

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Gulf Power Company.

DOCKET NO.: 160186-EI

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

**THE FLORIDA INDUSTRIAL POWER USERS GROUP'S
PREHEARING STATEMENT**

The Florida Industrial Power Users Group ("FIPUG"), pursuant to the Order Establishing Procedure in this docket, Order No. PSC-16-0473-PCO-EI, issued October 20, 2016, hereby submits its Prehearing Statement.

APPEARANCES:

Jon C. Moyle, Jr.
Karen A. Putnal
Moyle Law Firm, P.A.
118 North Gadsden Street
Tallahassee, Florida 32301

Attorneys for the Florida Industrial Power Users Group

1. WITNESSES:

All witnesses listed by other parties.

2. EXHIBITS:

All exhibits listed by other parties; all impeachment exhibits; all exhibit used during cross-examination.

3. STATEMENT OF BASIC POSITION:

FIPUG’S Statement of Basic Position:

Gulf’s rate request is overstated and should not be granted as requested. Gulf’s request to saddle Gulf’s customers with a portion of the thirty year old Plant Scherer coal-fired power plant should be rejected. Put simply, the Plant Scherer facility is not needed. Gulf’s requested return on equity is inflated and any return on equity should be 10% or less.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

Legal Issues

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

FIPUG: Adopt the position of OPC.

Test Year Period and Forecasting

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

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

Quality of Service

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

FIPUG: Adopt the position of OPC.

Depreciation and Dismantlement

ISSUE 8: What are the appropriate capital recovery schedules?

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

Rate Base

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

FIPUG: No. No need exists for a portion of Plant Scherer. Ratepayers should not be saddled with these unnecessary costs.

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?

FIPUG: No. No need exists for a portion of Plant Scherer. Ratepayers should not be saddled with these unnecessary costs.

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?

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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)

FIPUG: Adopt the position of OPC.

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)

FIPUG: Adopt the position of OPC.

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?

FIPUG: **Adopt the position of OPC.**

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?

FIPUG: **No. The North Escambia site should not be put into rate base. The Commissions' prior decision to not permit the North Escambia site to be placed into rate base should be upheld and affirmed.**

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?

FIPUG: **No.**

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

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **Adopt the position of OPC.**

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?

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **Adopt the position of OPC.**

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)

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **Adopt the position of OPC.**

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?

FIPUG: **Adopt the position of OPC.**

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?

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **No change from the current capital structure is warranted.**

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

FIPUG: **A return on equity of 10% or less should be provided.**

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)

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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)

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **Adopt the position of OPC.**

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

FIPUG: **Adopt the position of OPC.**

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?

FIPUG: **No. Incentive compensation should not be borne by ratepayers, but by company shareholders.**

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?

FIPUG: **No.**

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

FIPUG: **No.**

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?

FIPUG: **No.**

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

FIPUG: **No.**

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

FIPUG: No.

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

FIPUG: No.

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

FIPUG: No.

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

FIPUG: No.

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

FIPUG: No.

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

FIPUG: No.

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?

FIPUG: No.

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

FIPUG: No.

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

FIPUG: Adopt the position of OPC.

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)

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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?

FIPUG: Adopt the position of OPC.

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

FIPUG: Adopt the position of OPC.

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)

FIPUG: Adopt the position of OPC.

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)

FIPUG: Adopt the position of OPC.

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)

FIPUG: Adopt the position of OPC.

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)

FIPUG: No.

Cost of Service and Rate Design

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

FIPUG: Adopt the position of FEA.

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

FIPUG: Adopt the position of FEA.

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

FIPUG: Adopt the position of FEA.

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

FIPUG: Adopt the position of FEA.

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

FIPUG: Adopt the position of FEA.

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?

FIPUG: **Adopt the position of FEA.**

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

FIPUG: **Adopt the position of FEA.**

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

FIPUG: **Adopt the position of FEA.**

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

FIPUG: **Adopt the position of FEA.**

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

FIPUG: **No.**

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

FIPUG: **Yes.**

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

FIPUG: **Adopt the position of FEA.**

ISSUE 95: What are the appropriate base charges?

FIPUG: **Adopt the position of FEA.**

ISSUE 96: What are the appropriate demand charges?

FIPUG: **Adopt the position of FEA.**

ISSUE 97: What are the appropriate energy charges?

FIPUG: **Adopt the position of FEA.**

ISSUE 98: What are the appropriate transformer ownership discounts?

FIPUG: **Adopt the position of FEA.**

ISSUE 99: What are the appropriate lighting charges?

FIPUG: **Adopt the position of FEA.**

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.

FIPUG: **Adopt the position of FEA.**

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

FIPUG: **Adopt the position of FEA.**

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)

FIPUG: **Adopt the position of FEA.**

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)

FIPUG: **Adopt the position of FEA.**

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)

FIPUG: **Adopt the position of FEA.**

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.

FIPUG: **Adopt the position of FEA.**

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?

FIPUG: **Adopt the position of OPC.**

ISSUE 107: Should this docket be closed?

FIPUG: **Yes.**

PENDING ISSUES:

FIPUG PROPOSED ISSUE: What need exists, if any, for Scherer Unit 3 to serve Gulf’s retail customers?

FIPUG: Gulf, as the Petitioner in the matter, has the burden to prove that an item for which it seeks to recover new rates from its customers, such as for Scherer Unit 3, is prudent and needed to serve Gulf’s retail customers. FIPUG contends that Scherer Unit 3 is not needed to serve Gulf’s retail customers.

5. STIPULATED ISSUES:

None at this time.

6. PENDING MOTIONS:

None.

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

None.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

FIPUG objects to any expert witness not designated as an expert and expressly offered as an expert witness, with areas of expertise identified.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

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

Dated this 21st day of February, 2017

Respectfully submitted,

/s/ Jon C. Moyle

Jon C. Moyle, Jr.

Karen A. Putnal

Moyle Law Firm, P.A.

118 North Gadsden Street

Tallahassee, Florida 32301

Telephone: (850)681-3828

Facsimile: (850)681-8788

jmoyle@moylelaw.com

kputnal@moylelaw.com

Attorneys for Florida Industrial Power Users Group

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing Florida Industrial Power Users Group's Prehearing Statement has been furnished by electronic mail this 21st day of February, 2017, to the following:

Lee Eng Tan
Kelly Corbari
Florida Public Service Commission
2540 Shumard Oak Blvd., Room 110
Tallahassee, FL 32399-0850
ltan@psc.state.fl.us
Kkcorbari@psc.state.fl.us

Jeffrey A. Stone
Russell A. Badders
Steven R. Griffin
Beggs & Lane
501 Commendencia Street
Pensacola, FL 32502
jas@beggslane.com
rab@beggslane.com
srg@beggslane.com

Robert L. McGee
Gulf Power Company
One Energy Place
Pensacola, FL 32520
rlmcgee@southernco.com

J.R. Kelly, Esq.
Stephanie Morse
Office of Public Counsel
111 West Madison Street, room 812
Tallahassee, FL 32301
kelly.jr@leg.state.fl.us
morse.stephanie@leg.state.fl.us

Diana Csank
Sierra Club
50 F St. NW, 8th Floor
Washington DC 20001
Diana.csank@sierraclub.org

Thomas Jernigan
c/o AFCEC/JA-ULFSC
139 Barns Drive, Suite 1
Tyndall AFB, FL 32403
Thomas.Jernigan.3@us.af.mil

Robert Scheffel Wright
John T. La Via,
Gardner Law Firm
1300 Thomaswood Drive
Tallahassee, FL 32308
schef@gbwlegal.com
jlavia@gbwlegal.com

/s/ Jon C. Moyle

Jon C. Moyle, Jr.