPC ____
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Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esq.

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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 Date Filed: November 14, 2011

<u>GULF POWER COMPANY'S PREHEARING STATEMENT</u>

Gulf Power Company, ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, and pursuant to Order No. PSC-11-0307-PCO-EI, files this prehearing statement, saying:

<u>A. APPEARANCES</u>

JEFFREY A. STONE, Esquire, RUSSELL A. BADDERS, Esquire, and STEVEN R. GRIFFIN, Esquire, of Beggs and Lane, P. O. Box 12950, Pensacola, FL 32576, CHARLES A. GUYTON, Esquire, Gunster, Yoakley & Stewart, P.A., 215 South Monroe Street, Suite 618, Tallahassee, FL 32301, and RICHARD D. MELSON, Esquire, 705 Piedmont Drive, Tallahassee, FL 32312.
<u>On behalf of Gulf Power Company</u>.

B. WITNESSES

Witness (Direct)	Subject Matter	Issues
M. A. Crosswhite	Rate Case Overview	
R. L. McGee	Customer, Energy, Demand and Base Rate Revenue Forecasts; Load Research	3, 4, 5, 42
W. G. Buck	Budget Process; Financial Plan	5, 83
R. S. Teel	Steps to avoid rate case; Appropriateness of 2012 Test Year; Need for rate increase; Financial Integrity and Credit Quality; Capital Structure and Cost of Capital; Parent Debt Adjustment	2, 94
J. H. Vander Weide	Cost of Equity Capital; Rate of Return on Equity	37
P. B. Jacob	Customer Operations Overview; Customer Satisfaction; Transmission and Distribution Performance; Distribution Plant and O & M	7, 17, 52
P. C. Caldwell	Transmission System Overview; Transmission System Management; Transmission Planning and Budget Process; Transmission Plant and O & M; Transmission System Performance	7, 13, 14, 70, 81, 85

Witness (Direct Cont.)	Subject Matter	Issues
R. S. Moore	Distribution System Overview; Distribution Planning and Budget Process; Distribution Plant and O & M; Distribution System Performance; Hurricane Restoration	7, 13, 15, 70, 79, 80, 86
M. D. Neyman	Customer Service; Conservation and Efficiency; Customer Satisfaction Performance; Customer Service and Information O & M; Customer Accounts and Sales O & M	7, 39, 40, 65, 70
M. L. Burroughs	Generation Fleet; Safety Performance; Plant Performance; Production Plant and O & M; Fuel Inventory; North Escambia County Generation Site; Renewable Generation	7, 23, 24, 26
R. W. Grove	Generation Fleet; Resource Planning Process; Production Planning and Budget Process; Production Plant and O & M	7, 11, 70, 82, 84
C. J. Erickson	Administrative and General O & M; Property Damage Reserve; Depreciation; Taxes; Uncollectibles	19, 20, 27, 32, 33, 76, 77, 78, 87, 88, 89, 91, 92, 93, 95
S. C. Twery and A. E. Crumlish (panel)	Employee Benefits	72, 75
R. J. McMillan	Projected Test Year Financial Forecast; Net Operating Income; Rate Base; Capital Structure; Revenue Deficiency	2, 10, 12, 15, 18, 21, 22, 23, 24, 25, 28, 29, 30, 31, 32, 33, 34, 35, 36, 38, 41, 42, 43, 44, 45, 46, 47, 48, 70, 71, 72, 74, 90, 91, 92, 93, 95, 96, 97, 98, 99

Witness (Direct Cont.)	Subject Matter	Issues
R. J. McMillan (Supplemental Direct filed July 8, 2011)	Interim Rate Relief	117
R. J. McMillan (Supplemental Direct filed November 7, 2011)	Crist Units 6 and 7 Turbine Upgrades	8, 9, 18, 21, 31, 32, 46, 91, 92, 99
M. T. O'Sheasy	Cost of Service Study	6, 106, 107
J. I. Thompson	Rate Design	100, 101, 102, 103, 104, 105, 108, 109, 110, 111, 112, 113, 114, 115, 116
J. I. Thompson (Supplemental Direct)	Interim Rates	
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J. H. Vander Weide	Rate of Return on Equity	37
M. J. Vilbert	Measurement of financial leverage and its impact on allowed return on equity	37
R. S. Teel	Credit Ratings; Non-regulated Operations	
S. R. Kilcoyne	At-Risk Compensation; Other Employee Benefits; Supplemental Pension Expense	12, 66, 67, 69, 71, 72, 73, 74, 75
D. J. Wathen	At-Risk Compensation	12, 69, 71, 74

Witness (Rebuttal Cont.)	Subject Matter	Issues
J. T. Deason	At-Risk Compensation; Supplemental Pension Expense; Directors and Officers Liability Insurance; Imputed Revenues; Storm Damage Accrual; Construction Work In Progress; Parent Debt Adjustment; O & M Benchmark; Customer Impacts	12, 22, 39, 40, 71, 72, 74, 75, 77, 94
R. J. Alexander	North Escambia County Generation Site	24
R. W. Grove	Production O & M; Production Workforce	70, 82, 84
P. C. Caldwell	Transmission Plant and O & M; Transmission Workforce	13, 14, 70, 81, 85
R. S. Moore	Distribution Plant and O & M; Distribution Workforce	13, 15, 70, 79, 86
M. D. Neyman	Non-regulated Operations; Customer Accounts Workforce; and Customer Service and Information Workforce	39, 40, 70
P. B. Jacob	SouthernLINC work order; Customer Complaint Process	17, 52
C. J. Erickson	Analog Meter Retirement; Directors & Officers Liability Insurance; Rate Case Expense; Property Damage Reserve Accrual	20, 27, 76, 77, 88

Witness (Rebuttal Cont.)	Subject Matter	Issues
R. J. McMillan	Affiliate Cost Allocation; Affiliate Transactions; Non-regulated Operations; Employee Vacancies; North Escambia County Generation Site; Parent Debt Adjustment; Cost of Debt and Preference Stock; Deferred Taxes; Sales for Resale; Unamortized Rate Case Expense	16, 24, 25, 28, 34, 35, 36, 38, 41, 42, 48, 49, 51, 53, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 68, 70, 96
J. I. Thompson	Critical Peak option for Rate Schedules GSDT and LPT	103

C. EXHIBITS

Witness (Direct)	Proffered By	I.D. No.	Description
Various	Gulf		Minimum Filing Requirement (MFR) Schedules - Sections A, B, C, D, E, F and G
R. L. McGee	Gulf	______ RLM-1	MFR responsibility; Residential Regression Model-Predicted vs. Actual; Small Commercial Regression Model-Predicted vs. Actual; Large Commercial Regression Model-Predicted vs. Actual

Witness (Direct Cont.)	Proffered By	I.D. No.	Description
W. G. Buck	Gulf	WGB-1	MFR responsibility; Financial Planning Process Chart; Budget Process; 2012 Test Year Capital Additions Budget By Function; 2012 Test Year Operations and Maintenance Expense By Function; Financial Model; Gulf Power Balance Sheet December 2011 through December 2012; Gulf Power Income Statement for twelve months ending December 31, 2012; Gulf Power Utility Plant balances for the periods ended December 2011 through December 2012
R. S. Teel	Gulf	RST-1	MFR responsibility; Rate Case Drivers; Base Retail Return on Equity; Gulf Power Credit Ratings-July 2011; Rating Agency Conventions and Scales-Senior Unsecured Notes; Capital Expenditures 2002-2013; Moody's August 13, 2010 Credit opinion for Gulf Power; Fitch October 5, 2010 credit opinion for Gulf Power; Standard & Poor's October 14, 2010 credit opinion for Gulf Power; Rule 25-14.004, Florida Administrative Code; Gulf Power Dividends Compared To Southern Company Capital Contributions-January 2003 to March 2011

Witness (Direct Cont.)	Proffered By	I.D. No.	Description
Vander Weide	Gulf	JVW-1	Summary of Discounted Cash Flow Analysis for Electric Energy Companies; Comparison of the DCF Expected Return on an Investment in Electric Energy Companies to the Interest Rate on Moody's A-Rated Utility Bonds; Comparative Returns on S&P 500 Stock Index and Moody's A-Rated Bonds 1937-2010; Comparative Returns on S&P Utility Stock Index and Moody's A-Rated Bonds 1937-2010; Using the Arithmetic Mean to Estimate the Cost of Equity Capital; Calculation of Capital Asset Pricing Model Cost of Equity Using the SBBI 6.7 Percent Risk Premium; Comparison of Risk Premia on S&P 500 and S&P Utilities Index 1937-2010; Calculation of Capital Asset Pricing Model Cost of Equity Using DCF Estimate of the Expected Rate of Return on the Market Portfolio; Capital Structure of Proxy Company Group; Illustration of Calculation of Cost of Equity Required for the Company to have the same Weighted Average Cost of Capital As Proxy Company Group
Vander Weide	Gulf	JVW-2	Qualifications of James H. Vander Weide; Derivation of the Quarterly DCF Model; Adjusting for Flotation Costs in Determining a Public Utility's Allowed Rate of Return on Equity; Ex Ante Risk Premium Method; Ex Post Risk Premium Approach

Witness (Direct Cont.)	Proffered By	I.D. No.	Description
P. B. Jacob	Gulf	______ PBJ-1	Press and Customer comments regarding Gulf's Hurricane Ivan Restoration
P. C. Caldwell	Gulf	______ PCC-1	MFR responsibility; Description of Typical Electric System; Transmission System Components; Map of Gulf's Transmission System; Transmission Capital Budget 2011-2013; Gulf Transmission O & M Budget 2011-2015; Transmission Reliability History
R. S. Moore	Gulf	______ RSM-1	MFR responsibility; Distribution System Components; Description of Typical Electric System; Gulf Power District Service Areas; Gulf Power Service Area and Customer Density Areas; Land Area in Florida Panhandle Forested; Vaisala's National Lightning Detection Network Cloud-to-Ground Lightning 1997-2007; Distribution O & M Budget 2011-2015; Inventory Comparison 2002 to 2010; 2011-2012 Distribution/Fleet Capital Additions Budget; 2011-2012 Power Delivery Vacancy Analysis; Distribution Performance with CVB Survey; Hurricane Ivan Storm Surge Map; Hurricane Ivan Wind Swaths
M. D. Neyman	Gulf	______ MDN-1	MFR responsibility; Gulf's FPSC Complaint Activity 2002-2010; 2010 Customer Value Benchmark Results; Customer Service Center Staffing and Service Levels; O & M Benchmark Variance

Witness (Direct Cont.)	Proffered By	I.D. No.	Description
M. L. Burroughs	Gulf	MLB-1	MFR responsibility; Owned and Operated or Jointly Owned Generating Capacity 2002 TYSP compared to 2012 TYSP; Power Purchase Agreements; Recordable Incidents 1980-2010; Annual EFOR; Peak Season EFOR; Gulf EFOR compared to peer group; 2012 Production O & M Budget; Production O & M Expenses 2011 to 2015; Fuel Inventory
R. W. Grove	Gulf	RWG-1	MFR responsibility; Gulf Generating Capacity; Owned and Operated or Jointly Owned Generating Capacity; Power Purchase Agreements; 2011 Production Capital Additions Budget; 2012 Production Capital Additions Budget; 2012 Production O & M Budget; Production O & M Expenses; Owned and Operated or Jointly Owned Generating Capacity- Age of fleet 2002 compared to 2012; Owned and Operated or Jointly Owned Generating Capacity 2002 TYSP compared to 2012 TYSP; Benchmark Comparison; Planned Outages 2011-2015; 2012 Production Workforce
C. J. Erickson	Gulf	CJE-1	MFR responsibility; A & G Budgeted Expenses; A & G Benchmark Variance; Uncollectible Accounts; Gulf Power Company Transmission and Distribution Hurricane Loss and Reserve Performance Analyses

Witness (Direct Cont.)	Proffered By	I.D. No.	Description
S. C. Twery and A. E. Crumlish (panel)	Gulf	SCT-1	Gulf's Benefits versus Utilities' and Fortune 500 Companies' Benefits
		AEC-1	National Employer Health Plan Average Annual Cost Increases, 2001-2012; Medical Plan Cost Mitigation Efforts For Active and Retired Employees 2003-2012
R. J. McMillan	Gulf	RJM-1	MFR responsibility; 13-Month Average Rate Base; 13-Month Average Working Capital; Net Operating Income; Fuel Clause Revenues and Expenses; Energy Conservation Cost Recovery Clause Revenues and Expenses; Purchase Power Capacity Cost Recovery Clause Revenues and Expenses; Environmental Cost Recovery Clause Revenues and Expenses; FPSC Assessment Fees; Income Tax Adjustments; Interest Synchronization Adjustment; 13-Month Average Jurisdictional Cost of Capital; FPSC Adjusted Achieved Rate of Return and Return on Common Equity; Calculation of Revenue Deficiency; Revenue Expansion Factor & NOI Multiplier; Benchmark Variance by Function; Benchmark Year Recoverable O & M Expenses by Function; O & M Adjustments by Function; General Plant Capital Additions for the Prior Year Ended 12/31/2011 and Test Year Ended 12/31/2012; Complement Analysis

Witness (Direct Cont.)	Proffered By	I.D. No.	Description
R. J. McMillan	Gulf	______ RJM-2	MFR responsibility (Interim)
R. J. McMillan	Gulf	______ RJM-3	Crist Turbine Upgrades-Full Year Revenue Requirements with ECRC credit; Jurisdictional Rate Base; Jurisdictional NOI; Jurisdictional Interest Synchronization; Crist Turbine Estimated Savings
M. T. O'Sheasy	Gulf	______ MTO-1	MFR responsibility; Illustration of Simple Distribution Network; MDS Customer/Demand Percentages by FERC Account
J. I. Thompson	Gulf	______ JIT-1	MFR responsibility; Allocation of Revenue Increase; Proposed Tariff Sheets
J. I. Thompson	Gulf	______ JIT-2	MFR responsibility (Interim); Proposed Interim Tariff Sheets
(Rebuttal)			
Vander Weide	Gulf	______ JVW-3	Summary of Discounted Cash Flow Analysis for Woolridge Proxy Electric Energy Companies; Updated Summary of Discounted Cash Flow Analysis for Electric Energy Companies; Research Literature that Studies the Efficacy of Analysts' Earnings Forecasts

Witness (Rebuttal Cont.)	Proffered By	I.D. No.	Description
R. S. Teel	Gulf	______ RST-2	Standard & Poor's report entitled "Assessing U S Utility Regulatory Environments" dated March 11, 2010; Standard & Poor report entitled "Key Credit Factors: Business And Financial Risks In The Investor-Owned Utilities Industry", issued on November 26, 2008; Moody's credit opinion dated August 12, 2011
S. R. Kilcoyne	Gulf	______ SRK-1	External Market Analysis-September 2011; Analysis of Employee Impact with no Variable Compensation; Gulf Power Turnover Rates-2001 to 2011; 2011 Gulf Power PPP Goals
D. J. Wathen	Gulf	______ DJW-1	Historical Market Base Salary Merit Increases for Gulf Power Employees Compared to Utility and General Industry Practices; Competitive Market Assessment by Gulf Power Job Level; Competitive Market Assessment by Gulf Power Job Level with At-Risk Compensation Component Excluded
J. T. Deason	Gulf	______ TD-1	Biographical Information for Terry Deason

Witness (Rebuttal Cont.)	Proffered By	I.D. No.	Description
R. J. Alexander	Gulf	______ RJA-1	Gulf's response to Staffs Fifth Set of Interrogatories No. 47; Governor Crist's Executive Order 07-127; Initial Analysis of Impacts resulting from Executive Order 07-127; 2007 TYSP Executive Summary; 2008 TYSP Executive Summary; Potential Sites Reviewed; Site Comparison; Cost Impacts of Carbon legislation 17 year NPV; Generation Mix Implications; Nuclear vs. Natural Gas with 2 Unit Site dated 10/27/2008; Nuclear vs. Natural Gas with 2 Unit Site dated 2/10/2009; EPA New Regulatory Actions Timeline
R. W. Grove	Gulf	______ RWG-2	Exhibit HWS-1, Schedule C-4; Plant Smith Unit 3 Expenses excluding ECRC; Corrected Exhibit HWS-1, Schedule C-4; 2012 Production Workforce; Production by Baseline, Special Projects and Outage
P. C. Caldwell	Gulf	______ PCC-2	Transmission Workforce
R. S. Moore	Gulf	______ RSM-2	Distribution Workforce
C. J. Erickson	Gulf	______ CJE-2	Ten year average of charges against Property Damage Reserve

Witness (Rebuttal Cont.)	Proffered By	I.D. No.	Description
R. J. McMillan	Gulf	_____ RJM-2	Change in SCS Billings to Gulf Using Updated Fixed Allocation Factors (based on 2010 Statistics); Justification of Selected Work Orders; Surge Product Impact on Return on Rate Base; Impact on Revenue Request of Moving Surge Products/ AllConnect; O&M Expense 2002-2010; Hiring Lag

Gulf reserves the right to use additional exhibits for the purposes of cross-examination.

D. STATEMENT OF BASIC POSITION

Gulf Power Company's Statement of Basic Position:

Gulf Power Company's current rates and charges will not provide Gulf a reasonable opportunity to earn a fair and reasonable rate of return for the period January 2012 through December 2012 and beyond. Gulf filed this case seeking an annual increase in its rates and charges of approximately $93.5 million. The most reasonable period on which to base new rates and charges for Gulf is January 2012 through December 2012.

The Company's adjusted 13-month average jurisdictional rate base for the period January 2012 through December 2012 (the "test year") is projected to be $1,676,004,000; and the jurisdictional net operating income is projected to be $60,955,000 using the rates currently in effect. These amounts do not include certain additional adjustments as detailed in the Company's positions on the issues listed below. The resulting adjusted jurisdictional rate of return on average rate base is projected to be 3.64%, while the return on common equity is projected to be 2.83% for the projected test year (excluding the impact of those additional adjustments described above). Such a return is so low that it would severely jeopardize the Company's ability to finance future operations. The continued compulsory application of Gulf's present rates and charges will result in the unlawful taking of the Company's property without just compensation, resulting in confiscation of the Company's property in violation of the guarantees of the state and federal constitutions.

The management and employees of Gulf have worked diligently to enable the Company to postpone this request as long as possible. Despite declining revenue during the Great Recession, Gulf had to continue to make investments to serve customers. For several years of declining revenues and increased capital costs, Gulf was able to forestall base rate relief by reducing O&M costs and allowing total workforce to decline. However, Gulf cannot sustain such diminished levels of spending and workforce over a longer period of time without putting its ability to serve customers efficiently and effectively at risk. Therefore, once the economic recovery from the Great Recession began, Gulf began restoring O&M and capital expenditures and its workforce to levels necessary to serve customers efficiently and effectively now and into the future. Gulf needs to be positioned to help Northwest Florida emerge from this economic downturn rather than be in the position of not being able to provide the service needed to restore and improve the Northwest Florida economy. The requested rate relief should restore the relationship between growing capital requirements and restored O&M spending and base rate revenues necessary for Gulf to achieve the fair rate of return that would allow Gulf to attract capital necessary to serve customers.

As a provider of retail electric service to the people of Northwest Florida, Gulf is obligated by statute to provide such service in a reasonable, "sufficient, adequate, and efficient" manner. Gulf has a similar obligation to provide its shareholders with a reasonable and adequate return on their investment. Without the revenue increase requested, Gulf cannot meet its obligations to either constituency in the long run. If Gulf is rendered unable to meet its obligations to the customers and shareholders due to inadequate rates, both stakeholder groups will suffer. The customers will suffer from less reliable service and eventually higher costs of electricity, while the shareholders will suffer from an inadequate and confiscatory return on investment and will seek other places to invest their money. For these and other reasons detailed in the testimony and exhibits of Gulf's witnesses filed with its petition in this case, Gulf is respectfully requesting an increase in rates and charges that will produce an increase in total annual revenues of at least $93,504,000 before adjustments as detailed in the Company's positions on the issues listed below.

E. STATEMENT OF 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?

Gulf's suggested rewording of Issue 1:

Issue 1: What is the source of the Commission's legal authority, if any, to grant Gulf's proposal to include the 4,000 acre Escambia Site and the costs of associated evaluations in Plant Held for Future Use?

GULF: Chapter 366, Florida Statutes, and particularly Sections 366.04, 366.041 and 366.06, give the Commission legal authority to grant Gulf's proposal to include the Escambia Site and associated costs in rate base as Plant Held for Future Use. Section 366.93 gave Gulf the authority to accrue a carrying charge on these costs.

Test Period and Forecasting

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

GULF: Yes. The 12 months ending December 31, 2012 is the most appropriate test period, as it is representative of future operations, with respect to investment, operations and maintenance expenses, and future expected revenues. (Teel, McMillan)

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

GULF: Yes. Gulf's forecasts of Customers, KWH, and KW by Rate Class and Revenue Class for the 2012 projected test year are based on sound methods which consistently produce accurate results, have been relied on by Gulf and the Commission in a number of other proceedings, and are appropriate for use in this proceeding. (McGee)

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

GULF: Yes. Gulf appropriately applied present rates to forecast billing determinants, resulting in estimated revenues from sales of electricity by rate class at present rates for the projected 2012 test year that are appropriate for use in this proceeding. (McGee)

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

GULF: The appropriate factors which were based on the most current information at the time the budget message was issued are as follows:

a. Inflation:
   2011 – 2.1%
   2012 – 2.8%
b. Forecasted Composite Wage and Salary Increase Guidelines:
   a. Exempt – 2.5%
   b. Non-exempt – 2.5%
   c. Covered – 2.25% (Buck, McGee)

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

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

Quality of Service

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

GULF: Yes. Gulf's quality and reliability of electric service is adequate as evidenced by Gulf's low customer complaint activity with the Florida Public Service Commission. Additionally, Gulf's service and reliability attributes in customer surveys are consistently among the best in the industry. (Burroughs, Caldwell, Grove, Jacob, Moore, Neyman)

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?

GULF: Except for the Crist Turbine Upgrades discussed in Issue 9, no other costs should be moved from the ECRC into rate base. (McMillan)

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, to be included in rate base and recovered through base rates?

GULF: Yes. Pursuant to the stipulation approved by the Commission on November 1, 2011, it is appropriate to include the Plant Crist Units 6 and 7 Turbine Upgrades in rate base. As discussed in Witness McMillan's Supplemental Testimony filed on November 8, 2011, $58,747,000 (plant in service less accumulated depreciation of $3,006,000) [$60,802,000 system] should be included in rate base and recovered in base rates. This transition in recovery from the Environmental Cost Recovery Clause to base rates involves significant investment going into service at two different dates during the test year. In order to provide for a smooth transition and full cost recovery for the turbine upgrades on a going forward basis without the need for additional rate determination proceedings, this should be accompanied by a one-time credit made to the Environmental Cost Recovery Clause in 2012 effective the same day as the new base rates become effective. (McMillan)

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

GULF: Yes. The Company has removed from rate base the investment, accumulated depreciation, and working capital amounts related to the Company's non-utility activities. (McMillan)

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

GULF: Yes. The Florida Legislature has repeatedly recognized that it is in the public interest to promote the development of renewable energy resources in Florida in order to reduce dependence on natural gas, minimize volatility of fuel costs, encourage investment in the state and improve environmental conditions. The Perdido landfill gas facility accomplished all these goals and in 2008, when the decision was made to move forward with the project, the Perdido landfill gas facility was below the 2008 Renewable Standard Offer contract avoided cost calculation. (Grove)

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

GULF: Gulf's requested amount of $3,245,884 is appropriate and is based on the portion of Gulf's total compensation described as incentive or variable compensation associated with capital projects. The Commission approved Gulf's compensation approach, including variable compensation, in Gulf's last rate case and Gulf's compensation approach remains the same. Gulf's total compensation program, with its variable compensation components, is appropriately targeted at the median of the market and has allowed Gulf to retain valuable employees and attract new employees necessary to provide service to Gulf's customers. The proposal to disallow variable compensation is not based on any market analysis, but instead is based on an erroneous premise that variable compensation benefits shareholders and not customers. The proposal to disallow variable compensation completely fails to account for the adverse effects of such disallowance on customers. The approach of using base and variable or "at-risk" compensation ensures all employees are focused on the customer and have a strong stake in making sure customer service and reliability are paramount while managing costs effectively. (McMillan, Deason, Kilcoyne, Wathen)

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

GULF: Yes. The Smart Grid Investment Grant (SGIG) Program Projects have allowed Gulf to add state-of-the-art distribution equipment to its system. The opportunity to gain funding from the Department of Energy (DOE) allowed Gulf to make these additions for its customers sooner and at lower cost than would otherwise have been possible. The portion of the SGIG Program Projects included in Gulf's Plant in Service is the amount paid for by Gulf. The remaining 50% of the cost is covered by the SGIG funds from the DOE. (Caldwell, Moore)

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

GULF: For the period 2006 through projected year-end 2012, $71,686,000 will have been placed in Transmission Plant in service for Transmission Capital Infrastructure Replacement projects. These costs cover the reactive replacement of failed equipment and structures and the proactive replacement of equipment and structures which have reached the end of their useful life. This amount represents Gulf's actual cost of replacing this equipment and structures for the 2006 through 2010 period along with the projected cost for 2011 and 2012. During the 2012 test year, $6,180,000 of Infrastructure Replacement Projects will be placed in service. These proactive transmission infrastructure replacements are developed and prioritized based on sound methodology and engineering analysis. (Caldwell)

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

GULF: Gulf's requested level of Distribution Plant in Service, $1,029,829,000 ($1,034,325,000 system) should be reduced by $803,000 ($803,000 system) to reflect an error identified by the Company in the course of responding to discovery. The corrected amount of Distribution Plant in Service, $1,029,026,000 ($1,033,522,000 system) is appropriate to be included in rate base. (Moore, McMillan)

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

GULF: Yes. These wireless infrastructure costs are an integral part of our communications system which is necessary and appropriate for inclusion in rate base. (McMillan)

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

GULF: Yes. The portion of the SouthernLINC charges that are booked to capital accounts are appropriately included in rate base. SouthernLINC provides unique communication services to Gulf in support of service crew work management, interoperability between transmission and distribution automation systems, and voice/data communication. SouthernLINC's service characteristics are vital to Gulf's operations and its ability to provide reliable and efficient service to its customers (Jacob)

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)**

GULF: No. The appropriate level of Plant in Service is $2,672,964,000 ($2,731,576,000 system). Gulf's requested amount should be increased by $61,753,000 ($63,913,000 system) to include the Crist Unit 6 and 7 Turbine Upgrades, as identified in Issues 8 and 9. Additionally, the amount requested should be reduced for an ECCR adjustment error totaling $862,000 ($862,000 system) and an error in Distribution Plant in Service of $806,000 identified in Issue 15. (McMillan)

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

GULF: The appropriate depreciation parameter for Gulf's AMI meter depreciation is a 15-year life with no net salvage. The resulting rate is 6.67%. (Erickson)

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

<u>GULF</u>: Yes. A four-year capital recovery schedule should be established. In Order No. PSC-10-0458-PSS-EI, the Commission approved Gulf's most recent depreciation study which used a four-year recovery period for the analog meters being retired. (Erickson

<u>Issue 21</u>: 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)**

<u>GULF</u>: No. The appropriate level of Accumulated Depreciation for the 2012 projected test year is $1,183,287,000 ($1,211,802,000 system). The Company's requested level should be increased by $3,006,000 ($3,111,000 system) to include the Crist Unit 6 and 7 Turbine Upgrade Projects identified in Issues 8 and 9. Additionally, it should be increased for an ECCR adjustment error totaling $458,000 ($458,000 system). (McMillan)

<u>Issue 22</u>: 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?

<u>GULF</u>: Yes. Construction Work in Progress (CWIP) in the amount of $60,912,000 is needed to maintain reliability and meet customer demands. This amount is not eligible to accrue an Allowance for Funds Used During Construction (AFUDC) and should be allowed in rate base consistent with Commission policy. (Deason, McMillan)

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

<u>GULF</u>: No. The Caryville site has been included in Gulf's base rates as Plant Held for Future Use through prior Commission decisions in previous Gulf rate cases and should continue to be included in rate base. The site's acquired cost is small relative to the cost of acquiring a new plant site. The site is already certified under the Power Plant Siting Act for coal capacity, but the site cannot be used for a nuclear plant. Inclusion of the Caryville site in rate base as Plant Held for Future Use is still a prudent decision. (Burroughs, McMillan)

<u>Issue 24</u>: Should the North Escambia 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?

<u>GULF</u>: Yes. The North Escambia site and its associated costs of $27,687,000 should be included in rate base. Beginning in 2007, Gulf was prudent in investigating nuclear generation as a result of several factors, including state and federal regulations being proposed to significantly reduce greenhouse gas emissions, specifically CO_2, which would have forced extensive retirements of Gulf's coal generation; forecasted capacity needs on Gulf's system; high forecasted gas prices; and state legislation designed to encourage nuclear unit development. With a capacity need ten years out in excess of 1,000 MW, without potential coal unit retirements, Gulf performed extensive analyses and found that nuclear was the only cost-effective, carbon free option potentially available to Gulf and its customers. Therefore, Gulf was prudent in performing site investigations and beginning preparation for permitting and licensing of a nuclear site. Gulf, through its extensive site investigation efforts, learned that the North Escambia site was the only potential nuclear site in Northwest Florida, and thus, Gulf was prudent to purchase this site to preserve the nuclear option for its customers. Subsequently, when circumstances changed, Gulf was prudent to defer its determination of need, licensing, and permitting efforts. Gulf's costs for the acquisition of the North Escambia site and other costs related to evaluating the nuclear option are reasonable and prudent and should be included in rate base. By placing these costs in rate base, the Company can cease accruing carrying charges on the deferred nuclear site costs, which will minimize the cost of any plant that is ultimately constructed on the site. If Gulf is not permitted to include these costs in Plant Held for Future Use, Gulf should be permitted to continue to accrue AFUDC on this project. (Alexander, Burroughs, McMillan)

<u>Issue 25</u>: 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)**

<u>GULF</u>: Yes. The 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 is appropriate for purposes of computing base rate revenue requirements. (McMillan)

<u>Issue 26</u>: Should any adjustments be made to Gulf's fuel inventories?

GULF: No. <u>Coal:</u> There has been no change in Gulf's coal inventory policy the Commission approved in Gulf's last rate case. Gulf has reduced the volume of in-transit coal since Gulf's last rate case. The volume of coal requested by Gulf in inventory, including in transit coal, is well below the volume of coal which would be allowed under the Commission's generic inventory policy. The only reason Gulf's coal inventory costs have increased relative to Gulf's last rate case are due to increases in commodity and transportation costs the Commission has examined and approved in the fuel clause. Gas: As with coal, there has been no change in Gulf's inventory policy approved in Gulf's last rate case. The increase in gas inventory value is due to increased commodity and transportation costs that have been examined and approved in the fuel clause. Fuel Oil: There has been an increase in Gulf's fuel oil inventory since Gulf's last rate case. This is due to increase in both volume and price. The price increases have been examined and approved in the fuel clause. The volume increases are due to requirements set forth in four new power purchase agreements (PPAs) previously approved by the Commission. These PPAs establish contractual obligations requiring Gulf to provide fuel oil as a backup fuel for the dual fuel capable units. Gulf's request for coal, gas and fuel oil inventories properly balance the cost of inventory against the cost of replacement energy, are prudent and should be included in working capital. (Burroughs)

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?

GULF: No. Gulf's request for working capital related to the reserve and an increased accrual related to property damage is prudent and in the best interest of Gulf's customers. If the property damage accrual is changed from the amount proposed by Gulf, the working capital related to the reserve must also be adjusted. The appropriate amount for the property damage reserve accrual $6,657,000 jurisdictional ($6,800,000 system). Gulf's property damage accrual request is based on a storm study which uses a statistical model to consider a range of potential hurricane characteristics and corresponding losses and then computes Gulf's expected annual damage. Since Gulf's current approved accrual level is below the amount expected to be charged to the reserve each year based on the storm study, Gulf requested the accrual be increased. This is in line with the Commission's framework of (1) an accrual adjusted over time as circumstances change; (2) a storm reserve adequate to accommodate most, but not all storm years; (3) and a provision that goes beyond the reserve. This accrual level is also addressed in Issue 76. In evaluating the reserve target, Gulf's accrual request is not intended to increase the reserve. The reserve could increase or decrease due to the uncertain timing of storms. Since Gulf's target reserve level has not been adjusted since 1996, the reserve target should be increased to the range of $52 million to $98 million to reflect Gulf's actual experience. (Erickson)

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

GULF: Yes. Rate case expenses are prudently incurred business expenses. The Company should be allowed to fully recover these costs, including a return on the unamortized investment. This unamortized balance should be included in working capital, consistent with the Commission's treatment of these expenses in Gulf's previous rate case. (McMillan)

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?

GULF: No. Gulf has appropriately not included any projected over-recovery/under-recovery of fuel, capacity, conservation or environmental cost recovery clauses in the calculation of working capital allowance for the test year. (McMillan)

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)**

GULF: Yes. The requested level of working capital in the amount of $150,609,000 ($155,044,000 system) for the 2012 projected test year is appropriate for purposes of computing base rate revenue requirements. (McMillan)

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)**

GULF: No. The appropriate level of rate base for the 2012 projected test year is $1,733,431,000 ($1,771,507,000 system). The Company's requested level should be increased by $58,747,000 ($60,802,000 system) for the Crist Unit 6 and 7 Turbine Upgrade Projects identified in Issues 8 and 9. Additionally, the requested amount should be reduced by $1,320,000 ($1,320,000 system) for an ECCR adjustment error. (McMillan)

Cost of Capital

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

GULF: The Company's requested level, $257,098,000 ($262,694,000 system) needs to be adjusted for the pro-rata portion of the rate base adjustments identified in Issue 31. (McMillan, Erickson)

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

GULF: The Company's requested level, $2,929,000 ($2,993,000 system) needs to be adjusted for the pro-rata portion of the rate base adjustments identified in Issue 31. The appropriate cost rate is 8.34% for purposes of calculating the weighted average cost of capital. The investment tax credit cost rate has been revised from 8.45% as originally filed to reflect the changes in rates of the long-term debt and preference stock sources of capital. (McMillan, Erickson)

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

GULF: The appropriate cost rate for preference stock for the 2012 projected test year is 6.39%. The preference stock cost rate has been revised from 6.65% as originally filed based on the most recent forecast of preference stock cost rates. (McMillan)

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

GULF: The appropriate cost of short-term debt for the 2012 projected test year is 0.13%. The short-term debt cost rate has been revised from the 2.12% as originally filed based on the most recent forecast of short-term interest rates for the test year. (McMillan)

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

GULF: The appropriate cost rate for long-term debt for the 2012 projected test year is 5.26%. The long-term debt cost rate has been revised from the 5.48% as originally filed to reflect actual cost rates incurred on issuances through August 2011 and the cost of projected issuances incorporating Gulf's most current interest rate forecast. (McMillan)

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

GULF: Evaluating both the operational and financial risks facing Gulf Power indicates that the market would expect a company with Gulf Power's profile to earn a return of 11.7% commensurate with the risk to investors' equity capital. (Vander Weide, Vilbert)

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

GULF: Based on an 11.7% cost of equity, the appropriate weighted average cost of capital for Gulf is 6.94% for the projected 2012 test year. The weighted average cost of capital has been revised from 7.05% as originally filed to reflect actual rates of all permanent financing impacting the projected test year, including senior notes and preferred securities, revised rates for short-term debt and variable rate pollution control bonds. (McMillan)

Net Operating Income

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

GULF: Yes. Gulf charges appropriate expenses incurred by the regulated operations to the non-regulated operations. Gulf offers non-regulated products and services to its customers to better serve them and improve the value they receive and improve their satisfaction. (Neyman, Deason)

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?

GULF: No. There is no such payment from non-regulated companies. The imputation of these imaginary revenues serves no legitimate regulatory purpose and is inconsistent with Commission policy. The imputation would unjustly penalize Gulf for being part of the Southern Company and deny Gulf the opportunity to earn its authorized return. (Neyman, Deason)

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

GULF: No. Rule 25-6.1351(2)(g), Florida Administrative Code, defines nonregulated as products or services that are not subject to price regulation by the Commission or are not included for ratemaking purposes and are not reported in surveillance. Consistent with this rule, Gulf's unregulated activities are properly recorded below-the-line and were not included in the revenue requirement request. (McMillan)

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)**

GULF: Yes. 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 is appropriate. (McGee, McMillan)

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

GULF: Yes. As shown on Mr. McMillan's direct testimony Exhibit RJM-1, Schedule 4 and Schedule 5, the Company has removed from NOI the fuel revenues and expenses recoverable through the Fuel Clause for purposes of determining base rate revenues. (McMillan)

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

GULF: No. In the course of responding to discovery, Gulf identified some errors in the ECCR adjustments that impact the ECCR depreciation and property tax adjustments for the test year. As shown on Mr. McMillan's direct testimony Exhibit RJM-1, Schedule 6, Gulf's ECCR depreciation and property tax adjustments were $352,000 and $146,000, respectively. The ECCR depreciation expense adjustment should be increased to $375,000 and the ECCR property tax expense should be increased to $156,000. (McMillan)

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

GULF: Yes. As shown on Mr. McMillan's direct testimony Exhibit RJM-1, Schedule 4 and Schedule 7, the Company has removed from NOI the capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause for purposes of determining base rate revenues. (McMillan)

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

GULF: No. Gulf's filing excluded expenses associated with Crist Units 6 and 7 Turbine upgrades. Consistent with the Stipulation entered into by all parties and approved by the Commission on November 1, 2011, these turbine upgrade investments and expenses were removed from the Environmental Cost Recovery Clause and are now being included for recovery in base rates in this proceeding. (McMillan)

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

GULF: Yes. The Company has removed from net operating income all non-utility activities. (McMillan)

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

GULF: No adjustments should be made to the expenses allocated or charged to Gulf except for the two adjustments described in Gulf's position on Issues 53 and 58. (McMillan)

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

GULF: No. (McMillan)

Issue 50: **DROPPED**

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

GULF: No adjustments should be made to any of the allocation factor calculations. The overall allocation methodology has been in use for over 25 years, was approved by the SEC, has not been changed by the FERC, and has been accepted as a basis for allocation by this Commission in prior Gulf rate cases. The 2010 statistics were not available when Gulf prepared the budget information for this filing. If the Commission finds that it is appropriate to update the fixed allocation factors, then it should update them all using the actual 2010 factors that will apply to 2012 costs. These factors have recently been finalized. Substituting the 2010 fixed allocation factors for the 2009 factors used in Gulf's filing would increase Gulf's share of SCS billings by approximately $1,262,500. As shown on Witness

McMillan's Rebuttal Testimony, Exhibit RJM-2, Schedule 1, approximately $1,159,000 of this amount represents increased O&M expenses. (McMillan)

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

GULF: No. SouthernLINC provides unique communication services to Gulf in support of service crew work management, interoperability between transmission and distribution automation systems, and voice/data communication. SouthernLINC's service characteristics are vital to Gulf's operations and its ability to provide reliable and efficient service to its customers. (Jacob)

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

GULF: Yes. The costs related to work order 466909 should have been capitalized, rather than expensed, resulting in a reduction to test year jurisdictional O&M of $343,847 ($344,204 system). (McMillan)

Issue 54: **DROPPED**

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?

GULF: Yes. In Gulf's response to OPC's Request to Produce Documents No. 108, the Company stated that the original approved work orders could not be located, but provided descriptions and justifications for the activities covered by the work orders. The total budgeted amount allocated to Gulf was provided in response to OPC's Request to Produce Documents No. 34, Attachment E. The allocation methods used for each work order were provided in response to OPC's Request to Produce Documents No. 34, Attachment B. This same information is summarized in Witness McMillan's Rebuttal Testimony, Exhibit RJM-2, Schedule 2. (McMillan)

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

GULF: No. The work order form submitted for this item was an outdated form. This work order is no longer used for an SEC inquiry, but has been reused by the SCS Comptroller organization. The test year amount includes various special projects, including Enterprise Solutions transition and implementation, and the costs incurred were necessary, prudent and in the interest of Gulf's customers. (McMillan)

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?

GULF: No. A number of benefits reviews are conducted on a recurring basis or an as-needed basis at various times throughout the years. Although the specific benefits reviews covered by this work order take place every other year, there are other normal benefits review activities that do not fall during the test year. The amount included in the test year is representative of an on-going level of benefits review activity. (McMillan)

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?

GULF: It is appropriate to amortize the costs of the biannual customer summit over two years, resulting in a reduction to test year jurisdictional O&M of $19,450 ($20,130 system). (McMillan)

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

GULF: No. This work order covers the on-going annual software costs, including maintenance and enhancements, associated with a new application that is necessary to effectively and efficiently manage the railcar maintenance program. The expenses charged to this work order are recovered through the fuel clause and are not included in Gulf's rate base request. (McMillan)

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

GULF: No. This work order covers internal company publications that educate employees about industry, local and company issues, making them better equipped to serve customers. It also includes external public relations messages that are used to communicate billing, safety, and energy efficiency information to Gulf's customers. This helps customers by providing information on alternative ways to receive and pay bills, ways to prevent accidental injuries, and ways to use energy more efficiently, resulting in value and savings to the customer. (McMillan)

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

GULF: No. The Chief Operating Officer and External Affairs functions provide services to Gulf, and any related legal advice is budgeted in these work orders. Each of these functions requires legal advice to ensure compliance with rules, regulations, contracts, and agreements. These activities benefit ratepayers. (McMillan)

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

GULF: No. There is no basis to remove the aircraft expenses contained in Work Order 486030. (McMillan)

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

GULF: No. There is no basis to adjust expenses related to the use of corporate leased aircraft. (McMillan)

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

GULF: No. Investor Relations works with investors to preserve the value of Gulf's securities and to ensure continuous access to capital at favorable rates for the benefit of Gulf and our customers. This work order provides an on-going investor relations program to facilitate informed relationships with existing and potential investors in system equity and debt securities. This ensures that the Company's securities are fully valued by the investment community through regular communications that provide updates on the financial condition and plans of the Company. This type of Investor Relations activity is an essential function for any company with publicly traded securities. (McMillan)

Issue 65: What is the appropriate amount of advertising expenses for the 2012 projected test year?

GULF: The appropriate amount of advertising expenses for the 2010 projected test year is $1,132,000. Gulf Power depends on advertising as one of the primary methods of communicating with our customers. This communication results in educating customers about the efficient use of electricity and provides them with a greater awareness of the various products and services that are available and from which they can derive benefits. Gulf Power advertises programs like the EarthCents Home Program for new and existing homes. This advertising includes tips on energy efficiency end–use technologies and provides actions that customers can take to save money and be more comfortable in their homes (Neyman)

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

GULF: Yes. The deferred compensation plan provides a market interest rate to compensate participants for the opportunity cost of deferring income into the future. (Kilcoyne)

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

GULF: Yes. This expense is not different from the expense for other SCS benefit programs, and so should properly be included in operating expenses. (Kilcoyne)

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

GULF: No. In the course of responding to discovery, Gulf identified $48,000 ($48,000 system) of executive financial planning expenses that Gulf agrees need to be removed from operating expenses and consequently reflected in the adjustments to NOI. (McMillan)

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

GULF: Yes. Gulf's salary programs fall well within market norms and are not excessive in design or level of pay. These programs are necessary to attract, retain, and motivate employees. (Kilcoyne, Wathen)

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

GULF: Yes. The 159 additional positions are justified in the testimony of various Gulf witnesses, most of those positions have been filled, and a majority of the remaining positions are expected to be filled by the end of 2011. (Caldwell, Grove, McMillan, Moore, Neyman)

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

GULF: All of Gulf's requested level of total compensation for its employees should be included in operating expenses, including all of that portion described as incentive or variable compensation. The Commission approved Gulf's compensation approach, including variable compensation, in Gulf's last rate case and Gulf's compensation approach remains the same. Gulf's total compensation program,, with its variable compensation components, is appropriately targeted at the median of the market and has allowed Gulf to retain valuable employees and attract new employees necessary to provide service to Gulf's customers. The proposal to disallow variable compensation is not based on any market analysis, but instead is based on an erroneous premise that variable compensation benefits shareholders and not customers. The proposal to disallow variable compensation completely fails to account for the adverse effects of such disallowance on customers. The approach of using base and variable or "at-risk" compensation ensures all employees are focused on the customer and have a strong stake in making sure customer service and reliability are paramount while managing costs effectively. (McMillan, Deason, Kilcoyne, Wathen)

Issue 72: What is the appropriate amount of allowance for employee benefit expense?

GULF: The appropriate amount of employee benefit expense included is $26,281,520 ($26,816,341 system). This amount has been adjusted to remove the additional $48,000 ($48,000 system) of Executive Financial Planning expenses Gulf has agreed should have been excluded from NOI (see Issue 68). (McMillan, Kilcoyne, Twery/Crumlish, Deason)

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

GULF: The appropriate amount of Other Post Employment Benefits Expense is \$3,759,786 (\$3,840,710 system). Gulf has made appropriate revisions to its Post Retirement benefits to reduce costs while maintaining an adequate level of benefits for its retirees. (Kilcoyne)

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)**

GULF: The appropriate amount of Salaries and Employee Benefits included in operating expenses for the 2012 projected test year is \$110,151,832 (\$112,390,277 system). This amount has been adjusted to remove the additional \$48,000 (\$48,000 system) of Executive Financial Planning expenses Gulf has agreed should have been excluded from NOI (see Issue 68). (McMillan, Deason, Kilcoyne, Wathen)

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

GULF: The appropriate amount of Pension Expense for the 2012 projected test year is \$2,676,982 (\$2,731,358 system). The expense level is necessary to keep the pension plan viable. (Kilcoyne, Deason, Twery)

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

GULF: The appropriate amount for the property damage reserve accrual is \$6,657,000 jurisdictional (\$6,800,000 system). Gulf's property damage accrual request is based on a storm study which uses a statistical model to consider a range of potential hurricane characteristics and corresponding losses and then computes Gulf's expected annual damage. Since Gulf's current approved accrual level is below the amount expected to be charged to the reserve each year based on the storm study, Gulf requested the accrual be increased. This is in line with the Commission's framework of (1) an accrual adjusted over time as circumstances change; (2) a storm reserve adequate to accommodate most, but not all storm years; (3) and a provision that goes beyond the reserve. This accrual level is also addressed in Issue 27. (Erickson)

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

GULF: No. Director's & Officer's (D&O) Liability insurance helps to retain and recruit qualified and competent directors and officers who provide needed expertise in running a utility, both financially and operationally. Having a well-run utility benefits ratepayers and having adequate liability coverage helps protect the assets of the Company from lawsuits that could divert capital to cover any losses. The appropriate amount for D&O Liability Insurance expense of $116,493 jurisdictional ($119,000 system) is included in the 2012 projected test year. (Erickson, Deason)

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

GULF: The appropriate amount for the injuries and damages reserve accrual of $1,566,288 jurisdictional ($1,600,000 system) is included in the 2012 projected test year. (Erickson)

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

GULF: $4,918,154. This level of funding is necessary to allow Gulf Power to meet its three-year main line and four-year lateral maintenance trim cycles as filed in its approved storm hardening plan. (Moore)

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

GULF: $1,100,000. (Moore)

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

GULF: $589,000. This is the appropriate amount of transmission inspection expense for 2012 to inspect Gulf's transmission line infrastructure. (Caldwell)

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?

GULF: No. The projected planned outage costs for the test year is representative of five forecast years beginning in 2011. In addition, the production O&M budget for the Test Year 2012 is $1.1 million lower than the average total production expenses forecasted for the period 2011 through 2015. There has been no testimony offered in this case that the number of outages scheduled by Gulf in 2012 is excessive or abnormal. Gulf's testimony shows that Gulf actually has fewer outages in 2012 than it had in Gulf's last test year. Gulf has justified a broader outage scope for the outages on the same units scheduled in both the last test year and in 2012. (Grove)

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?

GULF: No. All productivity improvements have been incorporated in Gulf's O&M budget and have been reflected in the O&M level requested in this rate case. (Buck)

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

GULF: The Company's request of $110,880,000 for the test year is the appropriate amount to effectively maintain and operate Gulf's generating fleet. Through 2010, Gulf was able to maintain and operate the generating fleet through prudent management of limited resources available. Gulf's generating fleet reliability and efficiency attest to the success of our strategy. The dollars requested are reasonable and necessary for Gulf to provide our customers what they deserve, a reliable and efficient generating fleet that minimizes cost. The amount requested for the 2012 test year is representative of costs that will continue to be incurred in future years. (Grove)

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

GULF: $11,609,000. This amount of O&M expense for the 2012 projected test year is reasonable and necessary. The transmission expenses for the test year are necessary to continue to provide reliable electric service to Gulf's customers and are lower than the level approved in Gulf's last rate case when adjusted for customer growth and inflation since that case. These test year expenses are also representative of levels that will continue to be incurred going forward. (Caldwell)

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

GULF: The total requested distribution O&M expenses for the 2012 projected test year of $41,595,585 are reasonable and necessary. The distribution expenses for the test year are necessary to continue to provide reliable electric service to Gulf's customers and are lower than the level approved in Gulf's last rate case when adjusted for customer growth and inflation since that case. These test year expenses are also representative of levels that will continue to be incurred going forward. (Moore)

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

GULF: The amount of office supplies and expenses of $3,908,000 jurisdictional ($3,992,000 system) included in the 2012 projected test year is reasonable and appropriate. (Erickson)

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

GULF: Gulf's requested amount of rate case expense of $2,800,000 is reasonable and appropriate. The appropriate amortization period for rate case expense is four years, which is consistent with the amortization period approved by the Commission in Gulf's last rate case. (Erickson)

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

GULF: The amount of uncollectible expense of $4,143,000 jurisdictional ($4,143,000 system) included in the 2012 projected test year is appropriate for purposes of determining base rate revenue requirements. (Erickson)

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)**

GULF: No. Gulf's requested level of O&M Expense in the amount of $282,731,000 ($288,474,000 system) needs to be adjusted for the items discussed in Issues 53, 58 and 68. (McMillan)

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

GULF: Gulf's requested amount of depreciation and fossil dismantlement expense for the 2012 projected test year, $95,180,000 ($97,141,000 system), should be adjusted for the ECCR adjustments discussed in Issue 44 and for the Crist Turbine Upgrades discussed in Issues 8 and 9. The appropriate amount of depreciation and fossil dismantlement expense for the 2012 projected test year is $97,318,000 ($99,355,000 system). (McMillan, Erickson)

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)**

GULF: No. Gulf's requested amount of depreciation and fossil dismantlement expense for the 2012 projected test year, $95,180,000 ($97,141,000 system), should be adjusted for the ECCR adjustments discussed in Issue 44 and for the Crist Turbine Upgrades discussed in Issues 8 and 9. The appropriate amount of depreciation and fossil dismantlement expense for the 2012 projected test year is $97,318,000 ($99,355,000 system). (McMillan, Erickson)

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

GULF: Gulf's requested amount, $28,763,000 ($29,465,000 system), should be adjusted for the ECCR adjustments discussed in Issue 44. The appropriate amount of Taxes Other Than Income Taxes for the 2012 projected test year is $28,753,000 ($29,455,000 system). (Erickson, McMillan).

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

GULF: No. Gulf's parent company's debt has not been invested in Gulf. (Teel, Deason)

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

GULF: $15,232,000 (MFR C-4). This amount is subject to change based on any known adjustments that Gulf has identified in other issues. (Erickson, McMillan)

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)**

GULF: No. This amount will change based on any known adjustments that Gulf has identified in other issues. (McMillan)

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)**

GULF: No. This amount will change based on any known adjustments that Gulf has identified in other issues. (McMillan)

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?

GULF: The appropriate revenue expansion factor is 61.1768 and the appropriate net operating income multiplier is 1.634607 as identified on MFR C-44. (McMillan)

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

GULF: No. This amount will change based on any known adjustments that Gulf has identified in other issues. It would also include any revenue requirements associated with the Crist 6 and 7 Turbine Upgrades moved from ECRC into base rates. (McMillan)

Cost of Service and Rate Design

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

GULF: Yes. There are no customers on this rate nor have there ever been any customers on the rate. The lack of customer acceptance of this rate indicates it does not meet customer needs or expectations. (Thompson)

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?

GULF: Yes. The base rate energy charge for all four tiers should be set equal to the base rate energy charge for the standard residential rate, Rate Schedule RS. The differentiation in the prices for each of the tiers will be achieved through applying different ECCR charges to each tier. The results of this ECCR-driven approach complement the program's objectives. (Thompson)

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

GULF: Yes. Approximately 12% of the GSD customers have billing demands from 20 kW to 24 kW. These customers generally achieve a demand of 20 to 24 kW one or two times a year, frequently during the winter months, but do not consistently achieve billing demands above 20 kW throughout the year. Under the proposed change, these smaller customers would be eligible for, and have the opportunity to choose, Rate GS, which does not include a demand charge component. Affording these smaller customers the opportunity to choose a non-demand rate should improve customer satisfaction. (Thompson)

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?

GULF: Yes. The new option provides a narrowly defined critical peak period. The demand charge applicable to that critical peak period is higher than the on-peak demand charge, but customers with load management abilities may be able to avoid, or substantially reduce, their demand during these short periods. (Thompson)

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?

GULF: Yes. The 2,000 kW applicability threshold has been in place since the initial implementation of Real Time Pricing at Gulf in 1995. More than half the customers who meet the 2,000 kW threshold avail themselves of Real Time Pricing. Gulf's experience, metering and billing abilities, and the diversity of customers indicate it is time to open it up to more and smaller customers. Gulf presently has about 300 to 350 customers who would meet the 500 kW threshold. (Thompson)

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?

GULF: Yes. This change is to simplify the minimum size requirement by making the Qualifying Load to be 500 kW in all cases. The current size requirement treats new load and retained load differently. The simplification will make the rate easier for customers to understand and for the Gulf to administer. (Thompson)

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

GULF: The appropriate methodology to be used in designing rates is that filed by Gulf in this proceeding as Attachment A to MFR Schedule E-1 and in the Exhibit MTO-2. This cost of service methodology was the approved method of the Commission in Gulf's previous rate case with one exception. The Minimum Distribution System (MDS) was used in the cost of service study to determine customer and demand related cost. The MDS was used in order to adhere more closely to sound cost causative principles. (O'Sheasy)

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

GULF: Distribution costs are either assigned, where possible, or allocated to Rate Class. Demand-related distribution costs at Level 3 are allocated on a Coincident Peak Demand (CP) Level 3 allocator. Demand-related distribution costs at Levels 4 and 5 are allocated on, their respective level, Non-Coincident Peak Demand (NCP) allocator. An example of a Level 3 Distribution Common Demand-related Investment is Account 362 – Station Equipment, which is allocated to Rate Class on a Level 3 CP demand allocator. An example of a Level 4 and Level 5

Common Distribution Demand-related Investment is Account 365 – Overhead Conductors. This Account has both Level 4 and Level 5 Common Investment. The Level 4 Common Investment is allocated to Rate Class on a Level 4 NCP demand allocator, and the Level 5 Common is allocated to Rate Class on a Level 5 NCP demand allocator. Customer-related Distribution costs are at both Level 4 and Level 5. These customer-related costs are allocated on their respective Level average number of customers' allocator. An example of Level 5 Distribution Customer-related Investment is Account 365 – Overhead Conductors. This customer-related investment at Level 5 is allocated to Rate Class on the average number of customers at Level 5. Note: Where cost must be divided into demand and customer component, the Minimum Distribution System (MDS) is appropriate in order to adhere more closely with sound cost causative principles. (O'Sheasy)

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

GULF: The increase should be spread among the rate classes as shown in MFR E-8 of Gulf's filing. This allocation gives consideration to cost-of-service, moving rate classes toward parity, fairness, and value. All of these are important and appropriate considerations. (Thompson)

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

GULF: The appropriate customer charges based on Gulf's original filing are shown below. These proposed charges reasonably reflect customer-related costs. The increases in the Base Charges have been limited to not more than 50% above their current levels. There are important reasons for ensuring that, to the extent practical, the costs of providing service to customers that do not vary with the amount of consumption are recovered from fixed Base Charges rather than from energy or demand charges.

Yes, the customer charge should be renamed "Base Charge." This change in terminology better reflects the purpose of this monthly, fixed charge. This charge exists to reflect the fact that a certain base level of costs is incurred by Gulf to provide electricity independent of the amount of service consumed. (Thompson)

Rate Schedule	Monthly Customer Charge (Base Charge)
RS, RSVP	$15.00
GS	$18.00
GSD, GSDT, GSTOU	$45.00
LP, LPT	$225.00
PX, PXT	$683.68

Issue 110: What are the appropriate demand charges?

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

Rate Schedule	Monthly Demand Charge
GSD	$ 6.17
LP	$10.60
PX	$ 9.90
GSDT	$ 3.29 (On-Peak)
	$ 2.92 (Maximum)
	$ 1.65 (Critical Peak Option On-Peak)
	$ 2.92 (Critical Peak Option Maximum)
	$ 4.94 (Critical Peak Option Critical Peak)
LPT	$ 8.53 (On-Peak)
	$ 2.12 (Maximum)
	$ 4.27 (Critical Peak Option On-Peak)
	$ 2.12 (Critical Peak Option Maximum)
	$12.80 (Critical Peak Option Critical Peak)
PXT	$ 9.19 (On-Peak)
	$ 0.82 (Maximum)

Issue 111: What are the appropriate energy charges?

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

Rate Schedule	Energy Charge
RS	4.615 ¢/kWh
GS	5.121 ¢/kWh
GSD	1.579 ¢/kWh
LP	0.790 ¢/kWh
PX	0.366 ¢/kWh
RSVP	4.615 ¢/kWh – P_1 4.615 ¢/kWh – P_2 4.615 ¢/kWh – P_3 4.615 ¢/kWh – P_4
GSTOU	16.571 ¢/kWh (Summer On-Peak) 6.268 ¢/kWh (Summer Intermediate) 2.684 ¢/kWh (Summer Off-Peak) 3.704 ¢/kWh (Winter All-Hours)
GSDT	1.579 ¢/kWh
LPT	0.790 ¢/kWh
PXT	0.362 ¢/kWh

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

GULF: The appropriate charges for the outdoor service (OS) are those shown in the Rate Schedule OS found in Schedule 3 of Exhibit JIT-1, attached to the testimony of Gulf Witness Thompson. (Thompson)

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

GULF: Yes. Lighting technology changes, vendor changes, and material costs frequently render prices of existing fixtures stale. The ability to re-price existing fixtures, up or down, as costs change would benefit lighting customers. This proposal would allow Gulf Power to adjust the prices of fixtures as emerging technologies or other forces drive costs down in the market, thus benefitting Gulf's lighting customers. Similarly, if costs increase, the associated price increases are implemented gradually on an annual basis. (Thompson)

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

GULF: The appropriate charges under Rate Schedule SBS are listed below. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by Gulf in other issues. (Thompson)

Contract Demand	100 to 499 kw	500 to 7,499 kw	7,500 kw and above
Demand Charge			
Local Facilities Charge	$2.73	$2.51	$0.95
On-Peak	$3.29	$8.53	$9.19
Reservation Charge	$1.00	$1.00	$1.00
Daily Demand Charge	$0.47	$0.47	$0.47
Energy Charge (per kWh)	2.249¢	1.370¢	1.359¢

Issue 115: What are the appropriate transformer ownership discounts?

GULF: The appropriate discounts are shown below. When new rates become effective in this case, it will have been approximately 10 years since the voltage discounts were adjusted in Gulf's last rate case. Customers who own, operate, and maintain voltage transformation facilities need to be able to rely on consistency in the relationship between the charges in the rate(s) and the discounts available as they make decisions as to whether or not to provide their own voltage transformation. (Thompson)

Rate Schedule	Voltage Discount
GSD/GSDT	($ 0.49) Primary Voltage Level
LP/LPT	($ 0.64) Primary Voltage Level ($ 0.81) Transmission Voltage Level
PX/PXT	($ 0.22) Transmission Voltage Level
SBS Contract Level	
100 – 499 KW	($ 0.44) Primary Voltage Level
500 – 7,499 KW	($ 0.84) Primary Voltage Level ($ 0.98) Transmission Voltage Level
Above 7,499 KW	($ 0.13) Transmission Voltage Level

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

GULF: The appropriate minimum monthly bill demand charges under the PX and PXT rate schedules are $11.90/KW/month for PX and $11.99/KW/month for PXT. These minimum bill provisions have been developed using the FPSC approved method for determining them. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified by Gulf in other issues. (Thompson)

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?

GULF: No. None of the $38,549,000 interim rate increase granted by Order No. PSC-11-0382-PCO-EI should be refunded. (McMillan)

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?

GULF: Although Gulf will file this information if required by the Commission, the Company requests that it be allowed 90 days after the date of the final order in this docket in order to comply with these post decision filing requirements. This length of time is consistent with the amount of time granted in Gulf's last base rate case in Docket No. 010949-EI, Order No. PSC-02-0787-FOF-EI, issued June 10, 2002.

Issue 119: Should this docket be closed?

GULF: Yes.

F. STIPULATED ISSUES

GULF: Yet to be determined.

G. PENDING MOTIONS

GULF: There are no pending motions at this time.

H. PENDING CONFIDENTIALITY REQUESTS

1. Request for confidentiality filed July 8, 2011, relating to MRF Schedule D-2 (DN 04723-11).

2. Motion for Temporary Protective Order filed August 25, 2011, relating to OPC's First Set of Interrogatories and First Request for Production (DN 06141-11).

3. Request for confidentiality filed August 30, 2011 relating to response No. 9 of Staff's Third Request for Production of Documents (Nos. 9-10) (DN 06243-11).

4. Second Motion for Temporary Protective Order field September 1, 2011 relating to responses to OPC's Second Request for Production of Documents (Nos. 75-85) specifically, response No. 77 and Second Set of Interrogatories (Nos. 88-153) specifically, responses Nos. 135, 144, and 152 (DN 06310-11).

5. Third Motion for Temporary Protective Order filed September 15, 2011 relating to OPC's Third Request for Production (Nos. 86-95) and Third Interrogatories (Nos. 154-170) (DN 06643-11).

6. Request for confidentiality filed September 20, 2011, relating to responses to Staff's Sixth Request for Production of Documents (Nos. 20-23), Staff's Seventh Request for Production of Documents (Nos. 24-34) and Staff's Seventh Set of Interrogatories (Nos. 91-108) (DN 06775-11).

7. Request for confidentiality filed September 29, 2011 relating to response No. 133 of Staff's Tenth Set of Interrogatories (Nos. 120-133) (DN 07065-11).

8. Fourth Motion for Temporary Protective Order filed October 5, 2011 relating to Supplemental Responses to OPC's First Request to Produce Documents (No. 34(a)) (DN 07258-11).

9. Fifth Motion for Temporary Protective Order filed October 10, 2011 relating to responses to OPC's Sixth Set of Interrogatories and Sixth Request for Production (DN 07416-11).

10. Amended Request for confidentiality filed October 14, 2011 relating to Staff's Sixth Request for Production (Nos. 20-23), specifically Nos. 20 and 21; Staff's Seventh Request for Production (Nos. 24-34), specifically Nos. 29, 30 and 33; and Staff's Seventh Set of Interrogatories (Nos. 91-108), specifically No. 98 (DN 07572-11).

11. Notice of Intent to Request confidentiality filed October 14, 2011 relating to Testimony of OPC Witness Kimberly Dismukes (DN 07536-11).

12. Request for confidentiality filed October 25, 2011 relating to Staff's Audit (ACN-200-1-1) (DN 07856-11).

13. Request for confidentiality filed October 25, 2011 relating to response to Staff's Thirteenth Set of Interrogatories (Nos. 142-162), specifically No. 156 (DN 07967-11).

14. Request for confidentiality filed October 31, 2011 relating to responses to Staff's Thirteenth Request for Production (Nos. 48-50), specifically No. 49 (DN 08018-11).

15. Request for confidentiality filed November 1, 2011 relating to Testimony of OPC witness Kimberly Dismukes (DN 08066-11).

I. EXPERT WITNESS OBJECTIONS

GULF: Gulf reserves the right to challenge the qualifications of any expert witness consistent with the procedural order entered in this docket.

J. OTHER MATTERS

GULF: To the best knowledge of counsel, Gulf has complied, or is able to comply, with all requirements set forth in the orders on procedure and/or the Commission rules governing this prehearing statement. If other issues are raised for determination at the hearing set for December 12 through 16, 2011, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 14th day of November 2011.

Respectfully submitted,

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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

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by overnight delivery the 14th day of November, 2011, on the following:

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