

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 130140-EI  
ORDER NO. PSC-13-0670-S-EI  
ISSUED: December 19, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman  
LISA POLAK EDGAR  
ART GRAHAM  
EDUARDO E. BALBIS  
JULIE I. BROWN

ORDER APPROVING STIPULATION AND SETTLEMENT AGREEMENT

BY THE COMMISSION:

Background

On July 12, 2013, pursuant to Section 366.06, Florida Statutes, and Rules 25-6.0425 and 25-6.043, Florida Administrative Code (F.A.C.), Gulf Power Company (Gulf) filed a petition for permanent increase in its base rates and miscellaneous service charges. The Office of Public Counsel (OPC) was acknowledged as an intervenor in this case by Order PSC-13-0254-PCO-EI, issued on June 5, 2013. The Florida Industrial Power Users Group (FIPUG), the Federal Executive Agencies (FEA) and Wal-Mart Stores East, LP and Sam's East, LP all requested, and were granted, intervention in this proceeding.<sup>1</sup>

Order PSC-13-0342-PCO-EI, Order Establishing Procedure, was issued on July 31, 2013 setting a Prehearing Conference for November 25, 2013 and final hearing for December 9-13, 2013. On November 18, 2013, the parties filed a Joint Motion to Hold Discovery in Abeyance and Waiver of Notice of Hearing for Consideration of Settlement (Joint Motion). In the Joint Motion the parties stated that they had entered into a written settlement agreement in principle on November 15, 2013, and intended to file the final settlement agreement on or before November 22, 2013. The parties asked that all discovery be abated until the final settlement agreement could be voted on by this Commission. On November 20, 2013 the Prehearing Officer orally granted the parties' request to abate discovery until a vote on the final settlement agreement was taken. The parties filed the Stipulation and Settlement Agreement (Settlement), Document No. 07112-13, on November 22, 2013.

The parties having waived notice of hearing, at the parties' request the Settlement was added to our regular Agenda Conference on December 3, 2013 for our consideration. A

<sup>1</sup> Order No. PSC-13-0338-PCO-EI, issued on July 30, 2103; Order No. PSC-13-0339-PCO-EI, issued on July 30, 2013; Order No. PSC-13-0419-PCO-EI, issued on September 10, 2013.

Prehearing Conference was held on November 25, 2013 with consideration of all substantive issues continued until December 4, 2013, the day after our scheduled vote on the Settlement. Having voted to approve the Settlement on December 3rd, a continuation of the prehearing on December 4th was rendered moot.

We have jurisdiction over this matter pursuant to Chapter 366, F.S., including Sections 366.04, 366.041, 366.05, 366.06, 366.07, 366.076, 366.8255, 366.93, and Sections 120.57(2) and (4), F.S., and Rules 28-106.301 and 28-106.302, F.A.C.

### Ruling

Having reviewed the Settlement and the pleadings and heard argument of counsel and our staff, we find that the Settlement is in the best interests of Gulf's ratepayers and hereby approve it. When taken as a whole, all parties have asserted that this Settlement is in the ratepayers' best interests, meets the need for reliable electric service and price stability in a cost-effective manner, and establishes fair, just and reasonable rates. We agree and find the Settlement to be in the public interest. The signatories to the Settlement are organizations that represent the major customer groups served by Gulf and the entity statutorily charged with representing people of the state of Florida in proceedings before us. Further, all parties to this action are satisfied that the terms of the Settlement protect their interests and equitably resolve all issues in the case. Therefore, we find that the customers' interests are fairly represented by the signatories to the Settlement.

The Settlement covers a term of 42 months, commencing on the first billing cycle of January, 2014 and ending on the last billing cycle of June, 2017. During this period Gulf's revenue requirements will increase by \$35 million in January, 2014 followed by an additional \$20 million increase in January, 2015 for a total increase of \$55 million. This is a reduction of \$35.8 million from the revenue increase of \$90.8 million requested in Gulf's Minimum Filing Requirements (MFRs).

The Settlement contains three new economic development riders for small, medium and large businesses which are designed to stimulate economic development throughout Gulf's service territory and which will continue until the earlier of December 31, 2016 or when Gulf has added incremental load of 100 megawatts, whichever occurs first. The current depreciation rates for Gulf are continued until the next base rate case, or our decision on a depreciation study to be filed or before December 31, 2018, whichever comes first.

The Settlement also finds fifteen transmission projects with in-service dates ranging from 2013 to 2018 to be prudent for cost recovery purposes, capping their combined cost at \$197.361 million. If a listed project is not constructed, the cap for the remaining listed projects remains at \$197.361 million. If an unlisted transmission project is substituted for a listed project, that transmission line is subject to challenge by the parties on the issues of both prudence and cost. The Settlement allows Gulf to recover a special Allowance For Funds Used During Construction (AFUDC) charge for these projects past their in-service date until the next rate case adjustment date or January 1, 2017, whichever comes first. The Settlement also allows Gulf to credit



depreciation expense over the 42 month term up to \$62.5 million. Further, Gulf is entitled to establish a regulatory asset for rate case expense, amortizing first the remaining balance of the 2011 rate case expense and then the current rate case expense up until June 30, 2017. Whatever rate case expense is not amortized by that date is deemed fully recovered. In essence, allowing Gulf to accrue the special AFUDC treatment on the identified transmission projects, credit depreciation expense up to \$62.5 million and amortize rate case expense at varying rates until June 30, 2017, or the full amount is amortized, creates the means for Gulf to adjust and stabilize its earnings throughout the 42 month Settlement term, and neither under or over earn more than its allowed return on equity of 10.25 percent with a range of plus or minus 100 basis points.

Finally, Paragraph 12 of the Settlement provides that upon our approval of the Settlement, a record which contains the petition that initiated this proceeding, the MFRs, the prefiled testimony and exhibits of all witnesses and the Settlement itself would be created and treated as if admitted into evidence at final hearing. On December 2, 2013, the parties further agreed that any additional items listed in the Revised Comprehensive Exhibit List, Document No. 07457-13, provided by our staff to the parties on November 21, 2013, would also be included in this record. We find this to be reasonable and approve the inclusion of the additional items contained in Document No. 07457-13.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Stipulation and Settlement Agreement, Document No. 07112-13, is approved and incorporated herein by reference. It is further

ORDERED that the tariffs contained in Exhibit C of the Stipulation and Settlement Agreement are approved. It is further

ORDERED that the documents listed on the Revised Comprehensive Exhibit List, Document No. 07457-13 provided by our staff to the parties on November 21, 2013, per the agreement of the parties shall also be included in the settlement record. It is further

ORDERED that this docket shall be closed if no appeal is timely filed.

By ORDER of the Florida Public Service Commission this 19th day of December, 2013.



CARLOTTA S. STAUFFER  
Commission Clerk  
Florida Public Service Commission  
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

SBr

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, 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 after the issuance 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.