

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In Re: Petition for Increase in Rates )  
By Gulf Power Company )  
\_\_\_\_\_ )

DOCKET NO. 130140-EI  
FILED: NOVEMBER 8, 2013

**PREHEARING STATEMENT OF WAL-MART STORES EAST, LP  
AND SAM'S EAST, INC.**

Wal-Mart Stores East, LP and Sam's East, Inc. ("Walmart"), pursuant to the Order Establishing Procedure in this docket, Order No. PSC-13-0342-PCO-EI, issued on July 31, 2013, hereby submits the Federation's Prehearing Statement.

**APPEARANCES:**

Robert Scheffel Wright  
John T. LaVia, III  
Gardner, Bist, Wiener, Wadsworth, Bowden, Bush, Dee, LaVia & Wright, P.A.  
1300 Thomaswood Drive  
Tallahassee, Florida 32308  
Telephone (850) 385-0070  
Facsimile (850) 385-5416

On behalf of Wal-Mart Stores East, L.P. and Sam's East, Inc.

1. **WITNESSES:**

Walmart is sponsoring the testimony of Steve W. Chriss, whose testimony addresses the Commission's purpose of analyzing Gulf's request in order to ensure that any rate increase that might be awarded to Gulf Power would be only an amount sufficient to ensure that Gulf provides safe, adequate, and reliable service at the lowest possible cost. Mr. Chriss's testimony also addresses Gulf's request for an ROE of 11.5 percent, which appears to be excessive, specifically in light of recent decisions by this Commission and by many other state regulatory commissions, and the high degree of revenue certainty that Gulf is allowed through the use of numerous cost

recovery clauses. Mr. Chriss also testifies that Gulf should not be allowed to include \$26.6 million of Construction Work in Progress in rate base.

2. EXHIBITS:

Walmart is sponsoring the following exhibits through the testimony of Mr. Chriss.

Exhibit SWC-1: Witness Qualifications Statement

Exhibit SWC-2: Calculation of Test Year Jurisdictional Revenues Collected through Base Rates

Exhibit SWC-3: Reported Authorized Returns on Equity, Electric Utility Rates Cases Completed in 2012 and 2013

Walmart has not yet identified exhibits that it intends to use in cross-examination, but Walmart reserves its rights to introduce exhibits through cross-examination.

3. STATEMENT OF BASIC POSITION

The core question to be addressed by the Commission in this proceeding is whether Gulf Power Company ("Gulf") needs any additional revenues in order to provide safe, adequate, reliable service, to recover its legitimate costs of providing such service, and to have an opportunity to earn a fair and reasonable return on its legitimate investment in assets used and useful in providing such service. An examination of the evidence offered by intervenors shows that, in total, the answer to this question is that Gulf can fulfill its duty to provide safe, adequate, reliable service at the lowest possible cost while reducing its base rates by at least \$5 million per year, and that with its base rates thus fixed by the Commission, Gulf will in fact recover all of its legitimate costs of providing service and have the opportunity to earn a fair and reasonable return on its legitimate investment in assets used and useful in providing such service.

Gulf's requested after-tax return on equity of 11.5 percent equates to a before-tax return greater than 18 percent. This is excessive and unjustified relative to current capital market conditions and relative to the minimal risks that Gulf faces as the monopoly provider of a necessity – electric service – pursuant to regulation by the Florida Public Service Commission under applicable Florida Statutes. The fact that Gulf recovers approximately 66 percent of its total revenues through “cost recovery clauses” greatly reduces the risks that Gulf faces, thus rendering its requested 11.5 percent ROE unreasonable and overreaching.

Intervenors have provided evidence showing Gulf has overstated its expenses in many areas. Gulf has also sought to inappropriately include \$26.6 million of Construction Work in Progress (“CWIP”) in its rate base, even though this amount is not for any asset that will be used and useful in providing service during the 2014 test year.

In summary, the combined evidence submitted by the consumer parties in this case shows that Gulf can provide safe, adequate, and reliable service and have the opportunity to earn a reasonable rate of return on its investment in property used and useful in serving Gulf's customers, while reducing its base rate revenues by at least \$5 million per year.

#### 4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

##### Test Period and Forecasting

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

**Walmart Position:** Walmart does not oppose the use of calendar year 2014 as the test year for this case.

**Issue 2:** Are Gulf's forecasts of Customers, kWh, and kW by rate class, for the 2014 projected test year appropriate? If not, what adjustments should be made?

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No position at this time.

**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 adjustments should be made?

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No position at this time.

### **Quality of Service**

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

**Walmart Position:** The quality and reliability of electric service provided by Gulf is adequate.

### **Depreciation and Dismantlement**

**Issue 8:** Are the depreciation parameters for production plant posed by Gulf appropriate? If not, what adjustments should be made?

**Walmart Position:** No. Walmart agrees with the proposed adjustments recommended by OPC's witness Jack Pous.

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

**Walmart Position:** No position at this time.

**INSTEAD OF ISSUE 8A ABOVE, OPC WOULD LIKE TO SUBSTITUTE THE FOLLOWING TWO SEPARATE ISSUES AS 8A AND 8B AND RENUMBER ISSUES 8B AND 8C BELOW:**

**OPC ISSUE:** Is Gulf’s quantification of the level of interim requirements for Account 312- Steam Production Boiler Plant appropriate? If not, what adjustment should be made?

**Walmart Position:** No position at this time.

**OPC ISSUE:** Is Gulf’s quantification of the level of interim requirements for Account 343- Other Production Prime Movers appropriate? If not, what adjustment should be made?

**Walmart Position:** No position at this time.

**Issue 8B:** What is the appropriate level of interim retirement-related production net salvage?

**Walmart Position:** No position at this time.

**Issue 8C:** Based on the decisions made in Issues 8A and 8B, what are the appropriate depreciation rates for production plant?

**Walmart Position:** No position at this time.

**Issue 9:** Are Gulf’s proposed depreciation parameters and resulting rates for transmission, distribution, general and intangible plant accounts appropriate? If not, what adjustments should be made?

**Walmart Position:** No position at this time.

**OPC ISSUE 9A:** 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 369.1 - 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**

**Walmart Position:** No position at this time.

**OPC ISSUE 9B:** 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**

**Walmart Position:** No position at this time.

**Issue 10:** Is Gulf’s base cost of dismantlement appropriate? If not, what adjustments should be made?

**Walmart Position:** No position at this time.

**Issue 10A:** Is Gulf’s 10% contingency component for dismantlement appropriate?

**Walmart Position:** No position at this time.

**Issue 10B:** Did Gulf properly apply the Commission’s methodology as set forth in Rule 25-6.04364, F.A.C., for escalating future costs and discounting those costs to net present value?

**Walmart Position:** No position at this time.

**Issue 10C:** Based on the decisions in Issues 10 through 10B, what is the appropriate annual accrual for dismantlement?

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

### **Transmission Projects**

**GULF/STAFF ISSUE:** Are the following transmission projects related to Plant Crist appropriate and prudent for cost recovery?

- a. Pensacola SVC (Alligator Swamp)( in-service date 2015)
- b. Alligator Swamp Capacitor Bank (in-service date 2015)
- c. North Brewton – Alligator Swamp 230 kV line (in-service date 2015)
- d. Alligator Swamp Substation (in-service date 2015)
- e. West Pensacola Capacitor Bank (Bellview) (in-service date 2015)
- f. Brentwood – Scenic Hills 115 kV Transmission Line Reconductor (in-service date 2017)
- g. West Pensacola +/- 100 MVAR Static VAR Compensator (SVC) (in-service date 2018)

**Walmart Position:** Assuming that the projects are needed and that the costs are reasonable and prudent, Gulf would be entitled to have the costs of these projects reflected in its rates as of the in-service date of each asset. Walmart takes no position on the prudence of the projects.

**GULF/STAFF ISSUE:** If the Commission approves Gulf’s request to recover the costs of transmission upgrades for Plant Crist listed in Issue \_\_\_\_\_ above, should those costs be recovered through the Environmental Cost Recovery Clause (ECRC)?

**Walmart Position:** No position at this time.

**GULF/STAFF ISSUE:** Are the following transmission projects related to Plant Smith appropriate and prudent for cost recovery?

- a. Rebuild Holmes Creek – Bonifay Tap Section Double Circuit (in-service date 2014)
- b. Holmes Creek – Highland City Capacitor New 230 kV – Autobank (in-service date 2014)

- c. **Holmes Creek – Highland City new 230 kV – Cap Bank (in-service date 2014)**
- d. **Holmes Creek – Highland City New 230 kV Transmission Line (in-service date 2015)**
- e. **Panama City SVC (Highland City) (in-service date 2015)**

**Walmart Position:** Assuming that the projects are needed and that the costs are reasonable and prudent, Gulf would be entitled to have the costs of these projects reflected in its rates as of the in-service date of each asset. Walmart takes no position on the prudence of the projects.

**GULF/STAFF ISSUE:** If the Commission approves Gulf’s request to recover the costs of transmission upgrades for Plant Smith listed in Issue \_\_\_\_\_ above, should those costs be recovered through the Environmental Cost Recovery Clause (ECRC)?

**Walmart Position:** No position at this time.

**GULF/STAFF ISSUE:** Should the Commission approve Gulf’s request to recover \$637,000 in revenue requirements for the following transmission projects that are projected to go into service during the 2014 projected test year?

- a. **Rebuild Holmes Creek – Bonifay Tap Section Double Circuit**
- b. **Holmes Creek – Highland City Capacitor new 230 kV – Autobank**
- c. **Holmes Creek – Highland City New 230 kV – Cap Bank**

**Walmart Position:** No position at this time.

**OPC ISSUE:** With respect to the Plant Crist transmission upgrade project that Gulf has identified, which includes the following components, projected in-service dates, and projected expenditures (“PE”):

- a. **Pensacola SVC (Alligator Swamp)( in-service date 2015)(PE \_\_\_\_)**
- b. **Alligator Swamp Capacitor Bank (in-service date 2015) (PE \_\_\_\_)**
- c. **North Brewton–Alligator Swamp 230 kV line (in-service date 2015)(PE \_\_\_\_)**
- d. **Alligator Swamp Substation (in-service date 2015) (PE \_\_\_\_)**
- e. **West Pensacola Capacitor Bank (Bellview) (in-service date 2015) (PE \_\_\_\_)**

**A. Has Gulf Power demonstrated that the above Plant Crist transmission upgrade project components satisfy the eligibility criteria of the Environmental Cost Recovery Clause (ECRC) established in Order No. PSC-94-0044-FOF-EI, such that the Commission should grant Gulf’s request for authority to recover the costs of the project through the ECRC as they are incurred?**

**Walmart Position:** No position at this time.



**B. (If the answer to A above is in the negative) In the alternative, has Gulf demonstrated that any portions of the transmission upgrade project for Plant Crist identified in (A) above are reasonable, prudent and will enter into service in 2014, such that the Commission should authorize Gulf to include said portions in rate base and recover related costs through the 2014 base rates established in this proceeding? If the answer is in the affirmative, what is the amount of the project costs that should be included in test year revenue requirements?**

**Walmart Position:** No position at this time.

**C. (If the answer to A is in the negative): Has Gulf demonstrated that any portions of the Plant Crist transmission upgrade project are reasonable, prudent, and will be in service as of June 30, 2015? If the answer is in the affirmative, should the Commission approve now any portion of the \$16,392,000 (total) “step increase” sought by Gulf to become effective on July 1, 2015 that is associated with Plant Crist transmission upgrade costs?**

**Walmart Position:** No position at this time.

**OPC ISSUE:** With respect to the Plant Smith transmission upgrade project that Gulf has identified, which includes the following components:

- a. Rebuild Holmes Creek – Bonifay Tap Section Double Circuit (in-service date 2014) (PE \_\_\_\_)
- b. Holmes Creek – Highland City Capacitor New 230 kV – Autobank (in-service date 2014) (PE \_\_\_\_)
- c. Holmes Creek – Highland City new 230 kV – Cap Bank (in-service date 2014) (PE \_\_\_\_)
- d. Holmes Creek – Highland City New 230 kV Transmission Line (in-service date 2015) (PE \_\_\_\_)
- e. Panama City SVC (Highland City) (in-service date 2015) (PE \_\_\_\_)

**A. Has Gulf Power demonstrated that the above Plant Smith transmission upgrade project components satisfy the eligibility requirements of the Environmental Cost Recovery Clause (ECRC) established in Order No. PSC-94-0044-FOF-EI, such that the Commission should grant Gulf’s request for authority to recover the costs of the project through the ECRC as they are incurred?**

**Walmart Position:** No position at this time.

**B. (If the answer to (A) is in the negative) In the alternative, has Gulf demonstrated that portions of the Plant Smith transmission upgrade project**

identified in (A) above are reasonable, prudent and will enter into service in 2014, such that the Commission should authorize Gulf to include said portions scheduled for completion in 2014 in rate base and recover the related costs through the 2014 base rates established in this proceeding? If the answer to (B) is yes, what is the amount of project costs that should be included in test year revenue requirements?

**Walmart Position:** No position at this time.

**C. (If the answer to (A) is in the negative):** Has Gulf demonstrated that portions of the Plant Smith transmission upgrade project are reasonable, prudent, and will be in service as of June 30, 2015? If the answer is in the affirmative, should the Commission approve now any portion of the \$16,392,000 (total) “step increase” sought by Gulf to become effective on July 1, 2015 that is associated with the Plant Smith transmission upgrade project costs?

**Walmart Position:** No position at this time.

#### **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?

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No.

**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?

**Walmart Position:** No.

**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?

**Walmart Position:** No. The appropriate amount of CWIP for the 2014 test year is \$0.

**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?

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No.

### **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?

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No position at this time.

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

**Walmart Position:** The appropriate cost rate for customer deposits for the 2014 projected test year is 2.30 percent.

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

**Walmart Position:** The appropriate cost rate for short-term debt for the 2014 projected test year is 0.82 percent.

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

**Walmart Position:** The appropriate cost rate for long-term debt for the 2014 projected test year is 4.96 percent.

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

**Walmart Position:** The appropriate cost rate for preference stock for the 2014 projected test year is 6.00 percent.

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

**Walmart Position:** Agree with FEA.

**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?

**Walmart Position:** No position at this time.

### **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?

**Walmart Position:** No.

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

**Walmart Position:** Agree with OPC.

**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?

**Walmart Position:** Agree with OPC.

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

**Walmart Position:** Agree with OPC.

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

**Walmart Position:** Agree with OPC.

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

**Walmart Position:** Agree with OPC.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No. Gulf's proposed production plant O&M expense for the 2014 projected test year should be reduced by \$5.7 million as recommended by FEA witness Greg R. Meyer.

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

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No.

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

**Walmart Position:** Walmart agrees with the proposed adjustments to Gulf's depreciation and dismantlement expenses recommended by OPC's witness Jack Pous.

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

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No position at this time.

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



**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No.

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

**Walmart Position:** No.

### **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?

**Walmart Position:** No position at this time.

**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?

**Walmart Position:** No. An examination of the evidence offered by intervenors shows that, in total, the answer to this question is that Gulf can fulfill its duty to provide safe, adequate, reliable service at the lowest possible cost while reducing its base rates by at least \$5 million per year,

**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 listed in Issues Nos. \_\_\_\_\_ and \_\_\_\_\_ above?

**Walmart Position:** No. Any changes in base rates for 2015 should be requested as part of a 2015 test year base rate case.

**OPC'S "C" ISSUES IN THE TRANSMISSION SECTION ARE RESTATEMENTS OF THIS ISSUE.**

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

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

**Walmart Position:** Walmart supports the use of the Minimum Distribution System methodology for allocating distribution costs.

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

**Walmart Position:** WalMart does not oppose the 12 Coincident Peak and 1/13<sup>th</sup> Average Demand methodology for allocating production plant costs, the 12 CP method for allocating transmission costs, and the MDS method for allocating distribution costs.

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

**Walmart Position:** The reductions in Gulf's authorized revenue requirement recommended by Walmart, the Office of Public Counsel, and the other consumer parties in this docket should be allocated consistently with the cost of service methodology approved by the Commission, taking into consideration the Commission's rate stabilization principles, e.g., no class should get a decrease greater than 1.5 times the system average decrease, and no class should get an increase when the Company's total revenue requirement is being decreased.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** Yes.

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

**Walmart Position:** The Commission should approve a Large Business Incentive Rider (LBIR) for Gulf, but the billing demand threshold for eligibility for the LBIR should be reduced from Gulf's proposed 1,000 kW to a level no greater than 350 kW, which is the eligibility threshold that the Commission has

approved for similar economic development riders for both Tampa Electric Company and Florida Power & Light Company.

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

**Walmart Position:** Walmart does not oppose.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** The appropriate base charges are those indicated by applying the Commission-approved cost of service study methodologies to the final approved revenue requirement for Gulf.

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

**Walmart Position:** The appropriate demand charges are those indicated by applying the Commission-approved cost of service study methodologies to the final approved revenue requirement for Gulf.

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

**Walmart Position:** The appropriate energy charges are those indicated by applying the Commission-approved cost of service study methodologies to the final approved revenue requirement for Gulf.

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

**Walmart Position:** The appropriate charges for standby service are those indicated by applying the Commission-approved cost of service study methodologies to the final approved revenue requirement for Gulf.

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

**Walmart Position:** The appropriate lighting charges are those indicated by applying the Commission-approved cost of service study methodologies to the final approved revenue requirement for Gulf.

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

**Walmart Position:** No position at this time.

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

**Walmart Position:** The Commission should not approve Gulf's requested step increase. If, as a result of the Commission's decisions in this case, any changes in Gulf's rates is to be approved to take effect after January 1, 2014, any such changes should be allocated by applying the Commission-approved cost of service study methodologies to the approved revenue requirement for Gulf.

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

**Walmart Position:** The appropriate effective date for Gulf's revised rates and charges is the first day of the first billing cycle of January 2014.

#### **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?

**Walmart Position:** Yes.

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

**Walmart Position:** Yes; after the Commission issues its final order reducing Gulf's rates as recommended by Walmart and the witnesses for the Office of Public Counsel and the other consumer parties in this docket, and after the time to file an appeal of the Commission's final order has expired, this docket should be closed.

5. **STIPULATED ISSUES:**

Walmart is not aware of any stipulated issues at this time.

6. **PENDING MOTIONS:**

Walmart has no motions pending before the Commission in this proceeding.

7. **STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:**

Walmart has no pending requests or claims for confidentiality.

8. **OBJECTIONS TO QUALIFICATIONS OF WITNESSES AS EXPERTS:**

Walmart does not expect to challenge the qualifications of any witness to testify.

9. **STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:**

There are no requirements of the Order Establishing Procedure with which Walmart cannot comply.

Respectfully submitted this 8th day of November, 2013.



Robert Scheffel Wright

[schef@gbwlegal.com](mailto:schef@gbwlegal.com)

John T. LaVia, III

[jlavia@gbwlegal.com](mailto:jlavia@gbwlegal.com)

Gardner, Bist, Wiener, Wadsworth, Bowden, Bush,  
Dee, LaVia & Wright, P.A.

1300 Thomaswood Drive  
Tallahassee, Florida 32308  
Telephone (850) 385-0070  
Facsimile (850) 385-5416

Attorneys for Wal-Mart Stores East, L.P.  
and Sam's East, Inc

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing Prehearing Statement of Wal-Mart Stores East, LP and Sams East, Inc. has been furnished by electronic Mail this 8th day of November, 2013 to the following:

Martha Carter Brown/Martha Barrera/Suzanne Brownless  
Florida Public Service Commission  
Division of Legal Services  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

Jeffrey A. Stone/Russell Badders/Steven R. Griffin  
Beggs & Lane  
P.O. Box 12950  
Pensacola, FL 32591

Mr. Robert L. McGee, Jr.  
One Energy Place  
Pensacola, FL 32520-0780

J.R. Kelly/Joseph A. McGlothlin  
Office of the Public Counsel  
111 West Madison Street, Room 812  
Tallahassee, Florida 32399

Christopher Thompson/Gregory J. Fike/Thomas A. Jernigan  
139 Barnes Drive, Suite 1  
AFLOA/JACE - ULFSC  
Tyndall AFB, FL 32403-5319

Jon Moyle, Jr.  
Moyle Law Firm  
118 North Gadsden Street  
Tallahassee, FL 32301

Richard D. Melson  
705 Piedmont Drive  
Tallahassee, FL 32312

  
Attorney