

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 16, 2016
TO: All Parties of Record & Interested Persons
FROM: Lee Eng Tan, Senior Attorney, Office of the General Counsel
RE: Docket No. 160186-EI - Petition for rate increase by Gulf Power Company.

Docket No. 160170-EI - Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company.

There will be an issue identification meeting in the above-referenced docket at the following time and place:

10:00 a.m., Thursday, December 15, 2016
Gerald L. Gunter Building, Room G-105
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

The purpose of the meeting is to discuss issues in the Gulf rate case. Attendance is not required; however, all interested persons are encouraged to attend.

Interested persons may participate telephonically in this meeting by dialing **1-888-670-3525**, Passcode **3498283979 then #**. If you have further questions about this meeting, please call Lee Eng Tan at (850) 413-6185 or Laura King at (850) 413-6588.

If settlement of the case or a named storm or other disaster requires cancellation of the proceedings, Commission staff will attempt to give timely direct notice to the parties. Notice of cancellation will also be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link found on the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at 850-413-6199.

TLT

cc: Office of Commission Clerk

**DOCKET NO. 160186-EI- GULF POWER RATE CASE
PRELIMINARY LIST OF ISSUES**

Legal/Threshold Issues

ISSUE 1: Should the Commission approve Gulf's proposed program for electric vehicle charging stations for purposes of cost recovery?

Test Year Period and Forecasting

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

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

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

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

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

Quality of Service

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

Depreciation and Dismantlement

ISSUE 8: What, if any, are the appropriate capital recovery schedules?

ISSUE 9: What are the appropriate depreciation parameters (remaining life, net salvage percentage, and reserve percentage) and resulting depreciation rates for each production unit?

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

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

- ISSUE 12:** What, if any, corrective depreciation reserve measures should be taken with respect to the imbalances identified in Issue 11?
- ISSUE 13:** If the Commission approves Gulf's proposed electric vehicle charging stations program, what is the appropriate depreciation rate for Gulf's electric vehicle charging stations?
- ISSUE 14:** What is the appropriate current total cost of dismantling Gulf Power Company's generation fleet?
- ISSUE 15:** What, if any, corrective dismantlement reserve allocations should be made?
- ISSUE 16:** Based on the decisions in Issues 14 and 15, what is the appropriate annual accrual for dismantlement?
- ISSUE 17:** What should be the implementation date for revised depreciation rates, capital recovery schedules, dismantlement accruals, and amortization schedules?

Rate Base

- ISSUE 18:** Should the Commission allow recovery through retail rates the portion of Scherer Unit 3 that has been redirected to serving retail customers? If so, what adjustments, if any, should be made?
- ISSUE 19:** Should costs currently approved for recovery through the Environmental Cost Recovery Clause associated with Scherer Unit 3 (\$2,626,661 of O&M and \$22,695,829 of capital investments) be included in base rates for Gulf? If so, what adjustments, if any, should be made?
- ISSUE 20:** What is the appropriate amount, if any, to include in Plant in Service for Gulf's electric vehicle charging stations program?
- ISSUE 21:** What is the appropriate amount of Plant in Service for Gulf's Transmission Capital Additions?
- ISSUE 22:** Is Gulf's requested level of Plant in Service for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)
- ISSUE 23:** Is Gulf's requested level of Accumulated Depreciation for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)
- ISSUE 24:** Is Gulf's requested level of Construction Work in Progress for the 2017 projected test year appropriate? If not, what is the appropriate amount?
- ISSUE 25:** Is Gulf's requested level of Property Held for Future Use for the 2017 projected test year appropriate? If not, what is the appropriate amount?

ISSUE 26: Should any adjustments be made to Gulf's fuel inventories for the projected 2017 test year?

ISSUE 27: Is Gulf's proposed level of Working Capital for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

ISSUE 28: Is Gulf's requested rate base for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

Cost of Capital

ISSUE 29: What is the appropriate amount of accumulated deferred taxes to include in the capital structure for the 2017 projected test year?

ISSUE 30: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the 2017 projected test year?

ISSUE 31: What is the appropriate cost rate for customer deposits for the 2017 projected test year?

ISSUE 32: What is the appropriate cost rate for short-term debt for the 2017 projected test year?

ISSUE 33: What is the appropriate cost rate for long-term debt for the 2017 projected test year?

ISSUE 34: What is the appropriate cost rate for preference stock for the 2017 projected test year?

ISSUE 35: What is the appropriate return on equity (ROE) to use in establishing Gulf's revenue requirement?

ISSUE 36: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the 2017 projected test year? (Fallout Issue)

Net Operating Income

ISSUE 37: Has Gulf made the appropriate test year adjustments to remove fuel revenues and fuel expenses recoverable through the Fuel Cost Recovery Clause?

ISSUE 38: Has Gulf made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Energy Conservation Cost Recovery Clause?

- ISSUE 39:** Has Gulf made the appropriate test year adjustments to remove capacity revenues and capacity expenses recoverable through the Capacity Cost Recovery Clause?
- ISSUE 40:** Has Gulf made the appropriate test year adjustments to remove environmental revenues and environmental expenses recoverable through the Environmental Cost Recovery Clause?
- ISSUE 41:** Is Gulf's projected level of Total Operating Revenues for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)
- ISSUE 42:** Is Gulf's proposed electric vehicle charging station expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 43:** Is Gulf's proposed tree trimming expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 44:** Is Gulf's proposed pole inspection expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 45:** Is Gulf's proposed production plant O&M expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 46:** Is Gulf's proposed transmission O&M expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 47:** Is Gulf's proposed distribution O&M expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 48:** Is Gulf's proposed Incentive Compensation included in the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 49:** Is Gulf's proposed adjustment to the total Payroll Expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 50:** Is Gulf's proposed Pension Expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 51:** Is Gulf's proposed Other Post Employment Benefits Expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 52:** Is Gulf's proposed reserve target level and annual storm damage accrual for the 2017 projected test year appropriate? If not, what is the appropriate amount?
- ISSUE 53:** Is Gulf's proposed expense related to Directors and Officers Liability Insurance appropriate? If not, what adjustment should be made?

- ISSUE 54:** Is Gulf's proposed Rate Case Expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 55:** Is Gulf's proposed Bad Debt Expense for the 2017 projected test year appropriate? If not, what adjustment should be made?
- ISSUE 56:** What adjustment, if any, should be made to account for affiliated activities/transactions for the 2017 projected test year?
- ISSUE 57:** Is Gulf's requested level of O&M Expense for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)
- ISSUE 58:** What is the appropriate amount of depreciation and fossil dismantlement expense for the 2017 projected test year?
- ISSUE 59:** What is the appropriate amount of Taxes Other Than Income Taxes for the 2017 projected test year? (Fallout Issue)
- ISSUE 60:** Should the current amortization of investment tax credits (ITCs) and flow back of excess deferred income taxes (EDITs) be revised to reflect the approved depreciation rates and amortizations?
- ISSUE 61:** Is it appropriate to make a parent debt adjustment per Rule 25-14.004, Florida Administrative Code? If so, what adjustment should be made?
- ISSUE 62:** What is the appropriate amount of Income Tax expense for the 2017 projected test year? (Fallout Issue)
- ISSUE 63:** Is Gulf's requested level of Total Operating Expenses for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)
- ISSUE 64:** Is Gulf's projected Net Operating Income for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

Revenue Requirements

ISSUE 65: What are the appropriate revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for Gulf? (Fallout Issue)

ISSUE 66: Is Gulf's requested annual operating revenue increase for the 2017 projected test year appropriate? If not, what is the appropriate amount? (Fallout Issue)

Cost of Service and Rate Design

ISSUE 67: Is Gulf's proposed separation of costs and revenues between the wholesale and retail jurisdictions appropriate?

ISSUE 68: What is the appropriate treatment of production costs within the cost of service study?

ISSUE 69: What is the appropriate treatment of transmission costs within the cost of service study?

ISSUE 70: What is the appropriate treatment of distribution costs within the cost of service study?

ISSUE 71: How should any change in the revenue requirement approved by the Commission be allocated among the customer classes?

ISSUE 72: Should Gulf's proposed new methodology to design the residential base and energy charges that results in an increase from \$0.62 to \$1.58 per day, or approximately \$48 per month, in the base charge (and corresponding reduction in the energy charge) be approved?

ISSUE 73: Is the proposed new optional Residential Service – Demand (RSD) rate schedule appropriate?

ISSUE 74: Is the proposed new optional Residential Service – Demand Time-of-use (RSdT) rate schedule appropriate?

ISSUE 75: Is the proposed new optional Customer Assistance Program Rider (Rate Rider CAP) appropriate?

ISSUE 76: Is Gulf's proposal to remove the critical peak option for the General Service Demand Time-of-use (GSDT) rate schedule appropriate?

ISSUE 77: Is Gulf's proposed new Extra-Large Business Incentive Rider (Rate Rider XLBIR) appropriate?

ISSUE 78: Are Gulf's proposed changes to its small, medium, and large Business Incentive Riders appropriate?

ISSUE 79: What are the appropriate base charges?

ISSUE 80: What are the appropriate demand charges?

ISSUE 81: What are the appropriate energy charges?

ISSUE 82: What are the appropriate transformer ownership discounts?

ISSUE 83: What are the appropriate lighting charges?

ISSUE 84: Should the Commission approve the following modifications to the Outdoor Service (OS) tariff and lighting pricing methodology that have been proposed by Gulf:

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

ISSUE 85: What is the appropriate effective date for Gulf's revised rates and charges?

Other Issues

ISSUE 86: Should the Commission approve Gulf's proposed modifications to the existing residential HVAC Improvement program in its Demand-Side Management Plan?

ISSUE 87: Should the Commission approve Gulf's proposed modifications to the existing Residential Building Efficiency program in its Demand-Side Management Plan?

ISSUE 88: Should the Commission approve Gulf's proposed new residential Insulation Improvement program to be added to its Demand-Side Management Plan?

ISSUE 89: Should the Commission approve the following modifications to the Critical Peak Option for the Large Power Time-of-Use (LPT) rate schedule:

- a) Establish the Critical Peak Option as a Demand-Side Management Program;
- b) Reduce the minimum critical peak demand notification from one business day to one hour;

- c) Eliminate the restrictions on the frequency and duration of the critical peak period.

ISSUE 90: 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?

ISSUE 91: Should this docket be closed?