

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

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**DATE:** October 18, 2013  
**TO:** All Parties of Record & Interested Persons  
**FROM:** Suzanne S. Brownless, Senior Attorney, Office of the General Counsel *SB*  
**RE:** Docket No. 130140-EI - Petition for rate increase by Gulf Power Company

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Please note that an informal meeting between Commission staff and interested persons to the above-captioned docket has been scheduled for the following time and place:

Friday, October 25, 2013 at 9:30 a.m.  
Gerald Gunter Building, Room 105  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RECEIVED-FPSC  
13 OCT 21 AM 8:15  
COMMISSION  
CLERK

The purpose of the meeting is to further identify and discuss issues to be litigated in the rate case. Staff's issue list reflecting the revisions agreed to at our last meeting is attached for your review and comments. It would be greatly appreciated if you could e-mail your comments and any additional or reworded issues you wish to propose to everyone by the close of business on Tuesday, October 22, 2013. Attendance is not required; however, all interested persons are encouraged to attend.

Interested persons may participate telephonically in this meeting by dialing **1-888-670-3525**, Passcode **5317547583 then #**. If you have any questions about the meeting, please call Suzanne Brownless at (850) 413-6218.

If settlement of the case or a named storm or other disaster requires cancellation of the meeting, Commission staff will attempt to give timely direct notice to the parties. Notice of cancellation will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at 850-413-6199.

SBr

**GULF POWER COMPANY  
DOCKET NO. 130140-EI  
OCTOBER 11, 2013 ISSUES LIST**

**Test Period and Forecasting**

**Issue 1:** Is Gulf's projected test period of the 12 months ending December 31, 2014 appropriate?

**Issue 2:** Are Gulf's forecasts of Customers, kWh, and kW by rate class, for the 2014 projected test year appropriate? If not, what forecasts of customers, kWh and kW by rate class should the Commission use in determining revenues and setting rates in this case?

**Issue 3:** Are Gulf's forecasts of billing determinants by rate schedule for the 2014 projected test year appropriate? If not, what adjustments should be made?

**Issue 4:** Are Gulf's estimated revenues from sales of electricity by rate class at present rates for the projected 2014 test year appropriate? If not, what are the appropriate projected amounts of revenues from sales of electricity by rate class at present rates for the 2014 projected test year?

**Issue 5:** What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2014 projected test year budget?

**Issue 6:** Is Gulf's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate? If not, what adjustments should be made?

**Quality of Service**

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

**Depreciation and Dismantlement**

**Issue 8:** Is Gulf's level of estimated interim retirements appropriate? If not, what adjustments should be made?

**OPC ISSUE:** What is the appropriate level of interim retirement-related production net salvage?

**OPC ISSUE:** What is the appropriate level of terminal production net salvage?

**Issue 9:** Is Gulf's proposed annual accrual for dismantlement appropriate? If not, what adjustments should be made?

**Issue 10:** Are Gulf's proposed depreciation rates and amortization schedules appropriate? If not, what adjustments should be made?

**OPC ISSUE:** What are the appropriate average service lives for the following mass property accounts?

- Account 350.2 – Transmission Easements and Rights-of-Way
- Account 353- Transmission Station Equipment
- Account 356 – Transmission Overhead Conductors
- Account 364- Distribution Poles and Fixtures
- Account 365 – Distribution Overhead Conductors
- Account 367 – Distribution Underground Conductors and Devices
- Account 368- Distribution Line Transformers
- Account 369 Distribution Overhead Services
- Account 370.1 – Distribution Meters – AMR
- Account 373- Distribution Street Lights
- Account 390- General Plant Structures and Improvements
- Account 303 – Intangible Plant- Software

**OPC ISSUE:** What is the appropriate net salvage for the following mass property accounts?

- Account 356- Transmission Overhead Conductors and Devices
- Account 362 – Distribution Station Equipment
- Account 368- Distribution Line Transformers
- Account 390- General Plant Structures and Improvements
- Account 392.3 – General Plant Heavy Trucks

**Issue 11:** What should the implementation date for the recommended depreciation rates, amortizations and dismantlement provisions be?

**Issue 12:** What, if any, corrective reserve allocations should be made?

### **Rate Base**

**Issue 13:** Should capital items currently approved for recovery through the Environmental Cost Recovery Clause be included in rate base for Gulf? If not, what adjustment should be made?

**Issue 14:** Has the Company removed all non-utility activities from rate base? If not, what adjustment should be made?

**Issue 15:** Is Gulf's requested level of Plant in Service in the amount of \$2,944,168,000 (\$2,999,897,000 system) for the 2014 projected test year appropriate? If not, what is the appropriate amount?

**Issue 16:** Is Gulf's requested level of Accumulated Depreciation in the amount of \$1,243,319,000 (\$1,268,049,000 system) for the 2014 projected test year appropriate? If not, what is the appropriate amount?

**Issue 17:** Is Gulf's requested level of Construction Work in Progress in the amount of \$26,656,000 (\$27,290,000 system) for the 2014 projected test year appropriate? If not, what is the appropriate amount?

**Issue 18:** Is Gulf's requested level of Property Held for Future Use in the amount of \$5,276,000 (\$5,435,000 system) for the 2014 projected test year appropriate? If not, what is the appropriate amount?

**Issue 19:** Should any adjustments be made to Gulf's fuel inventories for the projected 2014 test year?

**Issue 20:** Should any adjustments be made to the net Prepaid Pension Assets included in the Working Capital Allowance?

**Issue 21:** Is Gulf's proposed level of Working Capital for the 2014 projected test year appropriate? If not, what is the appropriate amount?

**Issue 22:** Is Gulf's requested rate base in the amount of \$1,883,901,000 (\$1,919,769 system) for the 2014 projected test year appropriate? If not, what is the appropriate amount?

### **Cost of Capital**

**Issue 23:** What is the appropriate amount of accumulated deferred taxes to include in the capital structure for the 2014 projected test year?

**Issue 24:** What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the 2014 projected test year?

**Issue 25:** What is the appropriate cost rate for customer deposits for the 2014 projected test year?

**Issue 26:** What is the appropriate cost rate for short-term debt for the 2014 projected test year?

**Issue 27:** What is the appropriate cost rate for long-term debt for the 2014 projected test year?

**Issue 28:** What is the appropriate cost rate for preference stock for the 2014 projected test year?

**Issue 29:** What is the appropriate return on equity (ROE) to use in establishing Gulf's revenue requirement?

**Issue 30:** What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the 2014 projected test year?

**Net Operating Income**

**Issue 31:** Is Gulf's projected level of Total Operating Revenues in the amount of \$528,651,000 (\$544,999,000 system) for the 2014 projected test year appropriate? If not, what is the appropriate amount?

**Issue 32:** Has Gulf made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Cost Recovery Clause?

**Issue 33:** Has Gulf made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause?

**Issue 34:** Has Gulf made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?

**Issue 35:** Has Gulf made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause?

**Issue 36:** Is Gulf's proposed advertising expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 37:** Is Gulf's proposed tree trimming expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 38:** Is Gulf's proposed pole inspection expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 39:** Is Gulf's proposed production plant O&M expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 40:** Is Gulf's proposed transmission O&M expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 41:** Is Gulf's proposed amount of distribution O&M expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 42:** Is Gulf's proposed Incentive Compensation included in the 2014 projected test year appropriate? If not what adjustment should be made?

**Issue 43:** Is Gulf's proposed hiring lag adjustment for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 44:** Is Gulf's proposed adjustment to the total Payroll Expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 45:** Is Gulf's proposed Supplemental Executive Pension Expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 46:** Is Gulf's proposed Pension Expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 47:** Is Gulf's proposed Other Post Employment Benefits Expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 48:** Is Gulf's proposed reserve target level and annual storm damage accrual of \$8,860,586 (\$9,000,000 system) for the 2014 projected test year appropriate? If not, what is the appropriate amount?

**Issue 49:** Is Gulf's proposed accrual for the Injuries & Damages reserve for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 50:** Are Gulf's proposed expenses related to company owned aircraft and related travel appropriate? If not, what adjustment should be made?

**Issue 51:** Is Gulf's proposed expense related to Directors and Officers Liability Insurance appropriate? If not, what adjustment should be made?

**Issue 52:** Is Gulf's proposed Rate Case Expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 53:** Is Gulf's proposed Bad Debt Expense for the 2014 projected test year appropriate? If not, what adjustment should be made?

**Issue 54:** What adjustment, if any, should be made to account for affiliated activities/transactions for the 2014 projected test year?

**Issue 55:** Is Gulf's requested level of O&M Expense in the amount of \$290,199,000 (\$295,916,000 system) for the 2014 projected test year appropriate? If not, what is the appropriate amount?

**Issue 56:** What is the appropriate amount of depreciation and fossil dismantlement expense for the 2014 projected test year?

**Issue 57:** Should an adjustment be made to Taxes Other Than Income Taxes for the 2014 projected test year?

**Issue 58:** Should the current amortization of investment tax credits (ITCs) and flow back of excess deferred income taxes (EDITs) be revised to reflect the approved depreciation rates and amortizations?

**Issue 59:** Is it appropriate to make a parent debt adjustment per Rule 25-14.004, Florida Administrative Code? If so, what adjustment should be made?

**Issue 60:** Should an adjustment be made to Income Tax expense for the 2014 projected test year?

**Issue 61:** Is Gulf's requested level of Total Operating Expenses in the amount of \$452,292,000 (\$463,445,000 system) for the 2014 projected test year appropriate? If not, what is the appropriate amount?

**Issue 62:** Is Gulf's projected Net Operating Income in the amount of \$76,359 (\$81,554,000 system) for the 2014 projected test year appropriate? If not, what is the appropriate amount?

### **Transmission Projects**

**OPC ISSUE:** Should the Commission approve Gulf's request to recover the costs of transmission upgrades for Plant Crist through the Environmental Cost Recovery Clause (ECRC)?

**OPC ISSUE:** Should the Commission approve Gulf's request to recover the costs of transmission upgrades for Plant Smith through the Environmental Cost Recovery Clause (ECRC)?

**OPC ISSUE:** Should the Commission approve Gulf's request to recover \$637,000 for projected transmission upgrade costs through base rates during the 2014 projected test year?

### **Revenue Requirements**

**Issue 63:** What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for Gulf?

**Issue 64:** Is Gulf's requested annual operating revenue increase of \$74,393,000 for the 2014 projected test year appropriate? If not, what is the appropriate amount?

**Issue 65:** Should the Commission approve Gulf's request to recover a step increase of \$16,392,000, effective July 1, 2015, for the Plant Crist and Plant Smith transmission upgrade projects?

### **Cost of Service and Rate Design**

**Issue 66:** What is the appropriate treatment of distribution costs within the cost of service study?

**Issue 67:** What is the appropriate Cost of Service Methodology?

**Issue 68:** How should any change in the revenue requirement approved by the Commission be allocated among the customer classes?

**Issue 69:** Is Gulf's proposal to restate the residential Base Charge as a daily amount rather than a monthly amount appropriate?

**Issue 70:** Should Gulf's proposed new experimental Small Business Incentive Rider (SBIR) be approved?

**Issue 71:** Should Gulf's proposed new experimental Large Business Incentive Rider (LBIR) be approved?

**Issue 72:** Is Gulf's proposed change in designation of revenues received under the Real Time Pricing (RTP) rate schedule appropriate?

**Issue 73:** Are Gulf's proposed modifications to Form 4 which contains the Lighting Pricing Methodology appropriate?

**Issue 74:** What are the appropriate service charges (Non-residential connection of initial and existing service, Restoration Charge, Premise Visit Charge)?

**Issue 75:** What are the appropriate base charges?

**Issue 76:** What are the appropriate demand charges?

**Issue 77:** What are the appropriate energy charges?

**Issue 78:** What are the appropriate Standby Charges?

**Issue 79:** What are the appropriate lighting charges?

**Issue 80:** What are the appropriate transformer ownership credits?

**Issue 81:** If approved, how should the step increase in revenue requirement effective July 1, 2015, be allocated to the various rate classes?

**Issue 82:** What is the appropriate effective date for Gulf's revised rates and charges?

### **Other Issues**

**Issue 83:** Should Gulf be required to file, within 90 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?

**Issue 84:** Should this docket be closed?



**FLORIDA PUBLIC SERVICE COMMISSION  
OFFICE OF THE GENERAL COUNSEL  
CONFERENCE CALL SYSTEM**

**Attorney:** Suzanne Brownless  
**Date and time of call:** October 25, 2013  
Room G-105  
**Re:** Docket No. 130140-EI

**PARTICIPANT'S instructions:**

Dial **1-888-670-3525**

Dial passcode 5317547583 then # (pound sign)

**ATTORNEY'S (Conference leader) instructions:**

Dial **1-888-670-3525**

Dial passcode 1054016077 then # (pound sign)

**Options for Chairperson (Attorney):**

- \*0 Operator assistance – conference
- \*4 Volume equalizer: adjusts the volume on your call
- \*5 /\*5 Mute / Unmute – to mute lines of all participants
- \*6 /\*6 Mute / Unmute – to reduce background noise on the call
- \*8 Record start/stop – record your call and download the recording after your call or save recording for future use
- ## **At end of conference, press ## before hanging up.**