

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into 1995) DOCKET NO. 950837-EI
earnings of Gulf Power Company.) ORDER NO. PSC-95-0985-FOF-EI
_____) ISSUED: August 10, 1995

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING RETURN ON EQUITY AND
DEFERRING REVENUES FOR GULF POWER COMPANY

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On June 14, 1995, Gulf Power Company (Gulf) submitted its April 1995 Earnings Surveillance Report in compliance with Rule 25-6.1352, Florida Administrative Code. In the report, Gulf reported an achieved return on equity (ROE) of 12.99% for the 12 months ending April 30, 1995. Gulf's currently authorized ROE range is 11.00% to 13.00%, with a 12.00% midpoint. According to Gulf's most recently filed report for May 1995, the reported achieved ROE was 14.41%.

Due to concerns over the high level of Gulf's achieved earnings, a meeting was held on June 26, 1995, to explore alternatives regarding the disposition of any potential excess earnings. At this and subsequent meetings, various proposals were proffered concerning the disposition of any potential excess earnings. As a result of discussions at these meetings, Gulf submitted its 1995 Earnings Proposal, which is the subject of this Order.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

The entire proposal proffered by Gulf contains six separate items (See Attachment 1). We have considered Gulf's entire proposal and find it reasonable. The following provisions are particularly significant in our approval of the proposal.

Proposal Item 1

Return on Equity - Gulf proposes a cap on 1995 earnings of 12.75% ROE with any earnings in excess of this return subject to the Commission's disposition. The cap is below the top of Gulf's currently authorized range of 13.0%. Within the context of Gulf's total offer and in the interest of regulatory efficiency and cost savings, the ROE cap of 12.75% appears reasonable. However, should this matter go to hearing, we will not necessarily approve an ROE cap of 12.75%.

Proposal Item 3

ROE Calculation - The calculation of the actual ROE will be on the "FPSC Adjusted Basis" based on the December 1995 Earnings Surveillance Report. The adjustments made will be in accordance with Gulf's last rate case as modified by any current or future orders related to the recovery of economic development costs and the appropriate accounting treatment for real time pricing costs and revenue differentials. For purposes of clarification, we note that the rules addressed in PSC-95-0583-NOR-PU, Rules 25-6.0426 and 25-7.042, Florida Administrative Code, became effective July 17, 1995, pursuant to Order No. 95-0787-FOF-PU, issued in Docket No. 930165-PU, on June 29, 1995.

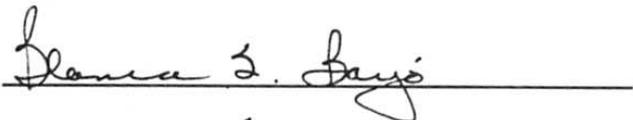
Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the proposal submitted by Gulf Power Company to establish a new return on equity, and defer revenues, attached hereto, and made a part hereof, is approved. It is further

ORDERED that this Order shall become final and effective and this docket shall be closed unless an appropriate petition for formal proceedings is received by the Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

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By ORDER of the Florida Public Service Commission, this 10th
day of August, 1995.

A handwritten signature in cursive script, reading "Blanca S. Bayó", is written over a solid horizontal line.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

BC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 31, 1995.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

GULF POWER COMPANY
1995 EARNINGS PROPOSAL

The following is Gulf Power Company's proposal:

1. Any actual jurisdictional revenues contributing to earnings in excess of an ROE of 12.75% on an FPSC adjusted basis per the earnings surveillance report for calendar year 1995 will be deferred pending FPSC review of the appropriate disposition of such revenues.
2. The 1995 revenues, if any, will be deferred until an FPSC review is completed and will accrue interest at the thirty day commercial paper rate as specified in Rule 25-6.109, Florida Administrative Code. Any excess revenues will be assumed to have occurred on a pro-rata basis each month of the calendar year 1995 and interest will be calculated accordingly.
3. The calculations of the actual ROE for 1995 will be on an "FPSC Adjusted Basis". Adjustments will be made in accordance with Gulf's last full price proceeding as modified by Order No. PSC-95-0583-NOR-PU, relating to the recovery of economic development expenses and any final order of the Commission regarding disposition of the total cost incurred by the Company to provide service under its RTP rate schedule as these costs are defined in Order No. PSC-95-0256-FOF-EI. For purposes of this proposal, the phrase "final order of the Commission" shall include resolution of any appeals taken from such order of the Commission. All reasonable and prudent expenses and investment will be allowed in the calculation and no annualized or proforma adjustments will be made.
4. Gulf agrees to petition the Commission by April 1, 1996, to determine the specific disposition of any deferred revenues and interest.
5. The calendar year 1995 surveillance report on which the deferred revenue calculation will be based is subject to audit and true-up.
6. The Commission will retain jurisdiction over all deferred revenues.

Staff would like to clarify a point in Item 3 of Gulf's proposal. The rules addressed in PSC-95-0583-NOR-PU, Rules 25-6.0426 and 25-7.042, became effective July 17, 1995, pursuant to Order No. PSC-95-0787-FOF-PU, issued in Docket No. 930165-PU.