

Eric Fryson

From: Brooks, Wendy [WEBROOKS@SOUTHERNCO.COM]
Sent: Wednesday, March 14, 2012 3:09 PM
To: Filings@psc.state.fl.us
Cc: Judy Harlow
Subject: Gulf Power Company's response to Industry Survey for legislative review of agency rules
Attachments: Gulf Power Company's response to Industry Survey for legislative review of agency rules.pdf

A. s/Susan D. Ritenour

Gulf Power Company

One Energy Place

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B. Docket No. 110303-OT

C. Gulf Power Company

D. Document consists of 22 pages

E. The attached document is Gulf Power Company's response to Industry Survey for legislative review of agency rules.

Wendy Brooks

3/14/2012

DOCUMENT NUMBER-DATE

01509 MAR 14 2012

FPSC-COMMISSION CLERK

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March 14, 2012

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

RE: Docket No. 110303-OT – Industry Survey for legislative review of agency rules

Dear Ms. Cole:

Attached is Gulf Power Company's response to Staff's survey questions for Rule 25-17.0021, F.A.C., Goals for Electric Utilities; Rule 25-22.032, F.A.C., Customer Complaints; and Rule 25-6.0436, F.A.C., Depreciation in the above referenced docket.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

wb

Enclosure

cc: Florida Public Service Commission
Judy Harlow, Senior Analyst
Beggs & Lane
Jeffrey A. Stone

DOCUMENT NUMBER-DATE

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- A. What are the utility's estimated transactional costs resulting from the Company's compliance with Rule 25-17.0021, F.A.C., for the five year period beginning July 1, 2011?
1. **Goal Setting** – Please provide the actual or estimated transactional costs for each of the 5 years, beginning July 1, 2011, to comply with Rule 25-17.0021, F.A.C., subparagraph 3. Also please specify which of these costs are recovered through base rates or a cost recovery clause. Include, for example, the following:
 - a. The cost of any studies, such as a technical potential study – the portion of the cost paid by your company of the ITRON Technical Potential Study for the last goal-setting proceeding may be used as a starting point, but should be time-shifted to approximately 2014 when the next goal-setting proceeding will commence.
 - b. Witness preparation and their appearances before the Commission.
 - c. Petition and testimony filings.
 - d. Discovery costs.
 - e. Other costs associated with the goal-setting process – please identify each.

GULF'S RESPONSE:

Gulf Power's projected expenses related to goal setting activities as required to comply with Rule 25-17.0021, F.A.C are as follows:

	<u>Year 1 - July 2011/June 2012</u>			<u>Year 2 - July 2012/June 2013</u>			<u>Year 3 - July 2013/June 2014</u>			<u>Year 4 - July 2014/June 2015</u>			<u>Year 5 - July 2015/June 2016</u>		
	<u>Base</u>														
	<u>ECCR</u>	<u>Rates</u>	<u>Total</u>												
Goal Setting	0	0	0	5,000	0	5,000	106,000	332,000	438,000	45,000	10,000	55,000	0	0	0

These expenses include six months (July 2011 – December 2011) of actual expenses. All other expenses identified are projections based on past experience and other information available to Gulf.

The years represented in the table above represent twelve month periods beginning with July 2011 as requested. These do not sequentially represent the process to comply with Rule 25 -17.0021, F.A.C which begins with goal setting (shown above to begin in Year 3).

The expenses included above represent labor (for goal development, witness preparation, regulatory activities, discovery, etc.), Technical Potential study, and other miscellaneous expenses.

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2. **DSM Plan** – Please provide the actual or estimated transactional costs for each of the 5 years, beginning July 1, 2011, to comply with Rule 25-17.0021, F.A.C., subparagraph 4. Also please specify which of these costs are recovered through base rates or a cost recovery clause. Include, for example, the following:
- The cost of cost-effectiveness testing.
 - Witness preparation and appearances before the Commission.
 - Petition and testimony filings.
 - Discovery costs.
 - Other costs associated with developing the DSM plan - please identify each.

GULF'S RESPONSE:

Gulf Power's projected expenses related to DSM Plan activities as required to comply with Rule 25-17.0021, F.A.C are as follows:

	<u>Year 1 - July 2011/June 2012</u>			<u>Year 2 - July 2012/June 2013</u>			<u>Year 3 - July 2013/June 2014</u>			<u>Year 4 - July 2014/June 2015</u>			<u>Year 5 - July 2015/June 2016</u>		
	<u>Base</u>			<u>Base</u>			<u>Base</u>			<u>Base</u>			<u>Base</u>		
	<u>ECCR</u>	<u>Rates</u>	<u>Total</u>												
DSM Plan	0	0	0	0	0	0	0	0	0	187,000	0	187,000	257,000	171,000	428,000

These expenses include six months (July 2011 – December 2011) of actual expenses. All other expenses identified are projections based on past experience and other information available to Gulf.

The years represented in the table above represent twelve month periods beginning with July 2011 as requested. These do not sequentially represent the process to comply with Rule 25 -17.0021, F.A.C which begins with goal setting (shown above to begin in Year 3).

The expenses included above represent labor (for DSM Plan development, cost effectiveness testing, witness preparation, discovery, etc.) and other miscellaneous expenses.

3. **Annual Report** – Please provide the actual or estimated transactional costs for each of the 5 years, beginning July 1, 2011, to comply with Rule 25-17.0021, F.A.C., subparagraph 5. Also please specify which of these costs are recovered through base rates or a cost recovery clause. Include, for example, the following:
- The cost of data collection.
 - The cost of report preparation.
 - Other costs associated with the annual report - please identify each.

GULF'S RESPONSE:

Gulf Power's projected expenses related to Annual Report activities as required to comply with Rule 25-17.0021, F.A.C are as follows:

	<u>Year 1 - July 2011/June 2012</u>			<u>Year 2 - July 2012/June 2013</u>			<u>Year 3 - July 2013/June 2014</u>			<u>Year 4 - July 2014/June 2015</u>			<u>Year 5 - July 2015/June 2016</u>		
	<u>Base</u>			<u>Base</u>			<u>Base</u>			<u>Base</u>			<u>Base</u>		
	<u>ECCR</u>	<u>Rates</u>	<u>Total</u>												
Annual Report	1,000	4,000	5,000	1,000	4,000	5,000	1,000	4,000	5,000	1,000	4,000	5,000	7,000	21,000	28,000

NOTE: expenses in Year 5 (shown above) are higher to account for more effort required to update the FEECA report during the first year a new DSM Plan is implemented.

These expenses include six months (July 2011 – December 2011) of actual expenses. All other expenses identified are projections based on past experience and other information available to Gulf.

The years represented in the table above represent twelve month periods beginning with July 2011 as requested. These do not sequentially represent the process to comply with Rule 25 -17.0021, F.A.C which begins with goal setting (shown above to begin in Year 3).

The expenses included above represent labor for annual report preparation.

4. **Plan Implementation Cost** – Please provide the actual or estimated transactional costs for each of the five years, beginning July 1, 2011, paid by residential and commercial/industrial customers to carry out the utility's DSM plan. Please separate these costs into those applicable to residential programs and commercial/industrial programs. Also please specify which of these costs are recovered through base rates or a cost recovery clause. Include, for example, the following:
- The cost of advertising DSM programs.
 - The cost of informational and education materials.
 - The cost of energy surveys.
 - The cost of equipment and incentives provided to participating customers.
 - Administrative costs.
 - Other costs associated with implementing and conducting the DSM plan - please identify each.

GULF'S RESPONSE:

Gulf Power's projected expenses related to Plan Implementation activities as required to comply with Rule 25-17.0021, F.A.C are as follows:

	<u>Year 1 - July 2011/June 2012</u>			<u>Year 2 - July 2012/June 2013</u>			<u>Year 3 - July 2013/June 2014</u>			<u>Year 4 - July 2014/June 2015</u>			<u>Year 5 - July 2015/June 2016</u>		
	<u>Base</u>			<u>Base</u>			<u>Base</u>			<u>Base</u>			<u>Base</u>		
	<u>ECCR</u>	<u>Rates</u>	<u>Total</u>	<u>ECCR</u>	<u>Rates</u>	<u>Total</u>	<u>ECCR</u>	<u>Rates</u>	<u>Total</u>	<u>ECCR</u>	<u>Rates</u>	<u>Total</u>	<u>ECCR</u>	<u>Rates</u>	<u>Total</u>
<u>Plan Implementation</u>															
<u>Cost</u>															
Residential	17,433,000	48,000	17,481,000	32,024,000	48,000	32,072,000	48,781,000	241,000	49,022,000	55,153,000	48,000	55,201,000	57,558,000	310,000	57,868,000
Commercial/Industrial	3,211,000	9,000	3,220,000	5,898,000	9,000	5,907,000	8,984,000	44,000	9,028,000	10,158,000	9,000	10,167,000	10,601,000	57,000	10,658,000
<u>Total Plan</u>															
<u>Implementation Cost</u>	<u>20,644,000</u>	<u>57,000</u>	<u>20,701,000</u>	<u>37,922,000</u>	<u>57,000</u>	<u>37,979,000</u>	<u>57,765,000</u>	<u>285,000</u>	<u>58,050,000</u>	<u>65,311,000</u>	<u>57,000</u>	<u>65,368,000</u>	<u>68,159,000</u>	<u>367,000</u>	<u>68,526,000</u>

These expenses include six months (July 2011 – December 2011) of actual expenses. All other expenses identified are projections based on past experience, Gulf's DSM Plan and other information available to Gulf.

The years represented in the table above represent twelve month periods beginning with July 2011 as requested. These do not sequentially represent the process to comply with Rule 25 -17.0021, F.A.C which begins with goal setting (shown above to begin in Year 3).

The expenses included above represent labor (for plan implementation/management, ECCR filings, etc.), program advertising, incentives, third-party expenses, printed material, etc. All programs, including energy audits, are included in the projected expenses.

5. Of the costs provided above, please discuss which are likely to have an adverse impact on economic growth, private sector job creation or employment, or private sector investment.

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

6. Of the costs provided above, which are likely to have an adverse impact on business competitiveness, including the ability of persons doing business in the state to compete with persons doing similar business in other states or domestic markets, productivity, or innovation.

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

- B. For the five year period beginning July 1, 2011, which requirements of this rule, if any, would be performed by the Company assuming the rule were not in effect? Please explain.

GULF'S RESPONSE:

The time provided to respond to this survey does not allow Gulf adequate time to fully evaluate which specific programs the Company would offer to customers assuming Rule 25 -17.0021, F.A.C were not in effect. However, in general, Gulf would continue to offer cost-effective products and programs to our customers that provide benefit to them.

It is Gulf's position that in assessing the true effectiveness of any demand side management (DSM) program, whether in compliance with a Commission rule or not, it is critical to consider the costs of achieving the benefits. If the cost to deliver DSM exceeds the benefit, rates rise and non-participating customers receive a net negative benefit, i.e. their electricity purchases cost them more than they otherwise would have without the DSM program implementation.

When evaluating DSM programs, the Rate Impact Measure (RIM) test (in combination with the Participants Test) is the only test that ensures that a program is economically beneficial to the entire body of customers, including non-participating customers. Further, it is the only test that ensures downward pressure on rates and avoids cross-subsidies between participating and non-participating customers.

If Rule 25 -17.0021, F.A.C were not in effect, Gulf would continue to seek opportunities to offer customers with cost-effective products and programs. As long as Rule 25 -17.0021, F.A.C continues to be in effect, a shift in the next goal setting process back to RIM would ensure that all customers, not just those that can participate in specific programs, will receive benefit from Gulf's compliance with the rule.

- C. For each of the requirements identified in B above, what are the transactional costs associated with such requirements for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

The time provided to respond to this survey does not allow Gulf adequate time to fully evaluate which specific programs the Company would offer to customers assuming Rule 25 -17.0021, F.A.C were not in effect; therefore, specific transactional costs cannot be identified.

- D. What is the utility's estimate of the likely impact, stated in terms of costs and/or benefits, on small businesses (as defined by s. 288.703, F.S.) located in the Company's service territory, resulting from the implementation of 25-17.0021, F.A.C., for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

- E. What is the utility's estimate of the likely impact, stated in terms of costs and/or benefits, on small counties and small cities (as defined in s. 120.52) located in the Company's service territory, resulting from the implementation of 25-17.0021, F.A.C., for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

- F. What is the utility's estimate of the likely impact, stated in terms of costs and/or benefits, on entities located in the Company's service territory other than those specifically identified in Questions D and E, resulting from the implementation of 25-17.0021, F.A.C., for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

- G. What does the utility believe is the expected impact of Rule 25-17.0021, F.A.C., on economic growth, private sector job creation or employment, and private sector investment for the five year period beginning July 1, 2011, in the utility's service territory?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

- H. What does the utility believe is the expected impact of Rule 25- 17.0021, F.A.C., on business competitiveness, including the ability of persons doing business in the utility's service territory to compete with persons doing business in states other than Florida or other domestic markets, productivity, and innovation, for the five year period July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

- I. What are the benefits to your utility associated with Rule 25- 17.0021, F.A.C.

Gulf's Response:

As previously stated, Gulf would continue to offer cost-effective products and programs to our customers that provide benefit to them whether Rule 25-27.0021, F.A.C. existed; therefore, the rule itself does not provide specific benefits to Gulf.

1. What are the Company's estimated transactional costs resulting from the Company's compliance with Rule 25-22.032, F.A.C., for the five year period beginning July 1, 2011?
 - a. For the five year period beginning July 1, 2011, which requirements of Rule 25-22.032, F.A.C., if any, would be performed by the Company assuming the rule were not in effect? Please explain.
 - b. For each of the requirements identified in 1a., what are the estimated transactional costs associated with such requirements for the five year period beginning July 1, 2011.
 - c. What are your actual transactional costs resulting from your Company's compliance with Rule 25-22.032, F.A.C., for the period July 1, 2011 to December 31, 2011?

GULF'S RESPONSE:

The total estimated transactional costs for the five year period beginning July 1, 2011 are \$119,000. Costs associated with salaries are incremental dollars associated with the administration of the transfer-connect process. The breakdown of estimated transactional costs is itemized below:

Designated Fax Machine and supplies – \$1,000
Designated Phones for Warm Transfer Process - \$7,000
Salaries – \$111,000

- a. All requirements of Rule 25-22.032 would still be performed by Gulf Power Company if the rule were not in effect. The requirements provide for a timely and effective process through which to resolve customer complaints.
- b. As the Company would perform all current requirements, the estimated transactional costs would be the same as provided in question 1.
- c. The actual transactional costs for the 6 month period of July 1, 2011 to December 31, 2011 are as followed:

Designated Fax Machine - \$92
Designated Phones for Warm Transfer Process - \$660
Salaries - \$11,091

Costs associated with salaries are incremental dollars associated with the administration of the transfer-connect process.

2. What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on small businesses (as defined by Section 288.703, F.S.) located in the Company's service territory, resulting from the implementation of 25-22.032, F.A.C., for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

3. What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on small counties and small cities (as defined in Section 120.52, F.S.) located in the Company's service territory, resulting from the implementation of 25-22.032, F.A.C., for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

4. What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on entities located in the Company's service territory other than those specifically identified in Questions 2 and 3, resulting from the implementation of 25-22.032, F.A.C., for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

5. What does the Company believe is the expected impact of Rule 25-22.032, F.A.C., on economic growth, private sector job creation or employment, and private sector investment for the five year period beginning July 1, 2011 in the Company's service territory?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

6. What does the Company believe is the expected impact of Rule 25-22.032, F.A.C., on business competitiveness, including the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets, productivity, and innovation, for the five year period beginning July 1, 2011 in your service territory?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this

rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

7. What does the Company believe are the benefits associated with Rule 25-22.032, F.A.C.?

GULF'S RESPONSE:

Rule 25-22.032 F.A.C. provides for a timely and effective process through which to resolve customer complaints.

8. Assuming Rule 25-22.032, F.A.C., is unchanged over the next five years, do you expect your Company's costs to comply with the rule, going forward, to increase, decrease, or remain the same. Please explain your response.

GULF'S RESPONSE:

The Company expects the costs to comply with the rule, going forward, to increase as dedicated communications and personnel costs will escalate over time.

9. Does your Company currently have procedures/personnel in place to address complaints received directly from your consumers?

GULF'S RESPONSE:

Yes, the Company has procedures and personnel in place to address complaints received directly from consumers.

10. If Rule 25-22.032, F.A.C., were repealed would your Company continue to accept and address consumer complaints? Please explain your response.

GULF'S RESPONSE:

Yes, the Company would continue to accept and address consumer complaints as the customer is the center of all that we do.

11. Do you believe the costs, if any, incurred by your Company to comply with the records retention, reporting, and auditing requirements of Rule 25-22.032(10), F.A.C., for the five year period beginning July 1, 2011, if any, have an adverse impact on your Company? If so, please provide any and all data which supports your response.

GULF'S RESPONSE:

No, the Company does not believe the rule has any adverse impact related to the records retention or the reporting of requirements.

12. Of the transactional costs estimated to be associated with compliance with 25-22.032, F.A.C., what percentage is spent on the following items:
- a. Staffing
 - b. Document storage and retention
 - c. Postage and shipping
 - d. Communications (dedicated phone lines, emails or faxes)
 - e. Other

GULF'S RESPONSE:

- a. Staffing – 94%
- b. Document storage and retention – Nominal
- c. Postage and shipping – Nominal
- d. Communications (dedicated phone lines, emails or faxes) – 6%
- e. Other – N/A

13. How many staff members at your Company are currently responsible for handling consumer complaints associated with 25-22.032, F.A.C.?
- Are they full time employees?
 - Do these employees have responsibilities apart from handling complaints?

GULF'S RESPONSE:

Twenty-one (21) employees have some level of responsibility for handling consumer complaints.

- Yes, they are full-time employees.
 - Yes, all of these employees have other responsibilities. In fact, only one (1) employee allocates approximately 50% of their time associated with the 25-22.032 Customer Complaint rule. All other combined resources allocate less than 1% of their time to the process.
14. Section 3 of Rule 25-22.032, F.A.C., states that a customer's service shall not be discontinued during the complaint resolution process. Have there been instances in 2010 through 2011, when your Company was uncompensated for service provided as a result of a billing dispute?
- In the majority of these cases, is the Company able to recoup these costs after the complaint is resolved?

GULF'S RESPONSE:

There have been no instances in 2010 or 2011 for which the Company was uncompensated for service provided as a result of a billing dispute.

- N/A

15. Does your Company subscribe to the Florida Public Service Commission's telephone "transfer-connect" or email transfer system?
- a. What are the annual costs associated with subscription to these systems, including costs due to additional requirements for staffing, operating hours and document retention?

GULF'S RESPONSE:

Yes, the Company subscribes to the Florida Public Service Commission's telephone transfer-connect and email transfer system.

- a. The annual incremental cost associated with the transfer-connect process is approximately \$13,000.

16. Approximately what percentage of complaints are resolved prior to reaching the Informal Conference stage described in Section 8 of Rule 25-22.032, F.A.C.?
- a. How many times has your Company had a consumer complaint that has escalated all the way to the informal conference stage in the previous two years?
 - b. How many times in 2010 through 2011 has your Company had a complaint process that was escalated beyond the informal conference stage?

GULF'S RESPONSE:

Based on our records, the Company has resolved 100% of the complaints before reaching the informal conference stage described in Section 8 of Rule 25-22.032.

- a. For the past 2 years, there have been no complaints that have escalated to the informal conference stage.
- b. See Gulf's response to 16a.

17. Approximately what percentage of complaints from your customers filed with the Florida Public Service Commission are successfully resolved within 30 days?

GULF'S RESPONSE:

100% of the complaints filed with the Florida Public Service Commission are successfully resolved with customers within 30 days.

18. How has Rule 25-22.032, F.A.C., affected the way your Company processes complaints?
- a. Has the rule had a positive, negative, or neutral impact on your Company?
 - b. How has the rule affected the Company's cost of handling complaints?

GULF'S RESPONSE:

- a. The Company believes the impact to be neutral.
- b. The transfer-connect process has required the Company to obtain dedicated communication devices and personnel at minimal costs to comply with the rule requirement.

- 1a. What are the Company's estimated transactional costs resulting from the Company's compliance with Rule 25-6.0436, F.A.C., for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

As required by Generally Accepted Accounting Principles (GAAP) and FERC, Gulf is required to systematically allocate its assets over their service lives. To facilitate this process Gulf would perform a periodic depreciation study. Rule 25-6.0436 requires more detail than is otherwise necessary to meet the accounting and FERC requirements. A high level estimate of the cost to comply with the additional requirements of this rule is approximately \$165,000 which includes costs associated with management, legal and regulatory review.

- 1b. What are the Company's estimated recurring annual costs to maintain property records and to perform depreciation-related activities (including tracking additions, retirements, and adjustments, and determining associated reserves) for the FPSC jurisdiction?

GULF'S RESPONSE:

Gulf's estimated annual cost to maintain property records and to perform depreciation related activities is approximately \$800,000. This amount includes labor and associated taxes and benefits and does not include the consultant, legal and regulatory costs to file a depreciation study. In the absence of this rule, Gulf would maintain its records in a similar fashion.

- 1c. Is the quadrennial depreciation study prepared in-house or by an outside consultant?

GULF'S RESPONSE:

Gulf's study is prepared using a combination of in-house work and an outside consultant.

- 1d. If the answer to 1c. is "outside consultant," please respond to the following questions:
- a. What was the cost of the most recent study prepared by an outside consultant, and on what date was the consultant paid for their services?
 - b. What is the utility's estimated cost to provide the necessary information required for the outside consultant to prepare a study, and when were these costs incurred?
 - c. Will an outside consultant be used to prepare the next study? If yes, what is the estimated cost to prepare the next study?

GULF'S RESPONSE:

- a. American Appraisal performed the consulting work for Gulf's most recent study. The cost for the study preparation was \$59,000 and was paid between July 2008 and May 2010. Additional consulting costs were incurred totaling \$19,000 to support discovery in the case.
- b. Gulf's estimated cost to prepare the data required by the consultant was approximately \$97,000 incurred from July 2008 to May 2010.
- c. Yes. Assuming the same level of discovery, the outside consultant is expected to cost approximately \$90,000 in total case preparation and support for discovery.

- 1e. If the answer to 1c. is "in-house," please respond to the following questions.
- a. What was the utility's cost to prepare the most recent depreciation study, and over what time period were such costs incurred?
 - b. What is the utility's estimated cost to prepare the next depreciation study?

GULF'S RESPONSE:

- a. Gulf estimates the in-house cost to prepare the portion of the study related to generation assets, preparation of the filing, management review, legal review and regulatory review was approximately \$150,000. These dollars were incurred during 2008, 2009, and 2010.
- b. Assuming the same level of discovery, Gulf expects to spend approximately \$155,000 in relation to the in-house portion of the study and discovery.

2. What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on small businesses (as defined by Section 288.703, F.S.) located in the Company's service territory, resulting from the implementation of 25-6.0436, F.A.C., for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

3. What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on small counties and small cities (as defined in Section 120.52, F.S.) located in the Company's service territory, resulting from the implementation of 25-6.0436, F.A.C., for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

4. What is the Company's estimate of the likely impact, stated in terms of costs and/or benefits, on entities located in the Company's service territory other than those specifically identified in Questions 2 and 3, resulting from the implementation of 25-6.0436, F.A.C., for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

5. What does the Company believe is the expected impact of Rule 25-6.0436, F.A.C., on economic growth, private sector job creation or employment, and private sector investment for the five year period beginning July 1, 2011 in the Company's service territory?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

6. What does the Company believe is the expected impact of Rule 25-6.0436, F.A.C., on business competitiveness, including the ability of persons doing business in the Company's service territory to compete with persons doing business in states other than Florida or other domestic markets, productivity, and innovation, for the five year period beginning July 1, 2011?

GULF'S RESPONSE:

While Gulf has attempted to provide high-level estimates of costs that the Company has incurred, or may incur, as a result of compliance with the foregoing rule, the Company does not analyze or maintain data concerning the economic impacts of this rule on third parties. Determining such impacts can be a very complex process requiring multiple assumptions. Consequently, the Company is not in a position to provide the data which has been requested.

7. What does the Company believe are the benefits associated with Rule 25-6.0436, F.A.C.?

GULF'S RESPONSE:

Compliance with the rule ensures that the amount of depreciation expense to charge a customer in a given period is done over the useful life of the asset. This meets the intent of the matching principles of FERC and Generally Accepted Accounting Principles. In addition, compliance with this rule provides guidance which ensures uniformity among the Florida Investor Owned Utilities and those that would intervene in their proceedings.