MINUTES OF APRIL 26, 2002
SPECIAL COMMISSION CONFERENCE
COMMENCED: 9:30 a.m.
ADJOURNED: 1:55 p.m.

COMMISSIONERS PARTICIPATING: Chairman Jaber
Commissioner Deason
Commissioner Baez
Commissioner Palecki
Commissioner Bradley

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1 Docket No. 010949-EI - Request for rate increase by Gulf Power Company.

Critical Date(s): 5/10/02 (8-month effective date)

Commissioners Assigned: Full Commission
Prehearing Officer: Jaber

Staff: ECR: L. Romig, Slemkewicz, Haff, D. Draper, Hudson, Kaproth, Bohrmann, E. Draper, D. Lee, P. Lee, Lester, Meeks, Matlock, Merta, Stallcup, Wheeler, C. Romig
GCL: Stern, Echternacht, Elias, Espinoza, Harris

ISSUE 1: Is Gulf's projected test period of the 12 months ending May 31, 2003 (May 2003 projected test year) appropriate?
RECOMMENDATION: Yes. With the adjustments recommended by staff in the following issues, and reflected on Attachments 1-4 of staff's April 15, 2002 memorandum, the May 2003 projected test year is appropriate.

DECISION: The recommendation was approved.

ISSUE 2: Are Gulf's forecasts of Customers, KWH, and KW by Rate Class, for the May 2003 projected test year appropriate?
RECOMMENDATION: Stipulated.

ISSUE 3: Should Gulf be required to establish a mechanism that would provide for a payment or credit to retail customers if frequent outages occur?

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RECOMMENDATION: A properly balanced incentive mechanism cannot be established at this time. However, the Commission should consider establishing for Gulf a forward-looking performance based incentive mechanism which includes opportunities for rewards as well as penalties. Such a mechanism should provide Gulf incentives to deliver high future performance in efficiency and service reliability to customers. Consistent with the recommendation for Issue 125, the specificity of the performance based mechanism should be addressed in a separate docket.

DECISION: The recommendation was approved.

ISSUE 4: Should adjustments be made to Gulf’s projected test year due to customer complaints?
RECOMMENDATION: Stipulated.

ISSUE 5: Is the quality of electric service provided by Gulf adequate?
RECOMMENDATION: Stipulated.

ISSUE 6: Should an adjustment be made to production related additions included in Plant in Service?
RECOMMENDATION: No. Staff recommends no adjustment to production related additions included in Plant in Service.

DECISION: The recommendation was approved.

ISSUE 7: Should an adjustment be made to transmission and distribution related additions included in Plant in Service?
RECOMMENDATION: No. Staff recommends no adjustment to transmission or distribution related additions included in Plant in Service.

DECISION: The recommendation was approved.

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ISSUE 8: Should an adjustment be made to general plant related additions included in Plant in Service?
RECOMMENDATION: No. Staff recommends no adjustment to the general plant related additions included in Plant in Service.

DECISION: The recommendation was approved.

ISSUE 9A: Should the deferral of the return on the third floor of the corporate offices be allowed in rate base?
RECOMMENDATION: Yes. The deferral of the return on the third floor should be allowed in rate base. The balance should be reduced $610,886 ($753,403 system) to reflect additional amortization booked during 2001 and a four year amortization period as discussed in issue 72.

DECISION: The recommendation was approved.

ISSUE 9B: Should the third floor of the corporate offices be allowed in rate base?
RECOMMENDATION: Yes. Since the third floor is currently used and useful, it would be appropriate to include the third floor investment in rate base.

DECISION: The recommendation was approved.

ISSUE 10: Should an adjustment be made to Smith Unit 3?
STIPULATED

ISSUE 11: DELETED. Number retained for continuity.

ISSUE 12: What are the appropriate adjustments, if any, that should be made to Gulf's test year rate base to account for the additional security measures implemented in response to the increased threat of terrorist attacks since September 11, 2001?

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RECOMMENDATION: An increase of $683,000 ($714,000 system) should be made to rate base for the May 2003 projected test year for investments in additional security measures made in response to the increased threat of terrorist attacks since September 11, 2001.

DECISION: The recommendation was approved.

ISSUE 13: Should the capitalized items currently approved for recovery through the Environmental Cost Recovery Clause (ECRC) be included in rate base for Gulf?
RECOMMENDATION: No. The current practice of recovering the capital costs through the ECRC is consistent with the Florida Statutes. No benefit to customers has been shown by including such costs in base rates during this rate proceeding. Therefore, not including Gulf's currently capitalized ECRC items in rate base is reasonable and appropriate.

DECISION: The recommendation was approved.

ISSUE 14: DELETED. Number retained for continuity.

ISSUE 15: Has the Company removed all non-utility activities from rate base?
RECOMMENDATION: Stipulated.

ISSUE 16: Is Gulf's requested level of Plant in Service in the amount of $1,966,492,000 ($2,015,013,000 system) for the May 2003 projected test year appropriate?
RECOMMENDATION: No. Based on the adjustments recommended below, Plant in Service should be increased $125,000 ($156,000 system). The appropriate amount of Plant in

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Service is $1,966,617,000 ($2,015,169,000 system) for the May 2003 projected test year. (Attachment 1 of staff's April 15, 2002 memorandum.)

DECISION: The recommendation was approved.

ISSUE 17: What adjustments should be made to Accumulated Depreciation to reflect the Commission's decision in Docket No. 010789-EI?
RECOMMENDATION: Stipulated.

ISSUE 18: Is Gulf's requested level of accumulated depreciation in the amount of $854,099,000 ($876,236,000 system) for the May 2003 projected test year appropriate?
RECOMMENDATION: No. Based on the adjustments recommended in previous issues, the test year accumulated depreciation should be decreased $1,716,000 ($1,754,000 system). The appropriate amount of accumulated depreciation for the May 2003 projected test year is $852,383,000 ($874,482,000 system). (Attachment 1 of staff's April 15, 2002 memorandum.)

DECISION: The recommendation was approved.

ISSUE 19: Is Gulf's requested level of Construction Work in Progress in the amount of $15,850,000 ($16,361,000 system) for the May 2003 projected test year appropriate?
RECOMMENDATION: Stipulated.

ISSUE 20: Should an adjustment be made to Plant Held for Future Use for Gulf's inclusion of the Caryville site in rate base?
RECOMMENDATION: Stipulated.

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ISSUE 21: Is Gulf's requested level of Property Held for Future Use in the amount of $3,065,000 ($3,164,000 system) for the May 2003 projected test year appropriate?
RECOMMENDATION: Stipulated.

ISSUE 22: Should an adjustment be made to prepaid pension expense in its calculation of working capital?
RECOMMENDATION: Stipulated.

ISSUE 23: Should an adjustment be made to rate base for unfunded Other Post-retirement Employee Benefit (OPEB) liability?
RECOMMENDATION: Stipulated.

ISSUE 24: Should any adjustments be made to Gulf's fuel inventories?
RECOMMENDATION: No. Gulf’s fuel inventory levels are consistent with the guidelines the Commission established in Order No. 12645, issued November 3, 1983, in Docket No. 830001-EI.

DECISION: The recommendation was approved.

ISSUE 25: Is Gulf's requested level of Working Capital in the amount of $67,194,000 ($69,342,000 system) for the May 2003 projected test year appropriate?
RECOMMENDATION: No. The appropriate amount of working capital for the May 2003 projected test year is $66,583,000 ($68,589,000 system). (Attachment 1 of staff’s April 15, 2002 memorandum.)

DECISION: The recommendation was approved.

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ISSUE 27: Is Gulf's requested rate base in the amount of $1,198,502,000 ($1,227,644,000 system) for the May 2003 projected test year appropriate?
RECOMMENDATION: No. The appropriate rate base for the May 2003 projected test year is $1,199,732,000. (Attachment 1 of staff's April 15, 2002 memorandum.)

DECISION: The recommendation was approved.

ISSUE 28: DELETED. Number retained for continuity.

ISSUE 29: 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 is $122,133,000 jurisdictional.

DECISION: The recommendation was approved.

ISSUE 30: 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 is $16,584,000 and 8.80%, respectively.

DECISION: The recommendation was approved with the understanding that fallout adjustments will be made.

ISSUE 31: Have rate base and capital structure been reconciled appropriately?
RECOMMENDATION: Yes. However, in addition specific adjustments were made due to the Company filing a revised capital structure. Staff also made a pro rata adjustment to

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investor's sources to properly reconcile the capital structure to rate base.

DECISION: The recommendation was approved.

ISSUE 32: What is the appropriate cost rate for short-term debt for the May 2003 projected test year?
RECOMMENDATION: Stipulated.

ISSUE 33: What is the appropriate cost rate for long-term debt for the May 2003 projected test year?
RECOMMENDATION: Stipulated.

ISSUE 34: In setting Gulf's return on equity for use in establishing Gulf's revenue requirements and Gulf's authorized range, should the Commission make an adjustment to reflect Gulf's performance?
RECOMMENDATION: The Commission should not make an adjustment to Gulf's return on equity to reward or penalize Gulf based on its current and past performance because a performance based plan has not been established for Gulf prior to this docket. Consistent with the recommendation for Issue 3, the Commission should consider establishing for Gulf a forward-looking performance based incentives mechanism to encourage high performance in the future.

DECISION: The recommendation was denied. Rates were set at 12% based on discussion at the conference. Commissioners Jaber and Palecki dissented.

ISSUE 35: What is the appropriate ROE to use in establishing Gulf's revenue requirement?
RECOMMENDATION: The appropriate ROE is 11.6%. Staff addresses the appropriate range for the ROE in Issue 37.

DECISION: The recommendation was approved with the modification that ROE is established at 11.75%.

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ISSUE 36: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the projected capital structure?
RECOMMENDATION: The appropriate weighted average cost of capital for the projected test year is 7.75%. (Attachment 2 of staff's April 15, 2002 memorandum.)

DECISION: The recommendation was approved with the understanding that fallout adjustments will be made.

ISSUE 37: What is the appropriate authorized range on ROE to be used by Gulf for regulatory purposes on a prospective basis?
RECOMMENDATION: The appropriate range is plus or minus 100 basis points surrounding the recommended 11.6% ROE mid-point.

DECISION: The recommendation was approved with the modification that the range is set at 10.75 to 12.75, and the midpoint at 11.75.

ISSUE 38: Is Gulf's projected level of Total Operating Revenues in the amount of $372,714,000 ($379,009,000 system) for the May 2003 projected test year appropriate?
RECOMMENDATION: Stipulated.

ISSUE 39: What are the appropriate inflation factors for use in forecasting the test year budget?
RECOMMENDATION: Stipulated.

ISSUE 40: Should the Commission accept Gulf Power's modified zero based budget as support for the requested increase?
RECOMMENDATION: Yes. Gulf's modified zero based budget should be accepted as support for the requested increase with all the adjustments recommended by staff as shown in Attachments 1-4 of staff's April 15, 2002 memorandum.

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DECISION: The recommendation was approved.

ISSUE 41: Is Gulf's requested level of O&M Expense in the amount of $182,419,000 ($186,354,000 system) for the May 2003 projected test year appropriate?
RECOMMENDATION: No. The appropriate level of O&M Expenses for the May 2003 projected test year is $180,614,000. (Attachment 3 of staff's April 15, 2002 memorandum.)

DECISION: The recommendation was approved with the understanding that fallout adjustments will be made.

ISSUE 42: Should an adjustment to Net Operating Income be made to remove wholesale related costs allocated to Gulf?
RECOMMENDATION: Stipulated.

ISSUE 43: Has Gulf made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Adjustment Clause?
RECOMMENDATION: 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?
RECOMMENDATION: Stipulated.

ISSUE 45: Has Gulf made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?
RECOMMENDATION: 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?
RECOMMENDATION: Stipulated.

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ISSUE 47: What are the appropriate adjustments, if any, to Gulf's test year operating expenses to account for the additional security measures implemented in response to the increased threat of terrorist attacks since September 11, 2001?
RECOMMENDATION: A jurisdictional adjustment (increase) of $845,000 ($901,000 system) should be made to test year operating expenses to reflect the cost of additional security measures implemented in response to the increased threat of terrorist attacks since September 11, 2001. This amount includes $578,000 ($623,000 system) due to an increase in Gulf's property insurance expenses, $101,000 ($105,000 system) due to an increase in depreciation expense, and $166,000 ($173,000 system) due to increases in other additional security expenses.

DECISION: The recommendation was approved.

ISSUE 48: Should an adjustment be made to advertising expenses for the May 2003 projected test year?
RECOMMENDATION: Yes. Advertising expense should be reduced by $539,000 jurisdictional ($550,000 system) to remove image enhancing advertising expense.

DECISION: The recommendation was approved. Commissioner Palecki concured with the majority but will write a separate opinion.

ISSUE 49: Has Gulf made the appropriate adjustments to remove lobbying expenses from the May 2003 projected test year?
RECOMMENDATION: Stipulated.

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ISSUE 50: Should an accrual for incentive compensation be allowed?
RECOMMENDATION: Yes. An accrual for incentive compensation should be allowed.

DECISION: The recommendation was approved.

ISSUE 50A: Should an adjustment be made to employee relocation expense for the May 2003 projected test year?
RECOMMENDATION: Yes. A reduction of $15,832 ($16,683 system) should be made in expenses associated with employee relocations.

DECISION: The recommendation was approved.

ISSUE 51: Should an adjustment be made to Gulf's requested level of Salaries and Employee Benefits for the May 2003 projected test year?
RECOMMENDATION: Yes. O&M expenses and payroll taxes should be reduced $323,635 (330,628 system) and $19,274 ($19,690 system) respectively to remove the hiring lag effect on the projected number of employees.

DECISION: The recommendation was approved.

ISSUE 52: Should an adjustment be made to Other Post Employment Benefits Expense for the May 2003 projected test year?
RECOMMENDATION: Stipulated.

ISSUE 53: Should an adjustment be made to Pension Expense for the May 2003 projected test year?
RECOMMENDATION: Stipulated.

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ISSUE 54: Should adjustments be made for the net operating income effects of transactions with affiliated companies for Gulf?
RECOMMENDATION: No. Adjustments are not necessary for the net operating income effects of Gulf's transactions with affiliated companies.

DECISION: The recommendation was approved.

ISSUE 55: Should an adjustment be made to the accrual for property damage for the May 2003 projected test year?
RECOMMENDATION: No. The Company should continue accruing $3,245,000 ($3,500,000 system).

DECISION: The recommendation was approved.

ISSUE 56: Should an adjustment be made to the accrual for the Injuries & Damages reserve for the May 2003 projected test year?
RECOMMENDATION: Stipulated.

ISSUE 57: Should interest on tax deficiencies for the May 2003 projected test year be included above-the-line?
RECOMMENDATION: Stipulated.

ISSUE 58: Should an adjustment be made to Rate Case Expense for the May 2003 projected test year?
RECOMMENDATION: Yes. The projected rate case expense of $1,383,500 should be reduced by $120,500 and amortized over four years for an annual rate case expense of $315,750. Therefore, O&M expenses should be reduced by $30,125.

DECISION: The recommendation was approved with the understanding staff will add cases for legal standard to the order.

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ISSUE 59: Should an adjustment be made to marketing expenses for Gulf's marketing of high efficiency electric technologies for heating and water heating?
RECOMMENDATION: Yes. Test year marketing expenses should be reduced by $116,695 ($116,695 system) to account for the removal of costs associated with Gulf's Water Heating Conversion Program.

DECISION: The recommendation was denied. The on-going burden to demonstrate the cost-effectiveness of the program rests with Gulf Power Company. If the program ceases to be cost-effective, the company must bring this back to the Commission. Commissioner Palecki dissented from the majority vote.

ISSUE 60: DELETED. Number retained for continuity.

ISSUE 61: DELETED. Number retained for continuity.

ISSUE 62: Should an adjustment be made to Production Expenses for the May 2003 projected test year?
RECOMMENDATION: No. Staff recommends no adjustment to production expenses for the projected test year.

DECISION: The recommendation was approved.

ISSUE 63: Should an adjustment be made to Transmission Expenses for the May 2003 projected test year?
RECOMMENDATION: Stipulated.

ISSUE 64: Should an adjustment be made to cable inspection expense?
RECOMMENDATION: Yes. Cable inspection expense should be removed from O&M Expense, capitalized in Account No. 367, Underground Conductors & Devices, and depreciated over the life of the associated cable. O&M expense should be reduced by $166,000 and Plant-in-Service, Accumulated Depreciation,

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and Depreciation Expense should be increased by $83,000, $865, and $2,490, respectively.

DECISION: The recommendation was approved.

ISSUE 65: Should an adjustment be made to substation maintenance expense?
RECOMMENDATION: No. Based on the additional substation maintenance activities planned for the test year, and Gulf's reasons for the expense decreases in the years 1999 and 2000, substation maintenance expense (Account 592) should not be adjusted.

DECISION: The recommendation was approved.

ISSUE 66: Should adjustments be made to tree trimming expense?
RECOMMENDATION: Yes. Staff believes that Gulf can at least maintain the quality of service it delivers to its customers, commensurate with customer expectations and historical expenses, with an annual tree-trimming expense of $3,193,000. This is a jurisdictional adjustment (reduction) of $930,000 to Account 593 - maintenance of overhead lines.

DECISION: The recommendation was approved.

ISSUE 67: Should an adjustment be made to pole line inspection expense?
RECOMMENDATION: No. Gulf has demonstrated the need for its proposed level of pole line inspection expenses and therefore staff recommends that no adjustment be made to pole line inspection expense (Account 593).

DECISION: The recommendation was approved.

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ISSUE 68: Should an adjustment be made to street and outdoor lighting maintenance expense?
RECOMMENDATION: Yes. Street and outdoor lighting maintenance expense should be reduced by $320,000 to make the test year expense more reflective of actual annual expenses.

DECISION: The recommendation was approved.

ISSUE 69: DELETED. Number retained for continuity.

ISSUE 70: Should an adjustment be made to Bad Debt Expense for the May 2003 projected test year?
RECOMMENDATION: Stipulated.

ISSUE 71A: Should an adjustment be made to Customer Accounts-Postage Expense for the May 2003 projected test year?
RECOMMENDATION: No. An adjustment should not be made to Customer Accounts-Postage Expense in the projected test year. The utility corrected an error which makes an adjustment unnecessary.

DECISION: The recommendation was approved.

ISSUE 71B: Should an adjustment be made to Customer Records Expense for the May 2003 projected test year?
RECOMMENDATION: No. An adjustment should not be made to Customer Records Expense for the test year because of Gulf’s change in its allocation method.

DECISION: The recommendation was approved.

ISSUE 72: If the deferral of the return on the third floor of the corporate offices is allowed in rate base, what amortization period should be used?

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RECOMMENDATION: The deferred return should be amortized over four years. Amortization expense should be reduced $535,057 ($544,469 system) to reflect a four year amortization and the effect of the additional amortization booked during 2001. In addition, Gulf should be allowed to continue to have discretion to amortize up to an additional $1 million per year in accordance with the Commission-approved stipulation in Order No. PSC-99-2131-S-EI, issued October 28, 1999, in Docket No. 990250-EI.

DECISION: The recommendation was approved.

ISSUE 73: What adjustments, if any, should be made to the depreciation expense and the fossil dismantlement accrual to reflect the Commission’s decision in Docket No. 010789-EI?
RECOMMENDATION: Stipulated.

ISSUE 74: What is the appropriate depreciation rate and dismantlement provision for Smith Unit 3?
RECOMMENDATION: Stipulated.

ISSUE 75: Should an adjustment be made to Depreciation Expense for the May 2003 projected test year?
RECOMMENDATION: Yes. Based on the adjustments recommended in previous issues, Depreciation and Amortization expense should be reduced by $2,522,000 ($2,603,000 system) for the May 2003 projected test year. (Attachment 3 of staff’s April 15, 2002 memorandum.)

DECISION: The recommendation was approved.

ISSUE 76: DELETED. Number retained for continuity.

ISSUE 77: DELETED. Number retained for continuity.

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ISSUE 78: Should the total amount of Gross Receipts tax be removed from base rates and shown as a separate line item on the bill?
RECOMMENDATION: Stipulated.

ISSUE 79: Should an adjustment be made to Taxes Other Than Income Taxes for the May 2003 projected test year?
RECOMMENDATION: Yes. Taxes Other Than Income Taxes should be reduced by ~~$12,380,000~~ $12,335,000 from $36,969,000 to ~~$24,589,000~~ $24,634,000. (Attachment 3 of staff's April 15, 2002 memorandum.)

DECISION: The recommendation was approved with the noted modifications.

ISSUE 80: Should an adjustment be made to the consolidating tax adjustments for the May 2003 projected test year?
RECOMMENDATION: Stipulated.

ISSUE 81: Should an adjustment be made to Income Tax expense for the May 2003 projected test year?
RECOMMENDATION: Yes. Income tax expense should be increased by $2,784,000 for the May 2003 projected test year. (Attachment 3 of staff's April 15, 2002 memorandum.)

DECISION: The recommendation was approved with the understanding that fallout adjustments will be made.

ISSUE 82: Is Gulf's projected Net Operating Income in the amount of $61,378,000 ($61,658,000 system) for the May 2003 projected test year appropriate?
RECOMMENDATION: No. The projected net operating income for the May 2003 projected test year is $62,539,000. (Attachment 3 of staff's April 15, 2002 memorandum.)

DECISION: The recommendation was approved with the understanding that fallout adjustments will be made.

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ISSUE 83: What is the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for Gulf?
RECOMMENDATION: Stipulated.

ISSUE 84: Is Gulf's requested annual operating revenue increase of $69,867,000 for the May 2003 projected test year appropriate?
RECOMMENDATION: No. The appropriate annual operating revenue increase for the May 2003 projected test year is $49,712,000. (Attachment 5 of staff’s April 15, 2002 memorandum.)

DECISION: The recommendation was approved with the understanding that fallout adjustments will be made.

ISSUE 85: Is Gulf’s proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?
RECOMMENDATION: Stipulated.

ISSUE 86: Are Gulf's estimated revenues from sales of electricity by rate class at present rates for the projected 2003 test year appropriate?
RECOMMENDATION: Stipulated.

ISSUE 87: Is the method used by Gulf to develop its estimates by rate class of the 12 monthly coincident peak hour demands and the class non-coincident peak hour demands appropriate?
RECOMMENDATION: Stipulated.

ISSUE 88: What is the appropriate cost of service methodology to be used in designing Gulf’s rates?
RECOMMENDATION: The appropriate cost of service methodology utilizes the 12 Monthly Coincident Peak and 1/13 Average Demand method for the allocation of production plant and

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classifies only the meter and service drop components of the distribution system as customer related. The appropriate study is contained in Hearing Exhibit 20, as Attachment 4B to Late-filed Deposition Exhibit 2 of Gulf Witness Robert L. McGee.

If the Commission decides in Issue No. 89 that the MDS method for the classification of distribution costs is appropriate for use in this case, the study contained in Hearing Exhibit 20, as Attachment 4A to Late-filed Deposition Exhibit 2 of Gulf Witness Robert L. McGee should be used to design Gulf's rates.

DECISION: The recommendation was approved.

ISSUE 89: What is the appropriate treatment of distribution costs within the cost of service study?
RECOMMENDATION: The appropriate treatment of distribution costs should remain consistent with past Commission decisions which support that only Accounts 369 (Services) and 379 (Meters) should be classified as customer related.

DECISION: The recommendation was approved.

ISSUE 90: If a revenue increase is granted, how should it be allocated among the customer classes?
RECOMMENDATION: The increase should be allocated to the rate classes in a manner that moves the class rate of return indices as close to parity as practicable based on the approved cost allocation methodology, subject to the following constraints: (1) No class should receive an increase greater than 1.5 times the system average percentage increase in total, and (2) no class should receive a decrease. Staff's proposed allocation of the increase is shown in Attachment 6 of staff's April 15, 2002 memorandum.

DECISION: The recommendation was approved.

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ISSUE 91: What are the appropriate demand charges?
RECOMMENDATION: This is a fallout issue and the Commission should address it at the May 8, 2002, Agenda Conference.

DECISION: The recommendation was approved.

ISSUE 92: What are the appropriate energy charges?
RECOMMENDATION: This is a fallout issue and the Commission should address it at the May 8, 2002, Agenda Conference.

DECISION: The recommendation was approved.

ISSUE 93: What are the appropriate customer charges?
RECOMMENDATION: Staff's recommended customer charges are shown below:

RATE CLASS	NON-MDS UNIT COST	MDS UNIT COST	CURRENT CHARGES	GULF PROPOSED	STAFF RECOMMENDED
RS, RSVP	$ 11.43	$ 20.90	$ 8.07	$ 12.00	$ 10.00
GS, OSIV	$ 17.50	$ 27.75	$ 10.09	$ 15.00	$ 13.00
GSD	$ 31.88	$ 42.47	$ 40.35	$ 40.00	$ 35.00
GSDT	$ 31.88	$ 42.47	$ 45.80	$ 40.00	$ 35.00
GSTOU	$ 31.88	$ 42.47	N/A	$ 40.00	$ 35.00
LP, LPT	$154.72	$160.39	$ 226.98	$ 226.00	$ 155.00
PX, PXT	$416.64	$416.64	$ 575.01	$ 566.38	$ 566.38
RTP	$452.37	$488.09	$1000.00	$1000.00	$1000.00

DECISION: The recommendation was approved.

ISSUE 94: What are the appropriate service charges?
RECOMMENDATION: Stipulated.

ISSUE 95: What are the appropriate Street (OS-I) and Outdoor (OS-II) lighting rate schedule charges?
RECOMMENDATION: Stipulated.

ISSUE 96: How should Gulf's time-of-use rates be designed?
RECOMMENDATION: Stipulated.

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ISSUE 97: What are the appropriate charges under the Interruptible Standby Service (ISS) rate schedule?
RECOMMENDATION: This is a fallout issue and the Commission should address it at the May 8, 2002, Agenda Conference.

DECISION: The recommendation was approved.

ISSUE 98: What are the appropriate charges under the Standby and Supplementary Service (SBS) rate schedule?
RECOMMENDATION: This is a fallout issue and the Commission should address it at the May 8, 2002, Agenda Conference.

DECISION: The recommendation was approved.

ISSUE 99: What is the appropriate rate design for Gulf's Real Time Pricing (RTP) rate schedule?
RECOMMENDATION: This is a fallout issue and the Commission should address it at the May 8, 2002, Agenda Conference.

DECISION: The recommendation was approved.

ISSUE 100: What is the appropriate monthly charge under Gulf's GoodCents Surge Protection (GCSP) rate schedule?
RECOMMENDATION: Stipulated.

ISSUE 101: What are the appropriate transformer ownership discounts?
RECOMMENDATION: Stipulated.

ISSUE 102: What is the appropriate minimum monthly bill demand charge under the PX rate schedule?
RECOMMENDATION: Stipulated.

ISSUE 103: What is the appropriate minimum monthly bill demand charge under the PXT rate schedule?
RECOMMENDATION: Stipulated.

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ISSUE 104: How should any revenue shortfall resulting from rate migrations following the rate design be recovered?
RECOMMENDATION: Stipulated.

ISSUE 105: Should Gulf's GST and RST rate schedules be eliminated?
RECOMMENDATION: Stipulated.

ISSUE 106: Should Gulf's Supplemental Energy (SE) Rate Rider be eliminated?
RECOMMENDATION: Stipulated.

ISSUE 107: Gulf proposes to eliminate the Optional Method of Meter Payment provision in its GSDT rate schedule that allows customers to make an initial payment as a contribution-in-aid-of-construction to offset a portion of the additional cost of time-of-use metering. Is this appropriate?
RECOMMENDATION: Stipulated.

ISSUE 108: Should Gulf eliminate its OS-IV rate schedule and transfer the customers served under the rate to their otherwise applicable rate schedules, as required by Order No. 23573 in Docket No. 891345-EI?
RECOMMENDATION: Stipulated.

ISSUE 109: Should the proposed changes to Gulf's Standby and Supplementary Service Rate (SBS) be approved?
RECOMMENDATION: Stipulated.

ISSUE 110: What is the appropriate monthly fixed charge carrying rate to be applied to the installed cost of OS-I and OS-II additional lighting facilities for which there is no tariffed monthly charge?
RECOMMENDATION: Stipulated.

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ISSUE 111: Are the proposed revisions to the estimated kilowatt hour consumption of Gulf's high pressure sodium and metal halide lighting fixtures appropriate?
RECOMMENDATION: Stipulated.

ISSUE 112: Gulf has proposed to add a provision to its OS-I and OS-II lighting schedules that allows customers to change to different fixtures prior to the expiration of the initial lighting contract term. Is this provision appropriate?
RECOMMENDATION: Stipulated.

ISSUE 113: Should the Street Lighting (OS-I) and Outdoor Lighting (OS-II) subparts of Gulf's Outdoor Service rate schedule be merged?
RECOMMENDATION: Stipulated.

ISSUE 114: Should Gulf's proposed methodology for determining the price of new street and outdoor lighting offerings be approved?
RECOMMENDATION: Stipulated.

ISSUE 115: Should Gulf's proposed new FlatBill pilot program be approved?
RECOMMENDATION: Stipulated.

ISSUE 116: Should Gulf's proposed new Rate Schedule GSTOU be approved?
RECOMMENDATION: Stipulated.

ISSUE 117: Is Gulf's proposed reduction in the contract term required under its Real Time Pricing (RTP) rate schedule from five years to one year appropriate?
RECOMMENDATION: Stipulated.

ISSUE 118: Is Gulf's GoodCents Select Program cost effective?
RECOMMENDATION: Stipulated.

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ISSUE 119: What is the appropriate design and level of charges for the Residential Service Variable Pricing (RSVP) rate schedule?
RECOMMENDATION: Stipulated.

ISSUE 120: Are Gulf's proposed changes to the P2 and P3 pricing periods under its RSVP rate schedule appropriate?
RECOMMENDATION: Stipulated.

ISSUE 121: Are Gulf's proposed changes to the Participation Charge and Reinstallation Fee charged under Rate RSVP appropriate?
RECOMMENDATION: Stipulated.

ISSUE 122: Should Gulf's proposed changes to the applicability section of its Budget Billing optional rider be approved?
RECOMMENDATION: Stipulated.

ISSUE 123: What impact does the stipulation approved in Order No. PSC-99-2131-S-EI have on the effective date of the rates approved in this docket?
RECOMMENDATION: Stipulated.

ISSUE 124: 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?
RECOMMENDATION: Stipulated.

ISSUE 125: Should Gulf's proposed Incentive Earnings Sharing Plan be approved?
RECOMMENDATION: No. Gulf's proposed Incentive Earnings Sharing Plan should not be approved because it is not

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supported by the hearing record. Instead, Gulf's plan should be addressed in a separate evidentiary proceeding.

DECISION: The recommendation was approved with the modification that the issue was disposed of by sustaining the objections of FIPUG and the Office of Public Counsel that Exhibit 25 should not be admitted into the record. The company may file an Incentive Plan consistent with discussions at the conference within 90 days of issuance of the order.

ISSUE 126: Should this docket be closed?
RECOMMENDATION: No. The docket should remain open to allow the Commission to vote on the final rates at a Special Agenda on May 8, 2002.

DECISION: The recommendation was approved.

Commissioners participating: Jaber, Deason, Baez, Palecki, Bradley