BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| In re: Application for authority to issue and sell securities during calendar year 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Gulf Power Company. | DOCKET NO. 20200187-EIORDER NO. PSC-2020-0400-FOF-EIISSUED: October 26, 2020 |

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman

ART GRAHAM

JULIE I. BROWN

DONALD J. POLMANN

ANDREW GILES FAY

FINAL ORDER GRANTING APPROVAL TO ISSUE AND SELL SECURITIES

BY THE COMMISSION:

 On July 31, 2020, Gulf Power Company (Gulf or Company), pursuant to Chapter 25-8, Florida Administrative Code (F.A.C.), and Section 366.04, Florida Statutes (F.S.), filed an application for authority to issue and sell and/or exchange any combination of long-term debt and equities, and issue and sell short-term debt securities during calendar year 2021.

The amount of equity securities issued and the maximum principal amount of long-term debt securities issued, will not, in aggregate, exceed more than $1.5 billion during the calendar year 2021. The maximum aggregate principal amount of short-term debt at any one time will total not more than $800 million during the calendar year 2021. Gulf confirms that the capital raised pursuant to its application will be used in connection with the regulated electric operations of Gulf and not the unregulated activities of the Company or its affiliates. We reviewed Gulf’s projected capital expenditures. The amount requested by the Company ($2.3 billion) exceeds its expected capital expenditures ($1.14 billion). The additional amount requested exceeding the projected capital expenditures allows for financial flexibility for unexpected events such as hurricanes, financial market disruptions and other unforeseen circumstances.

Gulf and its affiliate, Florida Power & Light Company (FPL), currently have a merger application pending before the Federal Energy Regulatory Commission (FERC). Contingent upon the closing of the merger, the regulated activities and operations of Gulf acquired by FPL as a result of the merger will be financed by FPL.[[1]](#footnote-1), [[2]](#footnote-2) Gulf submitted this application to ensure it has the requisite authority to finance its regulated operations in 2021 in the event FERC approval of the pending merger application is denied and/or the merger is delayed and does not occur by January 1, 2021. Upon approval of the merger, Gulf will cease to exist as a separate legal entity and therefore there will be no remaining authority under this Gulf Securities Application and the Gulf regulated activities and operations will be financed by FPL. If and when the merger of Gulf with and into FPL occurs, Gulf shall provide this Commission with prompt notice of the effective date of closing of the merger and, upon such notice, the authority granted herein shall terminate as of the effective date of the closing of the merger. As addressed in Docket No. 20200188-EI, in the event of such termination, Gulf’s liabilities or obligations, provided for in this docket, shall be assumed by FPL.

 Notice of Gulf’s application was given in the Florida Administrative Register on September 28, 2020.

1. **Proposed Transactions**

Gulf seeks authority to issue and sell and/or exchange any combination of the long-term debt and equity securities described below and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed $1.5 billion during calendar year 2021. In addition, Gulf seeks permission to issue and sell short-term securities during the calendar year 2021 in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at the time of and including any such sale shall not exceed $800 million.

The long-term debt securities may include first mortgage bonds, medium-term notes, extendible commercial notes, debentures, convertible or exchangeable debentures, notes, convertible or exchangeable notes or other similar rights exercisable for or convertible into debt securities, or other straight debt or hybrid debt securities, whether subordinated or unsubordinated, secured or unsecured, including renewals and extensions thereof, with maturities ranging from one to one hundred years. Gulf may issue long-term debt securities by extending the maturity of short-term securities. Gulf may enter into warrants, options, rights, interest rate swaps, currency swaps or other derivative instruments, or other arrangements. Gulf may also enter into debt purchase contracts, obligating holders to purchase from Gulf, and obligating Gulf to sell, debt securities at a future date or dates.

In addition, Gulf may enter into forward refunding or forward swap contracts during calendar year 2021. In conjunction with these forward contracts, Gulf may issue and sell long-term debt through December 31, 2021, which Gulf may commit to deliver under these forward contracts. Moreover, Gulf may enter into installment purchase and security agreements, loan agreements, or other arrangements with political subdivisions of the States of Florida, Mississippi, Georgia or other states, if any, where Gulf becomes qualified to do business, and/or pledge debt securities and/or issue guaranties in connection with such political subdivisions’ issuance, for the ultimate benefit of Gulf, of pollution control revenue bonds, solid waste disposal revenue bonds or similar bonds issued by certain political subdivisions of the States of Florida, Mississippi, Georgia or other states, if any, where Gulf becomes qualified to do business (such bonds collectively referred to as “Revenue Bonds”) or other “private activity bonds” with maturities ranging from one to one hundred years, bond anticipation notes or commercial paper. Such obligations may or may not bear interest exempt from federal, state or local tax. Gulf has agreed in the past and may in the future be required or permitted to provide credit enhancement for the payment of principal and interest on such obligations, including through letters of credit. In the event Gulf provides such security, in order to avoid double-counting, Gulf would only count the total amount of its Revenue Bonds or other “private activity bonds,” and would not count any credit enhancement provided in accordance with applicable bond documents.

Contemplated to be included as long-term or short-term debt securities, as appropriate, are borrowings from banks and other lenders, and obligations pursuant to issuances of letters of credit, obtained under Gulf’s various credit facilities and other loan agreements, as those may be entered into and amended from time to time. Also contemplated to be included as long-term or short-term debt securities, as appropriate, are borrowings from banks and other lenders, and obligations pursuant to issuances of letters of credit, obtained under credit facilities and other loan agreements or other arrangements, as those may be entered into and amended from time to time by one or more wholly-owned, special purpose subsidiaries of Gulf, with the proceeds of such borrowings to be used solely for the benefit of Gulf’s regulated utility operations and/or Gulf’s customers. In furtherance of the foregoing:

* On June 24, 2019, Gulf entered into a syndicated revolving credit and letter of credit agreement (referred to as the “2019 Revolving Credit Agreement”), which provides for $900 million in commitments and has an expiration date of February 8, 2025. Borrowings and letter of credit issuances under the 2019 Revolving Credit Agreement are available for general corporate purposes of Gulf, including, without limitation, to pay any interest or fees owing under that agreement, provide backup for Gulf’s self-insurance program covering its operating facilities, and fund the cost of the prompt restoration, reconstruction and/or repair of such facilities that may be damaged or destroyed due to the occurrence of any man-made or natural disaster or event or otherwise. Borrowings and/or letter of credit issuances available to Gulf under the 2019 Revolving Credit Agreement also can be used to support the purchase of Revenue Bonds that are tendered by individual bond holders and not remarketed prior to maturity.
* On September 30, 2019, Gulf entered into a $300 million term loan with a commercial bank (referred to as the “Bank 1 2019 Term Loan Agreement”), and borrowed the entire amount under the agreement. Proceeds from the borrowing under the Bank 1 2019 Term Loan Agreement provided funding for Gulf’s general corporate purposes. The borrowing under the Bank 1 2019 Term Loan Agreement has a maturity date of September 30, 2021.
* On December 13, 2019, Gulf entered into a $200 million term loan with a commercial bank (referred to as the “Bank 2 2019 Term Loan Agreement”), and borrowed the entire amount under the agreement. Proceeds from the borrowing under the Bank 2 2019 Term Loan Agreement provided funding for Gulf’s general corporate purposes. The borrowing under the Bank 2 2019 Term Loan Agreement has a maturity date of June 13, 2021.
* On April 27, 2020, Gulf entered into a revolving credit agreement with a commercial bank which provides a $100 million commitment and has a maturity date of April 26, 2021.
* On May 31, 2020, Gulf entered into a revolving credit agreement with a commercial bank, which provides for a $100 million commitment and has a maturity date of November 30, 2020.
* On May 31, 2020, Gulf entered into a revolving credit agreement with a commercial bank, which provides for a $100 million commitment and has a maturity date of November 30, 2020.

Additionally, debt securities may be issued by Gulf or its affiliates in connection with one or more facilities secured by accounts receivable or involving the sale of accounts receivable or interests therein to be used solely for the benefit of Gulf’s regulated utility operations.

Equity securities that may be issued by Gulf include preferred stock, convertible preferred stock, or warrants, options or rights to acquire such securities, or other similar rights exercisable for or convertible into preferred stock, or purchase contracts obligating holders to purchase such securities, or other equity securities, with such par values, terms and conditions and relative rights and preferences as deemed appropriate by Gulf and as are permitted by its First Amended and Restated Articles of Incorporation, as the same may be amended from time to time.

 Gulf may also enter into financings, whereby Gulf would establish and make an equity investment in one or more special purpose limited partnerships, limited liability companies, statutory trusts or other entities. Gulf, or a wholly-owned subsidiary of NextEra Energy, Inc. (NEE), would act as or appoint the general partner, managing member, sponsor or other members of each such entity. The entity would offer preferred or debt securities to the public and use the proceeds to acquire debt securities from Gulf. Gulf would issue debt securities to the entity equal to the aggregate of Gulf’s equity investment and the amount of preferred or debt securities sold to the public by the entity. Gulf may also guarantee, among other things, the distributions to be paid by the affiliated entity to the preferred or debt securities holders. Payments by Gulf on the debt securities sold to the entity would be used by that entity to make payments on the preferred or debt securities as well as on Gulf’s equity investment. Consequently, in the event of such a financing, to avoid double-counting, Gulf would only count the total amount of its debt securities issued to the entity, and would not count the equity securities issued by the entity to Gulf, the preferred or debt securities issued by the entity to the public, or the related Gulf guaranties with respect to such preferred or debt securities issued by the entity to the public, against the total amount of proposed long-term debt and equity securities.

In connection with the issuance (i) by Gulf of long-term or short-term debt securities or preferred stock or (ii) by an affiliated entity of preferred or debt securities, the terms of which preferred or debt securities or stock permit Gulf or the affiliated entity ( as applicable) to defer principal, interest or other distributions for certain payment periods, Gulf may agree to sell additional equity securities and/or long-term or short-term debt securities and to use the proceeds from the sale of those other securities to make principal, interest or other distributions on such preferred or debt securities or stock as to which such principal, interest or other distributions have been deferred. In addition, in connection with the issuance (i) by Gulf of long-term or short-term debt securities or preferred stock or (ii) by an affiliated entity of preferred or debt securities, Gulf may covenant, pledge or make other commitments in favor of holders of such new stock or preferred or debt securities or the holders of previously-issued stock or preferred or debt securities, providing that such stock or preferred or debt securities will not be acquired (by redemption, purchase, exchange or otherwise), or otherwise satisfied, discharged or defeased, in certain circumstances unless such acquisition (by redemption, purchase, exchange or otherwise), satisfaction, discharge or defeasance is accomplished by (1) the issuance of, or (2) proceeds from the issuance of, a security or securities satisfying the provisions set forth in such covenant, pledge or other commitment.

The exchange of Gulf’s securities may be by way of an exchange of a security of Gulf for another security or securities of Gulf or of one of its affiliates, or the exchange of a security of Gulf or of one of its affiliates for the security or securities of another entity.

The manner of issuance and sale and/or exchange of securities will be dependent upon the type of security being offered, the type of transaction in which the securities are being issued and sold and/or exchanged and market conditions at the time of the issuance and sale and/or exchange.

The short-term securities will have maturities of not more than twelve months and may be secured or unsecured, subordinated or unsubordinated. Gulf may enter into warrants, options, rights, interest rate swaps, currency swaps or other derivative instruments, refunding transactions or other arrangements relating to, as well as contracts for the purchase or sale of, short-term securities. Consistent with Securities and Exchange Commission “no-action” letters, Gulf may issue and sell commercial paper without compliance with the registration requirements of the Securities Act of 1933, as amended, subject to certain conditions.

The short-term securities are issued to provide funds to temporarily finance portions of Gulf’s construction program and capital commitments and for other corporate purposes. Also, during the 2021 period, Gulf may need short-term financing for, among other purposes, seasonal fuel requirements, for contingency financing such as fuel adjustment under-recoveries or storm restoration costs, and for the temporary funding of maturing or called long-term debt or equity securities.

The interest rate that Gulf could pay on debt securities will vary depending on the type of debt instruments and the terms thereof, including specifically the tenor (i.e.,the term) of the debt and whether the debt is secured or unsecured and subordinated or unsubordinated, as well as market conditions. Based upon current rates for comparable 30-year senior notes, it is estimated that an issuance of Gulf 30-year senior notes as of June 30, 2020, would have carried an interest rate of approximately 2.90%. The dividend rate for preferred stock is similarly affected by the terms of the offering. It is estimated that a new issue of Gulf preferred stock as of June 30, 2020, would have carried a dividend yield of approximately 4.90% to 5.40%. The actual interest rates and dividend rates will be determined by market conditions at the time of the sale of the securities. A new series of 30-year variable rate industrial development revenue bonds was issued by Bay County, Florida on June 11, 2020, which proceeds were loaned to Gulf under a loan agreement, and which variable rate is established at various intervals by the remarketing agent for such bonds.

In addition, Gulf may from time to time issue instruments of guaranty, collateralize debt and other obligations, issue other securities, and arrange for the issuance of letters of credit and guaranties, in any such case to be issued or arranged by Gulf or by one or more of its affiliates for the benefit of Gulf’s regulated utility operations. Gulf confirms that any such issuances described above will be used in connection with the regulated activities of Gulf, and not the nonregulated activities of its affiliates.

Gulf shall file a consummation report with this Commission in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days after the end of any fiscal year in which it issues securities.

Furthermore, Gulf anticipates it will merge with and into its affiliate FPL in 2021. Upon the effectiveness of the merger with FPL, no further issuances of securities or assumptions of liabilities or obligations will be permitted under the Order and any securities issued or liabilities or obligations assumed under the Order will become securities, liabilities or obligations, as the case may be, for FPL. Contemporaneously with the filing of Gulf’s Application, FPL has filed an Application with this Commission that, among other things, seeks authority contingent upon the effectiveness of the merger to issue and sell debt and equity securities to finance the regulated activities and operations of Gulf acquired by FPL as a result of the merger. Upon the effectiveness of the merger, the authority requested in this Application will cease to be effective, and Gulf will provide prompt notice to this Commission that the authority granted under said Order should be terminated as of the date of the merger.

1. **Purposes of Issues**

It is expected that the net proceeds to be received from the issuance and sale and/or exchange (if there are any net proceeds from an exchange) of the additional long-term debt and equity securities (with the exception of the proceeds of the issuance and sale of any Revenue Bonds or other “private activity bonds” (whether structured as variable rate demand notes or otherwise) or similar securities which will be used for specific purposes) will be added to Gulf’s general funds and will be used to finance the acquisition or construction of additional regulated utility facilities and equipment, as well as capital improvements to and maintenance of existing facilities; to acquire (by redemption, purchase, exchange or otherwise), or to otherwise satisfy, discharge or defease, any of its outstanding debt securities or equity securities; to repay all or a portion of any maturing long-term debt obligations; to satisfy Gulf’s obligations under guaranties; to repay all or a portion of short-term bank borrowings, commercial paper and other short-term debt outstanding at the time of such transactions; and/or for other corporate purposes. Proceeds, if any, may be temporarily invested in short-term instruments pending their application to the foregoing purposes.

Gulf maintains a continuous construction program, principally for electric generation, transmission and distribution facilities. As of June 30, 2020, Gulf estimated its capital expenditures under its 2021 construction program to be approximately $840 million.[[3]](#footnote-3)

At present, none of the planned expenditures in 2021 require a certification of need by this Commission under the Florida Electrical Power Plant Siting Act or the Transmission Line Siting Act. Gulf’s long-range construction program is subject to periodic review and revision. The construction program referred to herein has been necessitated by continued growth in the demand for service on Gulf’s system and the replacement and improvements required to its existing system. It is manifestly in the public interest for Gulf to raise the funds which are required to perform such service.

Under future market conditions, the interest rate on new issue long-term debt or the dividend rate on new issue preferred stock of Gulf may be such that it becomes economically attractive to acquire (by redemption, purchase, exchange or otherwise), or otherwise satisfy, discharge or defease, a portion or all of certain of its long-term debt securities or equity securities, providing an opportunity for Gulf to reduce interest or dividend expense even after accounting for such other considerations as the (i) redemption or other reacquisition premium, (ii) other associated reacquisition or discharge expenses and (iii)related income tax effects. This reduction would be beneficial to Gulf's customers and, with proper regulatory treatment, would not be detrimental to Gulf’s common shareholder. Other important considerations in making such a decision would include an assessment of anticipated future interest and dividend rates and Gulf’s ability to raise enough new capital to finance its construction program while concurrently pursuing any refinancing opportunities. Gulf might also consider acquiring or otherwise satisfying, discharging or defeasing a portion or all of certain of its long-term debt securities or equity securities for reasons other than interest or dividend expense reduction.

Under future market conditions, it may be economical to enter into forward refunding or forward swap contracts. The forward refunding contracts would be for the purpose of refunding long-term debt (including but not limited to refunding Revenue Bonds) which may be issued on Gulf’s behalf and which can be callable. Under federal tax law, the refunding of Revenue Bonds with tax-exempt bonds issued more than 90 days prior to the redemption or retirement of the outstanding issue is heavily restricted. However, through a forward refunding contract, Gulf could lock-in prevailing tax-exempt fixed rates for refunding Revenue Bonds which would be issued 90 days prior to a call date of the outstanding issue. Alternatively, Gulf could enter into a forward swap contract, to become effective on a call date of the outstanding issue, to lock-in prevailing tax-exempt fixed rates. Any anticipated savings generated by such forward transactions would be spread over the combined life of the outstanding bonds and the refunding bonds starting with the execution of the forward contract.

Gulf confirms in its application that the capital raised pursuant to this Application will be used in connection with the regulated activities of Gulf and Gulf’s affiliates, and not the nonregulated activities of its affiliates.

1. **Conclusion**

Having reviewed the application, it is the finding of this Commission that Gulf has complied with the requirements of Section 366.04, F.S., and Chapter 25-8, F.A.C., in applying for the authority to issue and sell securities. Therefore, Gulf’s application is hereby granted.

Our approval of the proposed issuance and/or sale of securities by Gulf does not indicate specific approval of any rates, terms, or conditions associated with the issuance. Such matters are properly reserved for our review within the context of a rate proceeding. Our approval of the issuance of securities constitutes approval only as to the legality of the issue. In approving the subject financing, we retain the right to disallow any of the costs incurred for ratemaking purposes.

 Based on the foregoing, it is

 ORDERED by the Florida Public Service Commission that that the application by Gulf Power Company to issue and sell securities pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code, is granted as set forth herein. It is further

ORDERED that Gulf is hereby authorized to issue and sell and/or exchange any combination of long-term debt and equity securities and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed $1.5 billion during calendar year 2021, for the purposes and in the manner described in Gulf’s Application. It is further

ORDERED that Gulf is hereby authorized to issue and sell short-term securities in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at the time of and including any such sale shall not exceed $800 million during calendar year 2021 for the purposes and in the manner described Gulf’s Application. It is further

ORDERED that, if and when the merger of Gulf with and into Florida Power & Light Company occurs, Gulf shall provide the Commission with prompt notice of the effective date of closing of the merger and, upon such notice, the authority granted herein shall terminate as of the effective date of the closing of the merger. It is further

ORDERED that, to the extent that the effective date of closing of the merger occurs on or before January 1, 2021, this docket shall be administratively closed upon Commission’s receipt of Gulf’s notice of the merger. It is further

ORDERED that, to the extent that Gulf issues securities in 2021 pursuant to the authority granted herein, Gulf or its successor entity shall file a Consummation Report in accordance with Rule 25-8.009, F.A.C., no later than ninety (90) days after the end of the fiscal year. This docket shall remain open until May 2, 2022, to monitor the issuance and/or sale of securities until Gulf submit and Commission staff has reviewed the Consummation Report, at which time it shall be closed administratively.

 By ORDER of the Florida Public Service Commission this 26th day of October, 2020.

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|  | /s/ Adam J. Teitzman |
|  | ADAM J. TEITZMANCommission 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.

BYL

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.

1. Document No. 04180-2020, Docket No. 20200188-EI, *In re: Application for authority to issue and sell securities during calendar years 2020 and 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company and Florida City Gas*. [↑](#footnote-ref-1)
2. The companion securities docket for FPL and Florida City Gas is Docket No. 20200188-EI, *In re: Application for authority to issue and sell securities during calendar years 2020 and 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company and Florida City Gas*. [↑](#footnote-ref-2)
3. *See* Exhibit B to Gulf’s application. [↑](#footnote-ref-3)