



February 21, 2017

Via electronic filing

Carlotta Stauffer
Director, Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket numbers 160186-EI, 160170-EI

Dear Ms. Stauffer:

Enclosed for filing in the above dockets please find Sierra Club's Prehearing Statement. Please contact me should you or your staff have any questions regarding this filing.

Sincerely,

/s/ Lane Johnson

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Qualified Representative for Sierra Club

Enc.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Gulf Power Company	Docket No. 160186
In re: Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company	Docket No. 160170
Filed: February 21, 2017	

SIERRA CLUB'S PREHEARING STATEMENT

Pursuant to the October 20, 2016, Order Establishing Procedure, No. PSC-16-0473-PCO-EI, Sierra Club submits the following Prehearing Statement:

1. All Known Witnesses

For its direct case, Sierra Club is presenting the witnesses listed in the following table.

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues Numbers</u>
<u>Direct</u>		
Jeffrey Loiter	Witness Loiter's testimony addresses Gulf Power Company's residential rate restructuring proposal, including the Company's proposal to increase the base charge and reduce the energy charge in residential rates.	88-91, 95-97
Philip Mosenthal	Witness Mosenthal's testimony addresses Gulf Power Company's proposal to shift its ownership interest in Plant Scherer Unit 3 into rate base.	19-20

2. All Known Exhibits

For its direct case, Sierra Club is presenting the pre-filed exhibits sponsored by Witnesses Loiter and Mosenthal, and listed in the table below. Sierra Club reserves its right to present other exhibits during cross-examination at the hearing.

<u>Witness</u>	<u>Proffered By</u>	<u>Exhibit #</u>	<u>Description</u>
<u>Direct</u>			
Jeffrey Loiter	Sierra Club	JML-1	Resume of Jeffrey M. Loiter.
Jeffrey Loiter	Sierra Club	JML-2	Sponsors of the Center for Public Utilities, New Mexico State University
Jeffrey Loiter	Sierra Club	JML-3	Lazar, J., <i>Use Great Caution in Design of Residential Demand Charges, Natural Gas & Electricity</i> , Vol. 32, Issue 7 (Feb. 2016).
Jeffrey Loiter	Sierra Club	JML-4	Whited, M. et al, <i>Caught in a Fix: The Problem with Fixed Charges for Electricity</i> , (Feb. 2016).
Jeffrey Loiter	Sierra Club	JML-5	Southern Environmental Law Center, <i>A Troubling Trend in Rate Design: Proposed Rate Design Alternatives to Harmful Fixed Charges</i> (Dec. 2015).
Jeffrey Loiter	Sierra Club	JML-6	Ros, A. J., <i>An Econometric Assessment of Electricity Demand in the United States using Panel Data and the Impact of Retail Competition on Prices</i> , NERA Economic Consulting (June 2015)
Jeffrey Loiter	Sierra Club	JML-7	Paul, A. et al, <i>A Partial Adjustment Model of U.S. Electricity Demand by Region, Season, and Sector, Resources for the Future Discussion Paper</i> , RFF DP 08-50 (Apr. 2009).
Jeffrey Loiter	Sierra Club	JML-8	McGee, R., <i>Gulf Power Company's 2015 Annual FEECA Program Progress Report</i> (Mar. 2016).
Jeffrey Loiter	Sierra Club	JML-9	Washington Utilities and Transportation Commission, <i>Order 08 Final Order Rejecting Tariff Sheets, Resolving Contested Issues, Authorizing And Requiring Compliance Filings</i> , issued March 25, 2015, in Dockets UE-140762, UE-140617, UE-131384 and UE-140094.
Jeffrey Loiter	Sierra Club	JML-10	Missouri Public Service Commission, Report and Order, issued April 29, 2015, in Case

			No. ER-2014-0258, <i>In the Matter of Union Electric Company, d/ b/ a Ameren Missouri's Tariff to Increase Revenues for Electric Service.</i>
Jeffrey Loiter	Sierra Club	JML-11	National Consumer Law Center, <i>Utility Rate Design: How Mandatory Monthly Customer Fees Cause Disproportionate Harm</i> (2015) (prepared using data sourced from the U.S. Energy Information Administration's Residential Energy Consumption Survey, 2009).
Jeffrey Loiter	Sierra Club	JML-12	Minnesota Public Utilities Commission, <i>Findings of Fact, Conclusions, and Order</i> , issued May 8, 2015, in Docket No. E-002/GR 13-868, In re: Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota.
Jeffrey Loiter	Sierra Club	JML-13	United States Department of Agriculture, <i>Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2014</i> , Report No. SNAP-15-CHAR (Dec. 2015).
Jeffrey Loiter	Sierra Club	JML-14	United States Department of Agriculture, <i>Supplemental Nutrition Assistance Program FY 2016 Income Eligibility Standards</i> (Sept. 2015).
Jeffrey Loiter	Sierra Club	JML-15	Florida Public Service Commission, <i>2016 Facts & Figures of the Florida Utility Industry</i> (April 2016).
Philip Mosenthal	Sierra Club	PHM-1	Resume of Philip H. Mosenthal.
Philip Mosenthal	Sierra Club	PHM-2	OPC Interrogatory No. 130.
Philip Mosenthal	Sierra Club	PHM-3	Staff Interrogatory No. 64.
Philip Mosenthal	Sierra Club	PHM-4	OPC Interrogatory 174.
Philip Mosenthal	Sierra Club	PHM-5	<i>Sierra Club, Inc. et. al v. Richard E. Dunn</i> , CV #: 2017CV284719, Petition for Writ of Mandamus (Jan. 12, 2017).
Philip Mosenthal	Sierra Club	PHM-6	Marcy, Cara. "Renewable generation capacity

			expected to account for most 2016 capacity additions.” U.S. Energy Information Administration, Jan. 2017,
Philip Mosenthal	Sierra Club	PHM-7	Utility-Scale Solar 2014: An Empirical Analysis of Project Cost, Performance, and Pricing Trends in the United States (Sept. 2015).
Philip Mosenthal	Sierra Club	PHM-8	Utility-Scale Solar 2015: An Empirical Analysis of Project Cost, Performance, and Pricing Trends in the United States (Aug. 2016).
Philip Mosenthal	Sierra Club	PHM-9	2015 Wind Technologies Market Report, (Aug. 2016).
Philip Mosenthal	Sierra Club	PHM-10	Georgia Power Company Stipulation.

3. Statement of Basic Positions

The Commission should deny Gulf Power Company’s request to saddle customers with the costs and risks of an aging coal plant in Georgia (Issue Nos. 19, 20). Likewise, the Commission should deny Gulf’s request to overhaul residential rates (Issue Nos. 88-91, 95-97). These requests lack support in the record and the legal standards governing rates cases.

4. Statement of Issues and Positions

Legal/Threshold Issues

ISSUE 1: Should the Commission address Gulf’s requests related to electric vehicle charging stations in this case (Issue 13 and Issue 22)?

POSITION: Depending on the evidence adduced at the hearing, Sierra Club may be open to the Commission addressing these requests in this case.

Test Year Period and Forecasting

ISSUE 2: Is Gulf’s projected test year period of the 12 months ending December 31, 2017 appropriate?

POSITION: Sierra Club adopts OPC’s position.

ISSUE 3: Are Gulf’s forecasts of Customers, kWh, and kW by rate class, for the 2017 projected test year appropriate? If not, what adjustments should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 4: Are Gulf's forecasts of billing determinants by rate schedule for the 2017 projected test year appropriate? If not, what adjustments should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 5: Are Gulf's estimated revenues from sales of electricity by rate class at present rates for the projected 2017 test year appropriate? If not, what adjustments should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 6: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the 2017 projected test year budget?

POSITION: Sierra Club adopts OPC's position.

Quality of Service

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

POSITION: Sierra Club adopts OPC's position.

Depreciation and Dismantlement

ISSUE 8: What are the appropriate capital recovery schedules?

POSITION: Sierra Club adopts OPC's position.

ISSUE 9: What are the appropriate depreciation parameters (remaining life [including the production unit retirement date or life span and the interim retirement ratio for production plant accounts], net salvage percentage [including interim net salvage percent for production plant accounts], and reserve percentage) and resulting depreciation rates for each production unit and each production plant account?

POSITION: Sierra Club adopts OPC's position.

ISSUE 10: What are the appropriate depreciation parameters (average service life, remaining life, net salvage percentage and reserve percentage) and resulting depreciation rates for each transmission, distribution, and general plant account?

POSITION: Sierra Club adopts OPC's position.

ISSUE 11: Based on the application of the depreciation parameters that the Commission has deemed appropriate to GPC's data, and a comparison of the theoretical reserves to the book reserves, what are the resulting imbalances, if any?

POSITION: Sierra Club adopts OPC's position.

ISSUE 12: What, if any, corrective depreciation reserve measures should be taken with respect to the imbalances identified in Issue 11?

POSITION: Sierra Club adopts OPC's position.

ISSUE 13: What is the appropriate depreciation rate for Gulf's electric vehicle charging stations?

POSITION: Sierra Club adopts OPC's position.

ISSUE 14: What is the appropriate recovery period for the regulatory asset related to the retirement of Plant Smith Units 1 and 2 approved in Docket No. 160039-EI?

POSITION: Sierra Club adopts OPC's position.

ISSUE 15: What is the appropriate current total estimated cost of dismantling Gulf Power Company's generation fleet?

POSITION: Sierra Club adopts OPC's position.

ISSUE 16: What, if any, corrective dismantlement reserve allocations should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 17: Based on the decisions in Issues 15 and 16, what is the appropriate annual accrual for dismantlement?

POSITION: Sierra Club adopts OPC's position.

ISSUE 18: What should be the implementation date for revised depreciation rates, capital recovery schedules, dismantlement accruals, and amortization schedules?

POSITION: Sierra Club adopts OPC's position.

Rate Base

ISSUE 19: Should the Commission allow recovery through retail rates of any portion of Scherer Unit 3? If so, what adjustments, if any, should be made to the treatment of Scherer Unit 3 in the Company's filing?

POSITION: No. The Commission should deny such recovery because Section 366.06, F.S., limits recovery to expenses that are "prudently invested" in property that is "used and

useful” to customers. Gulf’s portion of Scherer Unit 3 does not qualify, as Sierra Club Witness Mosenthal explained:

1. Gulf itself projects no need for Scherer Unit 3 capacity until 2023, and even this projected capacity need is not reliable.
2. Assuming a capacity need beginning in 2023, it is premature to burden customers with the costs and risks of an aging coal plant now, when they will see no concrete benefits from Scherer Unit 3 for seven years or more, and there is a significant risk that the costs will outweigh any long-term benefits.
3. Approval of Gulf’s proposal would result in an undiversified resource portfolio that is dangerously dependent on coal, exposing customers to unnecessary risk, and missing opportunities that would improve diversity and offer a better hedge value.
4. Gulf has not evaluated alternative options to meet its projected 2023 reliability need, nor shown that Scherer Unit 3 is a least cost option, and there is ample evidence that lower-cost and lower-risk options are available in today’s market and more than likely in the 2023 market as well.

ISSUE 20: Should costs currently approved by agreement and stipulation for recovery through the Environmental Cost Recovery Clause associated with Scherer Unit 3 be included in base rates for Gulf? If so, what adjustments, if any, should be made?

POSITION: No. Section 366.8255, F.S. only allows the recovery of a “utility’s prudently incurred environmental compliance costs.” Prudence, in other words, is the governing legal standard for environmental cost recovery, just as prudence is the governing legal standard for base rate recovery. Accordingly, for the reasons set out in Sierra Club Witness Mosenthal’s testimony and summarized above under Issue 19, the environmental compliance costs associated with Scherer Unit 3 do not qualify for recovery because Gulf has failed to show that any further expenditures on Scherer Unit would be the prudent, least cost option to serve customers.

ISSUE 21: Are there any capital costs currently being recovered by Gulf through cost recovery clauses that should be moved from the cost recovery clauses to base rates? If so, what capital costs should be moved to base rates and what adjustments should be made, if any?

POSITION: Sierra Club adopts OPC’s position.

ISSUE 22: What is the appropriate amount, if any, to include in Plant in Service for Gulf’s electric vehicle charging stations?

POSITION: Sierra Club adopts OPC’s position.

ISSUE 23: What is the appropriate amount of Plant in Service for Gulf's Transmission Capital Additions?

POSITION: Sierra Club adopts OPC's position.

ISSUE 24: Has Gulf made the appropriate test year adjustments to remove from rate base costs recovered under the Environmental Cost Recovery Clause?

POSITION: Sierra Club adopts OPC's position.

ISSUE 25: Has Gulf made the appropriate test year adjustments to remove from rate base costs recovered under the Energy Conservation Cost Recovery Clause?

POSITION: Sierra Club adopts OPC's position.

ISSUE 26: Should the Commission allow recovery through rates of the costs associated with the proposed new Gulf Smart Energy Center? What adjustments, if any, should be made to the Gulf Smart Energy Center costs included in the 2017 projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 27: Are Gulf's projected capital expenditures associated with maintenance outages for 2016 and 2017 appropriate? If not, what adjustments should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 28: Is Gulf's requested level of Plant in Service for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

ISSUE 29: Is Gulf's requested level of Accumulated Depreciation for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

ISSUE 30: Is Gulf's requested level of Construction Work in Progress for the 2017 projected test year appropriate? If not, what is the appropriate amount?

ISSUE 31: Is Gulf's requested level of Property Held for Future Use for the 2017 projected test year, including the North Escambia site, appropriate? If not, what is the appropriate amount?

POSITION: Sierra Club adopts OPC's position.

ISSUE 32: Is Gulf's requested level of Property Held for Future Use for the 2017 projected test year appropriate? If not, what is the appropriate amount?

POSITION: Sierra Club adopts OPC's position.

ISSUE 33: Should any adjustments be made to Gulf's fuel inventories for the projected 2017 test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 34: What is the appropriate treatment of the remaining equipment inventory balance resulting from the closure of Plant Scholz?

POSITION: Sierra Club adopts OPC's position.

ISSUE 35: Is Gulf's proposed Deferred Return on Transmission Investments and the amortization thereof consistent with the terms of the 2013 Settlement Agreement in Docket No. 130140-EI, correctly calculated, and appropriate? If not, what is the appropriate amount?

POSITION: Sierra Club adopts OPC's position.

ISSUE 36: Is Gulf's December 19, 2016 pension contribution impacting the 2017 projected test year appropriate? If not, what is the appropriate amount?

POSITION: Sierra Club adopts OPC's position.

ISSUE 37: Is Gulf's proposed level of Working Capital for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

ISSUE 38: Is Gulf's requested rate base for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

Cost of Capital

ISSUE 39: What is the appropriate amount of accumulated deferred taxes to include in the capital structure for the 2017 projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 40: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the 2017 projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 41: What is the appropriate cost rate for customer deposits for the 2017 projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 42: What is the appropriate cost rate for short-term debt for the 2017 projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 43: What is the appropriate cost rate for long-term debt for the 2017 projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 44: What is the appropriate cost rate for preference stock for the 2017 projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 45: What is the appropriate capital structure for the 2017 projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 46: What is the appropriate return on equity (ROE) to use in establishing Gulf's revenue requirement?

POSITION: Sierra Club adopts OPC's position.

ISSUE 47: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the 2017 projected test year? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

Net Operating Income

ISSUE 48: Has Gulf made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Cost Recovery Clause?

POSITION: Sierra Club adopts OPC's position.

ISSUE 49: Has Gulf made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause?

POSITION: Sierra Club adopts OPC's position.

ISSUE 50: Has Gulf made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?

POSITION: Sierra Club adopts OPC's position.

ISSUE 51: Has Gulf made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause?

POSITION: Sierra Club adopts OPC's position.

ISSUE 52: Is Gulf's projected level of Total Operating Revenues for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

ISSUE 53: Is Gulf's proposed electric vehicle charging station expense for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 54: Is Gulf's proposed tree trimming expense for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 55: Is Gulf's proposed pole inspection expense for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 56: Is Gulf's proposed production O&M expense for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 57: Is Gulf's proposed transmission O&M expense for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 58: Is Gulf's proposed distribution O&M expense for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 59: Is Gulf's proposed Incentive Compensation (also referred to by Gulf as variable pay or at-risk pay) included in the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 60: Are Gulf's proposed employee levels and salary and wage expenses included in the 2017 projected test year appropriate? If not, what adjustments should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 61: Is Gulf's proposed Pension Expense for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 62: Is Gulf's proposed Other Post Employment Benefits Expense for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 63: Is Gulf's proposed employee benefit expenses for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 64: Is Gulf's proposed annual storm damage accrual for the 2017 projected test year appropriate? If not, what is the appropriate amount?

POSITION: Sierra Club adopts OPC's position.

ISSUE 65: Is Gulf's property damage reserve target appropriate? If not, what is the appropriate property damage reserve target?

POSITION: Sierra Club adopts OPC's position.

ISSUE 66: Is Gulf's proposed expense related to Directors and Officers Liability Insurance appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 67: Is Gulf's proposed Rate Case Expense for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 68: Is Gulf's proposed Bad Debt Expense for the 2017 projected test year appropriate? If not, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 69: Is Gulf's proposed Customer Accounts Expenses for the 2017 projected test year appropriate? If not, what adjustments should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 70: Is Gulf's proposed Customer Service & Information Expenses and Sales Expenses for the 2017 projected test year appropriate? If not, what adjustments should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 71: Is Gulf's proposed Administrative and General Expenses for the 2017 projected test year appropriate? If not, what adjustments should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 72: What adjustment, if any, should be made to account for affiliated activities/transactions for the 2017 projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 73: Is Gulf's requested level of O&M Expense for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

ISSUE 74: What is the appropriate amount of depreciation and fossil dismantlement expense for the 2017 projected test year?

POSITION: Sierra Club adopts OPC's position.

ISSUE 75: What is the appropriate amount of Taxes Other Than Income Taxes for the 2017 projected test year? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

ISSUE 76: 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?

POSITION: Sierra Club adopts OPC's position.

ISSUE 77: Is it appropriate to make a parent debt adjustment per Rule 25-14.004, Florida Administrative Code? If so, what adjustment should be made?

POSITION: Sierra Club adopts OPC's position.

ISSUE 78: What is the appropriate amount of Income Tax expense for the 2017 projected test year? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

ISSUE 79: Is Gulf's requested level of Total Operating Expenses for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

ISSUE 80: Is Gulf's projected Net Operating Income for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

Revenue Requirements

ISSUE 81: What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for Gulf? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

ISSUE 82: Is Gulf's requested annual operating revenue increase for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

POSITION: Sierra Club adopts OPC's position.

Cost of Service and Rate Design

ISSUE 83: Is Gulf's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 84: What is the appropriate treatment of production costs within the cost of service study?

POSITION: Sierra Club adopts SACE and LWVF's position.

ISSUE 85: What is the appropriate treatment of transmission costs within the cost of service study?

POSITION: Sierra Club adopts SACE and LWVF's position.

ISSUE 86: What is the appropriate treatment of distribution costs within the cost of service study?

POSITION: Sierra Club adopts SACE and LWVF's position.

ISSUE 87: How should any change in the revenue requirement approved by the Commission be allocated among the customer classes?

POSITION: Sierra Club adopts OPC's position.

ISSUE 88: Should Gulf's proposed new methodology to design the residential base and energy charges for the residential rate schedules RS, RSVP, FLAT-RS, and RSTOU that results in an increase from \$0.62 to \$1.58 per day, or approximately \$48 per month, in the base charge and corresponding reduction in the energy charge be approved?

POSITION: No. Gulf's proposal to more than double its fixed charges while decreasing energy charges is unfair, unjust, and unreasonable. As Sierra Club Witness Loiter explained, the proposal does not recover demand-related costs more appropriately than do current rates. The methodology used by Gulf support this base charge increase has never been properly vetted or applied in any previous rate-making proceeding and begins with the incorrect assumption that a customer's individual maximum demand is a reasonable representation of her cost causation.

Increased fixed charges also have serious drawbacks. They disproportionately harm low-use customers, who are more likely to be low- and fixed-income customers. Furthermore, increasing the base charge while decreasing the energy charge deprives all customers of control over their bills, discourages energy efficiency, and penalizes those customers who have already made investments in energy efficiency. Gulf Power already has the highest fixed charges of any investor-owned utility in the state, and an increase like the one requested would be unprecedented.

ISSUE 89: Is the proposed new optional Residential Service – Demand (RSD) rate schedule appropriate?

POSITION: No. As discussed by Witness Loiter, charges based on individual peak demand do not appropriately reflect cost causation by customers. Demand charges, which have traditionally been used for larger industrial customers, are a bad fit for residential customers as they can be difficult to understand and nearly impossible for the typical residential customer to respond to, especially given that Gulf customers have no access to detailed information about their individual demand. As such, residential

demand charges function more like an increased fixed charge, with all of the associated drawbacks.

ISSUE 90: Is the proposed new optional Residential Service – Demand Time-of-use (RSDT) rate schedule appropriate?

POSITION: No. As discussed by Witness Loiter, charges based on individual peak demand do not appropriately reflect cost causation by customers. Demand charges, which have traditionally been used for larger industrial customers, are a bad fit for residential customers as they can be difficult to understand and nearly impossible for the typical residential customer to respond to, especially given that Gulf customers have no access to detailed information about their individual demand. As such, residential demand charges function more like an increased fixed charge, with all of the associated drawbacks.

ISSUE 91: Is the proposed new optional Customer Assistance Program Rider (Rate Rider CAP) appropriate? (Moot if Issue 88 is not approved)

POSITION: Not as proposed. Sierra Club does not oppose the Rate Rider CAP in concept, however, the Company's proposal to use the program to offset the harm caused to low- and fixed-income customers is inadequate. As Witness Loiter explained, Gulf's proposed Customer Assistance Program is limited to SNAP recipients who are customers of record and apply for the rider, and thus does not sufficiently protect all of the vulnerable customers who are likely to be negatively impacted by Gulf Power's proposal.

ISSUE 92: Is Gulf's proposal to remove the critical peak option for the General Service Demand Time-of-use (GSDT) rate schedule appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 93: Is Gulf's proposed new Extra-Large Business Incentive Rider (Rate Rider XLBIR) appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 94: Are Gulf's proposed changes to its small, medium, and large Business Incentive Riders appropriate?

POSITION: Sierra Club adopts OPC's position.

ISSUE 95: What are the appropriate base charges?

POSITION: Base charges should not be increased at this time.

ISSUE 96: What are the appropriate demand charges?

POSITION: Demand charges are not appropriate for residential customers. As discussed by Witness Loiter, charges based on individual peak demand do not appropriately reflect cost causation by customers. Demand charges, which have traditionally been used for larger industrial customers, are a bad fit for residential customers as they can be difficult to understand and nearly impossible for the typical residential customer to respond to, especially given that Gulf customers have no access to detailed information about their individual demand. As such, residential demand charges function more like an increased fixed charge, with all of the associated drawbacks.

ISSUE 97: What are the appropriate energy charges?

POSITION: Energy charges should not be decreased at this time.

ISSUE 98: What are the appropriate transformer ownership discounts?

POSITION: Sierra Club adopts OPC's position.

ISSUE 99: What are the appropriate lighting charges?

POSITION: Sierra Club adopts OPC's position.

ISSUE 100: Should the Commission approve the following modifications to the Outdoor Service (OS) tariff and lighting pricing methodology that have been proposed by Gulf:

- a) Remove certain fixtures from the tariff;
- b) Close all Metal Halide, 21 High Pressure Sodium, and 16 LED fixtures for new installations;
- c) Revisions to the pole options; and
- d) Modification to the Outdoor Service Lighting Pricing Methodology contained in Form 4.

POSITION: Sierra Club adopts OPC's position.

ISSUE 101: What is the appropriate effective date for Gulf's revised rates and charges?

POSITION: Sierra Club adopts OPC's position.

Other Issues

ISSUE 102: Should the Commission approve Gulf's proposed modifications to the existing residential HVAC Improvement program in its Demand-Side Management Plan? (Moot if Issue 88 is not approved)

POSITION: Sierra Club adopts OPC's position.

ISSUE 103: Should the Commission approve Gulf's proposed modifications to the existing Residential Building Efficiency program in its Demand-Side Management Plan? (Moot if Issue 88 is not approved)

POSITION: Sierra Club adopts OPC's position.

ISSUE 104: Should the Commission approve Gulf's proposed new residential Insulation Improvement program to be added to its Demand-Side Management Plan? (Moot if Issue 88 is not approved)

POSITION: Sierra Club adopts OPC's position.

ISSUE 105: Should the Commission approve the following modifications to the Critical Peak Option for the Large Power Time-of-Use (LPT) rate schedule:

- a) Establish the Critical Peak Option as a Demand-Side Management Program;
- b) Reduce the minimum critical peak demand notification from one business day to one hour;
- c) Eliminate the restrictions on the frequency and duration of the critical peak period.

POSITION: Sierra Club adopts OPC's position.

ISSUE 106: 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?

POSITION: Sierra Club adopts OPC's position.

ISSUE 107: Should this docket be closed?

POSITION: Sierra Club adopts OPC's position.

5. Stipulated Issues

Sierra Club has not stipulated to any issues at this time.

6. Pending Motions and Other Matters

Sierra Club has no pending motions at this time.

7. Pending Requests and Claims for Confidentiality

Sierra Club has not such pending requests or claims at this time.

8. Objections to Witness' Qualification as an Expert

Sierra Club has no objections to any witnesses' qualifications as an expert in this proceeding.

9. Requests for Sequestration of Witnesses

Sierra Club has no requests for witness sequestration.

10. Compliance with Order Establishing Procedure

Sierra Club has and will continue to comply with all applicable requirements of the Order Establishing Procedure.

Respectfully submitted this 21st day of February, 2017.

/s/ Lane Johnson

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Qualified Representative for Sierra Club

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy and correct copy of the foregoing was served by electronic delivery on this 21 day of February, 2017 on:

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<p>Steve W. Chriss Wal-Mart Stores East, LP; Sam's East, Inc. stephen-chriss@wal-mart.com</p>	

This 21st day of February, 2017.

/s/ Lane Johnson
Lane Johnson
Qualified Representative for Sierra Club