

**MINUTES OF February 27, 2012
SPECIAL COMMISSION CONFERENCE**

COMMENCED: 9:32 am

ADJOURNED: 11:30 am

COMMISSIONERS PARTICIPATING: Chairman Brisé
Commissioner Edgar
Commissioner Graham
Commissioner Balbis
Commissioner Brown

Parties were allowed to address the Commission on items designated by double asterisks (**).

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

Critical Date(s): 03/12/12 (8-Month Effective Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: ECR: Slemkewicz, Barrett, Buys, Cicchetti, Dowds, Draper, Gardner, Higgins, Kaproth, Kummer, L'Amoreaux, Lester, Maurey, McNulty, Mouring, Ollila, Springer, Stallcup, Trueblood, Wright, Wu
GCL: Klancke, Barrera, Young
RAD: Clemence, Ma
SRC: Vickery

(Post hearing decision; participation is limited to Commissioners and Staff.)

Issue 1: Does Section 366.93, Florida Statutes, support Gulf's proposal to calculate a deferred carrying charge for the 4,000 acre Escambia Site and the costs of associated evaluations as nuclear site selection costs?

Recommendation: No. Section 366.93, F.S., and Rule 25-6.0423, Florida Administrative Code (F.A.C.), establish a threshold criteria that Gulf must satisfy before it can calculate a deferred carrying charge for the 4,000 acre Escambia Site and the costs of associated evaluations as nuclear site selection costs. Gulf has not satisfied the threshold criteria that it must obtain a Commission order granting a determination of need for a nuclear power plant and must petition the Commission for authorization to use the alternative deferred accounting treatment for the expenses associated with the 4,000 acre Escambia Site and the costs associated with the evaluations as nuclear site selection costs.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 2: Is Gulf's projected test period of the 12 months ending December 31, 2012, appropriate? (Category 2 Stipulation)

Approved Stipulation: Gulf's projected test period of the 12 months ending December 31, 2012, is appropriate.

DECISION: Stipulated.

Issue 3: Are Gulf's forecasts of Customers, KWH, and KW by Rate Class and Revenue Class for the 2012 projected test year appropriate? (Category 2 Stipulation)

Approved Stipulation: Yes. Gulf's forecasts of Customer, KWH, and KW by Rate Class and Revenue Class, for the 2012 projected test year are appropriate. Gulf's econometric models and assumptions relied upon are reasonable and consistent with industry practice for developing its forecasts.

DECISION: Stipulated.

Issue 4: Are Gulf's estimated revenues from sales of electricity by rate class at present rates for the projected 2012 test year appropriate? (Category 2 Stipulation)

Approved Stipulation: Gulf's estimated revenues from sales of electricity by rate class at present rates for the projected 2012 test year are appropriate.

DECISION: Stipulated.

Issue 5: What are the appropriate inflation, customer growth, and other trend factors for use in forecasting the test year budget? (Category 2 Stipulation)

Approved Stipulation: The appropriate inflation, customer growth and other trend factors for use in forecasting the test year budget are as follows:

- a. Inflation:
 - 2011 – 2.1%
 - 2012 – 2.8%
- b. Forecasted Composite Wage and Salary Increase Guidelines:
 - a. Exempt – 2.5%
 - b. Non-exempt – 2.5%
 - c. Covered – 2.25%
- c. Customer Growth (Retail):
 - 2012 – 1.2%

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 6: Is Gulf's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate? (Category 2 Stipulation)

Approved Stipulation: Gulf's proposed separation of costs and revenues between the wholesale and retail jurisdictions is appropriate. Wholesale allocations are predominantly based upon the 12 MCP methodology with some revenues and expenses allocated upon the energy allocator. These methods are based upon cost causation and are consistent with the methodology used in Gulf's prior rate case and approved by this Commission.

DECISION: Stipulated.

Issue 7: Is the quality and reliability of electric service provided by Gulf adequate? (Category 2 Stipulation)

Approved Stipulation: The quality and reliability of electric service provided by Gulf is adequate.

DECISION: Stipulated.

Issue 8: Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause (ECRC) be included in rate base for Gulf?

Recommendation: No. Except for the Plant Crist Units 6 and 7 Turbine Upgrade Projects discussed in Issue 9, no other capitalized items should be moved from the ECRC into rate base.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 9: Should the Plant Crist Units 6 and 7 Turbine Upgrade Projects be included in rate base and recovered through base rates, rather than through the Environmental Cost Recovery Clause? If so, what is the appropriate amount, if any, to be included in rate base and recovered through base rates?

Recommendation: Yes. The Plant Crist Units 6 and 7 Turbine Upgrade Projects (turbine upgrades) should be included in rate base and recovered through base rates, rather than through the ECRC. Staff recommends using Gulf’s proposed step increase method to determine the appropriate amount to be included in rate base. Staff recommends the following adjustments to rate base and NOI for the 2012 test year: (1) increase plant in service by \$29,396,000 (\$30,424,000 system); (2) increase accumulated depreciation by \$1,376,000 (\$1,424,000 system); (3) increase depreciation expense by \$934,000 (\$967,000 system); and (4) decrease income taxes by \$360,000 (\$373,000 system). In addition, staff recommends a step increase of \$4,021,905, effective on January 1, 2013, or the actual in-service date of the scheduled December 2012 upgrade, whichever is later, to capture the incremental full year impact associated with the portion of the turbine upgrades to be in-service in May and December 2012. The amount of the recommended step increase is subject to revision based on the Commission’s decisions in other issues.

DECISION: The recommendation was approved.

Issue 10: Has Gulf made the appropriate adjustments to remove all non-utility activities from plant in service, accumulated depreciation and working capital?

Recommendation: Yes. The appropriate adjustments have been made to remove all non-utility activities in plant in service, accumulated depreciation and working capital by removing \$12,518,000 from the Working Capital Allowance. Therefore, no additional adjustment is necessary to working capital.

DECISION: The recommendation was approved.

Issue 11: DROPPED PER STIPULATION.

DECISION: No vote.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 12: How much, if any, of Gulf's Incentive Compensation expenses should be included as a capitalized item in rate base?

Recommendation: The appropriate amount of non-clause and non-CWIP capitalized incentive compensation to be included in rate base is zero ~~\$1,191,000 (\$1,217,206 system)~~. Capitalized incentive compensation of \$1,191,000 (\$1,217,206 system) should be removed from rate base because of inadequate supporting information or lack of an estimate supporting capitalized labor costs. Similarly, depreciation expense and accumulated depreciation should each be reduced by \$42,049 (\$42,967 system).

DECISION: The recommendation was approved with noted modifications.

Issue 13: DROPPED.

DECISION: No vote.

Issue 14: What amount of Transmission Infrastructure Replacement Projects should be included in Transmission Plant in Service?

Recommendation: The evidence in the record shows that the Transmission Infrastructure Replacement Projects are reasonable and prudent expenditures necessary to provide reliable electric service to its customers. Therefore, no adjustment to Transmission Plant in Service related to the Transmission Infrastructure Replacement Project Expense is necessary.

DECISION: The recommendation was approved.

Issue 15: What amount of Distribution Plant in Service should be included in rate base? (Category 2 Stipulation)

Approved Stipulation: Gulf's requested level of Distribution Plant in Service, \$1,029,829,000 (\$1,034,325,000 system) should be reduced by \$803,000 (\$803,000 system) to reflect an error identified by the Company in the course of responding to discovery. The corrected amount of Distribution Plant in Service, \$1,029,026,000 (\$1,033,522,000 system) is appropriate to be included in rate base. .

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 16: Should the wireless systems that are the subject of Southern Company Services (SCS) work orders be included in rate base?

Recommendation: Yes. Staff recommends that the wireless systems that are the subject of the Southern Company Services work orders should remain in rate base.

DECISION: The recommendation was approved.

Issue 17: Should the SouthernLINC charges that are the subjects of SCS work orders be included in rate base?

Recommendation: Yes. The SouthernLINC capitalized charges of \$79,141 that are the subject of SCS Work Order 48LC01 should be included in rate base.

DECISION: The recommendation was approved.

Issue 18: Is Gulf's requested level of Plant in Service in the amount of \$2,612,073,000 (\$2,668,525,000 system) for the 2012 projected test year appropriate?

Recommendation: No. Based on staffs' recommendations in other issues, the appropriate level of plant in service for the 2012 projected test year is \$2,641,732,052 (\$2,699,343,044 system) ~~\$2,641,510,416 (\$2,699,116,619 system)~~. This is an increase to plant in service of \$29,659,052 (\$30,818,044) ~~\$29,437,416 (\$30,591,619 system)~~. .

DECISION: The recommendation was approved with noted modifications.

Issue 19: What are the appropriate depreciation parameters and resulting depreciation rate for AMI Meters (Account 370)? (Category 2 Stipulation)

Approved Stipulation: The appropriate depreciation parameter for Gulf's AMI meter depreciation is a 15-year life with 0 percent net salvage. The resulting rate is 6.7%..

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 20: Should a capital recovery schedule be established for non-AMI meters (Account 370)? If yes, what is the appropriate capital recovery schedule? (Category 2 Stipulation)

Approved Stipulation: An eight-year capital recovery schedule should be established for non-AMI meters (Account 370), modifying the four-year recovery period for the analog meters being retired establish when the Commission approved Gulf’s most recent depreciation study in Order No. PSC-10-0458-PAA-EI. Changing the amortization period from 4 to 8 years would result in decreasing the depreciation expense adjustment to NOI by one-half or \$886,000 jurisdictional (\$886,000 system). The rate base adjustment related to accumulated depreciation would be decreased by \$443,000 jurisdictional (\$443,000 system). The unrecovered balance to be recovered is \$7,088,000. .

DECISION: Stipulated.

Issue 21: Is Gulf’s requested level of Accumulated Depreciation in the amount of \$1,179,823,000 (\$1,207,513,000 system) for the 2012 projected test year appropriate?

Recommendation: No. The appropriate level of Accumulated Depreciation for the 2012 projected test year is \$1,181,215,612 (\$1,208,954,428 system) ~~\$1,181,207,803 (\$1,208,946,435 system)~~. .

DECISION: The recommendation was approved with noted modifications.

Issue 22: Is Gulf’s requested Construction Work in Progress in the amount of \$60,912,000 (\$62,617,000 system) for the 2012 projected test year appropriate?

Recommendation: No. The appropriate jurisdictional level of Construction Work in Progress (CWIP) for the 2012 projected test year is \$58,449,000 (\$60,087,000 system), which is a reduction of \$2,463,000 (\$2,530,000 System) from Gulf’s requested level. As a result of this adjustment to CWIP, increases should be made to plant in service of \$2,470,000 (\$2,633,000 system), accumulated depreciation of \$55,000 (\$57,000 system), and depreciation expense of \$102,000 (\$106,000). .

DECISION: The recommendation was approved.

Issue 23: Should an adjustment be made to Plant Held for Future Use for the Caryville plant site?

Recommendation: No. Staff recommends that no adjustment be made to Plant Held for Future Use for the Caryville plant site. .

DECISION: The recommendation was approved.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 24: Should the North Escambia Nuclear County plant site and associated costs identified by Gulf be included in Plant Held for Future Use? If not, should Gulf be permitted to continue to accrue AFUDC on the site?

Recommendation: No. Staff recommends that the North Escambia Nuclear County plant site and associated costs identified by Gulf not be included in the balance of Plant Held for Future Use for ratemaking purposes. Therefore, Plant Held for Future Use should be reduced by \$26,751,000 (\$27,687,000 system). As recommended in Issue 1, Gulf was never authorized to accrue AFUDC on the site costs. As a result, Gulf should be required to adjust its books to remove \$2,977,838 in carrying charges that have accrued on the plant site. .

DECISION: The recommendation was approved.

Issue 25: Is Gulf's requested level of Property Held for Future Use in the amount of \$32,233,000 (\$33,352,000 system) for the 2012 projected test year appropriate?

Recommendation: No. Staff recommends that the appropriate level of Property Held for Future Use should be \$5,314,153 (\$5,496,000 system) for the 2012 projected test year. The proposed levels of Property Held for Future Use for 2012 should be reduced by \$26,918,847 (\$27,856,000 system). Plant in service should be increased by \$167,847 (\$169,000 system). .

DECISION: The recommendation was approved.

Issue 26: Should any adjustments be made to Gulf's fuel inventories? (Category 2 Stipulation)

Approved Stipulation: Gulf's requested fuel inventory \$83,871,000 (\$86,804,000 system) should be reduced by \$338,174 (\$350,000 system) to reflect the necessary adjustment for Scherer In-transit fuel. In addition, consistent with Gulf's response to staff interrogatory 216, the fuel inventory should be reduced by \$443,491 (\$459,000 system) to reflect the test year gas storage inventory amount based on updated gas prices for 2012. The result of these two adjustments is a total test year fuel inventory amount of \$83,089,332 (\$85,995,000 system). .

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 27: Should any adjustment be made to Gulf’s requested storm damage reserve, annual accrual of \$6,539,091 (\$6,800,000 system), and target level range of \$52,000,000 to \$98,000,000?

Recommendation: Yes. The annual storm damage accrual should remain at its current annual level of \$3.5 million but with a new target range of \$48 to \$55 million. This results in a decrease in jurisdictional O&M expense of \$3,173,382 (\$3,300,000 system) and an increase in the jurisdictional working capital of \$1,586,500 (\$1,650,000 system) for the test year. The storm damage accrual should not stop when the target level is achieved. Staff believes this issue should be readdressed if and when the target level is actually achieved. .

DECISION: The recommendation was approved. Commissioner Balbis dissented.

Issue 28: Should unamortized rate case expense be included in Working Capital?

Recommendation: No. The unamortized rate case expense of \$2,450,000 should be removed from the 2012 test year working capital. .

DECISION: The recommendation was approved.

Issue 29: DROPPED. .

DECISION: No vote.

Issue 30: Is Gulf’s requested level of Working Capital in the amount of \$150,609,000 (\$155,044,000 system) for the 2012 projected test year appropriate?

Recommendation: Based on staff’s recommendations in other issues, the appropriate 13-month average of working capital for the 2012 projected test year is \$148,963,835 (\$153,435,000 system). This is a decrease to working capital in the amount of \$1,645,165 (\$1,609,000 system). .

DECISION: The recommendation was approved.

Issue 31: Is Gulf’s requested rate base in the amount of \$1,676,004,000 (\$1,712,025,000 system) for the 2012 projected test year appropriate?

Recommendation: No. Staff recommends that the appropriate 2012 projected test year rate base is \$1,673,243,428 (\$1,709,406,616 system) ~~\$1,673,029,601~~ (~~\$1,709,188,184~~ system), which is a reduction of \$2,760,572 (\$2,618,384 system) ~~\$2,974,399~~ (~~\$2,836,816~~ system) from Gulf’s requested level as originally filed. .

DECISION: The recommendation was approved with noted modifications.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 32: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

Recommendation: The appropriate amount of accumulated deferred taxes to include in the capital structure for the 2012 projected test year is \$256,674,530 ~~\$256,641,729~~ as shown on Schedule 2 of Staff’s memorandum dated February 15, 2012. .

DECISION: The recommendation was approved with noted modifications.

Issue 33: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?

Recommendation: The appropriate amount and cost rate of unamortized investment tax credits to include in the capital structure are \$2,924,176 ~~\$2,923,802~~ and 7.66 percent, respectively, as shown on Schedule 2 of Staff’s memorandum dated February 15, 2012. .

DECISION: The recommendation was approved with noted modifications.

Issue 34: What is the appropriate cost rate for preferred stock for the 2012 projected test year? (Category 1 Stipulation)

Approved Stipulation: The appropriate cost rate for preference stock for the 2012 projected test year is 6.39%..

DECISION: Stipulated.

Issue 35: What is the appropriate cost rate for short-term debt for the 2012 projected test year? (Category 1 Stipulation)

Approved Stipulation: The appropriate cost rate for short-term debt for the 2012 projected test year is 0.13%..

DECISION: Stipulated.

Issue 36: What is the appropriate cost rate for long-term debt for the 2012 projected test year? (Category 1 Stipulation)

Approved Stipulation: The appropriate cost rate for long-term debt for the 2012 projected test year is 5.26%..

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 37: What is the appropriate return on equity (ROE) to use in establishing Gulf's revenue requirement?

Recommendation: The appropriate ROE for the projected 2012 test year is 10.25 percent with a range of plus or minus 100 basis points. .

DECISION: The recommendation was approved by a 5-0 vote; after this vote was reconsidered, the recommendation was approved by a 4-1 vote. Chairman Brisé dissented.

Issue 38: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

Recommendation: The appropriate weighted average cost of capital for the projected test year is 6.39 percent. .

DECISION: The recommendation was approved.

Issue 39: Is Gulf compensated adequately by the non-regulated affiliates for the benefits, if any, they derive from their association with Gulf Power? If not, what measures should the Commission implement?

Recommendation: Yes. Gulf is adequately compensated by the non-regulated affiliates through services that it receives at-cost, shared resources it uses to augment its employees that result in cost savings, and access to a centralized pool of professionals that would be difficult to replicate at the Company level. Thus, no additional measures should be implemented by the Commission to compensate Gulf, and no adjustment should be made to compensate the regulated operating companies as discussed in Issue 40. .

DECISION: The recommendation was approved.

Issue 40: Should an adjustment be made to increase operating revenues by \$1,500,000 for a 2 percent compensation payment from non-regulated companies?

Recommendation: No. Operating revenue should not be increased by \$1,500,000 for a 2 percent compensation payment from non-regulated companies. .

DECISION: The recommendation was approved.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 41: Should an adjustment be made to increase test year revenue for Gulf’s non-utility activities?

Recommendation: No. Gulf has appropriately accounted for the revenue, expenses and investments associated with the non-regulated operations and no adjustment is necessary to increase test year revenue for Gulf’s non-regulated products and services. The revenue and expenses for these non-regulated activities are not subject to price regulation by the Commission, not included for ratemaking purposes, and not reported in surveillance, pursuant to Rule 25-6.1351(g), F.A.C. .

DECISION: The recommendation was approved.

Issue 42: Is Gulf’s projected level of Total Operating Revenues in the amount of \$481,909,000 (\$499,311,000 system) for the 2012 projected test year appropriate?

Recommendation: Yes. The appropriate projected level of total operating revenue for the 2012 projected test year is \$481,909,000 (\$499,311,000 system). .

DECISION: The recommendation was approved.

Issue 43: Has Gulf made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause? (Category 2 Stipulation)

Approved Stipulation: Gulf has made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause.

DECISION: Stipulated.

Issue 44: Has Gulf made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause? (Category 2 Stipulation)

Approved Stipulation: As adjusted, Gulf has made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause. As shown on Mr. McMillan’s direct testimony Exhibit RJM-1, Schedule 6, Gulf’s ECCR depreciation and property tax adjustments were \$352,000 and \$146,000, respectively. The ECCR depreciation expense adjustment should be increased to \$375,000 and the ECCR property tax expense should be increased to \$156,000.

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 45: Has Gulf made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause? (Category 2 Stipulation)

Approved Stipulation: Gulf has made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause.

DECISION: Stipulated.

Issue 46: Has Gulf made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause? (Category 2 Stipulation)

Approved Stipulation: Gulf has made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause. Consistent with the Stipulation entered into by all parties and approved by the Commission on November 1, 2011, the Crist Units 6 and 7 turbine upgrade investments and expenses were removed from the Environmental Cost Recovery Clause and are now being included for recovery in base rates in this proceeding.

DECISION: Stipulated.

Issue 47: Has Gulf made the appropriate adjustments to remove all non-utility activities from net operating income?

Recommendation: Yes. Based on staff's recommendations in Issues 39-41, Gulf has made the appropriate adjustments to remove non-utility activities from net operating income.

DECISION: The recommendation was approved.

Issue 48: Should adjustments be made to the expenses allocated or charged to Gulf as a result of transactions with affiliates?

Recommendation: Yes. Individual adjustments related to affiliate transactions are discussed in Issues 49-68. No further adjustments are required.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 49: Should adjustments be made to expenses to allocate SCS costs to Southern Renewable Energy?

Recommendation: No. Pursuant to Commission Rule 25-6.1351, F.A.C., Cost Allocation and Affiliate Transactions, adjustments are not appropriate and the Commission should not require SCS to allocate costs to Southern Renewable Energy. Consequently, the Commission should not assess SCS a two percent compensation payment.

DECISION: The recommendation was approved.

Issue 50: DROPPED.

DECISION: No vote.

Issue 51: Should adjustments be made to the allocation factors used to allocate SCS costs to Gulf?

Recommendation: No. The allocation factors SCS used to allocate costs to Gulf should not be adjusted. The factors are provided annually to the FERC, they have been used for over 25 years, they were reviewed and approved by the Commission in Gulf's last two rate cases, and neither the FERC nor the Commission has recommended that the factors be changed.

DECISION: The recommendation was approved.

Issue 52: Should the Commission remove costs from the 2012 test year for costs associated with SouthernLINC?

Recommendation: No. The costs are for unique services that Gulf uses to provide prompt, reliable and efficient service to its ratepayers.

DECISION: The recommendation was approved.

Issue 53: Should the costs related to Work Order 466909, associated with a system-wide asset management system, be removed from operating expenses? (Category 1 Stipulation)

Approved Stipulation: The costs associated with a system-wide asset management system related to work order 466909 should have been capitalized, rather than expensed, resulting in a reduction to test year jurisdictional O&M of \$343,847 (\$344,204 system).

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 54: DROPPED.

DECISION: No vote.

Issue 55: Did Gulf adequately document and justify the costs associated with Work Orders 46EZBL, 46IDMU, 46LRBL, 47VSES, 47VSTB, 47VSTH, 47VSZ1, and 47VSZ5? If not, should the costs related to these work orders be removed from operating expenses?

Recommendation: Yes. Gulf has provided adequate documentation and justification of the costs associated with Work Orders 46EZBL, 46IDMU, 46LRBL, 47VSES, 47VSTB, 47VSTH, 47VSZ1, and 47VSZ5. The costs associated with these work orders are supported and should not be removed from test year operating expenses.

DECISION: The recommendation was approved.

Issue 56: Should the costs related to Work Order 471701, associated with a Securities and Exchange Commission inquiry, be removed from operating expenses?

Recommendation: No. The costs related to Work Order 471701 are not associated with an SEC inquiry, but rather are related to the Company's Comptroller organization. The costs associated with Work Order 471701 are prudent and should be allowed.

DECISION: The recommendation was approved.

Issue 57: Should the Commission adjust operating expenses for the costs related to Work Order 473401, related to a benefit's review that does not appear to occur annually?

Recommendation: No. Benefit review activities are varied and they are conducted each year. Therefore, the operating expenses should not be amortized over two years.

DECISION: The recommendation was approved.

Issue 58: Should the costs related to Work Order 49SWCS, related to a customer summit that is only held every other year, be removed from operating expenses? (Category 1 Stipulation)

Approved Stipulation: The costs related to Work Order 49SWCS for a biannual customer summit should be amortized over two years. This results in a reduction to test year jurisdictional O&M of \$19,450 (\$20,130 system).

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI – Petition for increase in rates by Gulf Power Company.**

(Continued from previous page)

Issue 59: Should the costs related to Work Order 4Q51RC and a formerly CWIP classified Work Order 4QPA01, be removed from operating expenses?

Recommendation: No. The costs are ongoing and pertain to software maintenance and enhancements used to manage the railcar maintenance program and the Control System Integrity tool used to manage and document compliance requirements resulting from the North American Electric Reliability Corporation (NERC) Cyber Security Standard. The costs included for the 2012 test year are reasonable and prudent and thus should not be removed from operating expenses.

DECISION: The recommendation was approved.

Issue 60: Should operating expenses be adjusted to remove public relations expenses charged by SCS?

Recommendation: No. Operating expenses should not be adjusted to remove public relations expenses charged by SCS.

DECISION: The recommendation was approved.

Issue 61: Should operating expenses be adjusted to remove legal expenses in Work Orders 473ECO and 473ECS charged by SCS?

Recommendation: No. The operating expenses should not be adjusted to remove the legal expenses. SCS is the service company that provides legal advice to Gulf and the other subsidiaries of the Southern Company and the expenses charged to Gulf are for legal work that Gulf receives necessary to ensure compliance with rules and regulations affecting its operation that ultimately benefits the ratepayers.

DECISION: The recommendation was approved.

Issue 62: DROPPED PER STIPULATION.

DECISION: No vote.

Issue 63: DROPPED PER STIPULATION.

DECISION: No vote.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 64: Should operating expenses be adjusted to remove investor relations expenses related to Work Order 471501 charged by SCS?

Recommendation: No. An adjustment should not be made to operating expenses to remove the investor relations costs that SCS charges Gulf. The stockholders and the ratepayers benefit from the investor relations program and the Company should be allowed to include reasonable expenses in the 2012 test year.

DECISION: The recommendation was approved.

Issue 65: What is the appropriate amount of advertising expenses for the 2012 projected test year? (Category 2 Stipulation)

Approved Stipulation: The appropriate amount of advertising expenses for the 2012 projected test year is \$1,132,000 (\$1,132,000 system).

DECISION: Stipulated.

Issue 66: Should interest on deferred compensation be included in operating expenses?

Recommendation: Yes. The Company should be allowed to include interest on the 2012 projected deferred compensation balance at a rate sufficient to cover the opportunity cost of the balance. Therefore, staff recommends that interest be calculated at a 3.12 percent rate resulting in an adjusted deferred compensation expense of \$163,390 (\$166,726 system). Therefore, the interest on deferred compensation should be reduced by \$191,669 (\$195,583 system).

DECISION: The recommendation was approved.

Issue 67: Should SCS Early Retirement Costs be included in operating expenses?

Recommendation: No. SCS Early Retirement Costs of \$49,338 (\$50,340 system) should not be included in operating expenses.

DECISION: The recommendation was approved.

Issue 68: Should Executive Financial Planning Expenses be included in operating expenses? (Category 1 Stipulation)

Approved Stipulation: Executive Financial Planning Expenses should not be included in operating expenses. In the course of responding to discovery, Gulf identified \$48,000 (\$48,000 system) of executive financial planning expenses that Gulf agrees need to be removed from operating expenses and consequently reflected in the adjustments to NOI.

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 69: Are Gulf's proposed increases to average salaries for Gulf appropriate?

Recommendation: The general increases for covered employees and the merit increases for non-covered employees should be considered reasonable. Staff addresses the increase of 159 full time employees (FTEs) from 2010 to 2012 in Issue 70 and the variable or incentive compensation in Issue 71.

DECISION: The recommendation was approved.

Issue 70: Are Gulf's proposed increases in employee positions for Gulf appropriate?

Recommendation: No. Staff recommends an increase of 115 employees, which is 44 less than the Company's requested increase of 159 employees. This results in a reduction in Operation and Maintenance (O&M) expense of \$1,515,243 (\$1,546,022 system).

DECISION: The recommendation was approved.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 71: How much, if any, of Gulf’s proposed Incentive Compensation expenses should be included in operating expenses?

Recommendation: If staff’s recommendation in Issue 12 is approved, the amount of Gulf’s proposed Incentive Compensation expenses that should be included in operating expenses is \$10,070,813 (\$10,275,377 system), which is \$2,301,505 (\$2,348,255 system) less than Gulf’s requested jurisdictional amount of Incentive Compensation included in O&M expense of \$12,372,318 (\$12,623,632 system). In addition, O&M expense related to stock based compensation of \$1,523,599 (\$1,554,547 system) should be removed. Related reductions to plant in service of \$321,795 (\$328,750 system), accumulated depreciation of \$11,339 (\$11,605 system), depreciation expense of \$11,371 (\$11,605 system), and payroll taxes of \$9,187 (\$9,351 system) should be made.

If staff’s recommendation in Issue 12 is denied, the ~~The~~ amount of Gulf’s proposed Incentive Compensation expenses that should be included in operating expenses is \$10,070,813 (\$10,275,377 system), which is \$2,301,505 (\$2,348,255 system) less than Gulf’s requested jurisdictional amount of Incentive Compensation included in O&M expense of \$12,372,318 (\$12,623,632 system). In addition, O&M expense related to stock based compensation of \$1,523,599 (\$1,554,547 system) should be removed. Related reductions to plant in service of \$543,431 (\$555,175 system), accumulated depreciation of \$19,148 (\$19,598 system), depreciation expense of \$19,202 (\$19,598 system), and payroll taxes of \$9,187 (\$9,351 system) should be made.

DECISION: The recommendation was approved with noted modifications.

Issue 72: What is the appropriate amount of allowance for employee benefit expense be adjusted?

Recommendation: Employee benefit expense is discussed in Issues 66, 67, 68, 70 and 71. Any adjustments recommended by staff have been made in those issues and no further adjustments are necessary.

DECISION: The recommendation was approved.

Issue 73: What is the appropriate amount of Other Post Employment Benefits Expense for the 2012 projected test year? (Category 2 Stipulation)

Approved Stipulation: The appropriate amount of Other Post Employment Benefits Expense is \$3,759,786 (\$3,840,710 system).

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 74: What is the appropriate amount of Gulf's requested level of Salaries and Employee Benefits for the 2012 projected test year?

Recommendation: The appropriate amount of Salaries and Employee Benefits for the 2012 projected test year is \$104,570,479 (\$106,695,530 system).

DECISION: The recommendation was approved.

Issue 75: What is the appropriate amount of Pension Expense for the 2012 projected test year? (Category 2 Stipulation)

Approved Stipulation: The appropriate amount of Pension Expense for the 2012 projected test year is \$2,676,982 (\$2,731,358 system).

DECISION: Stipulated.

Issue 76: What is the appropriate amount of accrual for storm damage for the 2012 projected test year?

Recommendation: Staff recommends that the appropriate amount of accrual for storm damage for the 2012 project test year is \$3,365,709 (\$3,500,000 system). Therefore, the accrual should be reduced by \$3,173,382 (\$3,300,000 system).

DECISION: The recommendation was approved.

Issue 77: Should an adjustment be made to remove Gulf's requested Director's & Officer's Liability Insurance expense?

Recommendation: Yes. Staff recommends that Director's & Officer's Liability Insurance be reduced by \$58,133 (\$59,384 system) to share the cost equally between both the shareholders and the customers.

DECISION: The recommendation was approved.

Issue 78: What is the appropriate amount of accrual for the Injuries & Damages reserve for the 2012 projected test year? (Category 2 Stipulation)

Approved Stipulation: The appropriate amount for the injuries and damages reserve accrual of \$1,566,288 jurisdictional (\$1,600,000 system) is included in the 2012 projected test year.

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 79: What is the appropriate amount of Gulf's tree trimming expense for the 2012 projected test year?

Recommendation: The appropriate amount of tree trimming expense for the 2012 projected test year is \$4,918,154.

DECISION: The recommendation was approved.

Issue 80: DROPPED PER STIPULATION.

DECISION: No vote.

Issue 81: DROPPED.

DECISION: No vote.

Issue 82: DROPPED.

DECISION: No vote.

Issue 83: DROPPED.

DECISION: No vote.

Issue 84: What is the appropriate amount of production plant O&M expense?

Recommendation: The appropriate amount of production plant O&M expense is \$105,269,794 (\$108,847,728 system), which is \$1,973,704 (\$2,040,787 system) less than the Company's requested \$107,243,499 (\$110,888,515 system).

DECISION: The recommendation was approved.

Issue 85: What is the appropriate amount of Gulf's transmission O&M expense?
(Category 2 Stipulation)

Approved Stipulation: The appropriate amount of Gulf's transmission O&M expense is \$11,226,000 (\$11,609,000 system).

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 86: What is the appropriate amount of Gulf’s distribution O&M expense?

Recommendation: The appropriate amount of Gulf’s distribution O&M expense is \$41,538,000 (\$41,596,000 system).

DECISION: The recommendation was approved.

Issue 87: DROPPED.

DECISION: No vote.

Issue 88: What is the appropriate amount of Rate Case Expense for the 2012 projected test year?

Recommendation: The appropriate amount of rate case expense is \$2,800,000. As discussed in Issue 28, staff is recommending that this amount be amortized over a four-year period.

DECISION: The recommendation was approved.

Issue 89: What is the appropriate amount of uncollectible expense for the 2012 projected test year?

Recommendation: The appropriate amount of uncollectible expense for the 2012 projected year is \$4,003,000 (\$4,003,000 system). Therefore, the Company’s uncollectible expense for the 2012 projected test year should be reduced by \$340,000 (\$340,000 system). The appropriate bad debt rate is 0.3061 percent rather than Gulf’s proposed rate of 0.3321 percent.

DECISION: The recommendation was approved.

Issue 90: Is Gulf’s requested level of O&M Expense in the amount of \$282,731,000 (\$288,474,000 system) for the 2012 projected test year appropriate?

Recommendation: No. The appropriate level of O&M Expense for the 2012 projected test year is \$270,518,130 (\$275,951,748 system). This is a reduction of \$12,212,870 (\$12,522,252 system).

DECISION: The recommendation was approved.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 91: What is the appropriate amount of depreciation and fossil dismantlement expense for the 2012 projected test year?

Recommendation: The appropriate amount of depreciation and fossil dismantlement expense for the 2012 projected test year is \$95,253,580 (\$97,250,428 system) ~~\$95,245,749 (\$97,242,435 system)~~.

DECISION: The recommendation was approved with noted modifications.

Issue 92: Is Gulf's requested level of Depreciation and Amortization Expense in the amount of \$87,804,000 (\$89,613,000 system) for the 2012 projected test year appropriate?

Recommendation: No. The appropriate level of Depreciation and Amortization Expense for the 2012 projected test year is \$95,253,580 (\$97,250,428 system) ~~\$95,245,749 (\$97,242,435 system)~~.

DECISION: The recommendation was approved with noted modifications.

Issue 93: What is the appropriate amount of Taxes Other Than Income Taxes for the 2012 projected test year?

Recommendation: The appropriate amount of Taxes Other Than Income for the 2012 projected test year is \$28,743,813 (\$29,445,649 system), a decrease of \$19,187 (\$19,351 system).

DECISION: The recommendation was approved.

Issue 94: Is it appropriate to make a parent debt adjustment per Rule 25-14.004, Florida Administrative Code?

Recommendation: Yes. Jurisdictional income tax expense should be decreased by \$1,063,595 (\$2,125,860 system) to reflect the parent debt adjustment required by Rule 25-14.004, F.A.C.

Alternative Recommendation: No. Gulf has effectively rebutted the presumption that a parent debt adjustment should be made, pursuant to Rule 14.004, F.A.C.

DECISION: The alternate recommendation was approved.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 95: What is the appropriate amount of Income Tax expense for the 2012 projected test year?

Recommendation: The appropriate amount of Total Income Tax expense for the 2012 projected test year is \$18,635,233 (\$20,769,029 system) ~~\$18,640,023 (\$20,772,112 system)~~, an increase of \$4,355,233 (\$3,400,029 system) ~~\$4,360,023 (\$3,403,112 system)~~.

DECISION: The recommendation was approved with noted modifications.

Issue 96: Is Gulf's requested level of Total Operating Expenses in the amount of \$420,954,000 (\$432,449,000 system) for the 2012 projected test year appropriate?

Recommendation: No. The appropriate level of Total Operating Expenses for the 2012 projected test year is \$413,150,756 (\$423,416,854 system) ~~\$413,147,715 (\$423,411,944 system)~~, a decrease of \$7,803,244 (\$9,032,146 system) ~~\$7,806,285 (\$9,037,056 system)~~.

DECISION: The recommendation was approved with noted modifications.

Issue 97: Is Gulf's projected Net Operating Income in the amount of \$60,955,000 (\$66,862,000 system) for the 2012 projected test year appropriate?

Recommendation: No. The appropriate Net Operating Income for the 2012 projected test year is \$68,758,244 (\$75,894,146 system) ~~\$68,761,285 (\$75,899,056 system)~~, an increase of \$7,803,244 (\$9,032,146 system) ~~\$7,806,285 (\$9,037,056 system)~~.

DECISION: The recommendation was approved with noted modifications.

Issue 98: What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for Gulf?

Recommendation: The appropriate revenue expansion factor and net operating income multiplier is 61.912 percent and 1.634179, respectively, for the 2012 projected test year. The appropriate elements and rates are shown on Table 98-1 of staff's memorandum dated February 15, 2012.

DECISION: The recommendation was approved.

Issue 99: Is Gulf's requested annual operating revenue increase of \$93,504,000 for the 2012 projected test year appropriate?

Recommendation: No. The appropriate annual operating revenue increase for the 2012 projected test year is \$62,363,558 ~~\$62,336,258~~. As discussed in Issue 9, a \$4,021,905 step increase, effective January 1, 2013, is also recommended.

DECISION: The recommendation was approved with noted modifications.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 100: Should Gulf’s proposal to eliminate the Interruptible Standby Service (ISS) rate schedule be approved? (Category 1 Stipulation)

Approved Stipulation: Gulf’s proposal to eliminate the Interruptible Standby Service (ISS) rate schedule not be approved. Based on agreement reached with the intervenors, Gulf withdraws its proposal.

DECISION: Stipulated.

Issue 101: Should Gulf’s proposal to modify the Residential Service Variable Pricing (ISS) rate schedule be approved? (Category 2 Stipulation)

Approved Stipulation: Gulf’s proposal to modify the Residential Service Variable Pricing (RSVP) rate schedule to use the Energy Conservation Cost Recovery clause to achieve the price differentials among the pricing tiers appropriately complements the program’s objectives and should be approved.

DECISION: Stipulated.

Issue 102: Should the maximum kW usage level to qualify for the GS rate be increased from 20 kW to 25 kW? (Category 2 Stipulation)

Approved Stipulation: The maximum kW usage level to qualify for the GS rate should be increased from 20 kW to 25 kW. Approximately 12% of the GSD customers have billing demands from 20 kW to 24 kW. These customers generally achieve a demand of 20 to 24 kW one or two times a year, frequently during the winter months, but do not consistently achieve billing demands above 20 kW throughout the year. Under the proposed change, these smaller customers would be eligible for, and have the opportunity to choose, Rate GS, which does not include a demand charge component. Affording these smaller customers the opportunity to choose a non-demand rate should improve customer satisfaction.

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 103: Should Gulf’s new critical peak pricing option for customers taking service on the commercial time-of-use rates GSDT and LPT be approved? (Category 1 Stipulation)

Approved Stipulation: Gulf’s new critical peak pricing option for customers taking service on the commercial time-of-use rates GSDT and LPT should be approved with modifications to reflect the following:

Gulf Power agrees to add the following language to Rate Schedules GSDT and LPT in the “Determination of Critical Peak Period” provision in each of these rate schedules.

The total number of critical peak periods may not exceed one per day, and may not exceed four per week. Conditions which may result in the designation of a critical peak period by the Company include, but are not limited to:

- i. A temperature forecast for the Company’s service area that is above 95°F or below 32°F.
- ii. Real-Time-Prices that exceed certain thresholds.
- iii. Projections of system peak loads that exceed certain thresholds.

DECISION: Stipulated.

Issue 104: Should the minimum kW demand to qualify for the Real Time Pricing (RTP) rate schedule be reduced from 2,000 kW to 500 kW? (Category 1 Stipulation)

Approved Stipulation: The minimum kW demand to qualify for the Real Time Pricing (RTP) rate schedule should be reduced from 2,000 kW to 500 kW. The 2,000 kW applicability threshold has been in place since the initial implementation of Real Time Pricing at Gulf in 1995. More than half the customers who meet the 2,000 kW threshold avail themselves of Real Time Pricing. Gulf’s experience, metering and billing abilities, and the diversity of customers indicate it is time to open it up to more and smaller customers. Gulf presently has about 300 to 350 customers who would meet the 500 kW threshold. (OPC and FEA do not affirmatively stipulate this issue but take no position on the issue.)

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 105: Should the minimum kW demand for new load to qualify for the Commercial/Industrial Service Rider (CISR) be reduced from 1,000 kW to 500 kW? (Category 1 Stipulation)

Approved Stipulation: The minimum kW demand for new load to qualify for the Commercial/Industrial Service Rider (CISR) should be reduced from 1,000 kW to 500 kW. This change is to simplify the minimum size requirement by making the Qualifying Load to be 500 kW in all cases. The current size requirement treats new load and retained load differently. The simplification will make the rate easier for customers to understand and for Gulf to administer. (OPC and FEA do not affirmatively stipulate this issue but take no position on the issue.)

DECISION: Stipulated.

Issue 106: What is the appropriate cost of service methodology to be used in designing Gulf's rates? (Stipulation)

DECISION: Stipulated.

Issue 107: What is the appropriate treatment of distribution costs within the cost of service study? (Stipulation)

DECISION: Stipulated.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 108: If a revenue increase is granted, how should it be allocated among the customer classes? (Stipulation)

Approved Stipulation: The following stipulation was approved at the January 10, 2012, Commission Conference:

The enumerated cost of service and rate design Issue Nos. 106, 107, and 108 shall be resolved by the Commission's acceptance and approval of the methodology filed by Gulf in this proceeding as Attachment A to MFR Schedule E-1 and in the Exhibit MTO-2 solely for use in designing rates in this case. Distribution costs are either assigned, where possible, or allocated to Rate Class. Demand-related distribution costs at Level 3 are allocated on a Coincident Peak Demand (CP) Level 3 allocator. Demand-related distribution costs at Levels 4 and 5 are allocated on, their respective level, Non-Coincident Peak Demand (NCP) allocator. An example of a Level 3 Distribution Common Demand-related Investment is Account 362 - Station Equipment, which is allocated to Rate Class on a Level 3 CP demand allocator. An example of a Level 4 and Level 5 Common Distribution Demand-related Investment is Account 365 - Overhead Conductors. This Account has both Level 4 and Level 5 Common Investment. The Level 4 Common Investment is allocated to Rate Class on a Level 4 NCP demand allocator, and the Level 5 Common is allocated to Rate Class on a Level 5 NCP demand allocator. Customer-related Distribution costs are at both Level 4 and Level 5. These customer-related costs are allocated on their respective Level average number of customers' allocator. An example of Level 5 Distribution Customer-related Investment is Account 365 - Overhead Conductors. This customer-related investment at Level 5 is allocated to Rate Class on the average number of customers at Level 5. Note: Where cost must be divided into demand and customer component, the cost of service methodology filed by Gulf in this proceeding as Attachment A to MFR Schedule E-1 and in the Exhibit MTO-2 may be used in this case. The increase should be spread among the rate classes as shown in MFR E-8 of Gulf's filing.

DECISION: Stipulated.

Issue 109: What are the appropriate customer charges and should Gulf's proposal to rename the customer charge "Base Charge" be approved?

Recommendation: Gulf's proposal to rename the customer charge "Base Charge" should be approved. The appropriate customer charges are a fall-out issue and will be decided at the March 12, 2012, Commission Conference.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 110: What are the appropriate demand charges?

Recommendation: This is a fall-out issue and will be decided at the March 12, 2012, Commission Conference.

DECISION: No vote.

Issue 111: What are the appropriate energy charges?

Recommendation: This is a fall-out issue and will be decided at the March 12, 2012, Commission Conference.

DECISION: No vote.

Issue 112: What are the appropriate charges for the outdoor service (OS) lighting rate schedules?

Recommendation: This is a fall-out issue and will be decided at the March 12, 2012, Commission Conference.

DECISION: No vote.

Issue 113: Should Gulf's proposal to adjust annually existing lighting fixtures prices be approved?

Recommendation: No. Staff recommends the Commission reject Gulf's proposal to change how its existing lighting fixtures or associated facilities are priced.

DECISION: The recommendation was approved.

Issue 114: What are the appropriate charges under the Standby and Supplementary Service (SBS) rate schedule?

Recommendation: This is a fall-out issue and will be decided at the March 12, 2012, Commission Conference.

DECISION: No vote.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 115: What are the appropriate transformer ownership discounts?

Recommendation: Staff recommends the Commission set transformer ownership discounts equal to the Company’s Minimum Distribution System unit cost for transformation service for the GSD/GSDT, LP/LPT, SBS primary (100-499 KW and 500-7,499 KW), and SBS transmission (500-7,499 KW) rate classes. The recommended transformer ownership discounts for these rate classes are a fallout of the final revenue requirements.

For Gulf’s PX/PXT and SBS “Transmission - 7500 KW and above” rate classes, staff recommends that the Commission set the transformer ownership discounts equal to Gulf’s current transformer ownership discounts due to the lack of updated available unit cost data. The current discounts are -\$0.18/kw/mo for the PX/PXT classes and -\$0.07/kw/mo for the SBS “Transmission - 7500 KW and above” rate class.

DECISION: The recommendation was approved.

Issue 116: What is the appropriate minimum monthly bill demand charges under the PX and PXT rate schedules? (Category 2 Stipulation)

Approved Stipulation: The appropriate minimum monthly bill demand charges under the PX and PXT rate schedules are \$11.90/KW/month for PX and \$11.99/KW/month for PXT. These minimum bill provisions have been developed using the FPSC approved method for determining them. These charges are subject to revision to reflect the impact, if any, of additional adjustments identified in other issues and the final rates established for the PX and PXT rate schedules.

DECISION: Stipulated.

Issue 117: Should any of the \$38,549,000 interim rate increase granted by Order No. PSC-11-0382-PCO-EI be refunded to the ratepayers?

Recommendation: No. Further, upon expiration of the period for appeal, the corporate undertaking should be released.

DECISION: The recommendation was approved.

ITEM NO.

CASE

1 **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

Issue 118: Should Gulf be required to file, within 60 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? (Category 1 Stipulation)

Approved Stipulation: Gulf shall 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 case.

DECISION: Stipulated.

Issue 119: Should this docket be closed?

Recommendation: The docket should be closed after the time for filing an appeal has run.

DECISION: The recommendation was approved.

Commissioners participating: Brisé, Edgar, Graham, Balbis, Brown